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**Innovation**  
*Powering Progress*

**Facts & Trends**  
*Generation 50+*

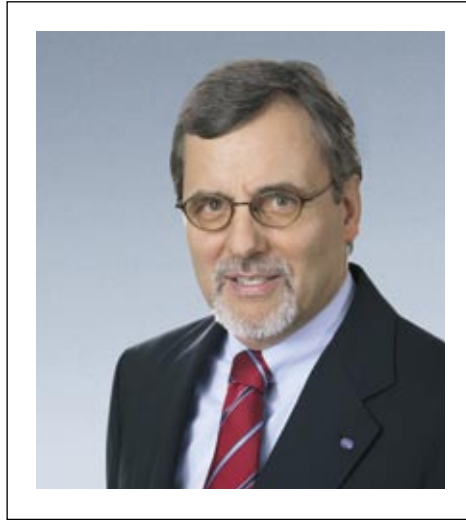


**Dear Readers,**

Innovations are vital to ensuring the success of any company. They accelerate growth, the development of profitability and maintain competitive advantages. Innovation management is a significant element of implementing corporate strategy. These activities may involve products, services, production processes or organisational structures. But what exactly are innovations? How can they be planned, implemented and monitored? Is this even possible? Which factors benefit these highly complex processes that start off as ideas and cumulate in finished products? Potential answers to these and other questions are to be found in the title story of this issue.

One thing, however, is certain: innovation is what the market demands and what benefits customers. Hence, it is key for a company to recognise trends as early as possible. A typical example is the fascinating article on the consumer group known as the 50+ generation. Robust constitutions, affluence and, above all, demographic developments are bringing the focus of economic interest to bear increasingly on the 50+ generation. Read more about them in our section Facts & Trends.

We would also like to draw your attention to two highly interesting countries: South Korea and the Ukraine. The developments and perspectives in these two markets are described in the articles of the same names. As always, all the contributions contain-



ned in this customer publication are also available in our online magazine at [www.sig.biz/combibloc](http://www.sig.biz/combibloc).

Inspired reading! Sincerely yours.

A handwritten signature in black ink, appearing to read 'R. Rademacher'. The signature is fluid and stylized, with a long horizontal stroke at the end.

*Rolf-Dieter Rademacher*  
CEO

**Imprint**

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# Powerful brand, strong package

*When positioning its NESTEA products Coca-Cola relies on combiMagnum, the aseptic carton package from SIG Combibloc. With immediate effect, the iced tea brand is being offered in the 1.5-litre carton fitted with the practical combiTwist screw cap.*



Says Martin Hilfer, Brand Development Manager Tea & Coffee at Coca-Cola GmbH, located in Berlin, "NESTEA combines both traditional and modern elements of tea enjoyment, offering an inimitable taste experience stemming from tea extract and fruit aromas. All NESTEA varieties are non-carbonated and do not contain colourants or preservatives. We also want to project the uniqueness of the contents through the package. This is the reason why we selected combiMagnum".

#### Full of benefits

According to Martin Hilfer, combiMagnum in conjunction with the combiTwist screw cap is ideal as a major thirst quencher and for families. Even after the first opening, the carton packaging can still be transported.

The contents are always protected and remain insensitive to foreign odours.

Moreover, it was the four generous display panels of the carton package that gave additional impetus to the decision to migrate from the PET bottle to the beverage carton for the 1.5-litre format. "The beverage carton provides a wealth of space on which to create attractive designs and for communicating key messages to the consumer, for example, the deposit exemption of this ecologically advantageous form of packaging," explains Martin Hilfer.

Further information available in our online magazine at:

[www.sig.biz/combibloc/news](http://www.sig.biz/combibloc/news)



## The right twist

*Eckes-Granini Germany, the leading brand manufacturer of fruit-based drinks, launched its "hohes C" premium juice with combiSwift screw cap in the German market.*

The largest company of the Eckes-Granini Group, generated sales of EUR 252 million in 2005, which represents 35 per cent of the Group's total sales of EUR 718 million.

#### Perfect all-around

"The new screw cap is designed for all-round ease of use. Opening the carton pack couldn't be easier. The clean pouring hole provides for easy pouring of our juices. And once resealed, the products are safely protected again," explains Mario Dechent,

Head of Central Research at Eckes-Granini. So it's high time for the convenient easy-to-open combiSwift screw cap on the 1,500 ml combiblocMagnum carton packs in eight different flavours.



Further information available in our online magazine at:

[www.sig.biz/combibloc/news](http://www.sig.biz/combibloc/news)



# Campina chooses combibloc

*For yet another large dairy customer, SIG Combibloc is the supplier of choice. Campina has selected the combiblocSlimline format for the launch of its new premium line. One of the key factors in the decision was the new combiSwift closure, which provides significant advantages: convenience for end consumers, and benefits in terms of logistics for SIG customers.*



In the course of 2006, Campina is rolling out its new Landliebe brand UHT milk concept on the German market. Hitherto, Landliebe has only been active in the fresh milk sector. The new UHT premium products will be offered in combiblocSlimline cartons fitted with the new combiSwift screw cap.

Rolf-Dieter Rademacher, CEO of the SIG Holding, sees this success is an endorsement of the company's strategy of expanding its business activities in the German milk segment in the coming years: "We are relying on our innovative verve. Our new combiSwift closure solution in particular offers numerous advantages for both our customers and end consumers."

## Effortless opening

The innovative combiSwift screw cap, developed by SIG allCap, was launched on the market in September 2005. It satisfies

high quality and convenience standards. The opening characteristics of the combiSwift are based on a new technology that allows the cap to be opened easily and without effort. Milchwerke Thüringen GmbH, a subsidiary of Humana Milchunion eG, is the first supplier worldwide to exploit the benefits of this new screw cap concept from SIG Combibloc.

