

Matured DVD business drives packaging automation

BD and HD DVD is giving the packaging automation world more headaches than sales, but until they mature Dan Daley finds that there is new business driven by higher production efficiencies, and higher perceived values

There is a dynamic within the packaging automation domain that is reminiscent of a Victorian-era suitor making his intentions known by going through an appropriate intermediary. Given the increasing importance of packaging to the sales of entertainment media, one might expect packaging designers and those who create the automated machinery for its assembly to be on relatively intimate terms.

"I wish it were that simple," sighs Peter Wardell, director of global business development for Kyoto America. He says the

usual sequence is a tête-à-tête between pack designer and studio or other content developer, who will then unveil the new packaging design to their disc replicator, who in turn will talk it over with the machinery maker to see if existing automation can accommodate it.

"I think that the packaging designers are fearful that a new design will be seen by the competition and the edge will be lost, which is a legitimate concern when the packaging is integral in the marketing strategy of a product," says Wardell. "But the replicators would prefer not to have to deal with new packaging designs

that may not fit into existing automation. It definitely slows things down."

The development of Blu-ray's packaging was a case in point, says Wardell, who recalls nine months of evolving box and clasp designs before the current case was approved. It could have taken twice that long but Wardell says the self-imposed market introduction deadline for the BD format ultimately compelled Sony to finalise a design, and only then could Kyoto move confidently towards accommodating its automation, but even in this case the new machine, the BD 220, is a derivative of Kyoto's DVD 200. In deference to the fact that there is no clear winner in the ongoing format battle between BD and HD DVD, the BD 220 was designed to also accommodate the HD DVD packaging and standard DVD packaging, as well. The importance of this is demonstrated by the fact that Cinram has purchased 10 of the BD 220 platforms, with default configurations for both new high definition formats.

Not everyone agrees that the lines of communication between packaging designers and automation developers are tenuous. Rob Auld, international sales manager for Scanavo North America, points to Scanavo's SteelBook package as a collaborative process. "When the product was in the design stages, key companies such as Ilseman and GIMA were consulted," he says. Nonetheless, says Roland Wyman, director of sales for pack automation maker EAM, "It does feel like the tail is wagging the dog sometimes, in terms of when the automation design and the package design finally get together."

The increasing variety of packaging sizes and types has affected the choice between overwrapping and shrink-wrapping. Overwrapping is the preferred method, both for appearances and for security reasons, but it also demands highly specific packaging dimensions. Shrink wrapping may be less visually appealing due in large part to the thermal seams the process produces, but it's a reliable and affordable way to mass-wrap media products.

"DVD just has so many packaging variations – 14mm, 7mm and even the 5mm case that is used extensively in Mexico – that shrink



Automation covers a wide range of possibilities, including shrink and overwrapping as with the AMS SmartWrapper



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wrapping is becoming more and more common," says Joe Ryan, a consultant at Advanced Media Products (AMP), which manufactures overwrapping machines such as the SmartWrapper 60 and 50, and whose China-based manufacturing plant is developing update kits to allow those machines to accommodate BD and HD DVD.

Shrink wrapping, which uses polyolefin, is usually more expensive. It uses about 2½ cents' worth of material per DVD box versus around 1 cent's worth of polypropylene used for overwrapping the same box. However, Ryan notes, their materials have already had one significant price increase this year and more are expected.



unit dubbed a 'movement' – each insertion, sticker, fold or flip is a movement. Various types of movements have a cost assigned to them, and the sum of the movements for each packaging project determine its ultimate cost. "We recently had a project that included a loose-leaf binder in the package, and assembling the whole thing required 16 or 17 movements," he says. "For us, it's a very

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manager at High Speed Video, points out, the Digipak is eminently automatable, but the level of demand he sees for it isn't enough to warrant investment in an automated line for the format. "You have to be able to accommodate the format, but you have to draw the line as to when to make the capital investment in automation machinery," he says. "It can be frustrating knowing there's an automation solution available but that it doesn't necessarily make financial sense to get it."

Next-generation formats putatively have their packaging designs formulated. However, the ongoing joust between them has put pressure on the packaging machinery sector. EAM's Wyman recalls last year watching numerous mid-sized and smaller replicators, some of which had just taken the decision to add automated packaging for the first time, hesitate. "All the Sony press releases made it sound as if Blu-ray was imminent," he says. "It forced many of them to hold off until the format issue was settled."

