

# New year = new chances + challenges for packaging

The media packaging industry has reached yet another year, which means new challenges and opportunities for packaging suppliers, automation service providers, replicators and, of course, publishers. MediaPack spoke with several industry executives to get their thoughts about some key issues that lie ahead in 2007. Tom O'Reilly reports

**N**ever before has the "packaged" in packaged media been as meaningful as it is today. The packaging of discs has become critical to the continued success of the CD and DVD formats.

Record labels are spending more money and putting more thought into creative design than ever before, in an effort to keep consumers buying packaged media, instead of downloading. Hollywood is creating more SKUs than ever in an attempt to sell both new and catalog titles.

But those on the packaging side of the media business are facing their own specific questions.

## Sorting through the myriad of options

It seems like every year, there are more and more packaging options to choose from. That can make life complicated for those selling disc packaging, especially when the customer does not have a preconceived notion of what they want to put their disc in.

Joel Levitt, president of duplication and replication facility Action Duplication, decided to take on the problem head first. Initially, Action Duplication was going to send a set of samples to customers and prospective customers, but eventually chose a more virtually – and less expensive – approach.

"We were going to put together a custom sample box with about 40 samples," said Levitt.



Univenture's David Coho sees more emphasis placed on environment-friendly packaging, which is more expensive

alternative material to plastic. Certainly, paper-based packaging is already a major player. Peter Berghammer, CEO of industry consultancy and research firm Copernio, notes that there are plenty of potential materials out there that are not petroleum based, such as cotton and other organic, fibrous-type materials. They are more environmentally friendly to boot.

But unless a material could be made more cost effectively, Berghammer doubts plastic will ever be replaced. "I think it all comes down to cost," said Berghammer. And from an environmental perspective, for all the press

"We were going to do 1,000, but the cost would have been about \$20 each. It was going to be a first class job." But after considering the cost further, Action decided to offer a samples section on its website, rather than the physical kit. Needless to say, the decision saved the company a lot of money. Action also offers the samples on a CD, both branded with the Action Duplication logo and unbranded, for middle-men customers.

"A lot of clients don't know what they want," said Levitt. "This makes it easy."

## Thoughts on plastic pricing, environmental issues

The roller coaster price ride for plastic resin had slowed down as of early 2007, which was good news for packaging suppliers, if not replicators and customers. One US replicator that was selling jewel boxes for \$0.16 each three years ago, is now selling the same jewel box for \$0.21, just one indication of the overall rise in plastic media packaging pricing the industry has felt. But the slow down in price fluctuation can hardly be assumed to stay for long, with so many factors impacting petroleum prices.

It would be a radical change, but it makes one wonder if the industry wouldn't search for an

Action Duplication's Joel Levitt is using his company's website to show customers the multitude of packaging options available to them