## Quality made in Germany

With an annual sales volume of around EUR 846 million and a milk-processing capacity of some 1.1 billion kilograms, Campina ranks among Germany's leading producers of dairy products. The company has six locations across the nation: its headquarters are in Heilbronn, further production facilities and

branches are to be found in Elsterwerda, Gütersloh, Cologne, Prenzlau and Schefflenz. Its key names are the premium brand Landliebe and the umbrella brand Campina.

Further information available in our online magazine at:

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# Giving free rein to bright ideas

*If there were a ranking of the most popular words in management vocabulary, then the term innovation would unquestionably be right at the top of the list. Not surprisingly, however, there are strong differences of opinion on what truly constitutes an innovation and how they are developed.*



*Innovation is the result of knowledge multiplied by creativity times stamina. In short: lots of work and, as a process, difficult to plan. Innovations rarely stem from flashes of inspiration.*



No executive worth his salt will fail to emphasise the innovative energy of his company, highlighting above all that it is significantly more innovative than its competitors. Next come the assurances that striving for innovation has always been an integral part of the company philosophy, achieving their zenith in slogans such as “A Tradition of Innovation”.

In this respect, politicians are no less shy than managers. Catchphrases pronouncing “Innovation Initiative”, “Guidelines for Innovation”, or even “Year of Innovation” are handy, readily absorbed by the media and, consequently, popular. They cover a multitude of claims: from promoting ground-

breaking research programmes to all-day care in kindergartens.

Innovative is a fashionable and much abused buzzword that means many different things to different people.

#### **Successful career of a simple word**

Any dictionary will tell us that “innovation” is a Latin/English word that has been derived from “novus”, which quite simply means “new”.

The term was introduced into management vocabulary by Joseph Alois Schumpeter, an economist born in 1883. He was the first to define the success of a technical or organisational concept in the market as



being an innovation, thereby creating a clear delineation to the term “invention”. Schumpeter described innovators as being entrepreneurs who, in search of new spheres of activity, drive forward “creative destruction”. The driving force of innovators is the short-term monopolistic positions achieved by their innovations that earn their companies pioneer pensions. These are money-equivalent benefits that are created through innovative improvements.

Schumpeter’s “The Theory of Economic Development”, in which he launched the term innovation on an international career, was published as early as 1911. Nowadays, in an era of short and catchy phrases, in-

novation is understood as being anything new that succeeds in the marketplace.

### **Progress, growth and profitability**

Despite many finely honed definitions, there is no full consensus within the world of economics as to what constitutes an innovation and what does not. There is agreement, however, that nowadays, innovations are vital and essential to the survival of any company.

Innovation has become the benchmark against which companies are rated. When penetration of new regions or cost reductions have reached their limits of effectiveness, then innovation becomes the magic

word. Irrespective of whether products, services or processes are involved, innovations excite the imagination of shareholders because they promise increased growth and profitability.

On the other hand, the simple formula of “without progress, no growth, without growth no increase in profits” still holds good for the majority of companies. In order to survive in the marketplace and to grow organically, any company must have the ability to develop innovations on a substantial scale. This is easier said than done because innovations cannot be simply conjured up through decrees issued by the Board of Directors.

### **Innovation is not as simple as it sounds**

Rosabeth Moss Kanter has written: “There is a tendency to explain innovation romantically, equating it with inspiration and intuition. Wrong. It requires incredible intellectual effort and the ability to mentally play with more than one idea at a time, to understand contradictions and to listen to many different voices.”

With this statement, the American sociologist, who lectures in corporate management at the renowned Harvard Business School in London, puts her finger on what makes innovation so difficult.

Innovations are complex affairs. Before an initial idea can become a successful product or an attractive service, a whole row of requirements has to be fulfilled: the seamless linking of different disciplines and areas of expertise, creativity and staying power, a stable balance between experience and exploration, the courage to take risks, redirect the course, or even change the course entirely, insight and vision, curiosity and passion and, last but not least, a corporate culture that allows all these factors to thrive.

The reality is that, in the development of innovations, the majority of companies are their own worst enemy. The man who said, “The story of innovations is also the endless tale of resistance against them” evidently knew what he was talking about.

Innovations in the true sense invariably mean changes to the status quo. This is why many people perceive them as being annoying disturbances rather than opportunities. Past successes, routines, traditional responsibilities, an unwavering inward focus and reliance on proven technologies and business models: these are just a few of the factors and behavioural patterns that hinder the striving for innovation. True to the motto “Success makes blind”, there is considerable risk from precisely those sectors where the company has been successful hitherto.

### **Secrets of success**

Notwithstanding, there are still companies that consistently produce innovative developments and continue to expand their market position. What characterises such enterprises?

Essentially, it can be said that all such companies possess a high level of willingness to change and an ability to pick up the signals of change scenarios at an early stage. They also understand how to rapidly and proactively translate opportunities into business

concepts and projects. Moreover, they can adapt their management and organisational structures to meet changing requirements and are capable of realising projects in a flexible and disciplined manner. And, very importantly, they understand how to motivate employees at all levels within the corporate hierarchy.

Above all, however, these companies provide innovative ideas with what they need most: scope and opportunities to develop.

### **Scheduling the unplannable**

Innovations generate considerable amounts of work and, as processes, can only be planned to a certain extent. New concepts rarely spring as complete and final solutions from the brain of a genius. In many cases, it is quite average employees who come up with brainwaves and bright ideas. Typical for innovative companies is their ability to identify the creative potential of their employees, to foster and exploit those talents.

By doing so, they remove one of the major hurdles encountered on the road to innovation, because innovation is not achieved by money or words alone. Innovation is also immune to linear type planning; otherwise it would not be innovation. Consequently, it is essential to maintain a corporate culture that encourages the development process. Innovation management plays a key role here.

Once again, there are diverging views on how to define innovation management. One side emphasises the “management” aspect and sees in it an opportunity to control and formalise innovation processes within a specific framework. Others swear by “innovation” and focus more on facilitating and fostering ideas.

