



# REPORT & ANALYSIS: THE EUROPEAN NARROW WEB MARKET

Dear FINAT Member,

It is my pleasure to deliver to you the 4th edition of the FINAT RADAR.

This edition, again compiled by LPC, will feature the results of a survey that was done among a panel of leading brand owners to identify trends and developments in the use of self-adhesive labels and adjacent product decoration and identification technologies, such as wraparound, shrink sleeves and in-mould labels.

Items addressed in the survey included a variety of topics, ranging from quantitative trends in label volumes purchased, to more qualitative aspects regarding environmental certification requirements, regional sourcing shifts, procurement trends, label design, co-creation. The survey was validated by telephone interviews assessing further the market drivers impacting the sourcing of labels and competing technologies.

As in the previous three editions of the FINAT RADAR, the report also tracks the evolution of labelstock demand (based on FINAT's labelstock statistics) and new press installations. With Labelexpo Europe just behind us, it will be interesting to see what the impact has been on our industry's installed base. With the growing representation of digital toner and inkjet based press manufacturers in FINAT we are hoping that soon we will have an even more complete overview covering conventional, digital and hybrid installations.

The FINAT RADAR is one of the cornerstones of FINAT's strategy to offer a unique source of strategic business knowledge and intelligence that is key to business success for label companies operating in an international context. We trust that this edition will again fulfil this goal and provide useful input for strategic planning and decision making.

I wish you good reading and a relaxing Christmas break!

Thomas Hagmaier  
FINAT President

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Researched and compiled by LPC, Inc.



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## SCOPE OF THE REPORT

Differentiation. Speed to market. Run size shrinkage. These were some of the terms that dominated interviews with brand owners and packaging buyers in the research for this issue of the FINAT RADAR. This issue of the report is the brand owner issue and the issue FINAT members received at the beginning of the summer was the converter issue. Moving forward, the RADAR will continue to alternate between a converter focus, and a brand owner focus, and this issue of the report focuses on the current state of brand owners and packaging buyers across every major region in the European marketplace. More than 70 brand owners participated in surveys and interviews for the compilation of this edition of the report.

During interviews, brand owners talked extensively about today's European consumers. According to surveyed companies, today's post-financial crisis consumers are more educated and demanding than ever before. Continuous product promotions during the financial downturn have resulted in a consumer that very carefully, and constantly, evaluates price. They are more health conscious than in the past, and hold the companies whose products they buy accountable for becoming better stewards of the environment.

In order to more effectively differentiate themselves from private label products, brands must deliver constant reinvention at expedited time frames and this raises the bar ever higher for the companies that supply printed packaging. Time has become one of the most precious commodities and it grows increasingly critical for label converters to figure out ways to deliver innovation, advice and guidance the most concise and fastest way possible.

As a Director of Packaging at a multi-national food and beverage conglomerate stated, *"It's all about the exchange of information, but through multiple channels. If I were trying to be a more effective label supplier, or if I were approaching a prospect, as a label converter I would insist as much as possible that I have discussions with the package engineering guy, the technical department guy, and the marketing department guy."* The effective dissemination of information has become a tool that label converters can use to 'de-commoditize' their products in the eyes of their customers and prospects and the companies that excel at doing this will become the market's superstars.

Retailers and brands are facing expanding E-commerce behaviours and companies are strategizing how to most effectively position their products via online channels in addition to on store shelves. Does this change the expectations brand owners will place on their label converters given the reality that more and more products' images will be purchased when displayed on a computer monitor, cell phone or tablet? Will label design requirements change? This is a central question to this edition of the RADAR and Section 1a explores this issue in-depth.

In putting together this issue of the FINAT RADAR, research firm LPC, Inc. worked closely with a group of FINAT converter members in crafting quantitative survey and qualitative interview questions that would deliver the most relevant and timely information possible to both the association's converter and supplier members. Converter input is represented throughout these pages and LPC would like to thank each and every converter member who assisted with this process.

## BRAND OWNER VIEWPOINT: THE INTERNET OF (LABELLING) THINGS

### What Does the Continued Growth of Online Retailing Mean for Label Design and the Complexity of Label Appearance Standards?

At the beginning of the process of researching this edition of the RADAR, LPC's principals met with a select group of FINAT converter members to ask what these companies wanted to know from brand owners and packaging buyers throughout the region. One of the central topics for discussion that converters mentioned was the area of online retailing and how the increase in E-commerce will currently, and in the future, impact the demands that brand owners and packaging buyers are placing on their label vendors.

E-commerce is currently the fastest growing retail market in Europe. In 2015 the purchase of goods online is predicted to increase more than 18% over 2014 performance. For purposes of the RADAR, E-commerce/online retail is defined as the sales of goods purchased by consumers over the internet. Sales made using mobile phones and/or tablets are included in the figures presented herein.

The European online retail marketplace is dominated by the UK, Germany and France, which together make up more than 80% of the online retail sectors of the countries highlighted in the table below. This table shows online retail sales growth by country for 2014 and 2015.

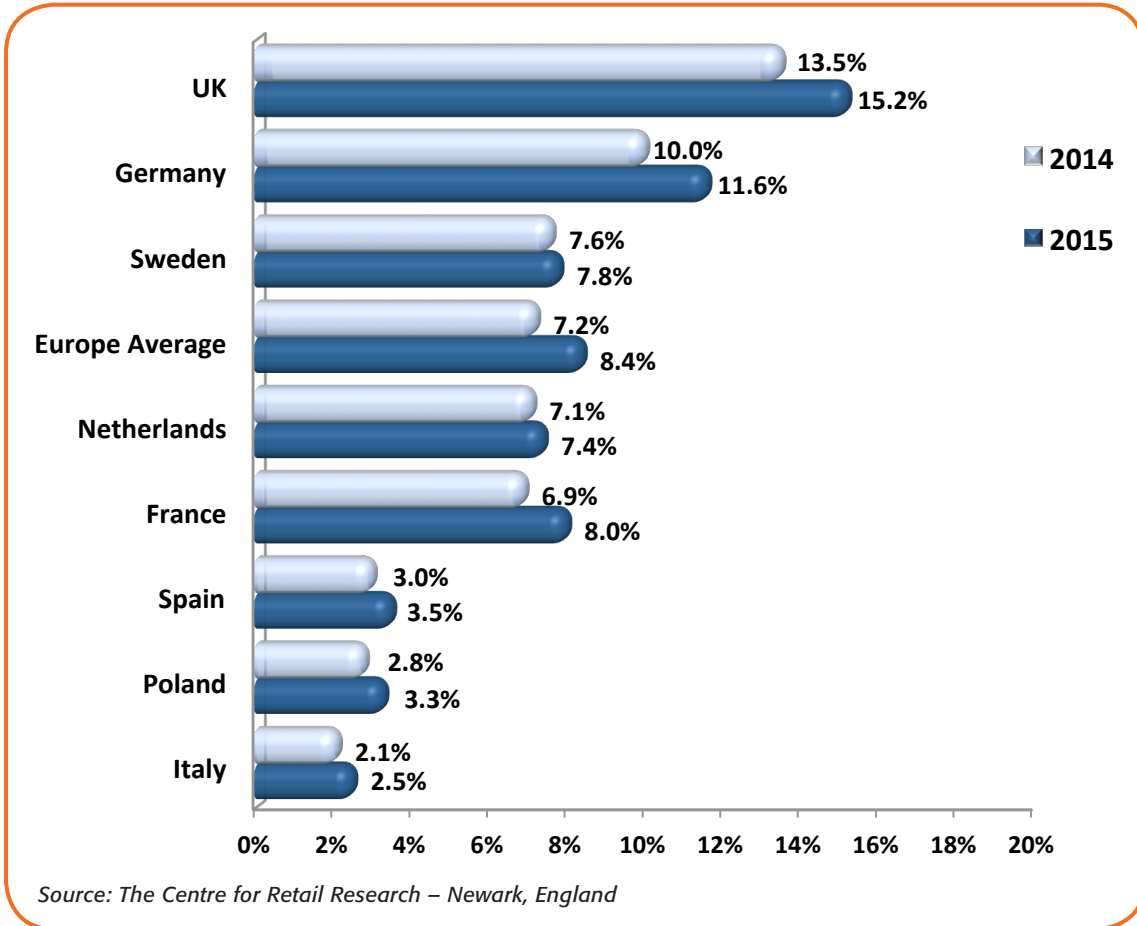
Online Retail Sales/Growth by Country 2014 & 2015				
Country	Online Sales in Euro (bn) 2014	Growth 2014	Online Sales in Euro (bn) 2015	Growth 2015
UK	€ 51.82	15.8%	€ 61.84	16.2%
Germany	€ 40.60	25.0%	€ 52.79	23.1%
France	€ 30.32	16.5%	€ 36.53	17.0%
Spain	€ 7.85	19.6%	€ 9.64	18.6%
Italy	€ 6.08	19.0%	€ 7.51	19.0%
Netherlands	€ 5.85	13.5%	€ 7.03	16.8%
Sweden	€ 4.17	15.5%	€ 4.93	15.5%
Poland	€ 4.04	22.6%	€ 5.12	21.0%

Source: The Centre for Retail Research – Newark, England

Germany currently has the fastest-growing online retail sector with 2015 growth forecasted at more than 23%. While countries like Poland and Sweden have much smaller online retail markets, double-digit growth in these markets is projected to continue over the next five years.

