

MediaPack Summit explores key media packaging issues

The first MediaPack Summit was held in mid-May during the Media-Tech Expo in Long Beach, California. Sponsored by *MediaPack* magazine, the Summit delved into a myriad of challenges and opportunities impacting those companies involved in the media packaging business

The Summit offered four panel discussions. The panelists included many of the media packaging industry's leading executives, who had an opportunity to opine on issues that are most crucial to both them and the industry in general. Key themes included the current health of the media business in general, where the business is headed, and the concept of more environmentally friendly media packaging.

The MediaPack Summit also included the New Product Showcase, in which seven packaging suppliers – AGI Polymatrix, Super Jewel Box, Dering Corp, Univenture, JakeBox, Key Solutions and New Medium Enterprises – showed off the key features of new media packaging solutions they are offering. Those attending the New Product Showcase received a set of samples of those products.

State of the industry panel addresses downloading

The first MediaPack Summit session, looking at the "State of the Industry" kicked off the conference programme with a bang.

Not surprisingly, the impact of downloading on optical media sales, and the resulting effect on media packaging, was the first key issue immediately addressed by panel participants. "There is a lot of truth to concerns about downloading, and the number of packaged units is declining," said industry veteran Richard Roth, who recently moved to Ivy Hill from AGI Media. "In the long term, that means the number of key players in this industry will have to decrease."

AGI Media's Bob Gabriel agreed, at least in terms of music, but stated that, "Where packaged media has played a traditional role such as for discs of TV shows and movies, downloading is less of an issue. The technology is not yet available to properly download movies and it will be several years before downloading can pose a threat."

"Downloading is here to stay and is a threat," said Super Jewel Box's Andy Schuurs. "Packaging can play a larger role than it has in the past in keeping packaged media alive and well." The problem with packaging in some cases, said Schuurs, was that often the packaging itself had no perceived value, unlike the traditionally sought-after sleeves on vinyl albums. The quicker the packaging itself offers more value, the more significant an impact it will have on downloading.

Bob Freedman, of Hollywood-based replication and packaging services facility Crest National, was of the opinion that downloading was not as big a problem as the revised postal rate structure in the US. Revised postal rates, Freedman said, pose a threat to marketing companies and services like Netflix, when increased postage costs put pressure on the distribution of packaged media. "The increase in postal rates will impact packaging," he said. "The increase in postal rates will have a bigger influence than downloading."

Squeezing out mid-tier packaging?

Roth believes that mid-tier packaging could go the way of the dinosaur as the industry moves forward. "The dichotomy of packaging, especially for video, is moving to the bottom and top ends, but with no middle," he said. Standard packaging is under a lot of pressure price-wise, while custom packaging is hot, because many content holders believe it will help keep consumers buying packaged media instead of downloading or copying, Roth added.

"Retailers will play a major role in what happens," said AGI Media's Gabriel, adding that Wal-Mart specifically will continue to have a significant impact on media packaging. The retail giant accounts for 40% to 45% of all DVD revenue, or about \$6 billion annually. It is in the process of a major initiative, to both decrease the amount of packaging of products in its stores and make the packaging that is used more environmentally friendly.

The packaging industry is at the mercy of such buying power, as Wal-Mart's plan for demanding more environmentally-friendly packaging continues to unfold. The problem is that the environmentally-friendly media approach Wal-Mart is looking for can cost three-times as much as current media packaging. Someone will have to eat that additional cost, and it will almost certainly not



The MediaPack Summit panel in action



A busy conference co-located at Media-Tech

packaging automation. “We need to make all new machines more flexible and backward compatible for DVD, which we have done,” said Wardell, adding that Kyoto’s new equipment can be changed from HD DVD packaging to standard DVD packaging in three-to-four hours. That is important, as Wardell doesn’t see the need for standard DVD packaging disappearing any time soon. “I think that standard DVD packaging is here for a long time,” offered Wardell, believing that DVD disc sales will continue to be strong in the early days of the respective Blu-ray and HD DVD format launches.

Stora Enso’s Matti Koski noted that the current lack of standards makes flexibility an even more challenging proposition, in these early days of two new formats.

One of the biggest challenges for Engineered Automation of Maine (EAM) is “.....monitoring the development of media packages,” said EAM’s Roland Wyman. “If a package will reach critical mass, we have to have equipment ready. That’s always a difficult call...if a package will have legs.”

The panelists also addressed the impact of lower quality packaging, and general machine neglect, on packaging automation speeds.

“There is a limit as to what a machine can do with the quality of a package. There are limits” said Wyman. “Maintenance, product, operators...there are many variables why we cannot run at 100 parts per minute,” noted Wardell. “Each machine has to be well-maintained to achieve top speeds,” added Koski.