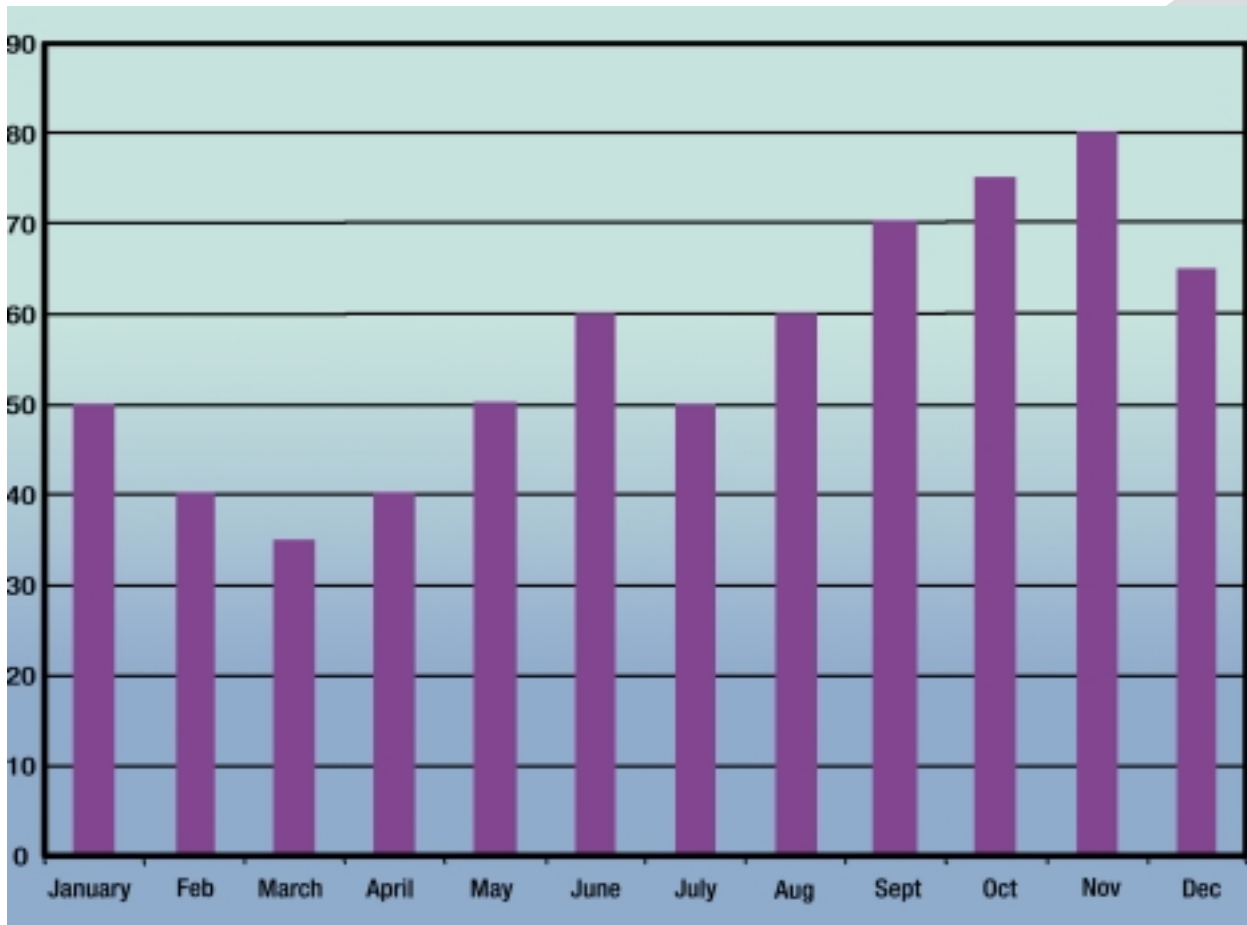
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about earth-friendly products, "it's really debatable if consumers care."

David Coho, Univenture director of sales & marketing, agrees: "Environmentally friendly packaging is very important," said Coho. "But you can't go to a customer and say it's environmentally friendly, but it's two times more [expensive]."

## Not just the packaging cost itself

There are also costs involved with getting a packaged disc to where it needs to go. In the case of packaged discs being mailed, prices are



Keeping turnover spread out over 12 months is always a challenge for those in the packaged media business

headed even higher than plastic price increases, in many cases. The United States Postal Service, for example, recently announced a rate increase that is expected to take effect this May (see related story, page 6). The rate increase will impact the mailing of CDs and DVDs in the US, in some cases minimally, and in others, very significantly.

It's going to be huge," said Todd Butler, president of Butler Mailing Services, of the impact of the rate change on disc mailing. Butler Mailing Services, based in Hamilton, Ohio, specializes in mailing discs for its clients. "Most of the [disc] packaging is going from



\$0.30 to \$0.60, and some to \$1.20."

But positives can be found in every situation. "The way I look at it, it will still be cheaper to mail a disc than a 200-page catalog, so a rate increase will not be all bad for the industry," said Action Duplication's Levitt.

### New horizons

With entertainment packaging media past its peak, where will the new opportunities come? The market for episodic TV on DVD continues to be one of the strongest areas of growth in early 2007, particularly since so many TV on DVD product includes multiple discs.

"On the DVD side, it seems that TV series releases are still exploding," said Nexpak director of marketing Shelli Kaiser. "With the overall mandate to cut costs along with studios digging deeper into their catalogs, I believe packaging is shifting a bit to accommodate the new economics. This shift may also provide big benefits for the retailers and consumers as well. I see a lot more products where the packaging consists of rigid plastic cases as internal components contained in higher quality outer boxes or slip cases.

Alexandra Gordon, founder and president of Disc Mount, believes both the disc replication and packaging industries need to

Nexpak's Shelli Kaiser doesn't anticipate a slowdown in complete television series collections on DVD



Discmount's Alexandra Gordon advocates that the industry seek out non-traditional markets

search out new, non-traditional markets. "With the use of downloading and other electronic data transfer methods growing, the volume of business in the traditional retail channels for recorded entertainment media has been shrinking," she said. "This is not news. What is news, I think, is that while the numbers for recorded entertainment on CDs, CD-ROMs and DVDs are going down, the sheer quantity of discs made for purposes other than retail is significantly trending upwards. All of these discs need some sort of packaging, but there is very little coverage of that market." ●