

Issue 6

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FEPE Magazine

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A magazine about the envelope, light packaging
and ecommerce packaging industries

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Editorial

The past months have been a time of change for FEPE. The most important one recently is that our Managing Director, Matti Rantanen, has stepped down, having moved to a new position in the packaging industry. I am sure you will join with me in wishing him every success. And I hope we can look forward to future collaboration with Matti in his new role.

We welcome a new Office Manager, Andrea Mazzaro, to our small team. She and Udo Karpowitz will ensure that the FEPE secretariat in Brussels continues to function as before!

In February, the Marketing Committee met in Brussels (and online). The presentations are reported on in this issue. The Committee's next meeting will be in Brussels on June 14, 2023.

Our next opportunity to all get together will be at our General Assembly and Annual Congress on 13–17 September, 2023, in the beautiful city of Rome.

For now, I hope you will enjoy this issue of the FEPE Magazine. And remember — we always welcome your feedback and proposals for articles!

Best regards,

Jean

Jean de Couëspel
FEPE President



“A changing market is an opportunity to adapt”

Ignacio Reiris talks to FEPE about how Printeos has evolved and how it continues to adapt to change today.



Ignacio Reiris, CEO of Printeos Group, Spain

Can you tell us about the history of Printeos Group?

Printeos was founded (as Tompla), in Spain in 1961, as a manufacturer of bespoke envelopes. “We were mainly supplying the direct mail industry, which was quite small at that time,” Ignacio explained. “Initially there were two founders and three shareholders. But within just a few years, there were five shareholders – including my father. Remarkably, those five families have remained as partners since then, for more than 50 years!”

Printeos quickly grew to become a very successful company. In the following years it became the world’s most international manufacturer of bespoke printed goods, first expanding outside Spain in 1971. By the 1990s, the company had 3,000 active clients outside Spain, served by a factory with 1,000 employees — the largest in Europe. They then began a series of acquisitions in France, Spain, Poland, and other countries across Europe.

An important milestone was the diversification into self-adhesive labels, in 2014. “Things moved fast after that,” Ignacio said. “By 2016, we had

acquired four more companies and our label production really took off.”

Today, Printeos Group has 1,600 employees and 21 factories across Europe. And as of 2023, revenues from labels will surpass revenue from envelopes. “Of course, demand for envelopes and labels was really hit by Covid-19. On the envelopes side, that demand has only returned partially, with the overprinting and office supply markets particularly affected.”

“The labels business is more steady. It’s not consistent all the time, but moves with the economy.” Printeos Group label-making companies today produce self-adhesive labels for the food packaging market, high-value labels for the wine and beverages industry, logistics labels, and for several smaller segments such as pharmaceuticals and cosmetics packaging.

What was different in the past compared to today?

“One thing has really changed,” said Ignacio. “In the past, there was heavy competition – you might call them ‘epic battles!’ – between envelope manufacturers to get important contracts with big clients. Today, many of those clients have disappeared or become much smaller. So no manufacturer today has the illusion that a contract with a big client is all they need to solve their current problems. Our product is becoming more and more niche.”

What do falling envelope volumes mean for Printeos?

“Yes, envelope volume is going down,” said Ignacio. “But our philosophy to face this is different to many other companies. Each of our companies keeps its own market and brand. We have not merged them in order to close production sites. We continue to try to stay close to our clients. Of course, the tendency is for production sites to become smaller. But we try to reduce staff through natural attrition as far as possible — resignations and early retirement plans and so on. Our staff really appreciate this, knowing that we are not going to suddenly close a plant and make everyone redundant at once. Even if our staffing levels are only a quarter of what they were 20 years ago.”

“Our philosophy is to adapt to change, not to fight it. We have not given up on envelopes: the market will continue to exist. What we need to do, as manufacturers, is to add value for our clients,” he continued, explaining that manufacturers need to understand the changes in the market and upgrade their offer.

“We need to find new segments and markets. For example, we are also now going into ecommerce packaging, such as high-resistance pockets and paper-based bubble pockets,” said Ignacio, noting the importance of more-sustainable ecommerce packaging to reduce pollution and waste.



