

Winter 2008

Issue no. 25

## "Sustainability" Becoming A Required Cost Of Doing Business

*Packaging Digest* and the Sustainable Packaging Coalition recently concluded their second comprehensive research study — benchmarking the state of sustainability in packaging.

67% of respondents said they believed they were moderately or very familiar with the issues, with over 60% of respondents indicating that their companies have a sustainability policy in place — or that such a policy was being formulated.

A few other key findings:

1. 53% of respondents say that more than half of their customers are seeking packaging that's more eco-friendly.
2. More than 50% report their organizations require a return on investment for sustainability activities — within one to two years.

## Rex Corporation Recognized For Outstanding Lean Program

Rex Corporation is pleased to announce that our peers in the Jacksonville Lean Consortium recognized our hard work and voted us as the organization with the Best Implementation of Lean in the group. They also voted Bryan Berry, our Process Improvement Engineer, as the Lean Leader of the Year.

Rex Corporation also received special recognition as a leader in the movement to incorporate sustainability projects into our Lean implementation, known as our Lean and Green initiative.

The Jacksonville Lean Consortium is com-

Research shows the following findings regarding what respondents say about the "state of sustainability in packaging":

**60%**

Report that their company has a sustainable policy in place.

**53%**

Say that more than half of their customers are seeking more eco-friendly packaging.

**50%**

Report that their organization requires a return on investment for sustainability activities.

**79%**

Say that their company is emphasizing waste reduction.

Source: *Packaging Digest* & the Sustainable Packaging Coalition

3. 79% of respondents say that they are emphasizing waste reduction.

*(Continued on Page 2)*

... our peers in the  
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posed of 46 businesses in the North Florida area that have a mutual interest in improving their business processes through Lean Manufacturing and Six Sigma methodologies. This year, the  
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A Free Publication of



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**Cenveo Global Resources**

# New Foreign Language Web Site Drives Revenues

From the *Wall Street Journal*, it's reported that Home Depot's targeting the Hispanic-speaking market with a "Spanish-language version of its Web site," featuring more than 12,000 products available to online shoppers.

According to Forrester Research, from a recent study of English and Spanish-speaking customers, fully one-fourth of Hispanics must be served in Spanish if a retailer is to obtain their business. And more than half of Hispanics who shop online (or 7.1 million) — according to Forrester — prefer Spanish.

Home Depot clearly did their homework,

since Hispanics accounted for one-half of the U.S. population growth between 2004 and 2005, with Hispanic shoppers expected to exceed 17 million by 2011!

Other forward thinking retailers are aggressively pursuing the Hispanic market through non-traditional channels. Best Buy not only offers a bilingual web site, but supports bilingual gift cards, bilingual service plans, and immediately available ("click of the mouse") Spanish speaking customer service reps — straight from the web site.

Best Buy has also learned that a Hispanic-oriented web site is "stickier"

**17 Million**

Hispanic shoppers are expected to exceed this number by 2011!

**7.1 Million**

The number of Hispanic shoppers that shop online that prefer spanish web sites — which is more than half of all hispanic shoppers.

— meaning customers spend more time on the Spanish site than on the English site. ■

## "Sustainability" Becoming A Required Cost Of Doing Business (Continued from Page 1)

4. 62% of respondents are focusing on energy conservation.

**39%**

The percentage of respondents that link sustainability to Lean Manufacturing.

**36%**

The percentage of respondents that link sustainability to quality improvement programs.

5. Nearly three-quarters of respondents tie their sustainability initiatives to other programs. For instance, 39% link sustainability to Lean Manufacturing, and 36% link sustainability to quality improvement programs.

6. 77% of respondents are concerned over "greenwashing" — "the practice of making sustainability claims that are false, or not having data to backup claims." 77% of respondents "say standards are needed for sustainability marketing, yet respondents are mixed on which organization should set those standards." ■

## China's Economy Expected To Affect Value Of Yuan & U.S. Dollar

According to the *Wall Street Journal*, China has over 130 million migrant workers — known as the "floating population" — who are increasingly being cast out of factory and construction jobs as a result of the global financial crisis.

To stabilize the situation, China's central bank is expected to lower the value of their currency against the dollar — to support economic growth. Lowering the value of the yuan against the dollar would help exporters, and companies that use China as part of their supply chain.

Note, however, that there are numerous issues to evaluate, including control and consistency of quality and safety issues, as an increasing number of products are requiring labeling identifying the source of a product's production, and China's record regarding safety regulations is inconsistent.

