Digital printing–a surefire cure to the commodity mindset

By Erin J Wolford, *Contributing Editor*

Digital printing is fast becoming one of the best ways for packaging converters to make themselves their customer's hero. Here's what four thought leaders in the printing and packaging community have to say about what brand owners want, why converters and printers have been shy about adopting digital printing for packaging, and how to overcome the fear of introducing digital printing to the converting business.

What a CPG wants

"Brand marketing is in the midst of reinventing itself. Today's shopper journey goes through three channels, which means that successful brands need to be present not only on retail shelves, but also online and in social media channels. This creates more urgency for brands to provide shoppers with relevancy, engagement and interaction, which digital printing can handle with ease. Digital technology is making it possible, while shoppers are drawn to products that speak to them."

That, in a nutshell, is Mike Ferrari's take on why digital is so important to today's converter and the converter's base of brand owner customers. Ferrari is no stranger to understanding what brand owners want. He dedicated 32 years of service to The Procter & Gamble Co. and is now Founder/President of Ferrari Innovation Solutions, LLC.

Echoing Ferrari is Carl Joachim, who has paid close attention to the evolution of digital printing for labels and packaging and has worked with some of the largest packaging companies in the world. "Digital printing is capable of producing very high graphics quality and variable content, both important to a brand's success," says Joachim. "For brands that are focused on very specific markets, which usually means relatively short print runs, market-specific messaging can be used to improve the communication between the brand and the consumer. Also, if a brand wants its packaging to be relevant to events like the Super Bowl and other promotional opportunities, digital printing can be the quickest and most efficient process to do this." Joachim

Bill Burke

is an independent consultant at Arion Partners, LLC and is affiliated with The Graphic Communication Institute at California Polytechnic State University in San Luis Obispo, CA.

Bill Burke, meanwhile, is an experienced senior executive who has spent most of his career in the global packaging and manufacturing sectors. Companies under his leadership have provided products and services to many well-known multinational and domestic food, beverage, and consumer products companies.

"CPGs and brand owners frequently use packaging as a tool to assist product marketing," says Burke. "Digitally printed packages can now meet or exceed the image quality of more traditional printing methods (offset, flexo, gravure). To the extent that digitally printed packages are cost competitive, the additional benefits of shorter lead times, small run sizes, etc. will be leveraged. Brand owners will look to those advantages. Having the ability to make frequent package variations and target specific consumer segments by ethnicity, gender, and geography with customized products and packages will lead to growth for converters who adopt digital," says Burke.
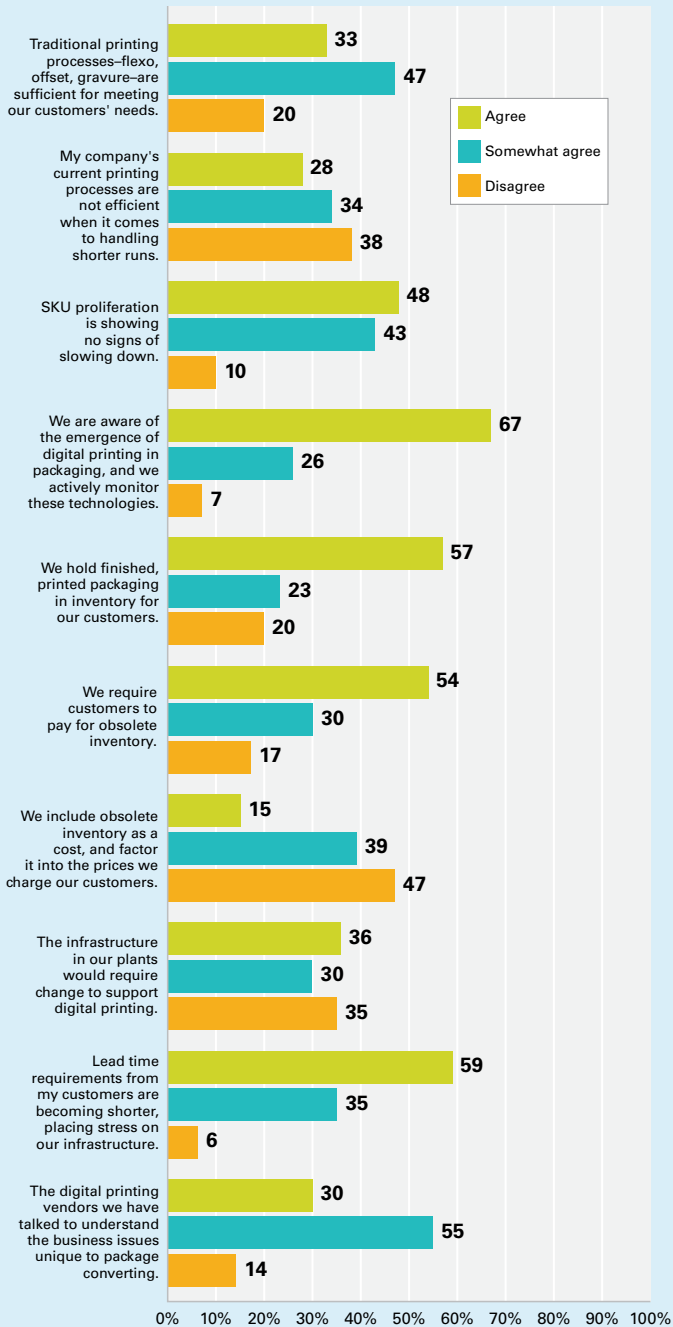
And finally there's Colleen Twomey, Assistant Professor of Graphic Communication in the College of Liberal Arts at Cal Poly, who has this to say about digital printing in the packaging arena: "I believe the greatest advantage that digital printing provides CPGs is the access to good quality prototypes, short run jobs, and variable-data campaigns." Twomey teaches consumer packaging and workflow classes related to packaging