More on ‘green’ packaging, and the increased costs

The Future of the Industry panel continued to discuss the topic of environmentally friendly packaging brought up earlier in the Summit; specifically, who will bear the extra cost.

Ross Youngs, founder of media packaging solution provider Univenture, spoke about PLA, an environmentally friendly plastic wrapping material made from corn. He notes the material is “..as close as you can get to paper without being paper.” The challenge is that it costs about three times the price of conventional plastic media packaging, Youngs said. Rod Streeper of CD/DVD replicator and packaging solutions provider Entertainment Distribution Company (EDC), agreed that “the green market is going to be huge.” He also talked about Wal-Mart’s efforts to begin implementing a green initiative, and that EDC’s customers increasingly want to know what percentage of a package’s materials is recycled. But Streeper and Youngs were also at a loss when it comes to absorbing the increased cost of environmentally friendly

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be Wal-Mart, leaving one or all of the rest of the supply chain – packaging suppliers, packaging service providers, the content owners/publishers and the end customers – to foot the bill.

Art directors sound off

Media packaging design ideas are ubiquitous for art directors, according to the panelists on the Art Director (panel) discussion. “You look for inspiration everywhere,” said John Bailey of Geneon Entertainment, a leading provider of Japanese animation in North America. “I’ve had inspiration come from a cigarette box.”

“I like to look outside of entertainment packaging,” offered Mark Roberts of Ivy Hill, citing golf ball packaging and a promotion that Porsche recently did as two non-disc packaging concepts he has drawn ideas from.

Rhino Records’ Hugh Brown will already be thinking about a package’s potential adaptability to the optical media business when he sees it. “I wonder if we can make this into a disc package,” rhetorically stated Hugh Brown, when asked how he comes up with new media packaging ideas. Brown feels that if something catches his attention, it will likely be appealing to potential media customers as well. “As long as it gets us interested, it should keep others interested.”

New materials also help keep the packaging design business fresh, such as new textured substances. And ‘older’ materials also come back into fashion from time to time, such as embossing and foil stamping, panelists agreed.

But as packaged media design is inevitably related to the number of discs being sold, the design business is similarly being impacted by the growth of downloading. The bankruptcy of longtime US music retail giant Tower Records has hurt companies such as Rhino, Brown said. Tower sold 30% of boxed music sets, one of Rhino’s staple products.

But while overall business may be on the decline, Brown takes solace in the fact that he has a hard time envisioning the packaged media disappearing altogether any time soon.

“I don’t even know what two years will be like,” said Brown, when asked to look at the state of media packaging design five years from now. “But as long as there’s Christmas, you should have something out there,” adding that it’s hard to give a download as a Christmas present instead of packaged media. “I know the business will be down, but it seems to me there has to be some physical product out there in five years.”

New formats lead to many packaging automation challenges

The increased number of optical media formats – highlighted by the recent launches of the competing next-generation formats Blu-ray and HD DVD – has automated packaging suppliers moving quickly to adjust their machines to meet customer demands.

“Maintain increased speed, but at the same time maintain flexibility,” said Kyoto America’s Peter Wardell of the biggest challenge he sees in



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Andy Schuurs, Super Jewel Box**

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packaging. Youngs believes that the surcharge would fall to either the content owner/publisher, or the end consumer. "We're not going to be able to absorb all the extra cost," agreed Streeper.

Other forward looking issues

Many of the MediaPack Summit panelists looked into their respective crystal balls during the course of the discussions.

Ivy Hill's Roth believes that specialty packaging is "...where the opportunity lies. We're always looking for something new, that's the challenge for us," he said, noting that customers want their product to stand out

when compared with competitor's packaging. "That's what people are looking for. It's a very key area for our business."

Roth went on to predict that at least one major record label will abandon the record label shortly. "There are people talking about that right now, so I wouldn't be surprised if that happens."

"Convenience...that's what is going to drive consumers," said Freedman from his perspective as a service provider. He pointed out that consumers' support of MP3 over higher quality, but also higher priced (and thus less convenient) SACD and DVD-Audio formats proves the point.

When asked if they saw another industry standard package in the wings, such as the jewel box or the Amaray case, both Youngs and Streeper agreed that they instead saw greater diversification in media packaging moving forward.

"In DVD, people want to stand out from the crowd," said Streeper, predicting a growth in specialist packaging. "We need to find the things in packaging that attract customer attention and sell products," added Youngs, recalling a 6 x 10-foot wrapper of CDs that "flew off the shelves" a few years ago. "There's still the capability to create market awareness with packaging." ●