# SECTION 1a

In Germany and the UK, the percentage of total retail sales that took place online in 2015 is greater than 10% while countries like Italy, Poland and Spain have a much smaller portion of sales taking place over the internet. The graph below indicates the percentage of online sales by country for 2014 and 2015.



The weighted average share of online retail sales for the EU was 7.2% in 2014 and is predicted to reach 8.4% by the end of 2015. As a comparison, retail sales were 11.6% of the U.S. total market in 2014 and in 2015 it is estimated that 12.7% of all retail sales will be made over the internet. In the U.S., 57.4% of the population is classified as E-shoppers compared to 46.7% in Europe.

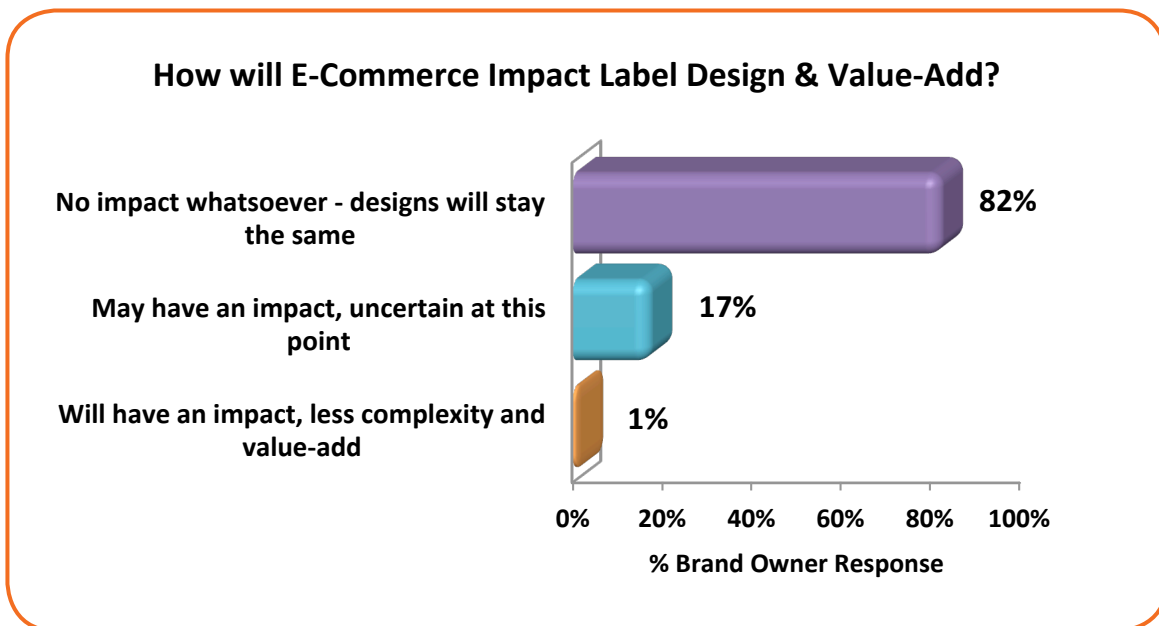
## The Impact of E-Commerce on Label Converters

When standing in front of a retail shelf the consumer has a physical relationship with a product's printed packaging. In brand-saturated sectors like food, beverage, household chemicals and nutraceuticals; labels are a vehicle through which the initial relationship with the consumer is established. Companies tell their 'brand stories' by a label and the design of what consumers hold in their hands can have a profound impact on why a consumer purchases one product instead of another. However, what happens when that point of initial physical contact is removed? A consumer purchasing a product via a computer, mobile phone or tablet has no physical relationship with a product whatsoever. Application graphics often appear skewed online and design elements can get lost when viewing images of products on a screen rather than the multi-dimensional version that sits on a retail shelf.

During qualitative interviews with brand owners and packaging buyers for the compilation of this edition of the RADAR report, interview candidates were asked to comment on their thoughts regarding how online retailing would possibly change the way labels are designed. The goal of this research area was to probe companies as to the complexity of their label designs and how the expanding reach of E-commerce would affect what is produced on converters' label presses.

Discussions asked about the general area of label complexity in addition to asking questions such as: Would labels in the future require fewer colors? Would the expansion of online retail eradicate the need for premium, value-add elements such as foiling, metallic inks, intricate diecuts and embossing?

The chart below breaks down the responses of interviewed brand owners and packaging buyers to these questions.



More than four out of five companies surveyed claimed that online retailing would have *no impact on their companies label designs or complexity levels whatsoever*. For the vast majority of brand owners, label complexity levels will retain their status quo. However, the reasons interview candidates gave for this being the case varied. A Spain-based global package purchasing manager for one of the largest multinational health and hygiene companies in Europe commented as follows:

***“Even though internet sales for our products are going up, packaging still remains very important as the first contact with the consumer. That means for us, the experience for the consumer once they have the packaging in their hands is still important because this influences how we want to position our products. If we want to sell a premium product at a premium price it doesn’t matter if it’s through the internet or through the supermarket, we want the consumer to have that first positive relationship and that relationship starts when they are first touching the product whether it’s at home or in front of the store shelf. Will our labels be more technical and more complex? Yes. We are always looking for new, innovative ways consumers interact with our products so complexity levels will only increase.”***

Design standards remaining unchanged in the personal care industry is understandable. Consumers’ relationships with these products is usually one of daily usage and physical contact with a bottle of shampoo, skin care, moisturizer or lipstick is an intimate one – the bottle is frequently in the consumer’s hand and label look and performance is paramount. This dynamic was also expressed by brand owners serving the food, pet food, pharmaceutical and beverage industries.

However does the same hold true for other consumer packaged goods categories in which the consumer doesn’t interact as often with the product? A number of household chemical brands participated in both qualitative interviews in addition to the quantitative survey for this edition of the RADAR and research indicates that the sentiment is the same – online retail will not impact the complexity of labels in the foreseeable future. A purchasing manager at a German household chemical company (primarily lawn and garden care) stated:

***“Our label complexity will not change. We already are selling through internet channels and we sell products with the exact same labels the products we sell through retail stores carry. If you go to a DIY store and purchase one of our products it is the same label as what you would order from the internet. We won’t decrease the quality of our label design because of the distribution network we have in place. It wouldn’t make sense for us to have separate distribution channels for products sold over the internet versus products sold in stores. We will always look to balance cost and quality, however our label standards will not change no matter how many of our products are sold over the internet.”***

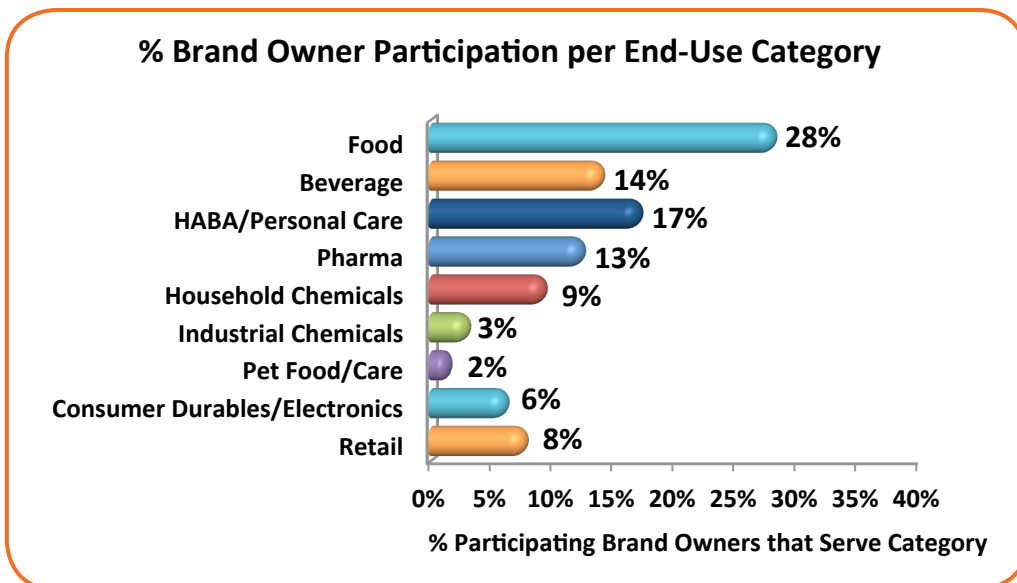
## BRAND OWNER VIEWPOINT: THE RADAR BRAND OWNER SURVEY

**Label purchasing volume growth, environmental practices, label vendor loyalty, off-shore sourcing, first point of contact and the forces that are impacting companies in relation to the labels they purchase for their products.**

More than 70 brand owners and packaging buyers participated in the 2015 Brand Owner Survey for this edition of the RADAR. Survey participants either directly source labels, or influence the label procurement, design and/or engineering process. Participating companies included brand owners of all sizes: from Nestlé, Tesco, P&G and Scotts to smaller regional food, beverage, personal care and consumable durables companies.