### **One objective, multiple possibilities**

Many different roads can lead to innovation. If the objective is to systemise and make innovation processes manageable, then a company will employ tools ranging from search field scenarios to ideas generation and concretisation workshops, right up to innovation reviews in the realisation phase.

In the USA, a standardised road map for product innovations, known as the Stage-Gate Process is common. It normally consists of four to five phases (Stages) that are linked by decision milestones (Gates) ranging from idea to market launch. What is to be achieved in each stage is defined precisely as is the method of documenting results. Also defined



*Innovators need curiosity, experience, instinct and expertise. Add to this a keen eye and a readiness to question one's own motives. Round this off with a corporate culture that will allow it all to happen.*

is which decision makers are to use which decision-making criteria. Problematic in this process is the rigorous selection of hard criteria such as market potential and costs. Ultimately, therefore, it is the more conventional ideas that tend to have the greatest chances of survival.

If fostering creativity is the main priority, the key individuals in the company have to be trained or coached to make them more receptive to using innovation tools or applying the principles of creative thinking more often.

Innovation drivers have a positive influence on the innovation culture in a company. They can be full-time innovation managers or employees who assume this responsibility alongside their main activities. Innovation drivers rigorously follow up on launched initiatives, stimulate possible activities, propose solutions and bring about decisions. The problem for this type of innovation manager is that their tasking and competence profile is rarely defined, their position within the company is not clear and their decision-making powers are not far-reaching enough.



The so-called innovation guerrillas are of a different calibre altogether. These are lateral thinkers within the organisation who, independently, practise “bottom-up innovation”. They can achieve surprising results, but are not subject to any form of control.

### **From the vision to the new closure solution**

Innovations are possible in any sector. And, they are particularly promising in sectors where they might least be expected. At the closure specialists, SIG allCap, rigorous ideas management is key to successful innovation processes. A constantly reiterated ideas generation process is part of the innovation claim that is core at SIG allCap. In many different ways, all sources of new ideas are taken into account and exploited accordingly.

The awareness of all employees of an ideas generation process is an essential element of ideas management. Armed with the ingrained knowledge that “Existing products and processes are constantly challenged and the search for even better solutions is an integral part of our company culture”, plus an understanding of market requirements and customer needs, employees can often come up with surprising ideas.

In the search for new ideas, SIG allCap first orients itself towards what the market is clearly demanding. Based on this knowledge, ideas workshops are organised at regular intervals. Frequently, smaller teams are formed to generate spontaneous ideas to solve specific problems.

Tools such as the BrainStore method are employed to fill the internal ideas pipeline. Creative teams work in parallel: they generate ideas and evaluate them mutually in order to select them ultimately. These ideas are stored in a “database” that can be accessed by the development department at all times.

External inventors, i.e. handymen hoping to market their brainwaves, design offices and modellers who want to demonstrate their inventive skills by submitting their ideas, are other important sources for SIG allCap.

### **Scope for development and passion**

Companies that want to be innovative, and what company does not want to be, need to create scope for development. Initially, even the most absurd idea is worthy of consideration. Acceptance is the keyword, irrespective of the concepts, rules or procedures that are being adopted.

Whatever course a company follows in its search for innovation, one fact must be clear to all those concerned: innovation without passion is doomed to failure. Where there is no passion, if all participants are not obsessed with a will to develop and implement innovative ideas, then it is better not to initiate an innovation project in the first place. An innovation project that has petered out or become bogged down is usually more damaging to a company than no innovation at all.

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# Soup as a snack

*What is the point of being the market leader when the market segment is shrinking? The Vitana company, located in the Czech Republic and Slovakia, is adopting a proactive stance and breaking new ground.*



Under the former name of Graf, Vitana began production in 1920 and quickly established itself as the leading local producer of soup flavourings and other spices. Renamed in the 1950s, Vitana was acquired in 1992 by the Scandinavian company Rieber & Søn. Nowadays, Vitana employs more than 1,000 people and its turnover exceeds 80 million euros.

As the market leader in the dehydrated food segment, Vitana offers a wide range of products. These include ready-to-eat meals, instant meals, bouillons, sauces and spice blends. With a market share of over 50%, Vitana is the undisputed No. 1 brand for both dehydrated and instant soups.

## **Eating habits change with the times**

Both the Czech Republic and Slovakia have seen far-reaching changes in lifestyles over the past 15 years. As standards of living are rising, people become increasingly aware of the health aspects of food products. In addition, the expansion of international retail chains has brought about a greater variety of pre-cooked meals.

These factors have caused the market share held by dry soups to shrink by 2–3% annually. Vitana, too, could not avoid volume losses and consequently developed a concept that is inline with the new eating habits of consumers.

## **New soups for new target groups**

The new concept positions soup as an individual single-serve snack rather than as a starter for the whole family. Each portion



*The name says it all: "Selection". Vegetable-based liquid soups from Vitana are premium, ready-to-eat, single-serve portions.*

must demonstrate high nutritional value and be offered as a ready-to-serve product. This led Vitana to develop a concept featuring ready-to-consume liquid vegetable soups.

There were two key reasons for selecting the carton as a packaging system. Firstly, in the Czech Republic and Slovakia, carton is synonymous with healthy, high-quality products, thanks to a strong advertising campaign run there in the mid-1990s which communicated the benefits of the UHT process. And secondly, carton packaging is strongly associated with the dairy industry which, in itself, is perceived as being healthy. This attitude applies in general for products with extended shelf life and not requiring refrigeration.

The results of a consumer survey were highly promising. They showed that Vitana's soup customers would purchase such products more frequently and new ones could be attracted. Moreover, indications were that, compared to dehydrated soups, consumers would be willing to pay higher prices. Fur-

thermore, it was established that the concept would positively influence the Vitana brand.

#### **Taste is the key factor**

Market research has confirmed that local taste preferences have to be respected. For this reason, the strategy of Rieber & Søn is to become the "Local Taste Champion" in every market where the company is active. Another key factor driving the quality perception of soups and sauces is the chunky portion and the size of chunks in the final product.