Top: Miguel Angel Gutiérrez, Shift Supervisor;
26 years at Tompla (Printeos Group).
Right: Printeos Group direct mail examples.



What led to the choice of labels as a segment to diversify into?

"There were several reasons. First, it's a growing market, not a declining one. And the market is diverse, with a very large number of producers and clients, so there were opportunities to jump into this segment."

Moreover, Ignacio explained that there are several factors that make the labels business a

good match for Printeos, having been so long in the bespoke envelopes business. "When you are making bespoke envelopes, you are very close to your clients' core business, quite involved in their processes and decisions. The production cycle of labels is quite similar to the direct mail cycle, with its very specific demands."

However, he continued, "it's an expensive business to get into! And it requires continual investment: there is a huge variety of equipment for label production, and the technology progresses all the time. For example, the demand for more sustainable solutions, as well as compliance with regulations or tax levies, mean that companies are always looking for ways to reduce waste and use less energy. In the labels cycle, the biggest use of energy is to dry inks, so innovations to speed up ink drying can make a big difference. Artificial vision cameras can help improve automation, for greater reliability and less waste. It all leads to more investments."

As someone whose family has been in the envelopes sector for generations, what would you say to your fellow envelope producers in FEPE?

"I don't think I can say anything that hasn't been said before! The envelope industry will continue, but volumes are declining. That's a fact. We need to be able to adapt in this declining market. Whether that means finding new segments and markets, or offering value-added services to our clients, or diversifying into different products. It's all about being open — a changing market is an opportunity to adapt!"

Envelope production decline continues

Soaring raw materials and energy costs took their toll on the envelope industry in 2022, compounding the decline trend of the past years.

Poor performance in the fourth quarter of 2022 has clouded the annual balance of the European envelope industry.

Although there were major paper supply problems at the start of 2022, and as the prices of almost all raw materials and energy soared, the industry was able to avoid massive losses in production quantities. In the first 9 months of the calendar year, the quantities produced fell by 4–5% in Europe, more or less in line with the long-term trend for the envelope industry.

Paper prices of up to €1,800/t forced the envelope industry to increase the prices of envelopes and pockets accordingly: prices almost doubled during the course of the year. Despite falling demand, the industry therefore recorded significant growth in sales value.

In the middle of the year, concern about energy and raw materials supply, as well as the long delivery times at all levels, led to considerable unease and uncertainty in the market. The result was a large number of early orders, which then led to overcrowded warehouses and high stocks at the end of the third quarter.

With the easing of the raw materials and energy markets in autumn 2022, expected follow-up

orders and other customer demand failed to materialise. In the fourth quarter, while sales value remained high, sales quantities for envelopes and pockets were 11% below the previous year's values. This development affected almost all product categories including large pocket and gusset envelopes.

The decrease in large-format pockets was also caused by the ecommerce business in 2022. In Germany alone, the BEVH reported a drop in the volume of ecommerce, at –8.8%, with similar decreases in other European countries. This does not signal a declining trend, however, but rather a market correction of the peak ecommerce levels in 2020 and 2021 due to COVID-19.