The record shows, however, that years of building a brand's reputation can be lost by a single decision based too heavily on "lower price." Or, to paraphrase Warren

Buffet in his annual message to his top managers, "Fellows, we are making good profits, and we have enough money to accomplish our objectives; however, we don't have too much customer goodwill. Don't ever get these two mixed-up." ■

*The Washington Post* reports that the speed of the climb of the U.S. dollar relative to other currencies has been a deterrent to companies heavily dependent on exporting, as more foreign currency is required to pay for goods produced and valued in U.S. currency. Similarly, "foreign governments and individuals who borrowed in dollars are finding that the corresponding decline of their currency against the dollar has made it harder — and in some cases impossible — to buy enough dollars to keep up loan payments." Summary: while we work to support economies through keeping "trade open," currency valuations may be at work undermining developing countries' trade.

# Economy Driving Private Label Sales And Promotion Changes

"This isn't belt-tightening, it's belt notching," says Thom Blischok, President of consulting innovation for IRI (Information Resources, Inc.). The *Wall Street Journal* reports that Americans of all income levels are changing their everyday purchasing and brand loyalty, motivated by persistent financial concerns. According to the U.S. Bureau of Labor Statistics, over the last 24 months, consumer prices have risen 7.8%.

According to IRI, "household incomes of \$100,000 or more — also are making significant changes." IRI's recent report, "Shoppers in Crisis," found that 41% of upper-income consumers reduced spending on nonessential groceries — with one-fourth of these consumers indicating that they gave up favorite brands in 2008. For example, sales of private label detergent rose 12% over the 52-weeks ended September 6.

**7.8%**

According to the U.S. Bureau of Labor Statistics, over the last 24 months, consumer prices have risen by this percentage.

**12%**

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**IRI's recent report, "Shoppers in Crisis," found that 41% of upper-income consumers reduced spending on nonessential groceries — with one-fourth of these consumers indicating that they gave up favorite brands in 2008.**

Market research firm, Mintel International, which interviewed 3,000 consumers, reports "nearly 25% of respondents reported that it is 'really hard to tell the difference between national brands and store brands of paper products.'" Kimberly-Clark's ceo, Thomas Falk, offers that when consumers get to the end of the month, they may buy a smaller-count pack.

As a critical observation, "Shoppers' changing behavior prompted P & G, the

world's biggest advertiser, to alter its marketing approach and focus on in-store promotions." According to ceo A.G. Lafley, "More decisions are made in the store, and we have to be competitive." ■

**Low priced oil "is considered to be temporary." Jeff Rubin, chief economist for CIBC World Markets, estimates "\$150 crude oil boosted the cost of shipping imports to the U.S. by 11%, costing roughly as much as trade tariffs in the 1970s."**

## Standards From Sustainable Packaging Coalition

From *Cosmetic/Personal Care Packaging*, and John Delfausse, vice president of Packaging, and chief environmental officer of Corporate Packaging for The Estee Lauder Companies, we have the following standards from the Sustainable Packaging Coalition (to which John is a member of the executive committee):

1. Is it beneficial, safe, and healthy for individuals and communities throughout its lifecycle?
2. Does it meet market criteria for performance cost?
3. Is it sourced, manufactured, transported, and recycled using renewable energy?
4. Does it maximize the use of renewable or recycled-source materials?



5. Is it manufactured using clean production technologies and best practices?
6. Are the materials used healthy in all probable end-of-life scenarios?
7. Is it physically designed to optimize materials and energy?

8. Is it effectively recovered and utilized in biological and/or industrial cradle-to-cradle cycles?

John offers that "no package design will meet all of the above criteria." These directional criteria "are meant to be used as what he calls a 'road map' for the journey of sustainability." ■

**From *Converting Magazine*, Anne Johnson, director, Sustainable Packaging Coalition, says that "recycled aluminum requires 95 percent less energy per kg to produce than a kg of virgin aluminum."**

# Estee Lauder Targets Customer Segment Through Research

*GCI Magazine* reported on an Estee Lauder sponsored five-year Age Measurement Study on hundreds of women aged 20-70, conducted in New York and Belgium, and included "the evaluation of 77 aging markers."

The study led to a whole new line of anti-aging skin care products for our aging population, where youth and vitality are prized — as shown through the quality of one's skin.

Factors identified in the study that contribute to the aging of women's skin:

1. 65% of premature skin aging in the overall group of 20-70, is made up of visible markers such as lines, wrinkles, age spots, firmness and texture. Within

the 30-35 age group, lines and wrinkles contribute to 48% of a woman's perceived age, making it the single greatest factor in skin aging.

2. 35% of premature skin aging in the overall age group of 20-70, is due to non-visible changes in the skin's behavior, such as moisturization, impact of glycation, and the loss of natural cell renewal capacity.

Packaging and promotion materials in the new line, Time Zone, depict two new and exclusive technologies that reverse this cellular aging process, and reduce the look of lines and wrinkles.