SIG Combibloc offers a highly flexible system that facilitates the aseptic filling of chunky products into carton packages, coupled with a broad range of volume sizes. Moreover, SIG Combibloc has proven long-term experience in the field of UHT-food processing and filling. An ideal constellation for a business partnership.

As this is a pilot project within Rieber & Søn and currently applicable only for the

Czech and Slovak markets, the company opted for co-packing with an existing Combibloc customer rather than invest in the complete UHT technology at this stage.

#### **Sauces to follow soups**

Italian cuisine is particularly popular among Czech and Slovak consumers. The segment of ready-to-eat pasta sauces is growing by 15–20% each year. In the market, sterilised sauces sold in glass jars from brands such as Panzani, Uncle Ben's and Barilla are already well established. Dehydrated sauces simply cannot compete in this segment. Therefore, Vitana's objective was to provide its products with a competitive edge, allowing them to penetrate this segment of liquid sauces.

The full range of Vitana pasta sauces is being launched as part of a broader Italian food concept named Prima Cucina, thereby establishing a solid base for future market successes.



*Leos Mrazek, Strategic Marketing Manager at Vitana.*

### **Interview with Leos Mrazek, Strategic Marketing Manager at Vitana**

*sig.biz/combibloc:* What is the positioning of the newly developed liquid soups compared to dehydrated ones?

*Leos Mrazek:* The “Selection” name says it all. Liquid, vegetable-based soups are a premium, ready-to-consume portion for individual consumption. These soups should offer consumers the opportunity of eating naturally and healthily, without compromising taste.

*sig.biz/combibloc:* What role does this new product range play in the Vitana portfolio?

*Leos Mrazek:* Strategically, both concepts are highly important for both Vitana and the whole Rieber group. Both involve Vitana entering into the area of convenience foods, thereby assisting our organic growth. Brand

equity impact has already been mentioned. Last but not least, this strategic move should also help Vitana in its transition from being a production-oriented company to becoming a marketing driven one.

*sig.biz/combibloc:* What marketing activities are supporting the launch of the new soups and pasta sauces?

*Leos Mrazek:* We are planning comprehensive marketing support for both concepts with 360-degree communication. Special attention will be paid to TV advertising and follow-up activities with special product displays.

*sig.biz/combibloc:* How would you assess your cooperation with SIG Combibloc?

*Leos Mrazek:* As always, everything depends on people! This was not an easy project to coordinate as three parties with individuals from different countries and



*In addition to their new liquid soups, Vitana have now launched pasta sauces under the Prima Cucina brand.*

cultures were involved. However, we always got the right support at the right moment. Over the past 12 months in particular, SIG Combibloc has demonstrated its competence and 100% customer approach, helping us to overcome all barriers. Our full range of products is now on the market and that is highly satisfying.

**sig.biz/combibloc:** How do you rate the support of the Combibloc Food Test Centre, and how helpful was its input for the whole project?

**Leos Mrazek:** As we were lacking expertise in this sector, the development phase was long and costly. We did not have benchmark products and had to develop specifically local recipes. Consequently, the test phase at Linnich was a crucial turning point, helping us to envisage technological possibilities. Your assistance enabled us to achieve a major step forward in the product development process.

**sig.biz/combibloc:** How does this project fit in with the strategy of the Rieber & Søn group? Is the concept also being considered for implementation in other Rieber & Søn markets?

**Leos Mrazek:** The concept is expected to be realised in other Rieber markets, too. The Czech Republic and Slovakia are the test markets for this pilot project.

**sig.biz/combibloc:** Have you already given any thought to continued cooperation with SIG Combibloc?

**Leos Mrazek:** Convenience as an attribute of product usage is becoming steadily more important for consumers. From this point of view, I see potential for microwaveable carton packages and hope that SIG Combibloc will be able to offer such a solution in the near future. Finally, I see substantial potential in the ability to differentiate brands or products not only via package

decor or mass media communication of consumer benefits, but also through unique packaging shapes. That could play an important role in our marketing mix and represents a key factor in our choice of a business partner.

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[www.sig.biz/combibloc/profile](http://www.sig.biz/combibloc/profile)





# Small, lightweight, simple

*The latest development from SIG allCap: combiSmart. The very first screw cap for aseptic beverage cartons in the smaller format segment. A single twist is all that is needed for the fitment to cut through the carton to allow effortless opening.*



*combiSmart can be applied to various small formats without the need for perforations.*

This extremely simple and robust SIG allCap screw cap concept provides satisfying opening characteristics without any prior “preparation” of the packaging material. Consequently, the closure can be applied to a diverse range of small formats, thereby without the need for special corresponding perforations. Complex production operations for appropriate weakening of carton are eliminated.

#### **Small and versatile**

combiSmart consists of a flange with an integrated cutting ring and a screw cap. A single twist is all that is needed for the cutting ring to cleanly slice open the carton. Extensive handling tests and consumer surveys confirm that opening is literally child’s play. Particularly in the case of the smaller formats, consumers are frequently children and young people who appreciate ease and convenience of opening. Given its small dimensions, combiSmart is highly suitable for drinking straight from the carton. The more conventional approach of pouring or dosing the contents is equally convenient.

#### **Lightweight and safe**

Similar to combiSwift, the combiSmart version is also equipped with a three-stage tamper of evidence that reveals at a glance whether the original closure is intact or not. Moreover, seal disintegration is clearly discernible at the first opening. To re-close, the cap is simply screwed on again, thereby ensuring tightness. After all, not all small format cartons are emptied completely each time. With an internal diameter of 13.5 mm and a total height of 14.3 mm, the closure allows easy pouring of small quantities as well as inviting the consumer to drink straight from the carton. A combination of combiSmart with the small-sized combibloc-Compact for convenient portioning of coffee cream, for example, would be equally feasible.

At a minimal overall weight of 2.4 grams, the combiSmart screw cap is a true lightweight, but one providing heavyweight opening performance. It is being offered in a full range of colours that allow it to be matched optimally to a diversity of packaging designs and decors.