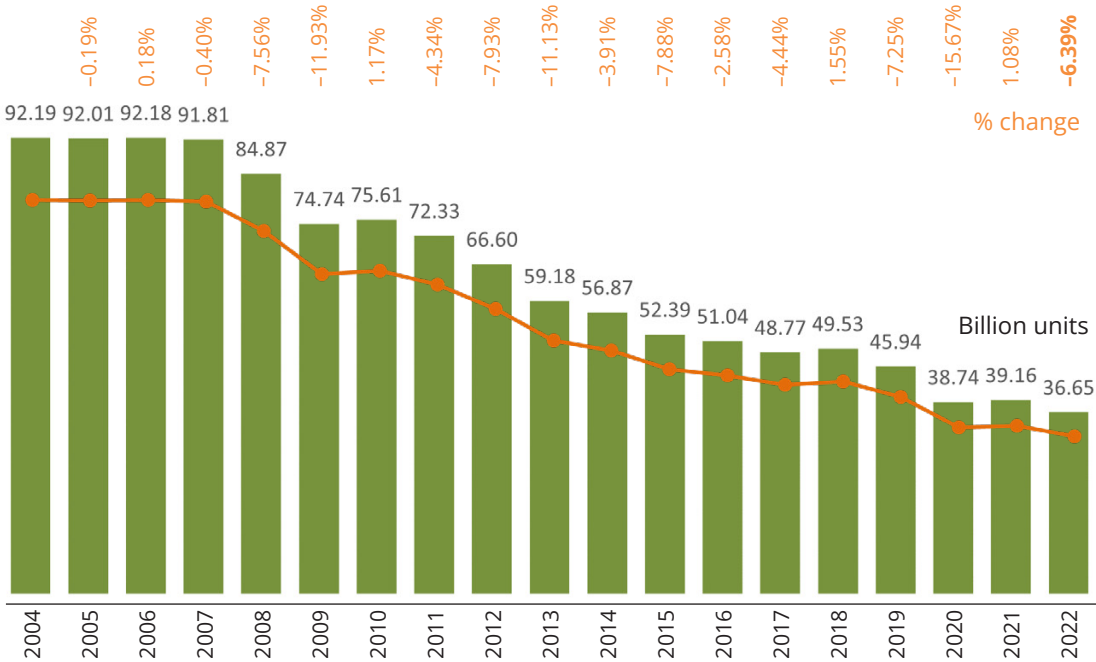
Because of the well-filled warehouses, the start of 2023 was also very quiet. A normalisation may be expected in the second quarter 2023.

For the full year of 2022, FEPE members reported a volume of 36.7 billion units, which corresponds to a drop of 6.4% compared to the previous year. The extrapolated level for the complete industry (including 15% non-members) dropped from 46 billion units in 2021 to 43 billion last year.

Despite the shrinking sales volume, overall the envelope industry was relatively satisfied with the

Note: The graphic shows data for FEPE member companies. The total envelope market in Europe was 44.5 billion in 2020, 45.8 bn in 2021 and 43.0 bn in 2022.

ANNUAL ENVELOPE PRODUCTION VOLUME (FEPE MANUFACTURING MEMBERS)



sales figures and economic results in 2022. Due to the significant price increases, total turnover of the envelope industry should have increased slightly in 2022.

A 2017 study by Copenhagen Economics forecast a best- and worst-case scenario for the industry. Production data suggest that the trend is closer to the worst-case scenario: 35 billion units in 2025.

Turn the Page: Recruiting young people to an age-old industry

Turn the Page is a European project to develop an overall strategy for the pulp and paper sector to attract and retain young people, and to boost and enhance their perception of the sector.

The pulp and paper industry, like many other industries, is facing great difficulties to recruit and retain young workers, at all educational and skill levels. This is in part due to misconceptions about the pulp and paper industry, and its relevance in a digital world, and in part due to wider recruitment issues since the start of the Covid-19 pandemic.

To tackle this, and to correct misconceptions about the industry, a consortium of organisations joined forces to create *Turn the Page* (TTP).

The TTP project was presented by CEPI at the 2023 spring meeting of the FEPE Marketing Committee in Brussels.

The project has generated a wealth of communication tools and information about the pulp and paper industry. These can be found on the project website.

The website content is in seven languages: English, Dutch, Finnish, French, German, Italian and Polish. It includes:

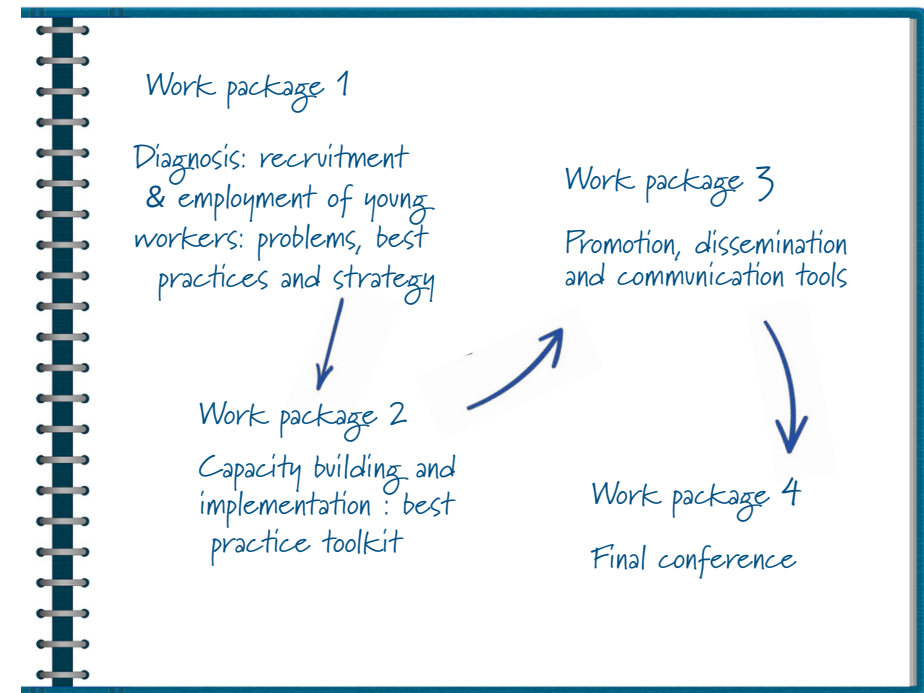
- ♦ information and statistics about the pulp and paper industry, paper production and sustainability
- ♦ descriptions of typical jobs in the industry and their educational requirements
- ♦ a comprehensive list of relevant educational programs at high school, vocational, bachelor, masters and doctoral level, across Europe
- ♦ video interviews of people working in the sector

The website also includes an interactive tool to look for best practices, and a downloadable best practices brochure.

See: www.turnthepage.eu

TURN THE PAGE PARTICIPATING ORGANISATIONS:

- Confederation of European Paper Industries (Cepi): www.cepi.org
- IndustriAll European trade union: www.industriall-union.org
- INDUFED (Belgium): www.indufed.be
- Finnish Forest Industries (Finland): www.metsateollisuus.fi
- IG BCE (Germany): www.igbce.de
- DIE PAPIERINDUSTRIE association (Germany)
- The Paper Centre (Germany): www.papierzentrum.org
- Assocarta (Italy): www.assocarta.it
- Solidarność trade union (Poland): www.solidarnosc.org.pl
- Technical partner: Spin 360 Consulting



The TTP project was created through four work packages; a combination of research on the sector, collection of knowledge, tools and best practice to support stakeholders, and creation of communication and promotion tools to boost the attractiveness of the pulp and paper sector among young people.

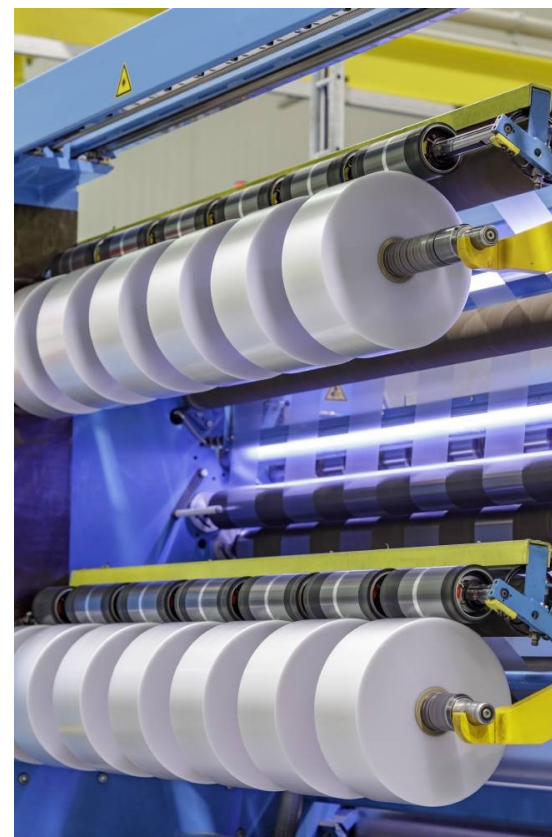
Planet-friendly solutions for changing demand

Soheila Schneider (Sales and Marketing Director, EMEA region) describes how Sidaplast is meeting growing demand for sustainable window films, in a changing market.

