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2020 State of the Industry Report: Labels





Image courtesy of Label King.

Label King helps its customers achieve shelf differentiation by combining highly tactile, soft-touch laminates with foil and UV inks in labels and sleeves.

2020: A Year of Resiliency for the Label Industry

In the face of pressure thrust upon them by an unprecedented pandemic, label printers and converters have shown their strength and resolve in a challenging time.

By Patrick Henry

In normal times, reporting the state of a print industry segment wouldn't have an epidemiological angle, but these are not normal times. The present state of the label segment, however, probably comes closest to what the rest of the industry remembers as "normal" in the days before the shadow of COVID-19.

Converters say that the pandemic's impact on their business, while palpable, hasn't been crippling, and isn't likely to do long-term damage. Staying abreast of market trends, dealing with price pressure, expanding application creativity, and keeping up with advances in production technology remain the primary concerns — and converters are refocusing their strategies on these objectives.

Label producers "are far better off than most" in terms of what the pandemic has done to demand for printed product,

according to Dan Muenzer, former president of the trade association TLMI. (Linnea Keen assumed the role on August 1.) On average, he says, "it really hasn't impacted the totals."

In an unsought-after way, the outbreak has stimulated demand for labels in some markets at the expense of others. Labels for foods eaten at home, for example, got what Muenzer calls "a very nice bump" in volume as on-premise dining declined. (He notes, however, that there's a limit to the "share of stomach" that food brands can compete for, given that there's also a limit on the amount of food that people can consume at home or away.)

'Panicked' Customers Overbuy

TLMI chairman Michael Ritter, who is also the controller of Brunswick, Ohio-based label manufacturer

I.D. Images, notes that although suppliers to industrial accounts such as automotive have “struggled,” those serving food producers are finding that, “at times, there’s more business than they can handle.” He ascribes this to rush orders from “panicked” customers wanting to build up emergency inventories against supply-chain crunches.

This would ring true to Robert Parker, owner of San Diego-based Label King, who says his shop has experienced an average 50% increase in order size over the past two and a half months. This is attributable, he believes, to customers “marketing more toward need than to variety” as they’ve tried to keep their pipelines stocked with essential products.

A “significant minority” of TLMI members picked up extra business in these circumstances until the spike abated, according to Muenzer. A downside of the situation, he notes, is that it added up to three weeks of lead time to orders for label materials. And some capital expenditure plans were put on temporary hold as converters moved shopping for equipment further down on their list of priorities.

“They just haven’t had the time,” Muenzer explains, also pointing out that pandemic-related travel restrictions have curtailed trips to vendors’ sites for equipment demonstrations. He expects investment to pick up as converters resume seeking ways to achieve the manufacturing efficiencies they need.

Challenge of ‘Complexity’

For now, label producers are finding their hands sufficiently full of challenges they already know well, which Steven Haedrich, president of New York Label & Box Works, enumerates as “lower quantities, more SKUs, and lower pricing.” To these, he adds satisfying demand for the increasing degree of complexity that customers want in their label products.

Haedrich contends that although consumer market trends aren’t changing all that much, labels are expected to do more than they used to. Today, he says, “it’s more about the complexity going up, rather than the design or production” that determines how labels are made. Complexity can take the form of serialized imprinting, QR codes, and multi-page label formats for purposes such as multilingual versioning, anti-counterfeiting, and stopping the diversion of products into illicit sales channels.

But, as Ritter points out, “the race to stand out on the shelf” is no less competitive than it ever was, with brands pressing label producers to come up with new ways to differentiate their products “among the 43 other options on the shelf.” Parker says he and his team at Label King are creating differentiation “in a more tactile manner” by combining soft-touch laminates with foil and UV inks in labels and sleeves that feel as good as they look.

Four Plus Two Made Eight

Something else that hasn’t grown any simpler is turning customers’ artistic specifications into printable label products. Haedrich tells of an assignment that called for

four-color process plus two custom colors: nominally a six-color job, but one that had to be run with eight flexo stations because of design features (for example, 2-pt. knockout type) that made the six-color treatment unworkable. Nevertheless, the customer insisted on paying for the job only on that basis.

“Designers still don’t understand printing,” Haedrich observes.

Be that as it may, converters understand that the nature of demand is changing and that they must equip and operate accordingly.

They’ve adapted to the rise of e-commerce, for example, by learning to conduct online transactions with their customers via purchasing portals. (“For some, it’s the only way they do business,” Muenzer says.) Ritter points out that for suppliers of stock shipping labels like I.D. Images, the vast appetite that e-commerce merchants have for these products has been a “boon.”

Muenzer notes that in all things related to production, “efficiency is by far and away the most important factor,” given that converters can’t always raise their prices in step with the cost increases they incur. This means pinpointing, measuring, and minimizing costs to the fullest extent possible, everywhere in the operation.

What Would Deming Do?

Haedrich strives for this kind of efficiency as an advocate and a teacher of the Deming philosophy of continuous quality improvement, which he applies across the board at New York Label & Box Works.

The famous 14-point Deming method aims to instill “repeatability, predictability, consistency, and reliability” in all phases of production, according to Haedrich, who has been practicing it at the company for more than 30 years. “When you systematize everything, there’s less frustration, and there’s less chaos,” he says, adding that minimizing waste, rework, and customer unhappiness in this way is the key to finding “joy at work.”