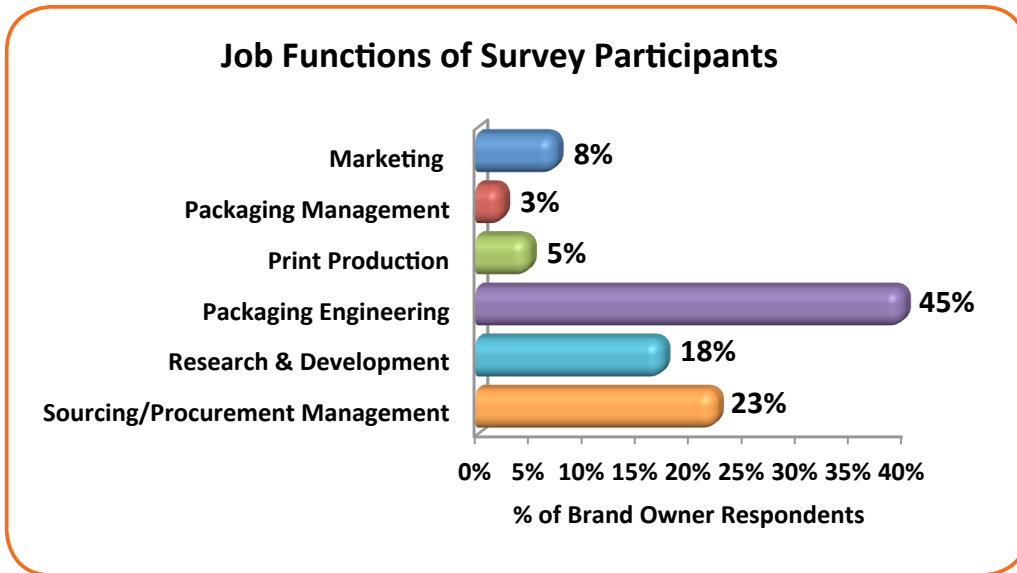
A group of FINAT converters was instrumental in helping to craft the survey questions and establish qualitative interview objectives and discussion points, and brand owners and packaging buyers from every region of Europe participated in the survey and qualitative interviews. The majority of brand owner companies that participated source both digital and conventionally-printed labels and all print processes (flexo, offset, rotogravure, etc.) and labeling formats (self-adhesive, glue-applied, in-mould, shrink sleeves, etc.) are represented.

The graph below indicates a breakdown of brand owner participation per end-use sector.



As has been the trend with RADAR Brand Owner surveys, companies in the automotive sector declined to participate in the research process.

In addition to asking surveyed brand owners and packaging buyers to indicate the end-use sectors they serve, respondents were also asked to specify their job function. The chart below breaks down brand owner participation by job title.

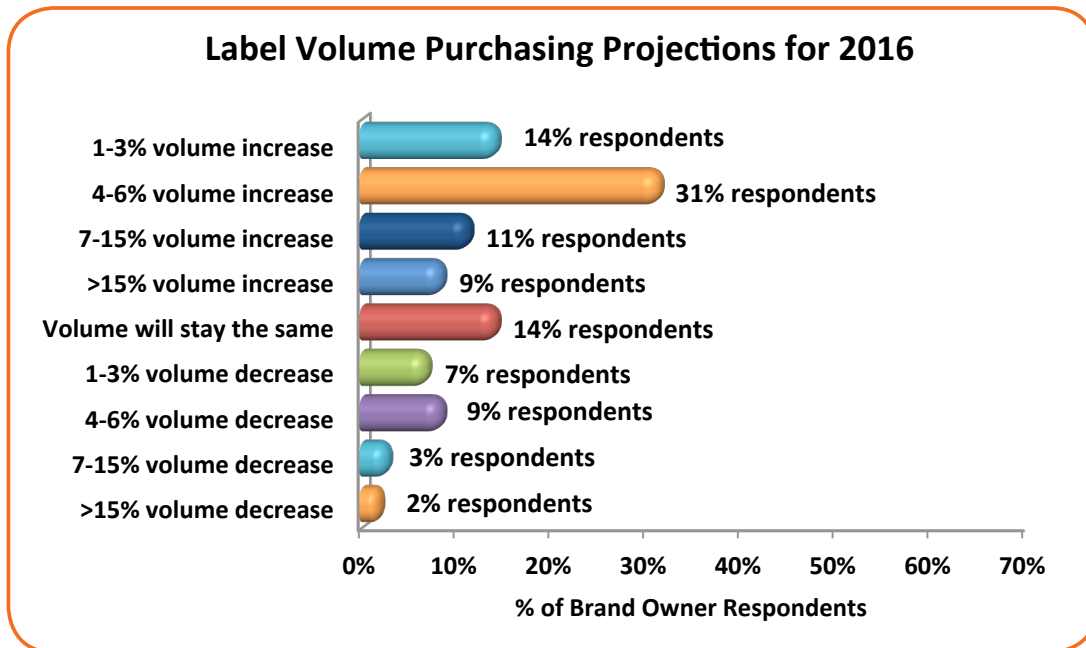


Compared to past RADAR Brand Owner Surveys, participants in this most recent research represented a wider breadth of departments across the consumer packaged goods personnel chain. In addition to package engineering, R&D and sourcing; the departments of marketing, packaging management and print production were also represented.



## Will Brand Owners be Buying more Labels? Projection Volumes for 2016

One of the first things the RADAR Brand Owner Survey asked participants to do was to indicate the rate at which their purchased label volumes would increase, or decrease, over the course of the next 12 months. Respondents were given a range of values to choose from (1-3%, 4-6%, etc.) and the chart on the following page indicates a breakdown of label volume growth or contraction predictions in 2016.



One of the most important questions the RADAR survey asks brand owners is what they project their label purchasing volumes will be in the coming year. It's important to note that more than 70% of brand owners participating in the most recent RADAR Brand Owner Survey were the same companies that participated in the 2014 surveys. Therefore, projection averages are essentially reflective of the same group of companies and is a critical gauge for being able to ascertain sourcing volume trends over the course of the next year. Data averages demonstrate that label sourcing volumes in 2016 are predicted to be higher than what was projected in 2015, however only by a very small margin. The table below compares label volume sourcing averages for 2015 and 2016.

Label Volume Growth – All of Europe				
Average Label Procurement Volume Increase 2015*	Average Label Procurement Volume Increase 2016*	% Brand Owners Indicating Label Procurement will Increase	% Brand Owners Indicating Label Procurement will Stay the Same	% Brand Owners Indicating Label Procurement will Decrease
3.61%	3.67%	65%	14%	21%

\*For both years label procurement volume shifts were projections. 2015 projections were from the RADAR 2014 Brand Owner Survey.

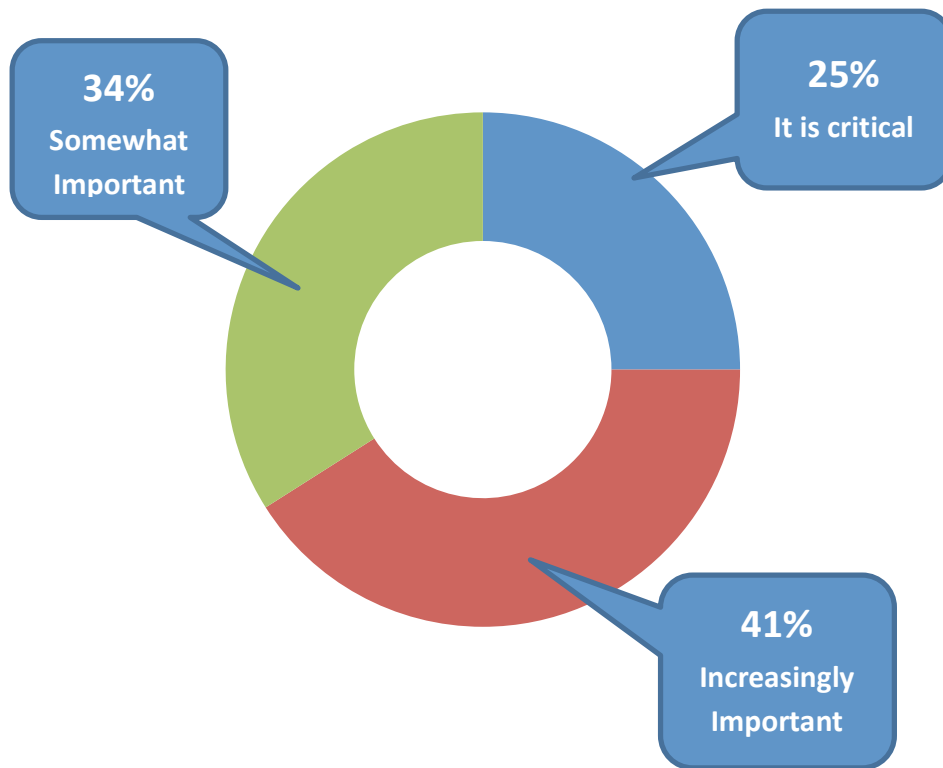
## Imposing Sustainability Measures Down the Supply Chain: How Important is it that Label Converters Commit to Best Environmental Practices?

