Radical change

Big hitters along the PET value chain converged on Germany to discuss the latest challenges facing their business. John Schrurs reports from PETnology Europe 2008

There has been a radical shift in the way that PET business growth is managed. According to Tod Eberle, vice president quality systems, engineering standards and blow moulding process technologies at packaging converter Amcor, growth was originally a logical consequence of responding to the market demand, with limited upfront investments required to create the demand. It was as simple as bringing the right equipment and managing different operating sites.

The situation has radically changed today and a pro-active market search for growth areas is important to answer the question: 'where is the next wave of growth going to come from?'

In contrast to a straightforward supply strategy, the focus now is on technology and innovation, with a stronger focus on return on investments. Companies also need to make more investment to catch the next wave, and to spend more time structuring contacts and contracts. It is definitely a new way of thinking.

Amcor also believes that the industry should use fewer raw materials and recycle more, and that industry solutions are required to increase recycling in general. Finally, when it comes to PET barrier technologies selection, Amcor believes that sustainability is the top decision parameter that should guide the decision making process.

Meanwhile, the focus of Nestlé's PET water business is on healthy hydration with plain bottled water, flavoured and functional waters.

For developing markets, availability and affordability are still the two cornerstones of Nestlé's expansion strategy, while in mature markets, the 'on the go' consumption sector is still growing and flavoured, as well as functional waters, are growing rapidly.

Klaus Hartwig, head of the Product Technology Centre for Nestlé Waters, said: "Cost pressure is everywhere due to increased production costs through, for example, higher raw material prices but also due to the growth of private label and discounters, such as in Germany."

On a worldwide level, the most important challenge is related to sustainability. Hartwig advocates an "industry effort" for sustainability, as this is an issue that hits the retailers, brand owners, raw material producers, communities, collection systems providers, and even the machinery suppliers and those of films, cartons, closures, and labels.

"I am not for anything like harmonised communication, but we need to apply the same standards on 'eco-assessments' like the LCA analyses that we do," said Hartwig.

On the issue of light-weighting, the minimum weight limit for Nestlé PET bottles is far from being achieved. Nestlé Waters has commercialised the 'Eco-shape' in the US that weighs only 12g for 500ml, thus being much lighter than other bottles in the category. In terms of overall packaging consumption, Nestlé Waters has achieved 26 per cent reduction over the past five years and will continue to drive this down even further in the years to come.

Hartwig advocates strongly for more and faster developments in the 'bio-polymer' area as it is a very attractive solution to more sustainability. He questions the functionality of today's solutions as they do not work currently for PET replacement, and their 'eco-advantage' is not always obvious.

"Also, the ethical issue of converting food sources into packaging while a billion people in the world do not have access to sufficient food is a concern."

The applause from the audience after the point on bio-polymers' ethical issues spoke volumes.

The potential for PET growth is increasing as the global population grows, according to Paul Holderith, group executive vice president for French machinery maker Sidel. With its lightweight PET Flex bottle, Sidel is confident that it has the answer to the sustainability challenge, while no other alternative to PET is currently working properly. Sidel also believes that there is room for smaller lines, as the manufacturing setup should reflect the current market share. Saturation of the road networks in Europe is a driver for this. Rising oil prices might consequently be driving the trend for smaller production lines, closer to their point of consumption, and so Sidel has hopes for smaller production units. The company has not witnessed any impact on the consumer side of the industry from the global credit crisis, with limited impact seen on the supplier side.

The increase of aseptic technology usage is the most important driver for the PET market developed by Krones. Other market drivers are cost control, sustainability, bottle differentiation and the ability to understand all the corners of the supply chain; what Krones calls 'systems thinking'. Ten years ago, a normal production line was designed to handle a complexity level of 20 to 30 stock keeping units (SKUs). Today, a new production line should be handling up to 250 SKUs, so the Krones 'systems thinking' and deep supply chain knowledge should minimise the impact of increased complexity on line utilisations.

On the subject of maximum line speeds, Krones and Sidel both agreed that the limit had been reached and that any further output increase would damage the reliability of the lines.

As PET growth strictly follows GDP growth, there are still significant growth opportunities for the material, especially in the beverage segment.

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