#### **Simple application**

Based on the proven ACB/ACF technology, SIG allCap has developed a second generation of applicators equipped with servo-drives that allow combiSmart to be fitted rapidly and with high repeatability of positioning accuracy. On these applicators, for example, combiSmart can be formed and applied. As this new screw cap concept does not require perforations, there is a broad processing window for accurately positioning the closures on the respective packages. With a maximum output rating of up to 14,500 cartons per hour, this generation of applicators is ideally suited to small-format production.

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# Generation 50+

*For generations, society's perception of age has been synonymous with ill health, poverty and isolation. This concept is transforming rapidly. Fragile and anti-consumerism oldies are being replaced at a fast pace by aware, dynamic and adventurous seniors.*

A robust constitution, affluence and, above all, demographic developments are increasingly bringing the focus of economic interest to bear on the 50+ generation. This is particularly so in a time of declining brand loyalty and ever shorter product life cycles. Consequently, efforts to analyse the changing market situation and to identify the resultant opportunities and perspectives are appearing as an urgent necessity.

## **Unmistakable trend**

Across Europe, a demographic transformation of epic proportions is under way. Whereas in 2000, there were 132.2 million people over the age of 50, the equivalent figure of so-called "best agers" calculated for 2005 had already reached the 160 million mark. A similar trend is being documented worldwide. With the exception of the African nations, declining birth rates and improved healthcare are leading to an ageing of the world's inhabitants. By the middle of this century, the segment of the population younger than 15 years will fall to around 20%. At the

same time, the number of citizens over 65 will double to over 16%. It is not only the numerical superiority of this latter group that makes it so attractive. Its members have above-average buying power, time resources, a multiplier function and brand loyalty. The logical question, therefore, is: what style of modern and intelligent packaging solutions would appeal to this target group?

## **More than just a question of shape**

A general consensus of what requirements such a package should fulfil can be summarised as follows: it should protect the contents, provide product data, be environmentally compatible, suitable for storage and transportation, cost-effective and ensure ease of use.

Both younger and older consumers expect the above attributes. Nevertheless, the two consumer groups do make different emotional and functional demands on product packaging. Generally speaking, the 50+ generation values continuity, recognition and quality of life to a greater extent.



*UHT milk with health-enhancing ingredients: Spanish brands Celta and Asturiana in combiblocSlimline (1,000 ml).*

### Convenience counts

With that scenario in mind, the results of a survey on the issue of packaging conducted on behalf of Germany's Ministry of Consumer Protection, Food and Agriculture (BAGSO study) give all the more cause for concern. Of the 300 interviewees over 50, some 92% mentioned difficulties when opening packages. As many as 60% of the survey participants complained that data on content ingredients or shelf life were not easy to read. It is apparent that with increasing age, demands on convenience, i.e. user-friendliness, of products and their packaging also grow.

### Emotion adds value

Mature personalities of the 50+ generation have more available time. They can and do enjoy shopping, are influenced by the packaging of the products, whereby function and design of the goods must be right. Consequently, convenience is not only a question of easy opening and closing, but also that the

package must be readily differentiated, thereby relieving older customers of the agony of choice. For some 63%, ease of recognition and rapid orientation at the point of sale are key. Further criteria that can trigger the buying impulse are a pleasing shape and the haptics of a given package.

### No paper tiger

Among the many packaging systems, the carton is the favourite in terms of material; and this for a number of reasons. Carton is lightweight and unbreakable, which facilitates transportation and eliminates the risk of injury. Because of their pronounced display characteristics, enhanced legibility is easy to achieve on cartons, without diminishing their appeal. Moreover, the suitability of cartons for stacking and recycling convinces retailers and consumers alike. Nowadays, numerous intelligent fitments that aid pouring and re-closing are also available. Rounding off the attributes profile of the carton

package is the wide range of volumes and formats that meet the requirements of households with only one or two members. Consumers appreciate all these benefits – particularly the 50+ generation.

### Changing trends

Global changes in demographics and lifestyles are presenting new challenges. The growing segment of older consumers is imposing new requirements on intelligent and differentiated packaging solutions. Andreas Prössl, Director Global Marketing at SIG Combibloc, is fully aware of these trends, saying, "At a very early stage already, we recognised the need and the opportunities of differentiating carton packages for various target groups and generations, and developed solutions accordingly. Our expertise and know-how allow us to accompany customers right from their market analyses, to designing decor, right up to product development. In this way, any product designed for a



*Still going strong: vitality up to a ripe old age characterises consumers of the 50+ generation.*

specific target group is carefully thought through to ensure success for our customers". The most recent example of a successful development is our cooperation with the Spanish dairy group Corporación Peñasanta, S.A. (CAPSA).

#### **Inherently natural**

CAPSA has developed a product for the 50+ target group in which the content and the packaging are carefully matched: NATUR Calcio Plenitude. This milk product is enriched with calcium and phosphorous – minerals that are particularly important to a healthy diet in the third life-phase. CAPSA's

specifications on the packaging for this product were clearly defined: the brand was to be presented unmistakably and sharply differentiated from the competition. At the same time, the requirements of the targeted consumer group in terms of functionality and design had to be met. SIG Combibloc developed a package for CAPSA that fulfilled those requirements. The emotional appeal of the carton harmonises with its major functional benefits. Superb legibility brings both the brand name and the ingredients to the fore, providing optimal recognition on the shelf. Environmental aspects, already highlighted in the decor, are emphasised by the

functionality of the package. As the cartons are readily stacked, transportation resources can be exploited optimally. The cartons can be recycled and are, therefore, environmentally compatible. Just right for the 50+ generation in every sense of the word.