In past RADAR surveys, brand owners were asked how important it is that their label converters receive some type of environmental certification. This question was asked again in the most recent Brand Owner Survey, however the environmental section of the survey explored other initiatives as well. This section of the survey asked brand owners:

- How important is it that your label suppliers have some type of environmental certification?
- How important is it that your label suppliers are recycling some, or all, of their waste materials?
- How important is it that your label suppliers are using Life Cycle Analysis (LCA) as a sustainability tool?

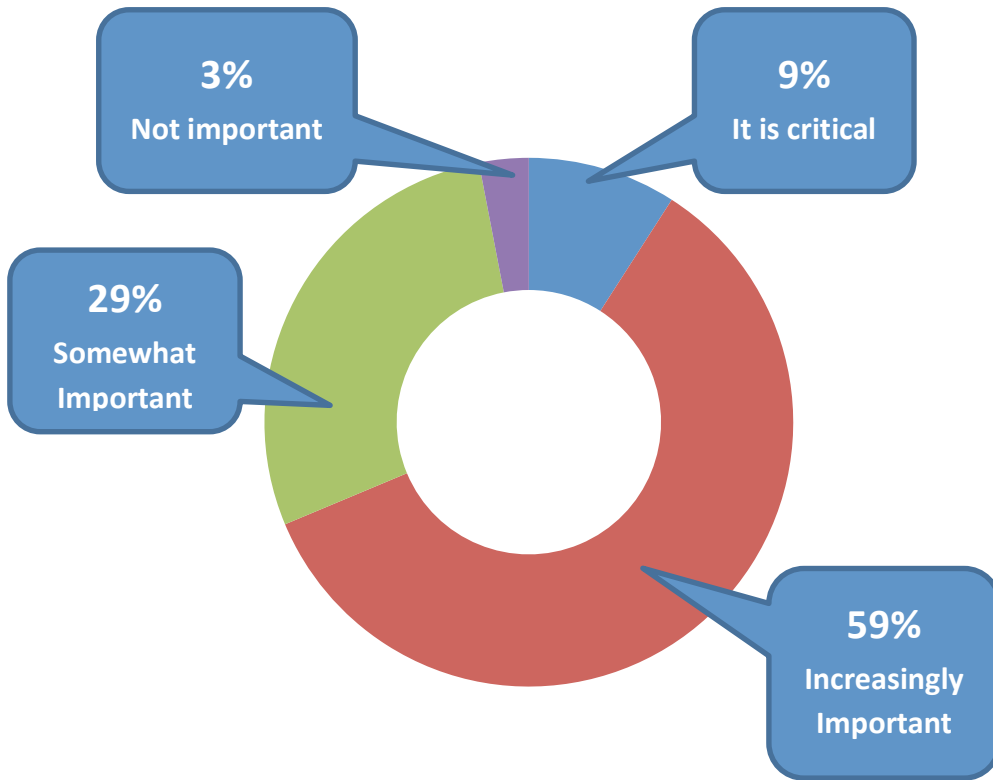
To rank the importance of these questions, brand owners were given the response options of: *Not important*, *Somewhat important*, *Increasingly important*, and *It is critical*. The charts that follow break down brand owners' responses to each question.

### How important is it that your label suppliers have environmental certification?

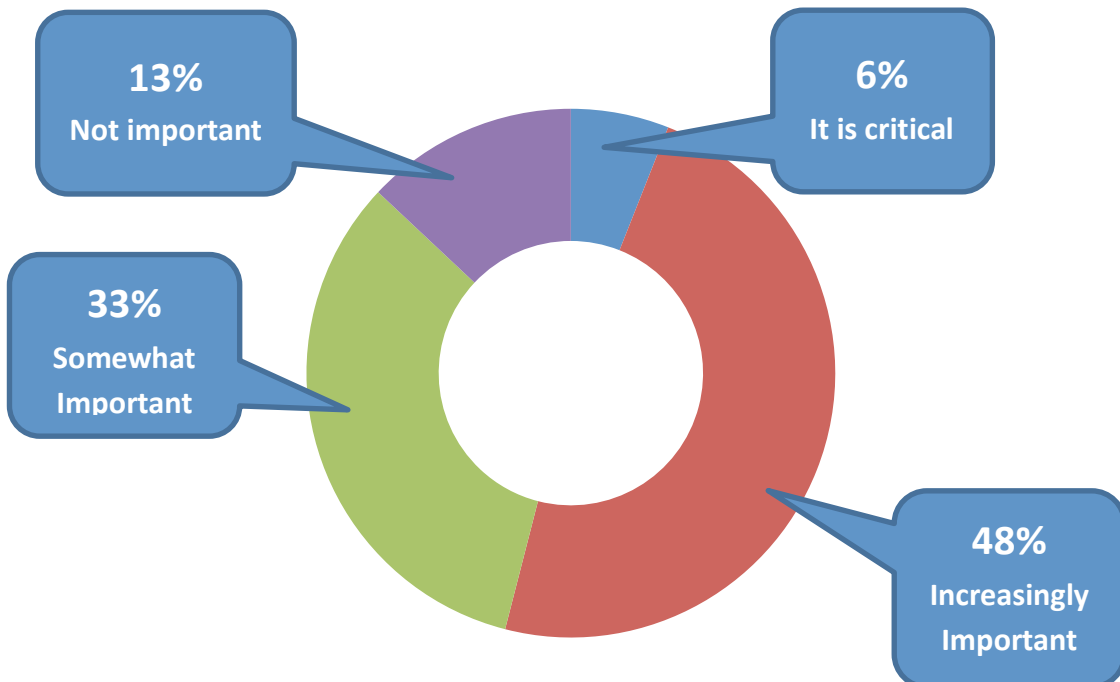


\*No companies indicated 'Not important'

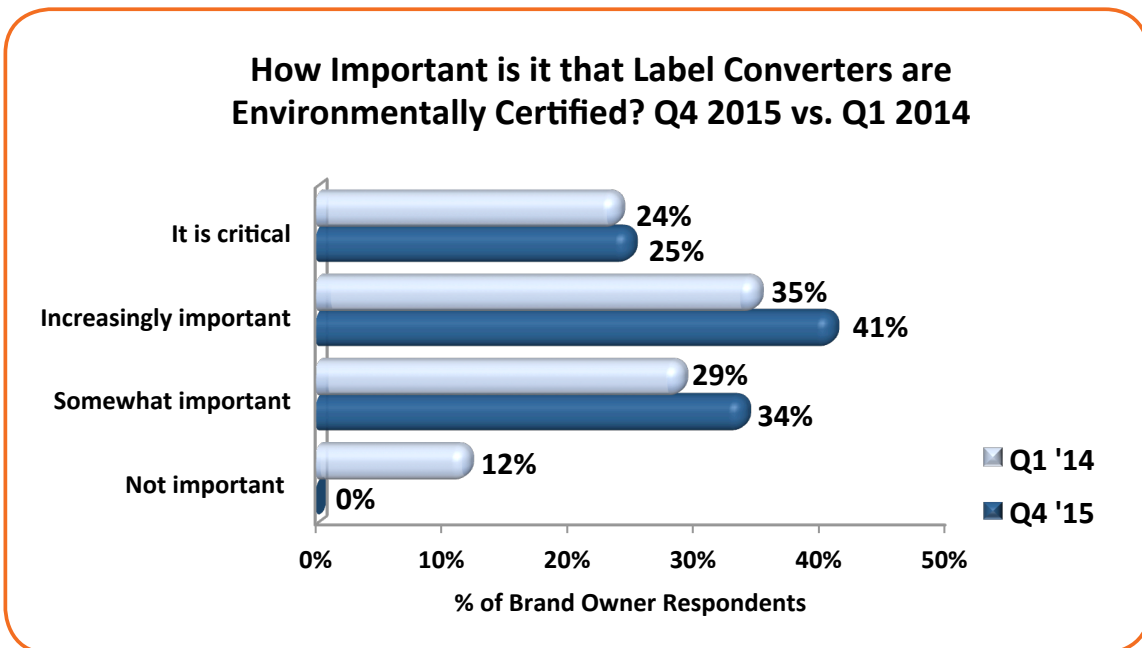
How important is it that your label suppliers are **recycling waste** materials?



How important is it that your label suppliers are **using LCA**?



The importance that brand owners and packaging buyers place on their label suppliers achieving environmental certification is something that the RADAR has been gauging for two years. The first RADAR Brand Owner Survey that was distributed in the first quarter of 2014 asked this question and the chart below compares 2014 feedback with the results of the most recent survey. Once again, it's important to note that the majority of the brand owner companies participating in researching the RADAR report participated in both surveys hence the comparison offers tangible data as to the true shift in the market concerning this important issue.