For this obviously growing market segment, we should expect cosmetic

## Estee Lauder's Research on Premature Skin Aging Found...

**65**  
Percent

of premature skin aging in women 20-70 is made of visible markers such as lines, wrinkles, age spots, firmness and texture.

**48**  
Percent

Within the 30-35 age group, lines and wrinkles contribute to this percentage of a woman's perceived age, making it the single greatest factor in skin aging.

lines to quickly target this opportunity for both additional revenues, and margins. *Note: Estee Lauder companies dominate the cosmetic industry with annual revenue of \$7.9 billion (Source: Investors Business Daily).* ■

## Product Recalls Affecting Market Value Of Brand Names

*Packaging Digest* reports from a recent study released by Deloitte, that more than half (58 percent) of consumers responding, who had heard of a product safety or quality problem — changed their buying habits — for more than nine months — increasing the chance "that they would discontinue the use of the product or brand entirely."

"As these consumers continue to buy different products, product manufacturers can expect lower sales and run the risk of damage to their brands," said Pat Conroy, Deloitte's vice chairman and consumer products practice leader, from their survey titled, "Food and Product Safety and Its Effect on Consumer Buying Habits."

The survey focused on four product categories: (a) toys, (b) consumer electronics, (c) fresh food, and (d) packaged food/beverages.

Of these four categories changes in buying habits were most predictable for fresh

foods and packaged food/beverages. Of those consumers who were most concerned, greatest concerns were expressed by women, and consumers 55 years of age and older.

**... more than half (58 percent) of consumers responding, who had heard of a product safety or quality problem — changed their buying habits — for more than nine months — increasing the chance "that they would discontinue the use of the product..."**

As no small footnote to such a powerful study, 73% of respondents "were extremely concerned about the safety of products produced in China, with half having the same doubts about products produced in Southeast Asia and Mexico." ■

## Rex Corp. Recognized For Outstanding Lean Program (Continued from Page 1)

membership submitted nominations for year end awards including: Most Improved Lean Journey, Outstanding Member, Best Implementation of Lean, Most Outstanding Contributor, and Lean Leader of the Year.



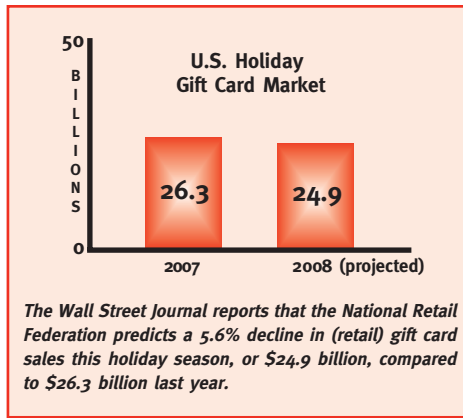
*Bryan Berry accepts the Best Implementation of Lean Award from Dean Golden, Jacksonville Lean Consortium Board Chairman.*

If you have any questions about starting a Lean Manufacturing, Lean Six Sigma, or a Lean and Green initiative in your organization, please contact Bryan Berry at 904-751-7260. ■

# Gift Card Revenues Create Higher Margins For Merchants

The *Wall Street Journal* reports that the National Retail Federation predicts a 5.6% decline in (retail) gift card sales this holiday season, or \$24.9 billion, compared to \$26.3 billion last year. This can have a major effect on merchants' margins and final profits, for two reasons. First, "accounting rules require retailers to book gift card sales as a liability first, and wait for the redemption to book it as income."

Additionally, the Tower Group research firm estimated the value of unredeemed gift cards last year at \$8 billion. In general, an astounding 8% to 10% of the value of gift cards go unused each year — a percentage that has stayed fairly consistent, offered Brian Rile, analyst at Tower. To illustrate the profitability of this pattern, Limited Brands, Inc. reportedly "garnered an additional \$48 million from unused Victoria's Secret gift cards in 2007."



Gift cards can be store brand specific (referred to as "closed loop"), or generic (referred to as "open loop"). *Convenience Store News* reported from a study sponsored by the Federal Reserve and Dove Consulting, that 3 billion "closed-loop" prepaid cards were sold in 2006, valued at over \$36.6 billion. Their study also reported that there were 322 million "open-loop" transactions, valued at \$13 billion.

After last year's gift season, the *American Banker* reported that major discount retailers, like Sears and Target, reported gift cards being used for consumables, like groceries. This same trend is expected in this year's economic climate. And it's the astute, opportunistic retail merchant that can be expected to be promoting gift cards for consumables — throughout the year, and not just during the holidays. ■

**Shoppers and astute, promotion-oriented merchants should be aware of the impact that "financial trouble rumors" can have on gift card sales. The Sharper Image, which closed its doors earlier this year, left an estimated \$20 million in gift cards that could not be redeemed.**

## Men's Hair: The Last Frontier For Major Marketers

The *Wall Street Journal* brings us Burt Flickinger, III, managing director of Strategic Resource Group consulting firm, who believes that, "Men's hair is the last frontier for major marketers."