COMPANY PROFILE

Earthfirst® Films by Sidaplast is a subsidiary of Americas-based Earthfirst® Films by PSI – hereafter ‘Sidaplast’. Commitments to sustainable films, world-class manufacturing, advanced quality systems, and responsive customer service have made Earthfirst® Films by Sidaplast a trusted name in films. The production facilities in Ghent, Belgium and Ohio, US, provide sustainable films for the envelope and flexible packaging industry.

Photos courtesy of Sidaplast.



SUSTAINABLE AT HEART

Sustainability is part of Sidaplast's DNA, and one of the foundation blocks of its company's strategy. "The name 'Earthfirst®' says it all," said Soheila. "It embodies our deep commitment to advancing sustainability for a healthier planet. That means facing the waste pollution and contributing to solutions for our customers in achieving the goal, set by the EU, of net-zero greenhouse gas emissions (GHG) by 2050. It's not something that happens overnight; it's a journey that we take together, everyone doing their part."

Sidaplast introduced Earthfirst® Biopolymer Films, alongside its Polyflex® polystyrene films and its envelope windows from Transcendia, more than 20 years ago, for packaging applications in food and non food. Today, they continue to innovate highly biobased and compostable film solutions.

"More and more people are recognising the urgency of producing, buying and using more sustainable products, eating sustainably and sorting waste through home composting," Soheila continued. It all contributes to CO₂ footprint reduction and the ultimate goal of a circular economy. "In our business, it signifies growing demand for biobased and compostable products, fit for responsible operations and waste streams."

"It's not about finding one, perfect solution, but many partial and specific solutions, depending on the application. Composting is one. Packaging recycling rates are lower than expected; too much still goes into incineration (along with food). Steering waste towards industrial composting is one solution. That requires a clear labelling policy and consumer education on proper waste sorting. Products compostable at home are a step further."



ENVELOPES SERVING CHANGING NEEDS

"Markets change and we will continue to offer high quality and service levels, while preparing for the market's new requirements," Soheila explained. "A major part of envelope applications needs high performance polystyrene window films, either our Procite® and Trycite® films or our Earthfirst® PLA sustainable window films. Envelopes machines become even faster, process stability and highest productivity are key, and so our reliable polystyrene films are also the preferred solutions in this instance. Due to their limited ductility, high stiffness and excellent lay-flatness, Procite® and Trycite® films with the right mix of gloss and haze, in various thicknesses, are first choice for our customers. Our envelope range is supplemented by printed

Procite® films and high temperature stable polyester films for laser printing.

"In parallel, the demand for Earthfirst® sustainable PLA window films continues to grow. Earthfirst® WCP semi-mat and Earthfirst® WUL crystal-clear were also designed for highly efficient processability on envelope manufacturing lines, with great performance in optical readability and contact transparency. As the traditional envelope market tends to decline, even at a slower pace, the global market for lightweight packaging and mailing envelopes for ecommerce is increasing," Soheila continued. "We provide solutions for laminated paper and packaging applications, ecommerce packaging, window film patches for boxes and pouches, and all types of envelope mailings. Our range also includes Earthfirst® films with inherent barrier properties against aromas, grease, oxygen or moisture."



EARTHFIRST® BIOPOLYMER FILMS

Today, Sidaplex is one of the largest global manufacturers of biopolymer films. All Earthfirst® biopolymer films are both biobased and industrially or home compostable. Recent years have seen a substantial increase in the market for Earthfirst® compostable films for flexible packaging in food and non food applications as well as in various other applications.

The raw materials in Earthfirst® biobased films are made from annually renewable, plant based sources. Earthfirst® biopolymers products are industrially compostable according to EN 13432 DIN CERTCO or certified OK for home composting by TÜV Austria NF T51 800. They are also suitable for mechanical, thermal or chemical recycling.