Converters may also rejoice in the increasing efficiency of their equipment for flexographic printing, still the most widely used process for label printing. Ritter compliments the flexo press manufacturers for “a lot of incremental changes,” such as servomotors replacing drive gears, that have added up to improved press performance over the years.

Parker sees these improvements at work in his eight-color Performance Series press from Mark Andy, acquired two years ago. He says that the press, with its fast registration, and quick-change plate cylinders and cutting dies, completes job changeovers in up to 40% less time than the equipment it replaced. This enables the press both to add capacity and to print cost efficiently in shorter runs, Parker adds.

Closing ‘the Big Gray Window’

Digital printing has a starring role to play in the progress of the label segment — or will have, in Ritter’s opinion,



Michael Ritter, controller of the label manufacturer I.D. Images, with one of the company's Mark Andy Performance Series P5 flexographic presses.

as soon as digital press manufacturers figure out how to make their equipment print economically in what he calls “the big gray window” of run lengths between 10,000 and 100,000 linear feet. As this happens, he predicts, “every converter is going to see more digital over time” as a solution for meeting a broad range of quantity requirements.

Parker says he intends to take a first step toward digital as soon as he can add enough space in the Label King plant to house a press. He likes the fact that digital presses are no longer strictly for short runs and now can handle higher volumes as well. With this kind of production flexibility, “digital becomes another option to help our customers,” he says. “That’s very appealing to us.”

New York Box & Label made the digital commitment by installing a Mark Andy Digital One, a dry toner/flexo hybrid press for short-run prime labels. Haedrich says customers appreciate the fact that their jobs can run on it without incurring plate charges.

The press also enabled the launch of Sticker Buzz, a New York Box & Label service specializing in fast-turnaround, custom-printed stickers created from customer-supplied artwork. The company also operates a Domino K600i UV digital inkjet printer for serialization and other applications that add complexity to labeling.

Harnessing the versatility of tools like these in the quest for brand differentiation opens creative possibilities in label design that converters aren’t being slow to explore.

Value-Add or Just a Fad?

Ritter and Muenzer both say they’re seeing a fair amount of interest in augmented reality (AR) as a technique for

making labels interactive, although Muenzer thinks the jury is still out as to whether AR for labels and packaging is just a “fad.” He notes that near field communication (NFC) and radio frequency identification (RFID) tagging for security and other uses hasn’t caught on to the extent first anticipated.

But, “metal and sheen” is more popular than ever along with extended-content formats that turn labels into paginated booklets. Even QR codes, as “funky” as Muenzer holds them to be, are enjoying a vogue. “Consumers know what to do with QR codes,” he observes.

Sometimes, creativity in labeling can be as

much about the manufacturing process as it is about the finished product. Haedrich’s case in point is the “amazing innovation” he says his pressroom team pulled off in modifying a press to streamline a complicated run of seven-page booklet labels. Producing them had required as many as four rewind stations for off-line folding, and the job as a whole took 16 weeks to complete.

By devising and installing an accessory for in-line folding, Haedrich’s team cut the delivery time to four weeks. “I am still in awe of my guys” for the way they tackled and solved the problem, he says.

Light Touch by Regulators

For an industry that produces billions of products found in virtually every home, institution, and place of business in the country, the label segment operates under a relatively light burden of oversight from public agencies. Questions of sustainability and environmental impact always loom, but apart from those, says Muenzer, converters are feeling no undue regulatory pressures just now.

Ritter notes the attention being paid to improving the recovery and remanufacturing of label materials, including silicone release liners, adhesives, and other components that aren’t readily recyclable. Much work is being done, he says, “to solve that mystery in an economical manner for everyone concerned.”

Mike Masotti, who is in charge of new product innovation at New York Label & Box Works, thinks significant regulation for labeling could come from another quarter entirely.

“In the EU currently, and in the near future for U.S.

markets, chain of custody or provenance will play a major role — knowing where and how the product is sourced, for environmental and economic impact on local populations,” he said in a written response. The enabling technology will be blockchain, the encrypted virtual ledger for e-currencies and other applications.

Although, as Parker points out, “we don’t know what’s behind this fog of COVID,” there seems to be no reason to fear for the well-being of the label segment once the fog lifts.

Converters, after all, are realists. Haedrich professes to be “both optimistic and pessimistic” about the near future. He’s optimistic because “packaging is possibly the only great part of printing left these days,” and thus is the right part of the industry to be part of. But, he admits that when he sees “complexity going up, and pricing going down,” pessimism starts to creep in.

‘Those Days Are Gone’

The cure for that, according to Muenzer, is to do what companies like New York Label & Box and others have done: develop a clear picture of what the business does and what it offers the market, and stick to that vision.

There may have been a time when a label converter could be a generalist, trace a 250-mile radius around the plant on a map, and mark that as the company’s territory. “Those days are gone,” Muenzer insists. Now it’s imperative to have a distinctive identity and to make an “emotional investment” in living up to it as a business strategy.

That is what Parker, for one, declares that he stands ready to do. “In this challenging time, the most important thing is the ability to change, and to adapt to a changing environment,” he says. “As a strong, small company, we are very confident that we will not only succeed, but thrive in this evolving marketplace.” ●

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