Further information available in our online magazine at:

**[www.sig.biz/combibloc/factsandtrends](http://www.sig.biz/combibloc/factsandtrends)**



# From coffee shop to coffee house empire

*Starbucks is a classic American success story and a case history on how an entrepreneurial vision can be translated into reality. The original idea was the brainchild of Howard Schultz. He transformed a modest Seattle coffee dealership into Starbucks, the world's leading chain of coffee houses.*



*Caffè latte served by the green siren.*

Nowadays, you can find the green Starbucks logo in San Francisco and in Beijing, in Vienna and in Doha. The Starbucks name is borrowed from the first mate in Herman Melville's novel "Moby Dick", while the green logo with the siren is an association with the proximity of Seattle to the sea and reminiscent of the seafaring traditions of the first coffee traders.

## **More than just coffee**

Inspired by Italy's coffee bar tradition, Howard Schultz, formerly marketing manager with the Seattle coffee roaster named Starbucks, convinced the founder to try out the Italian coffee bar concept. That move was the cornerstone of what was to become the Starbucks chain of coffee houses. As for Howard Schultz, he became the "Bill Gates of coffee", whose missionary zeal and unshakeable belief in the American dream endeavours to bless the entire world with a combination of espresso drinks and lifestyle. The coffee of the day is only the simplest option: no less than 30 different espresso and tea-based beverages, ranging from white chocolate mocha to frappuccino® iced blended cream vanilla are on the menu, as are numerous extras such as raspberry syrup, or milk whip topping with your personalised choice of fat content. In the USA Starbucks also uses juice mixes and juice concentrates in *combiblocMaxi* filled by Lyons Magnus.



*The Starbucks experience: comfortable chairs and hot music create the atmosphere.*



*Cool: Frappuccino® ice blended cream vanilla.*

### Personal experience

The company philosophy also includes a commitment to ecological and social issues. Starbucks supports the improvement in living standards of coffee bean farmers and their families across the globe, promotes sustainable coffee bean growth and non-profit projects. During the booming growth period of the 1990s, Starbucks enjoyed the lowest employee turnover rates of all restaurant and fast-food chains. Schultz paid above the minimum wage, provided good health coverage and even gave share options to part-time employees. Where better to look for the origins of this corporate culture than in Schultz's own biography. Unlike the founders of Starbucks, Schultz had no background in coffee, but was certainly familiar with the harsh realities of life when growing up in the Brooklyn area of New York. His father was regularly out of work and the family lived in

poverty. Schultz swore that he would not suffer the same fate – he was just seven years old at the time.

### Highly in demand

Currently, the name Howard Schultz stands for over 10,000 coffee houses in 37 nations. Each week, 35 million guests call in to drink their coffee at Starbucks. Many of them are regulars who stop off at "their" coffee house on average 18 times a month, even though they by no means live in coffee-free zones. On the contrary: Starbucks opens its outlets in areas where there is already an existing market and then multiplies using the so-called clustering model. Within a short time, new locations are opened in the immediate vicinity so that ideally, the Starbucks name becomes synonymous with coffee house. The fact that local competitors, including Starbucks' own sites, can suffer

from saturation is readily taken into account. In the long run, the concept pays off – at least for the market leader. Starbucks long ago became a part of the American way of life. Moreover, for many people, its coffee houses have become their "3rd place" after their homes and places of work. Every single day, three new Starbucks sites are opened somewhere in the world.

Today, the company that the former Xerox salesman Schultz bought in 1987 from the founders of Starbucks coffee bean roasters for 3.8 million US dollars generates an annual turnover of around 7 billion dollars. There still seems to be no limit to its growth potential. There is still something brewing for the future.

Further information available in our online magazine at:

[www.sig.biz/combibloc/portrait](http://www.sig.biz/combibloc/portrait)





*The Changdokkung Palace Complex in Seoul was built in 1405. It served as the seat of government and residence of the Yi dynasty from 1609 to 1867. In 1997, it was designated a UNESCO World Heritage site.*

# An awakening giant

*South Korea is booming: the third-biggest economy in Asia and the ninth-ranked in the world experienced enviable economic growth of 4% last year. A further slight increase is expected for the future. This includes the market for aseptic beverage cartons.*

SIG Combibloc entered South Korea in 1982, when the first machine was installed at Dr. Chung's Foods Co., Ltd., ranked amongst the top soy beverage manufacturers in the world. Since then, the aseptic carton market has grown steadily; SIG Combibloc customers now package everything from rice wine, baby soy milk to high-quality lactose free dairy beverages and 100% fruit juices.

longtime SIG Combibloc employee and South Korea Country Manager, Hans Cho, "Many people don't realise that South Korea is one of the top five most wired countries in the world with over 78% of all homes having broadband Internet; with that type of access to information consumers have grown accustomed to and expect a level of quality and value of the products they consume."

Dominated by single-serve packs – more than 90% of all aseptic cartons are in 200 ml servings – South Korean consumers are fast embracing alternative packaging sizes and manufacturers and retailers alike are keen to utilise packaging as a differentiator between target consumers and drinking occasions as well as to maximise retail channel management.

## On growth course

Recent developments, e.g. political stabilization, cooperation with the WTO as well as robust economic development make the outlook for SIG Combibloc look bright. According to the latest figures, the South Korean aseptic carton market is likely to exceed 1,600 million units by 2007. The rate of increase in market share for SIG Combibloc will be clearly above the average annual growth of the market. The main driving force behind this growth stems from the Liquid Dairy segment which received a boost from shifting consumption behaviour towards health-oriented and functional foods, such as value-added milks, lactose-free dairy beverages, as well as organic soy beverages. "The level of sophistication of the South Korean consumers rival that of many European nations," remarks



*Modern and yet conscious of their past:  
South Korean children wearing the traditional  
costume hanbok.*



*Soy soup from Hanmi Whole Soymilk Co. Ltd., filled in combiblocMini (250 ml).*



*Soy milk with a calcium supplement produced by Korean Sahmyook Foods in combiblocCompact (200 ml).*



*The Seoul Milk brand is distributed by Seoul Dairy Cooperatives in combiblocSmall (200 ml).*

### Splendid outlook

South Korea has further cemented its position as a major food market in the Asia-Pacific region with a per capita food and beverages expenditure of \$1,439. Demographic and social changes such as greater participation by women in the labour force, urbanisation, changing food consumption pattern, and an ageing population are expected to significantly boost demand for functional foods.