"Our Research & Development team is continually investigating new materials and advances in biopolymers. We will continue to create high performance films that are also contribute to positive end of life options."

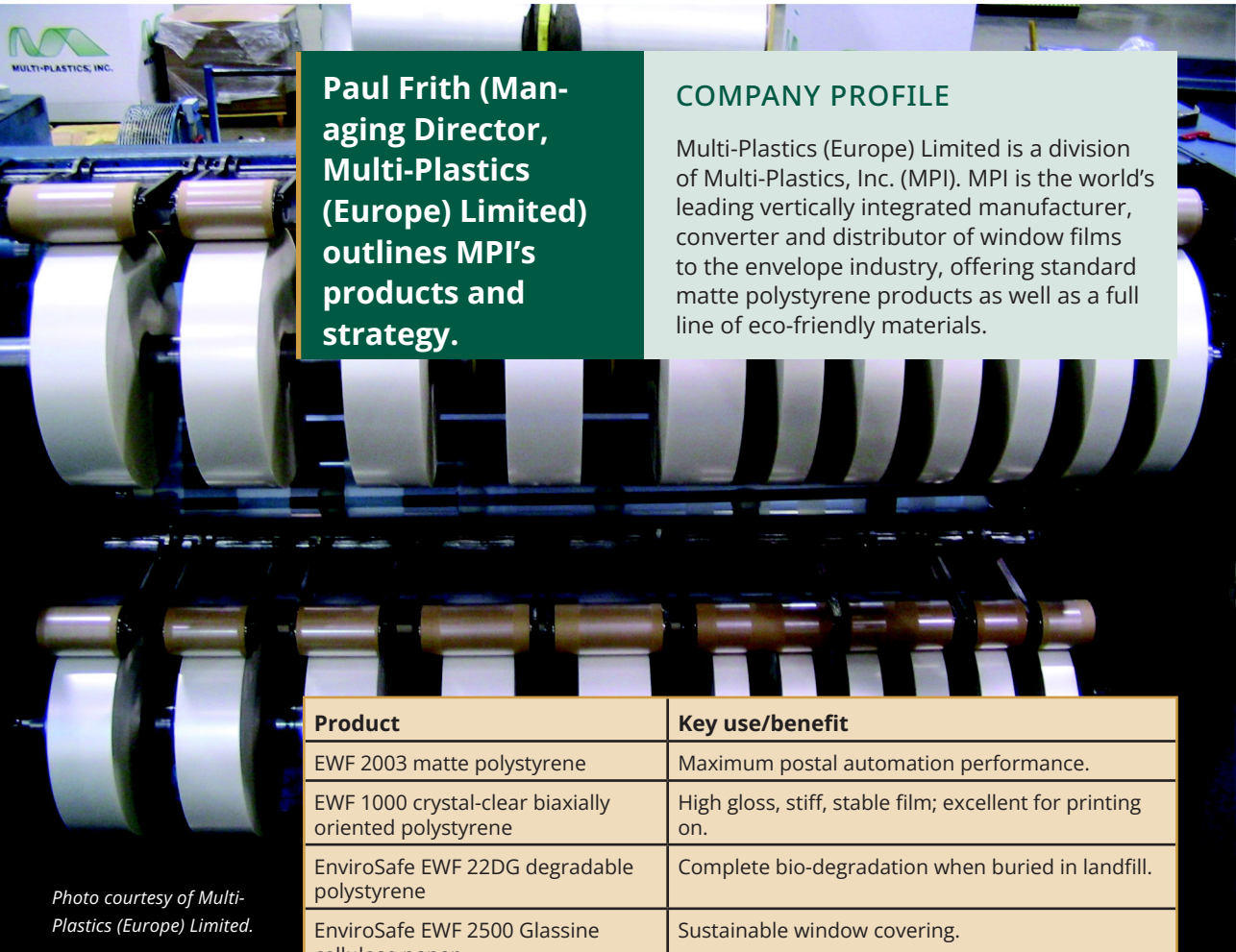
AFFORDABLE SUSTAINABILITY

"In a rapidly changing market environment, choosing a sustainable solution is about more than just the product cost," said Soheila. "We realise that companies are more likely to support the more sustainable window film solution when they consider the bigger picture, which is usually a combination of factors: internal company commitment to sustainability, CO₂ footprint, the voice of their customers, branding, etc. If it meets those needs, companies find ways within their operations to fund the increase."