**In the 52 weeks ending November 2, Information Resources, Inc. reports:**

→ Shampoo sales fell 2% in the 52 weeks ending November 2, to \$1.38 billion.

→ Shampoo sales fell 4% by unit volume to 373.6 million.

Background includes that shampoo sales reportedly fell 2% in the 52 weeks ending November 2, to \$1.38 billion, and fell 4% by unit volume to 373.6 million, according to market-research firm Information Resources, Inc. (IRI).

P & G and Unilever both claim that men's hair is different from women's, says Mike Jutt, P & G's associate director of Hair-care Research and Development. "Men's hair is shorter, so oil covers it more quickly, making it more prone to look dirty."

**"We found that 85% of guys think their hair is pretty good, but more than half of women don't agree."**

For ambitious global and niche marketers, and especially including men's salons and hair care boutiques, strategies for market positioning of an underutilized product ultimately incorporate packaging, graphics, and promotion displays — that capture universal themes: "greed, fear, and sex."

To capture this untapped opportunity, Unilever is launching its first Axe line of hair products for men, which follows the



June debut of a new men's hair-care line from P & G's Gillette, "engineered with charged cleansers." Says David Rubin, director of Unilever Hair Care, "We found that 85% of guys think their hair is pretty good, but more than half of women don't agree." From this background, Axe has begun running ads in movie theaters for the holiday season, where guys are most likely to be with their dates — with TV spots scheduled for January. ■

# Kraft Recycling Wrappers Lifts Product Demand ... And Supports Non-profits

Kraft Foods (Northbrook, IL) is partnering with TerraCycle ([www.terracycle.net](http://www.terracycle.net)) to become the first major multi-category corporation to fund the collection of used packaging of its products for "upscale manufacturing." Initial Kraft participating products include Balance Bars, South Beach Living, Capri Sun and Chips Ahoy! and Oreo cookies.

According to *Packaging Digest*, TerraCycle offers three programs, of which Kraft is currently the largest sponsor. Offers Jeff Chahley, Senior Director of Sustainability for Kraft Foods, "Our partnership with TerraCycle is part of a larger sustainability strategy of doing what's good for people, the environment, and our business.... Our sustainability strategy has 6 focus areas: agriculture commodities; packaging; energy; waste; and transportation/distribution."

**TerraCycle's recycling efforts have diverted millions of bottles, pouches & wrappers from landfills.**

**2,000,000 Soda Bottles**

**10,000,000 Drink Pouches**

**500,000 Energy Bar Wrappers**

**1,000,000 Cookie Wrappers**

The three programs offered by TerraCycle are free to any organization wanting to participate, with shipping costs paid for. Each program is called a "brigade." The brigade for Energy Bar Wrappers involves 788 collection locations, donating two cents for each wrapper collected. TerraCycle "has the wrappers braided or woven into colorful purses and backpacks" (sold in upscale retail locations) that often reveal the brand names and trade graphics of the used wrappers.

The second program, known as the Cookie Wrapper Brigade, has 1,050 collection locations, collecting Nabisco cookie wrappers — which create donations of two cents for each wrapper collected. Proprietary technology fuses the wrappers into sheets of moisture-resistant fabric that's converted into umbrellas, shower curtains, placemats, backpacks, etc. — again — often showing the brand names of the wrappers.

The third program, known as the Drink Pouch Brigade, has 1,544 locations that collect used drink pouches, again — donating two cents to participating schools or (non-profit) community programs for every pouch collected. "Most drink pouches are made of polyester and are reverse-printed on foil, which is then laminated to polyethylene." This type of structure isn't easily recyclable. "The upstart upcycling company takes such materials deemed challenging to recycle and turns them into affordable, quality merchandise."

At presstime, TerraCycle has diverted over 2 million soda bottles (i.e., \$40,000 in donations), 10 million drink pouches (i.e., \$200,000), 500,000 energy bar wrappers (i.e., \$10,000), and over 1 million cookie wrappers (i.e., \$20,000).

Says Albe Zakes, whose title at TerraCycle is "Eco-Revolutionary," "Anyone can collect used items and participate in the program as long as the donation goes to a school, a house of worship, or a non-profit ... All participants need do is fill up the containers with their select packaging and drop the containers off at a nearby United Parcel Service store or call and schedule a pickup and the items will be automatically delivered back to TerraCycle... As far as we know, this is the first time such a process has resulted in upcycled products that are selling at major retailers." ■



Feel free to contact Rex or Cadmus for any of your packaging questions or needs.

If you would like to add a name to PackAge's mailing list or correct an address, contact:

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