European Corrugated Packaging Becomes a Strategic Value Provider

Corrugated packaging is performing better than other types of paper packaging in Europe. What are the main trends providing opportunities for growth? And what is influencing the strategic choices companies in the corrugated packaging industry are making?

Modest, but stable industrial and GDP growth in the EU (1.8% in 2016, 1.6% in 2017 and 1.8% in 2018, as forecast by Eurostat) is having a direct impact on corrugated packaging demand. Industrial activities require packaging to protect and transport goods, while higher living standards stimulate the consumption of packed every-day commodities. Food & agribusiness sectors continue to be the largest off-takers of corrugated packaging, with about a 45% share (see Figure 1). Additional growth opportunities are expected to be underpinned by the following key trends:

E-commerce and online retail

European consumers buy more groceries and meal kits online, often delivered in corrugated boxes. Online groceries account for 6.9% of the FCMG market in the United Kingdom, 5.3% in France and 1.7% in the Netherlands (Kantar Worldpanel, 2016), while deliveries of HelloFresh meal kits are experiencing significant growth (see Figure 2). This increases demand for different types of boxes. Additional value growth can be achieved by designing packaging that creates customer loyalty, improves protection of online delivered groceries, provides convenience and optimises last-mile delivery.

Consumption and trade of fresh food products

Growth of fresh food consumption and increase in trade (see 'Rotterdam—the New Cold Capital of the World?') provide opportunities for corrugated packaging manufacturers. In emerging European markets, corrugated packaging is also advancing when it comes to the transportation of fresh food products, as a new product category, and when replacing previously used wooden crates and jute bags. Innovations in packaging design and properties—such as high-quality printed; well-ventilated; water-resistant; optimised for field packing trays and boxes, ensuring a longer shelf life—provide other growth opportunities.

Retail-ready packaging

Retail-ready packaging (RRP), such as point-of-sale displays and shelf-ready packaging, is a high-growth segment—especially in discount stores (where products are stocked on the shelves in their outer boxes) and convenience stores (where store space is limited). RRP not only acts to get the consumer’s attention; it also saves on labour costs. RRP with high-end graphics is creating an opportunity for packaging producers to increase the value-added element of their products.
Consumption of premium products

Strong growth in the consumption of premium/craft beverages and food increases demand for value-added luxury and authentic packaging. This is an opportunity for corrugated packaging—for example, by delivering high-quality printing, extra durable and strong cardboard and mini-flute packaging.

Smart packaging

Smart packaging is another possibility to achieve value-added growth. Above, we discussed the potential of packaging intelligence in improving customer sales via packaging differentiation by printing techniques, different types and sizes, convenience and visual features. Another smart opportunity is to support supply chain management and customer logistics—for example, by innovating in digital (barcode) reader technologies, radio frequency devices, temperature and humidity devices, and creating custom-sized packaging.

The above trends have implications for corrugated packaging use, which is now expanding from its basic functions of protecting and transporting to creating a larger share of business value. Rabobank expects corrugated packaging companies to make strategic choices based on these developments—for example, some will seek expansion in fresh produce packaging, while others will consider an additional market in applications such as RRP. For instance, DS Smith, one of the European leaders in packaging, is actively expanding its display packaging activities by acquiring companies specialised in displays and printing technologies, and by investing in a new display packaging plant with the latest printing and finishing technologies.

*Figure 1: Stable shipments of corrugated board by the food & agribusiness sector in the EU (percentage of turnover), 2010-2014*

*Source: FEFCO, Rabobank 2016*
Figure 2: Strong growth in meal kits provides opportunities for box manufacturers, Q1 2014-Q2 2016

Source: HelloFresh (* = interpolations), Rabobank 2016