"Our goal is to help companies make their products more successful in the long term, through sustainable materials," Soheila concluded. "As sustainable adoption continues and the industry reaches scale, the investment will become lower for everyone. And then we'll have made our company's mission and vision come true."

For more information, please contact Soheila Schneider at schneider@sidaplex.com or visit earthfirstfilms.com

Finger on the market pulse



Paul Frith (Managing Director, Multi-Plastics (Europe) Limited) outlines MPI's products and strategy.

COMPANY PROFILE

Multi-Plastics (Europe) Limited is a division of Multi-Plastics, Inc. (MPI). MPI is the world's leading vertically integrated manufacturer, converter and distributor of window films to the envelope industry, offering standard matte polystyrene products as well as a full line of eco-friendly materials.

Product	Key use/benefit
EWF 2003 matte polystyrene	Maximum postal automation performance.
EWF 1000 crystal-clear biaxially oriented polystyrene	High gloss, stiff, stable film; excellent for printing on.
EnviroSafe EWF 22DG degradable polystyrene	Complete bio-degradation when buried in landfill.
EnviroSafe EWF 2500 Glassine cellulose paper	Sustainable window covering.
ERP 2800 silicone coated bleached Kraft release liner	Specifically designed for envelopes and business forms.
EWF 4000 clear polyester film	For strong, puncture resistant envelope windows.
EWF 40LS crystal-clear polyester	Heat resistant for specialty printing applications (thermography, digital laser presses).
EWF 3000 red, blue and yellow polystyrene	Used in direct mail campaigns (not for the address window).
EnviroSafe EWF 700M matte acetate	Fully compliant and sustainable window material for postal automation and postal discount applications. Biodegradable, recyclable, compostable, repulpable with paper.

MPI currently offers nine products for the envelope industry. Three of these products fall under the EnviroSafe brand, addressing environmental needs. See: multi-plastics.com/product-lines/

SUSTAINABILITY — AT ANY COST?

As the world's leading vertically integrated manufacturer, converter and distributor of window films, MPI has a long history of introducing innovative polystyrene products to the envelope industry, helping to solve equipment processing issues. MPI now sells into at least seven different markets and offers a complete line of materials that can be used in various applications including ecommerce, lightweight packaging as well as new envelope opportunities.

"Today, MPI is committed to helping customers improve the sustainability of their products and activities," said Paul, citing MPI's EnviroSafe range as an example. "We believe that simple actions by a brand will offer better experiences to the eco-conscious consumer while simultaneously benefiting the planet."

End users/consumers, especially the younger generations, are becoming more informed and aware of the environmental impacts of the products they buy, driving brands towards more sustainability initiatives.

But cost is an issue, Paul explained. "In our experience, most people want to do the right thing. However, when faced with paying additional costs for raw materials, they normally revert to the products they bought in the past – until directed otherwise. The fact is, being greener does come at a cost. And today, most people/companies are not prepared to pay for it."

As a result, companies are reluctant to opt for the more sustainable products until legislation is passed forcing them to comply, or when they see their bottom lines or reputations negatively impacted.

"When brand owners understand their responsibility and the impact of their decisions, it drives steps towards improving the sustainability benefits of the products they manufacture, supply and procure."

ENVELOPES FOR THE LONG TERM

MPI continues to introduce new products for the envelope market. For example, EnviroSafe EWF 700M matte acetate film will soon be launched in Europe. "Our latest window material is biodegradable, recyclable, compostable, repulpable (with paper) and made from 100% renewable and sustainable resources," said Paul. "MPI is determined to be the last man standing," he continued, "supporting the envelope industry to the end."