### Convenience is the trend

Products are becoming further micro-segmented into age groups as well as functional benefits and into drinking occasions.

As more and more families have two working parents, a clear trend is developing in premium and convenient children's beverages. Parents with a higher disposable income who spend more time away from their families, choose value-added products in convenient-to-serve formats. Consumers are well informed and want products that reflect their lifestyles; their consumer habits reflect their personalities. South Korea's leading soy beverage manufacturers offer many variants of baby soy milks. Some examples include Sahmyook with low sugar specially formulated for toddlers of three years and over and Pasteur Milk's organic enriched soy milk for infants. These are top-of-the-line products

in the steadily growing segment of premium soy milks from brands like Hanmi which even offer a soybean soup that after heating can be poured onto noodles for a quick meal.

### Higher income, higher consumption

With the economic recovery, the food and beverages expenditure has been keeping pace with the growth in disposable income. Greater dependence on imports and developments on the trade front are expected to support food and beverages trade. In 2003, the domestic food sector attracted nearly 18.4 per cent of the total foreign direct investment (FDI) inflow, mostly from the United States, Japan, France and Hong Kong.



*The Pasteur Milk Co. Ltd. offers its biological, enriched soy milk with reduced lactose content for children of three years and over in combiblocSmall (200 ml).*

*Soy milk with reduced lactose content for children from three years in combiblocSmall (200 ml).*

*Lactose-free milk from Seoul Dairy Cooperatives in combiblocSmall (250 ml).*

Specific to the aseptic carton industry, the market remains on its growth path and shifts in consumption and purchasing behaviour are opening avenues of opportunity for SIG Combibloc to continue growing in market share.

“Whereas before South Korean markets were primarily production-driven, now we are seeing that consumers are more selective in their purchases. They are aware of a product’s characteristics and are choosing to buy products that are good for them rather than just the cheapest product available,” added Mr Cho.

One such customer that has been able to capitalise on this latest mega-trend of

“healthy living” is Seoul Dairy Cooperative (SDC), the single largest dairy manufacturer in the region. SDC has launched a new lactose-free milk, which is the first of its kind in South Korea.

#### **Other countries, other customs**

Korean consumers are without doubt one of the most selective consumer groups in Asia, craving high-end products that are tailored to their needs.

“The consumers may not necessarily be buying more, but they’re buying more smartly; they want value for money. SIG Combibloc helps our customers change with the market conditions – introducing

technologies like opening/closures, format flexibility as well as volume flexibility to a market which has fundamentally remained unchanged for over a decade. It is as though consumers are waking up and saying: I have a 3G phone that I can watch TV shows on, I have broadband Internet that puts the world at my fingertips, but what about the products I consume daily? How do they help me in terms of convenience, health benefits, or express my individuality?” says Mr Cho.

Further information available in our online magazine at:

[www.sig.biz/combibloc/markets](http://www.sig.biz/combibloc/markets)





*Romantic, fairy-tale castle, 40 metres above the sea: the "Swallow's nest" on the Ukraine's Crimean coast.*

# Heading east

*The Ukraine is an up-and-coming market in which SIG Combibloc has been active for a decade now. Steady growth and a wealth of newly developing business segments justify the encouraging forecasts for the future.*

It was not so long ago that the western world knew very little about the Ukraine beyond the country's name. It represented little more than an economically uninteresting swathe of land somewhere behind the Iron Curtain.

With the disappearance of the Iron Curtain, however, the situation changed – and quite radically so. The Ukraine, a nation that gained its independence in 1991, has developed into a substantial market. With some 48 million inhabitants, the country, which shares borders with Russia, Belorussia, Poland, Hungary, Romania, Slovakia and Moldova, is one of the most populous in Europe. The growth of the Ukrainian economy and the socio-politically motivated wage and pension increases have led to a disproportionately high rise in average incomes and to a discernible improvement in the standard of living. The common border

with the European Union that exists since the expansion of the EU has made the Ukraine an important market and a rewarding investment target for numerous companies.

## **Attractive market for brand names**

The attractiveness of this market and the excellent outlook for the future led to the establishment in 1996 already of SIG Combibloc GmbH in Kiev. This subsidiary, managed by Vladimir Korobko, has grown continuously inline with economic trends. Changes in consumer patterns and the eating habits of Ukrainians are also having a positive effect on growth.

Whereas in 1999, supermarkets were virtually unknown in Ukraine, they now exist in all important regional centres. Major brands such as Metro are also exploiting the boom and, in the meantime, have a presence

in all larger cities. Other multinational chains are preparing to enter the market.

## **Growth without carbonation**

In the food and beverages industries, it is non-carbonated drinks that are demonstrating the most rapid growth. Since the beginning of 2001, annual growth of 35% is the order of the day. In 2005, total sales of non-carbonated beverages stood at 480 million litres, of which 365 million litres (76%) were filled in aseptic cartons, 80 million litres (16.7%) in PET and 35 million litres (7.3%) in glass bottles. Two major producers occupy 80% of the juice market. The remaining 20% is divided up between three smaller competitors. Yet another 80 million litres in aseptic cartons went to export.

In the Ukraine, the primary trend is towards locally produced products. In 2005,



*Fruit juices including apple-grape, peach and apple in combiblocSmall (200 ml).*

imports of non-carbonated drinks made up barely 3% of market volume. By contrast, the lion's share of juices and nectars are produced from locally made fruit and berry concentrates, as well as tomato purées. This is not surprising as apple-growing is traditional in central Ukraine, while the south of the country is famous for its tomatoes, apricots, peaches and grapes.