EXCLUSIVE SURVEY

For additional insight on emerging print-related digital technologies, be sure to take a look at the exclusive survey conducted last year by *Packaging World* and Cal Poly GrCI. Among the questions we asked converters in the survey was this one: "Converters, indicate whether you agree or disagree with each of the following statements about your operational efficiency." Their answers are charted here. You can read a detailed synopsis of the full study at these two links:

Figure 6 - Converters, indicate whether you agree or disagree with each of the following statements about your operational efficiency.

Traditional printing processes–flexo, offset, gravure–are sufficient for meeting our customers' needs.
- Agree: 33
- Somewhat agree: 47
- Disagree: 20

My company's current printing processes are not efficient when it comes to handling shorter runs.
- 28
- 34
- 38

SKU proliferation is showing no signs of slowing down.
- 48
- 43
- 10

We are aware of the emergence of digital printing in packaging, and we actively monitor these technologies.
- 67
- 26
- 7

We hold finished, printed packaging in inventory for our customers.
- 57
- 23
- 20

We require customers to pay for obsolete inventory.
- 54
- 30
- 17

We include obsolete inventory as a cost, and factor it into the prices we charge our customers.
- 15
- 39
- 47

The infrastructure in our plants would require change to support digital printing.
- 36
- 30
- 35

Lead time requirements from my customers are becoming shorter, placing stress on our infrastructure.
- 59
- 35
- 6

The digital printing vendors we have talked to understand the business issues unique to package converting.
- 30
- 55
- 14

Legend:
- Agree
- Somewhat agree
- Disagree

Source: *Packaging World* / Cal Poly GrCI

and publications, and printed electronics. She is the Graphics for Packaging concentration coordinator, and has researched flexographic printing of conductive silver inks, interactive packaging, and general packaging trends.

Why the hesitation?

Considering how strongly this quartet of thought leaders feels about digital's role in the packaging value chain, why do we see so much hesitation on the part of converters who are considering adding digital to their repertoire? Joachim thinks it has a lot to do with how different a business model it involves.

"One worry is that the entire business model is different for digital and will be foreign to traditional converters," says Joachim. "While unit cost on digital is higher, the cost offsets from fast make-ready, less waste, no inventory, and facility overhead create a different financial model," says Joachim.

Ferrari has also encountered more than a few packaging converters who are nervous about pulling the trigger on digital printing. Like Joachim, Ferrari believes that what worries converters the most is that digital printing will likely change a company's business strategy. "Many are stuck in a commodity mindset and do not see how shoppers and brands are changing," says Ferrari. "They don't seem to comprehend that there's more to the converting business these days than coming up with strategies to drive cost savings. This is a time of change, and the business of packaging printing needs to be reinvented. Those able to see the need to compete in the three shopper channels will be in a position of serving their clients more completely. Others that are slow to see the need for change will struggle, and some will simply not be competitive in the future," says Ferrari.