But that might be a long way off! "Postal mail is not dead. With cyber-attacks and ransomware on the rise, we just might find a flattening in the decline of mail. Paper is still one of the safest ways to communicate." MPI has also helped customers to springboard themselves into new directions for growth and cost savings. "There are opportunities to use envelope machines to produce other products outside the envelope world," Paul noted.

ADAPTING TO CHANGE

MPI is involved in various associations and organisations to keep a finger on the market pulse and adjust their strategy and business model as necessary. "Our goal is to be the complete source of film materials used in envelopes, ecommerce packaging and food applications. We are well positioned to adapt, and we are helping to meet current and changing market demands."

"Many situations, such as Ukraine, energy costs or supply disruptions, are beyond our control. We work hard to minimise the impact of such events and to hold down costs, securing our ability to service the market uninterrupted. MPI has added new equipment and rebuilt existing converting equipment to be more efficient, and focused on better productivity within our process. Issues with recruitment have not affected MPI at the same level as other companies. We pride ourselves on offering stable career opportunities, we have excellent training programmes and our employees find it to be an outstanding place to work."

Bulk mail stakeholders defend door drops

Industry stakeholder groups continue to resist local and national efforts to change from the 'opt out' system for unsolicited postal mail to an 'opt-in' system.

FROM 'NO-STICKER' TO 'YES-STICKER'

EU citizens who do not want to receive unsolicited free commercial mail and brochures in their letterbox (also known as 'door drops') can usually opt out by placing a 'no-ads' sticker on the letterbox. However, there is ongoing pressure in several countries to change this to an opt-in system so that only citizens who have specifically said that they want such mail, will receive it.

The most common opt-in method is the same as the opt-out system, using a letterbox sticker.

- ◇ Denmark is considering legislation to ban unaddressed printed advertising unless the consumer opts in.
- ◇ Netherlands: opt-in is spreading across the country. Residents use stickers on their letterboxes to indicate whether or not they want to receive unaddressed mail (advertising distributed within an entire

post code, such as flyers etc), addressed bulk mail (which carries a specific address on it) or neither.

- ◇ Luxembourg: an opt-in law comes into effect in 2024.
- ◇ France: a trial scheme bans unaddressed mail from being placed in a letterbox unless it has a 'OuiPub' ('YesAds') sign on it.
- ◇ Switzerland: the Green Liberal Party has submitted a law to switch from opt-out to opt-in, using a sticker. The proposal was recently rejected.
- ◇ Germany: the environmental group Deutsche Umwelthilfe (DUH) is pushing to introduce an opt-in scheme.
- ◇ Belgium: a trial opt-in scheme is planned in the city of Leuven.

Local authorities in favour of opt-in schemes claim that they can help them save on the cost of collecting and processing waste paper.

CHALLENGES TO OPT-IN LEGISLATION

Several organisations are resisting these changes, pointing out their disadvantages for consumers and businesses. They argue, for example, that opt-in schemes:

- ◇ may make it very difficult for small businesses to market themselves to local consumers
- ◇ may put more vulnerable segments of the population who don't use internet at a disadvantage
- ◇ threaten jobs in the print and distribution industries
- ◇ make it even more difficult for charities to raise money, especially at times of crisis.

Moreover, any opt-in scheme may breach the EU unfair commercial practices (UCP) directive by giving an unfair competitive advantage to other marketing channels such as social media.

A coalition of stakeholders -- including Intergraf, the Federation of European Direct and Interactive Marketing (FEDMA), the European Fundraising Association (EFA), the European Letterbox Marketing Association (ELMA) -- has submitted a joint letter calling on the European Commission to address this issue with the Member States concerned.

The issue remains unresolved. Laetitia Reynaud, Intergraf, provided some insight into the European Commission's views. "When asked about the lawfulness of national or local opt-in schemes for unaddressed printed advertising," she said, "the European Commission said it would depend on the legal text. In any case, **proposals should be notified to the EU and should respect the requirements of the European Treaty, implying that any proposal should be non-discriminatory, justified by an overriding reason of public interest and proportionate.**"



FEDERATION FOR ENVELOPES AND FOR LIGHT
AND ECOMMERCE PACKAGING IN EUROPE

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