It is evident that it is increasingly important that label vendors achieve some type of environmental certification. While there was only a small percentage of brand owners indicating that it is critical their label suppliers are certified, 6% more respondents stated certification is increasingly important in the most recent survey, and 5% more stated that label suppliers having some type of environmental certification is somewhat important. The most drastic difference lies in the percentage of companies indicating that certification is not important today, versus the percentage of companies that indicated the same nearly two years ago.

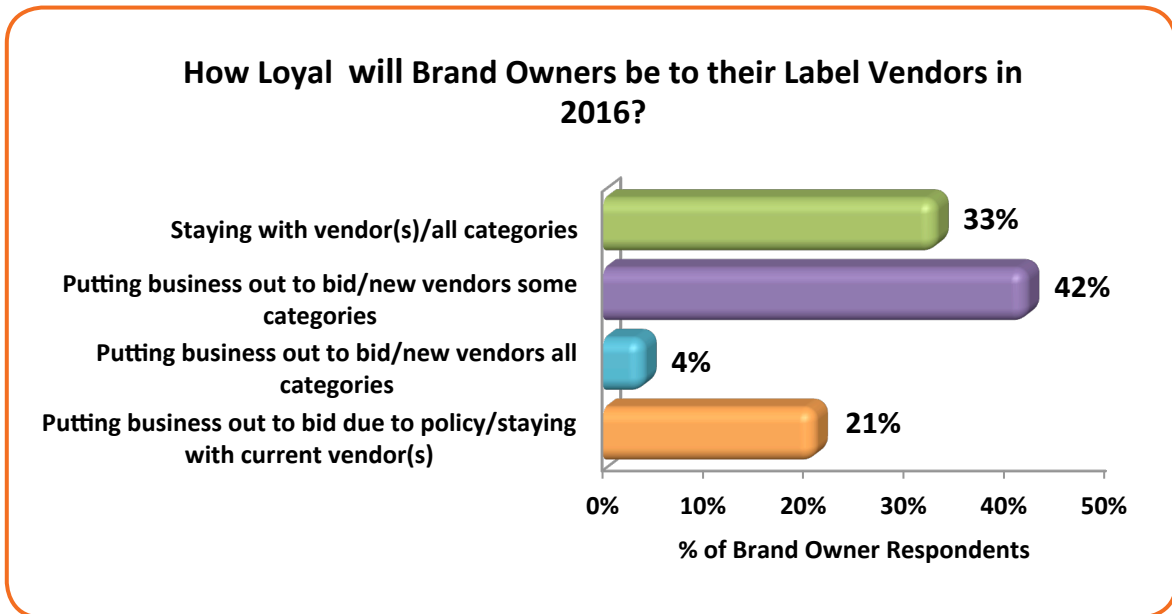
While the demand for label suppliers to recycle their waste and use LCA are not as urgent as environmental certification, the research still shows a clear trend that both points are becoming increasingly important for the majority of brand owners and packaging buyers. Nearly six in 10 brand owners cited that their label suppliers recycling waste materials is an increasingly important issue and just under 48% of companies indicated the same for LCA utilization.

## Loyalty to Label Suppliers and Off-Shore Label Sourcing Projections

Once again the FINAT RADAR seeks to report on and index loyalty levels between the buyers of labels and their label-manufacturing vendors. Survey participants were asked if they anticipated staying with their current label vendor(s), or if it was likely that they would put some, or all, of their label business out to bid within the next 1-2 years. Respondents were asked to select the answer that best applies from the following options:

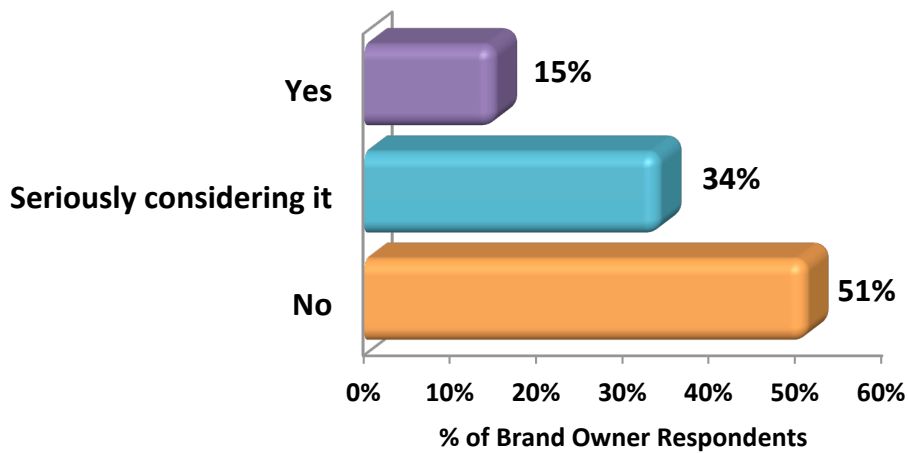
- I foresee my company staying with its current label vendor(s) for all categories
- I foresee my company putting our label business out to bid and possibly securing a new label vendor for **some** categories
- I foresee my company putting our label business out to bid and possibly securing a new label vendor for **all** categories
- I foresee my company putting our label business out to bid due to company policy; however I predict we will stay with our current label vendor(s)

The graph below breaks down the responses of brand owners and packaging buyer participants.

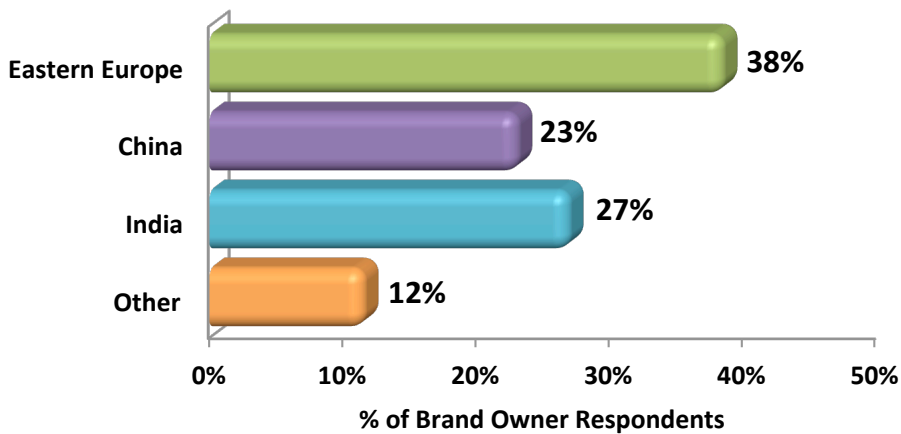


Survey participants were asked if their companies were considering sourcing some, or all, of the labels they currently source within Western Europe from countries outside of Western Europe. The companies that indicated they were considering sourcing from regions outside of Western Europe were then asked to specify which regions. The charts below break down brand owners' responses to these questions.

### Sourcing Beyond Western Europe in 2016?

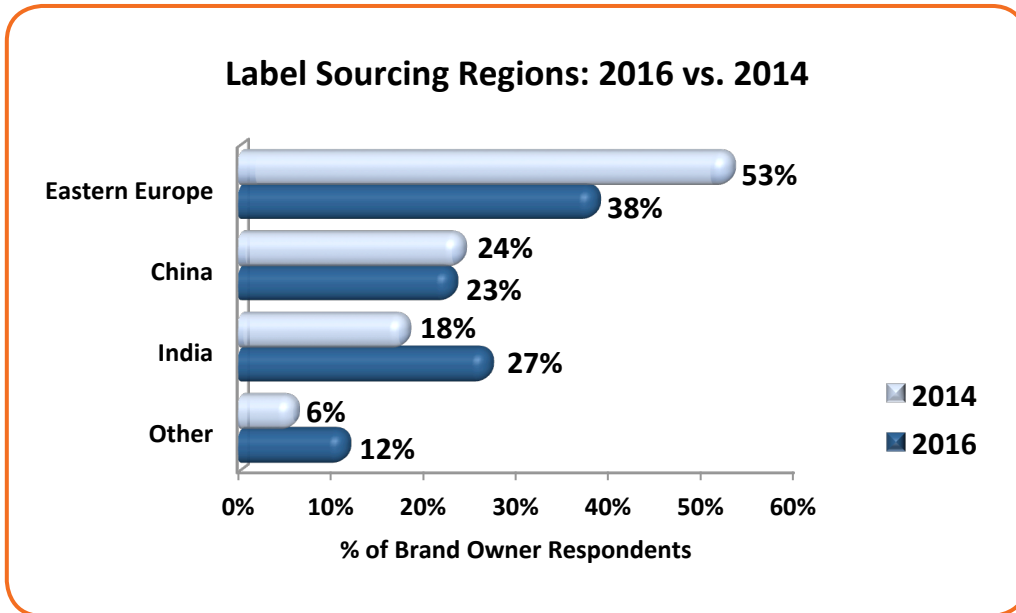


### Label Sourcing Regions in 2016



More than one third of respondents indicated that they were looking at label sourcing channels in Eastern Europe while half of all respondents indicated they were seeking channels in either China or India. 'Other' regions that were indicated during interviews included Russia, North African countries and Bangladesh.