Ferrari also sees that there are myths floating about, like the one about digital printing being suitable only for short runs. "Such printers cannot imagine running a personalized Coca Cola campaign where 1 billion labels were produced using digital printing," says Ferrari.

There is also the viewpoint of moving analog jobs to digital jobs. According to Ferrari, "Printers and converters assess the speed of digital presses to be far below that of analog. Then they look at the price and believe they cannot sell this to their clients because it is too expensive. These are legacy metrics from the analog world. The printers and converters keep running the numbers for ROI calculations and are stuck in not seeing the other pocket of profit that is possible."

Twomey also sees a revenue-related concern. "Hesitation occurs when large amounts of potential costs (of

Mike Ferrari

Colleen Twomey

equipment) are coming at a time of slow recovery, and companies need to be convinced that revenues will be positively affected." Twomey also agrees that installing a digital printing capability into production requires a different mindset from before. "Digital printing needs new rooms built to handle airflows. Sometimes special substrates are involved, and ink handling may be unfamiliar at first. Running these presses is more technical than running a traditional printing press, and education/training is key. Printers and converters tend not to adopt new technology until they're forced to by the CPG or they see a very quick and obvious ROI. Consumable costs, equipment costs, and new business models are all things that could cause printers and converters to hesitate."

Overcoming the fear

Burke sees digital printing as a major growth opportunity for converters and printers of packaging. "The growth benefits are related to being able to run small lots, quickly, in a cost-effective manner with high image quality. Application of digital printing should lead to mass customized products and packages. Being able to facilitate frequent package changes, new product launches, regulatory revisions, prototypes, etc., will create growth opportunities," says Burke.

Treating a new digital printing capability as a completely separate business will help converters and printers get the new business offering off the ground, in Joachim's opinion. "Also important is developing a sales force that can sell the applications best suited for digital printing. Sales will need to sell the value-add of digital, and they should be trained and incentivized to seek out those applications that are the best fit. Simply moving applications from flexo to digital may not keep the press busy enough, and it's a missed opportunity for growth," says Joachim.

"Digital printing quality keeps improving, more bells and whistles, such as varnishes, new uses of whites, various substrates, and even converting innovations,"says Twomey.

Ferrari sees a digital printing revolution happening right now, leading to a much more streamlined process. "What's possible today is that you can have software to drive the ordering and reordering process, digital front end connected to digital print press, and now also digital finishing. There will soon be a launch of digital decoration. This leads to a completely new eco-system that is emerging, one that's characterized by fewer touches. And with fewer touches comes fewer errors," says Ferrari.

Ferrari also sees digital printing as a disruptive technology.

Rather than fearing it, he believes converters need to embrace it as the tool that it is, a tool that will help them offer their clients more than ever before. "This mindset change in viewing the world in a different way is what has been the success of many digital printers/converters, raising themselves above commodity status and increasing sales and margins in the healthy double-digit range," says Ferrari.

Twomey is a big proponent of innovation in printing: "I believe in digital workflows/printers. I believe in traditional print. There is going to be a happy medium for a long time as the two technologies marry to create better solutions for CPGs. Maybe it's hybrid presses, and maybe it's satellite locations, or printer farms that can create new business models (rip once, output many) with digital. I'm looking forward to the future because the packaging market is growing, and digital is going to provide a nice solution. It may take a bit for the converting industry to believe, but it will happen."

"Printers and converters that put themselves in a position of serving their clients by bringing new solutions through innovation will win. They will become preferred partners and rise above commodity status," says Ferrari.

Carl Joachim

GROWTH OPPORTUNITIES WITH DIGITALLY PRINTED PACKAGING

Carl Joachim offers a checklist to consider for successful growth opportunities. Run lengths are declining 7-9% per year, so short runs are a growing market. His recommendation for the most growth is to focus on short run, quick-turn applications, including:

- Regional brands that are growing, like brand promotions linked to events and holidays; each of these command short runs and fast time to market.
- Brands that distribute products through specialty stores, such as boutique pet foods sold through local pet shops are another opportunity.
- Test marketing of a new product, where there is often a requirement for short run, quick-turn packaging.
- Brands that place a premium on eye-catching graphics represents another growth opportunity. ○