A further 25% growth is being forecast for this segment. Aseptic cartons will continue to dominate as the most appropriate packaging system. According to research, single-serve packages are capable of generating continued growth and may even gain a 40% share of the market. In the non-carbonated segment, SIG Combibloc's main competitors are located in the medium to lower quality range, catering for juice and nectar brands that are produced from concentrates

of locally grown fruit and vegetables. In this segment, selling price is the decisive criterion, although consumers are by no means insensitive to quality.

#### **Potential for wines**

SIG Combibloc sees wines filled in aseptic cartons as being a market segment with significant potential.

Ever since the 19th century, Transcarpathia has enjoyed a reputation as a wine-growing area. The production site of FMG/Heltex is located at the very centre of this region. Since its filling lines came on stream in 2003, the company has seen substantial annual growth figures thanks, in no small measure, to the excellence of the local wines. With new table wines filled in aseptic cartons, FMG/Heltex is offering its customers innovative products and, above all, attractive



Vegetable juices produced by FMG/Heltex in combiblocMaxi (2 l)

alternative packaging styles. And, at the same time, SIG Combibloc is able to benefit from such new potential in the Ukrainian market.

### Steady growth in the milk segment

In the Ukraine, the market for UHT milk products is still insignificant and consists primarily of UHT milk in 1-litre cartons and other products such as coffee whitener, various flavours of milk-based drinks and cream.

Demand for flavoured milk drinks that are offered as single-serve portions for children is still very low. However, modest but steady growth indicates that, in future, growth in this segment will be more widespread.

Pasteurised dairy products hold the biggest share of the market. This is a sector where SIG Combibloc is not yet represented.

The company is monitoring the UHT LDP segment carefully and estimates that a real opportunity for market entry will present itself in the near future.

### Market with a future

Within SIG Combibloc, responsibility for business activities in the Ukraine lies with the new cluster Combibloc Europe Russia. Activities in the majority of the former USSR republics have been bundled in this cluster, creating synergies that open new opportunities for SIG Combibloc in the region.

Ukraine is one of the most promising markets in the Combibloc Europe Russia cluster, offering excellent opportunities for further market successes. SIG Combibloc is counting on continued growth for the future. A further positive aspect is that customs duties, also levied on combibloc packaging

materials, were significantly reduced in August 2005. The resultant lowering of production costs is an excellent argument for SIG Combibloc when approaching potential new customers.

Further information available in our online magazine at:

[www.sig.biz/combibloc/markets](http://www.sig.biz/combibloc/markets)



# Outstanding through innovation

*Fispal is one of the most successful fairs in Latin America in the sectors of filling technology and the packaging of food and beverages. Since the beginning of its activities in Brazil, more than six years ago, SIG Combibloc has been an active exhibitor at this fair.*



*A stand to titillate the senses: this year's SIG Combibloc presentation at Fispal Tecnologia 2006.*

This year specifically, SIG Combibloc has another good reason to ally its name with the Fispal brand. After more than two decades of success, Fispal accepted a new challenge: to transform into a Private International Agency for the Development of the Food Market. To do this, Fispal is creating a new platform of services and solutions through which to generate new business opportunities.

## **A solid partnership**

This new orientation is taking place at a moment when SIG Combibloc is also changing its communications profile, strengthening its positioning and enlarging the base of its slogan "Fill the Difference". The campaign is backed by recent research in which the perception of the SIG Combibloc brand and its packaging systems was analysed. The survey

revealed that both the brand and the products are very well known, but that Brazilian customers want to know more about the local strategy of the company. The objective of the SIG Combibloc participation in the 22nd Fispal from June 6 to 9 in São Paulo (Pavilion of Exhibitions of Anhembi) was to demonstrate the viability of the company as a sound partner for South American customers.



*SIG Combibloc used Fispal Tecnologia 2006 as a platform to present its latest packaging and machinery innovations.*

### **A stand to feel the sensation of being with SIG Combibloc**

This was the motto at this year's 168 square meter SIG Combibloc stand at Fispal Tecnologia. "Amplifying the corporate communications concept used for our booth at ANUGA FoodTech, the Brazilian booth version also invited visitors to feel the difference through visual elements. For example, through light and an installation created by Marcelo Cipis, a well-known local sculptor," explained Luciana Galvão, Marketing Manager for South America. Yet another sense, the palate, was teased in SIG Combibloc's booth by the famous Charlô buffet that serves the visitors during the event. The sensitive attributes of touch and smell were already cultivated in the gifts distributed to the stand visitors.

### **State of the art**

The Fispal Tecnologia 2006 platform was also an opportunity for SIG Combibloc to present its most recent packaging and machinery innovations, including the *combisafe* system, new single serve-packages *combifitMini* and *combifitSmall* and the latest generation of high-speed filling machines with output capacities of 12,000 packages/

hour, the CFA 512 and CFA 312. Says Luciana Galvão, "Developments in the machinery sector are particularly interesting for markets such as Brazil, where there is a high concentration of filling machines with an output capacity of up to 6 thousand packages/hour. She went on to add, "We are talking about replacing two conventional machines for one of the new generation from SIG Combibloc. A considerable potential impact through reducing the space footprint in the production facility with a matching reduction in investment."

### **Future & Food**

Besides participating as an exhibitor, SIG Combibloc was a sponsor of Future & Food, a wide-ranging conference that discusses subjects such as innovation, development of products, investment incentives for setting up new production facilities and export potentials. Mr Andreas Prössl, Director Global Marketing, represented SIG Combibloc with a special presentation called "The future of the aseptic carton package", developed for the event. Galvão explains, "We wanted to table the most recent innovations in the area, such as the *combisafe* project, a technology that allows the filling of food products with

large chunks into aseptic carton packaging, with autoclave sterilisation. At the same time, it was very important to show up SIG Combibloc as a company that is thinking about the future in the long term, so the presentation included a few highlights from the innovative study conducted with German students in which they thought about completely new packing designs for the future."

Further information available in our online magazine at:

[www.sig.biz/combibloc/spectrum](http://www.sig.biz/combibloc/spectrum)



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