Respondents were asked about their sourcing region preferences (outside of Western Europe) in the 2014 Brand Owner Survey as well and the graph below compares the results of the survey from Q1 2014 with the results of the most recent survey.

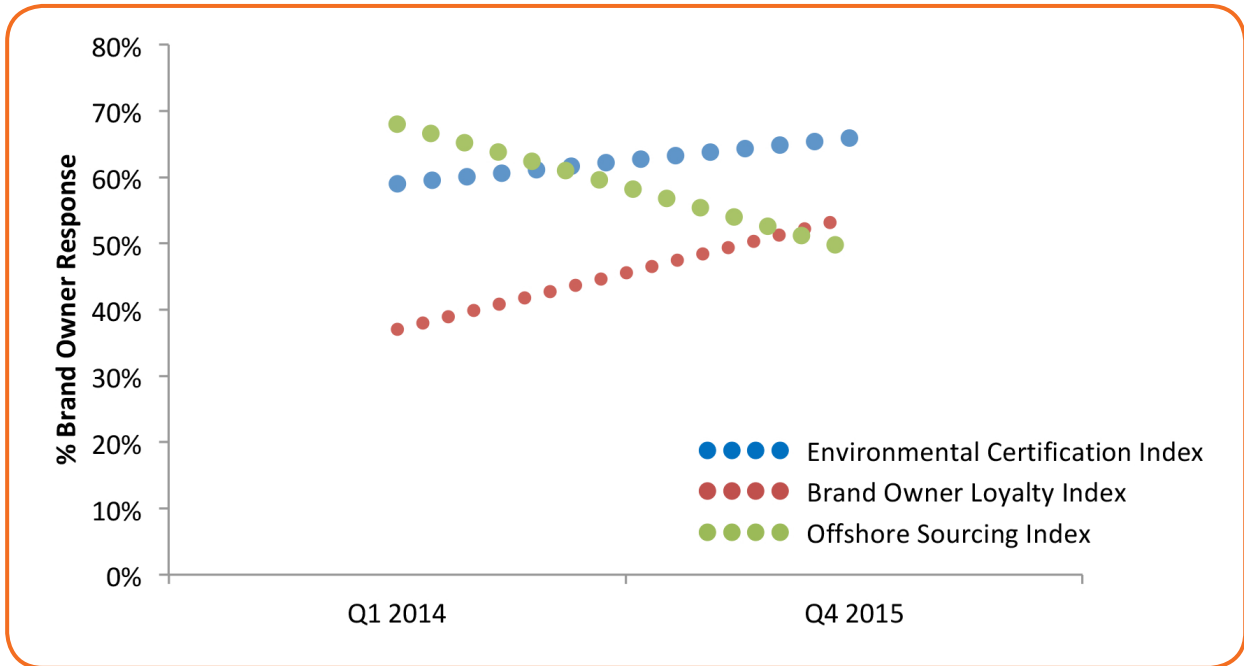


*Note: Percentages do not always add up to 100% due to rounding.*

This data represents a shift in external sourcing regional channels. Fifteen percent fewer brand owners cited they would be looking to Eastern Europe as a viable sourcing region over the next 1-2 years while 9% more brand owners cited an interest in sourcing from India. Only 1% fewer brand owners chose China in their 2016 projections however a brand owner in the food packaging sector had some interesting insight into some of the issues that arise from having label printing partners in China.

***“Over the last two years we sourced labels for some of our products from China. When we buy labels from China we have to buy three to four months of inventory to make sure we are minimizing freight costs and that we have enough in inventory to cover any interruptions that might occur from having to ship the labels such a long distance. Without fail, the marketing people change the label design while we still have a significant amount of the initial design in inventory so rolls of finished, printed labels are ending up in landfills. It’s also an extra cost because we have to order new label designs, probably from a label printer in Europe closer to our factories because we need the labels faster than China can supply them. We made the decision recently that we would no longer be purchasing labels from China and are going to work harder on cost control with the existing label suppliers we have throughout Europe.”***

## Indexing Environmental Certification Demand, Brand Owner Loyalty and Off-Shore Sourcing Trending



The graph above presents a 20 month index of environmental certification pressures, brand owner loyalty to their label suppliers and the drive for European brand owners and packaging buyers to seek label sourcing channels from outside of Western Europe. The indices were calculated by using brand owner response rates from the Q1 2014 and Q4 2015 RADAR Brand Owner Surveys.

These indices show favorable trending for label converters. Brand owner loyalty is on the rise while offshore sourcing interest has markedly decreased over the past 20 months. The Environmental Certification Index however demonstrates that brand owners are placing higher expectations on their label suppliers to achieve certification and to integrate an internal program dedicated to best sustainability practices.

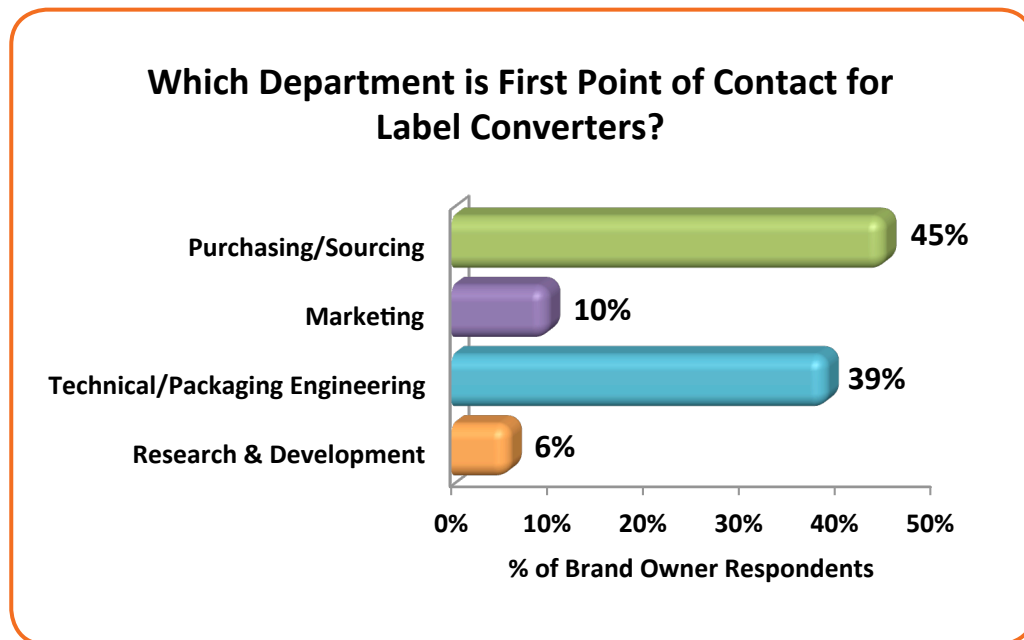
The RADAR Brand Owner Survey will continue to gauge brand owner perceptions and preferences related to label supplier environmental certification, vendor loyalty and offshore sourcing practices on an annual basis. This data will continue to provide the foundation for creating the association indices and to present both FINAT converter and supplier members with the pulse of the market and the way that brand owner strategies are changing the shape of the European labelling sector.



## First Departmental Point of Contact for Label Suppliers and the Role of Brand Owners' Technical Departments

Two questions that were new to the 2015 Brand Owner Survey asked about the first point of contact for label converters and the frequency of which companies' technical departments are involved in the new label design process. These questions stemmed from detailed conversations LPC carried out with FINAT label converter members, asking these members what it was that they wanted to know from their own customers and prospects.

The first question in this series asked brand owners: *Which internal department is the first point of contact for your label suppliers when your company is seeking a new label for a new product, or a new design for an existing product?* The graph below breaks down brand owners' responses.



Interestingly, less than half of all respondents stated that the first point of contact for label suppliers was the purchasing/sourcing department. For nearly four in ten participating companies the technical/packaging engineering department plays a critical role when seeking a new label design for either an existing or new product.

These response rates could argue that a viable strategy for label converters seeking new business would be to include other areas beyond the purchasing/sourcing department and to also focus their approach on other areas, primarily technical and packaging engineering however additionally including marketing and R&D in their initial contact strategies.

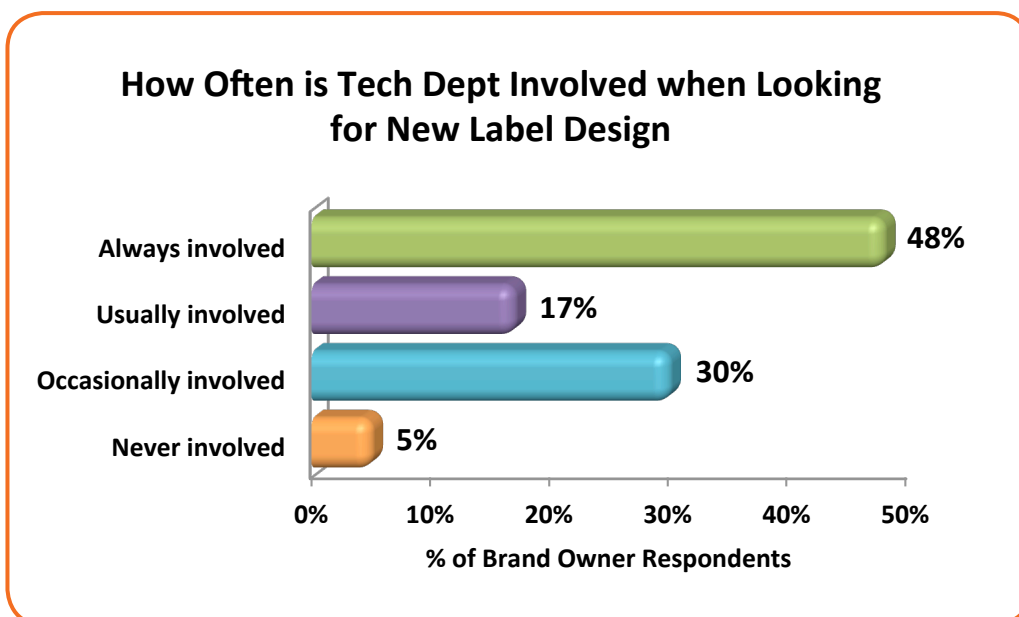
# SECTION 1b

During an interview with a packaging procurement executive from a well-known UK-based food and beverage conglomerate, one question that was asked was how label suppliers can formulate strategies for dealing with the disconnect between the sourcing and technical departments. This executive was asked if he had any advice for label printers, and he stated the following:

***“I’m trying to break down the barriers in my own company. I almost always insist that someone from marketing or the technical department visits label suppliers, especially if this company wants our business and is doing a trial. It’s not only important that my marketing and technical people see our labels being printed, but also that they interact with potential suppliers. In the end, the procurement department is just an in-between. They are not the ones who are going to define technical aspects of the packaging and they are not the ones who are going to approve the results of the printing.***

***For me, I think it’s very important for label suppliers to insist that the procurement manager has a discussion with someone from the technical department and maybe someone within marketing. The issue is time, however. This can be time consuming, but in some cases we are starting to have video conferences with the label printer’s technical chief and other persons so they can explain to our packaging development people what they can do and what they think is possible, or not possible.”***

Companies indicating that the purchasing/sourcing department was the first point of contact for label suppliers were asked an additional question. They were asked how often the Technical Department is involved in the process of seeking new label designs and new label suppliers. The graph below indicates participants’ responses.



## Ranking Market Forces, Migration away from Self-Adhesive, and Areas where Brand Owners need Ongoing Education from their Label Suppliers

Participating brand owners were given a list of forces that are currently impacting the European labeling industry. Companies were asked to rank these forces from most to least significant and the table below shows how survey participants ranked these influences.

Market Forces Ranked by Brand Owners and Packaging Buyers from Most to Least Important	
Expedited Delivery Times	#1
Shorter Job/Run Sizes	#2
Increasing Regulatory Demands	#3
Overall Label Design Complexity is Increasing	#4
Increasing Sustainability Demands	#5
Moving from Conventional/Analog to Digital Printing	#6

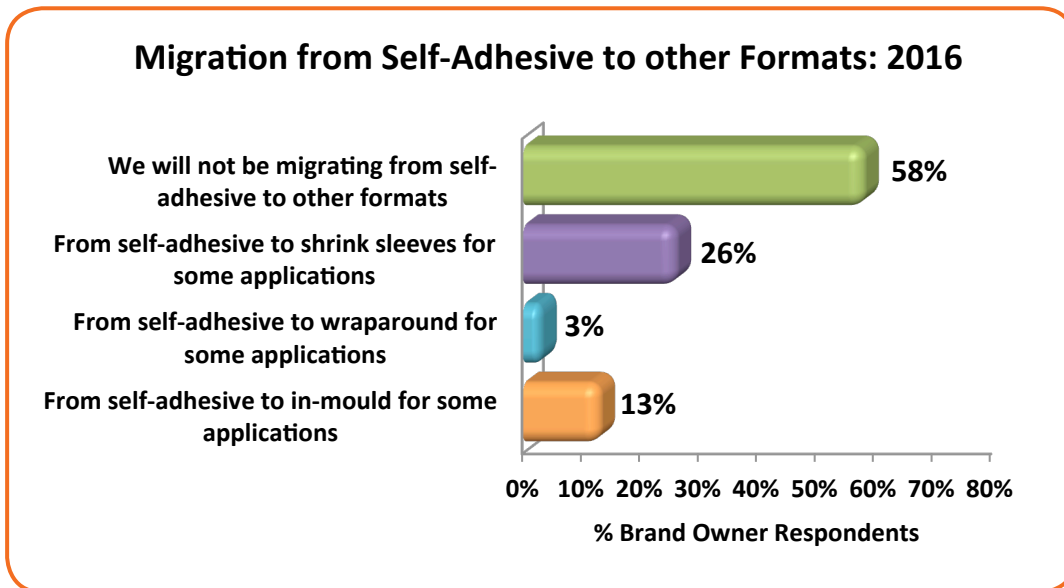
Source: LPC, Inc. FINAT RADAR  
*\*Information received from brand owners and packaging buyers located in every major European region*

Survey respondents were asked to assign a number to each parameter with the number 1 being most important/significant and 6 being least. All of the numbers for each item were then averaged and an averaged total was calculated in order to be able to compare and contrast the importance companies assign to each.

Expedited delivery times was ranked as the *single most significant force impacting brand owners' businesses today*, followed by shorter job/run sizes and increasing regulatory demands. During telephone and face to face interviews brand owners were asked what label converters can do to differentiate themselves more effectively in the eyes of their customers and prospects. The Packaging Development Manager of a Belgium-based personal care company had this to say:

***“For our business, the most important element right now is time to market. I think any company that can develop a new design and supply our factory in a shorter period of time will have a competitive advantage. There is no doubt about that. The marketing department always wants faster changeover because they want to differentiate themselves faster than the competition on the shelves. And if somebody is introducing a new product or a new innovation or a new scent, the marketing people want to react by very quickly changing something on our own comparable products. This is why time to market is a real added value for label printers.”***

One of the areas the FINAT RADAR will start indexing moving forward is the migration away from self-adhesive labelling formats to other decoration technologies including shrink sleeves, in-mould, and wraparound/non-shrink labels. The Brand Owner Survey asked participants if their company would migrate a portion of their self-adhesive business to another labelling format within the coming year and if so, to indicate what that projected format would be. The graph below breaks down participants' responses.



More than half of all participating companies will not be migrating away from self-adhesive for their products in 2016. More than one-fourth of respondents however indicated that they projected their companies would be migrating from self-adhesive to shrink sleeves for some applications.

Companies indicating that they would be migrating from self-adhesive to shrink sleeve labels for some of their applications have certain end-use categories in common. The table below ranks these categories, with #1 representing the most common category.

Where will Self-Adhesive to Shrink Labelling Primarily Occur in 2016? End-Use Verticals Served by Brand Owners	
#1	Food
#2	Personal Care/Cosmetics
#3	Beverage

Source: LPC, Inc. FINAT RADAR  
*\*Information received from brand owners and packaging buyers located in every major European region*

The final question in the 2015 RADAR Brand Owner Survey asked participants to identify the areas in which they are seeking more education from their label suppliers. Respondents were given a list of options and asked to rank them from most to least important. The options given were as follows:

- Education on the different analog/conventional print processes, their advantages and disadvantages (flexo, litho/offset, letterpress, rotogravure, etc.)
- Education on the different types of label material constructions (facestocks, adhesives and liners)
- Education on the differences between analog/conventional and digital printing

The table below shows how companies ranked these options.

In which Areas are Brand Owners and Packaging Buyers Seeking More Education From their Label Suppliers?	
<b>#1</b>	<b>Different Types of Label Material Constructions</b>
<b>#2</b>	<b>Education on the Different Analog/Conventional Print Processes – Advantages &amp; Disadvantages</b>
<b>#3</b>	<b>Education on the Differences Between Analog/Conventional and Digital Printing</b>
Source: LPC, Inc. FINAT RADAR <i>*Information received from brand owners and packaging buyers located in every major European region</i>	

Out of all the areas cited, brand owners are indicating that they want and need more technical education from their label suppliers on different material construction types. During interviews companies repeatedly mentioned that they want their label suppliers to educate them more frequently on the different types of label constructions available for their product lines, and how labelstocks are changing to better meet the application requirements of brand owners.

The area where brand owners and packaging buyers are seeking the least education is on the differences between analog/conventional and digital printing.

## Key Findings from Surveying Brand Owners and Packaging Buyers

The table below offers a synopsis of the key findings extracted from surveying and interviewing brand owners and packaging buyers in every major European region.

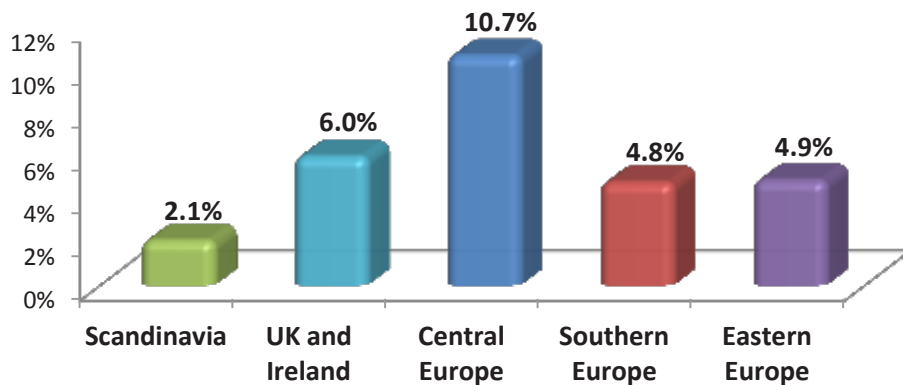
KEY FINDINGS	
<p><b>3.67%</b> <i>Procurement increase in 2016.</i></p>	<p>Average label procurement volume growth is expected to be 3.67% for surveyed brand owners and packaging buyers.</p>
<p><b>33%</b> <i>Are staying with existing label suppliers in 2016.</i></p>	<p>Brand owner and packaging buyer companies were asked to indicate if they would stay with their current label vendors in 2016, or if they would seek new suppliers. 33% of companies cited that they would stay with existing label vendors for 2016.</p>
<p><b>34%</b> <i>Are seriously considering sourcing labels outside of western Europe in 2016.</i></p>	<p>Brand owners and packaging buyers were asked about their projections for sourcing labels outside of Western Europe. For those companies that indicated they are, or seriously considering, sourcing from outside; 38% indicated projected supply from Eastern Europe, 23% from China and 27% from India.</p>
<p><b>39%</b> <i>Say first point of contact is technical/packaging engineering department.</i></p>	<p>Percentage of brand owners and packaging buyers that say the first point of contact for label converters when their company is seeking a new label is the technical/packaging engineering department. 10% of surveyed companies indicated it is the marketing department and 6% indicated it is the R&amp;D department.</p>
<p><b>#1</b> <i>Expedited delivery times.</i></p>	<p>Brand owners and packaging buyers were asked to rank what they believed were the most significant forces impacting the European labelling industry today. Expedited delivery times was ranked #1 and shorter job/run sizes was ranked #2.</p>
<p><b>42%</b> <i>May migrate away from self-adhesive.</i></p>	<p>Percentage of companies indicating they may migrate away from self-adhesive for some of their labelling applications in 2016; 26% indicated migrating to shrink, 3% indicated migrating to wraparound (non self-adhesive) and 13% indicated migrating to in-mould.</p>
<p>Source: LPC, Inc. FINAT RADAR</p>	

## LABELSTOCK GROWTH PER EUROPEAN REGION

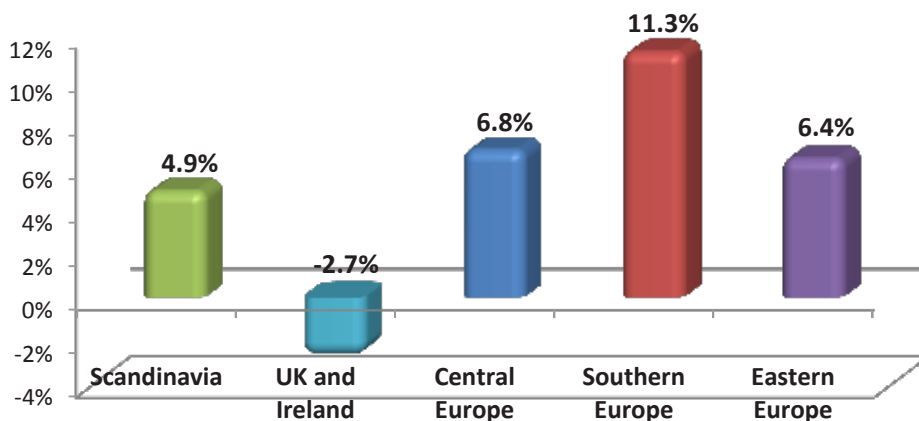
### Year-over-Year Growth Rates for Paper and Film Roll Labelstocks (Q3 2015 / Q3 2014)

In each issue of the FINAT RADAR we report on year-over-year material growth by comparing the volume sales of different types of roll labelstocks for one quarter, with the same quarter the previous year. This data is derived from aggregated input from the quarterly FINAT Labelstock Statistics Report. Europe's largest and most prominent labelstocks manufacturers participate in the quarterly survey, ensuring that the analysis is as true-to-market and comprehensive as possible. Average year-over-year growth (Q3 2015 compared to Q3 2014) for European paper labelstocks was 6.3%; average year-over-year growth for European film labelstocks sales was the same. The graphs below break down year-over-year growth for each labelstock type per European region.

**Year-over-Year Growth (Q3 2015 / Q3 2014)  
Roll Paper Labelstocks - All Grades**



**Year-over-Year Growth (Q3 2015 / Q3 2014)  
Roll Film Labelstocks - All Grades**

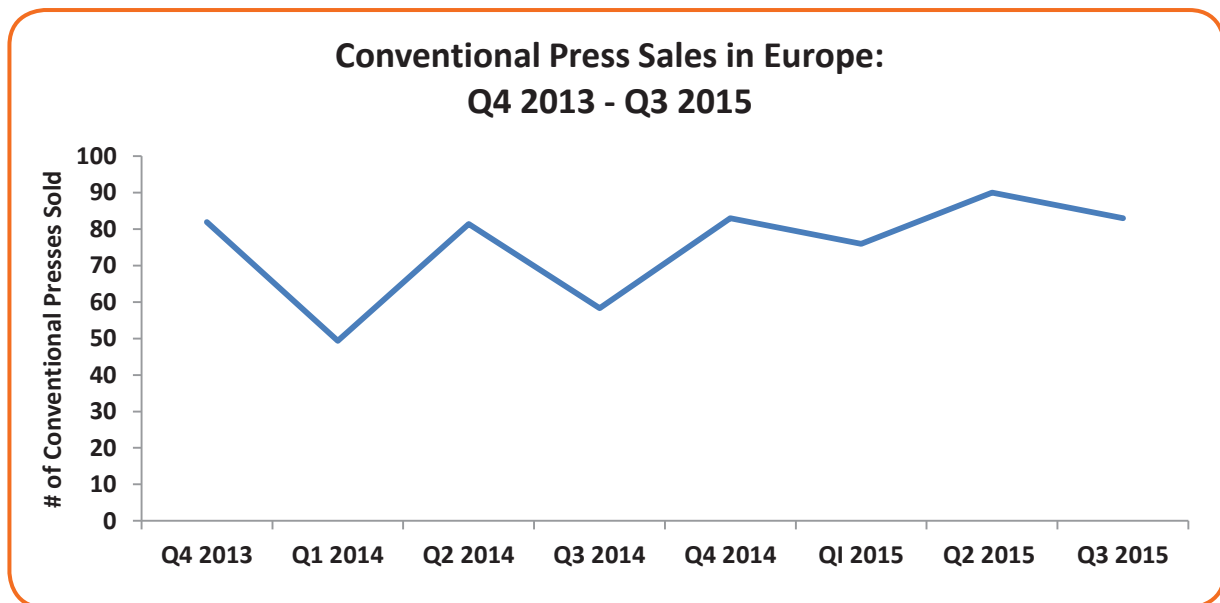


## EUROPEAN CONVENTIONAL PRESS SALES

### Quarter-over-Quarter Volume Sales For Conventional Presses: Q2 & Q3 2015

Each issue of the FINAT RADAR has a section that presents press sales data to allow for the development of an index that illustrates quarterly fluctuations in total press sales for Europe. The major press manufacturers participate in this index, representing more than an estimated 90% of the total market for conventional press sales and installations in the region.

**Important reader note:** Like with any evolving market index that requires participation of multiple manufacturers, there has been a development curve in formulating the RADAR Conventional Press Index. This particular index represents the first time European quantitative data has been collected from press manufacturers and creating a structure that best represents true market numbers takes commitment and time. We would like to thank all of FINAT's conventional press supplier members for their ongoing cooperation and participation. The graph below shows conventional press sales in Europe from the fourth quarter of 2013 to the third quarter of 2015.



This graph is a reflection of the continuing recovery of the region. The fall in energy and oil prices have boosted consumer spending – the primary engine of the recovery – and the European Central Bank has continued quantitative easing since the first quarter of 2015. Conventional press sales are maintaining higher levels, and it will be interesting to observe the direction of this trend in 2016.



In addition to new press sales, conventional press manufacturers are also asked to indicate the number of machine sales that fall within four specified cost ranges. The graph below breaks down press sales for the second and third quarters of 2015 by price point range.

### Values of Conventional Presses Sold in EU Q2 & Q3 2015