That depressed machinery sales for a number of manufacturers. Wyman says EAM made a point of advising potential customers that the company would offer upgrade kits for the new formats regardless of which one prevailed. However, he adds, it was that same uncertainty that seems to have unleashed pent-up demand for automation. "At the Media-Tech show, the people I talked to said they realised now that whichever format wins, it's

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Automating diversity

Packaging has become more diverse not just because of new media formats but also because of new media format users – DVD is now a regular in the arsenal of corporate and premium/promotional media. The large second tier of replicators has adjusted its packaging automation to reflect this. Bob Orzack, vice president of Cine Magnetics in Armonk, New York, finds that he can automate as much as half of his corporate packaging work, more than most packaging for that type of customer in the past. "It really depends on what types of companies you're working with and what their needs are," he says. "Clients often want simple packages, such as paper or Tyvek window sleeves, that are readily automatable."

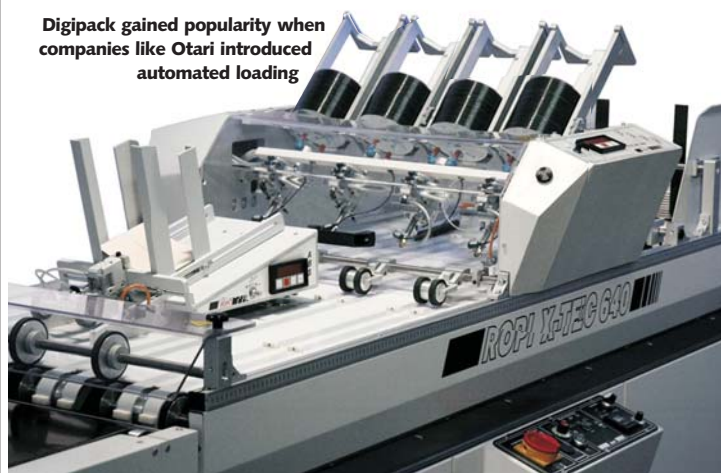
Orzack has turned this type of packaging into a semi-science. Like the classic time-and-motion studies of the 1920s, Cine Magnetics reduces each aspect of a packaging process to a

simple and proven method to determine the costs for the client and predict your own margins on a project."

Nonetheless, replicators will avoid making the pricing structure of a complete project transparent to the client. With the disc price as competitive as it is, the potential for highly cost-conscious corporate clients to seek cheap replication elsewhere and then present spindled discs to a replicator for packaging is always there. "The disc and the package together give a higher perceived value to the disc," says Karl Renwanz, president of High Speed Video. "The more specialised the packaging, the better the client can tolerate a higher disc price."

Packaging format diversity has a direct bearing on the extent to which a plant can or cannot be automated, which in turn has significant implications for revenues and profitability; and even that isn't a black-and-white formula, as Wayne Peterson, plant

Digipak gained popularity when companies like Otari introduced automated loading



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still not going to happen for some time to come," he says. "It's taken so long now that it seems like it will continue to take time to resolve, and they view that as justification to invest in new automation systems in the meantime for existing formats."

Any commodity product that has reached maturity will require increased levels of packaging automation; it's one of the key ways of keeping pace with declining margins. DVD's

challenge, and the challenge of consumer entertainment media of all types, is to have its automation keep up with an enormous number of formats, some of which remain unproven in the marketplace, and most of which will have ongoing iterations of that packaging rolling out on a regular basis. So far, media product packaging has done a good job at exactly that. But format proliferation will continue to test those abilities. ●

Every Picture Tells A Story

A look at the pre-owned equipment market provides an oblique view into pack automation's landscape. Klaus Bierwagen, president of Dometek, which resells previously owned media manufacturing equipment globally, says the near-zero demand for CD packaging systems underscores the music industry's poor performances of late. "No one is buying new and there is very little demand for used equipment," he says.

However, a category that has jumped in the last six months is automated disc sleeveers. This most basic and cost-effective method of packaging a disc reflects on one hand the downward spiral of margins, and the broader applications for optical media on the other, with corporate uses not requiring elaborate packaging. "Demand is slightly higher than supply at the moment," Bierwagen says. "But it's a very new trend. We'll see how that market develops."

Another new wrinkle is the sudden surge in Digipak demand, particularly in Europe. "A year ago we had two used Digipak machines, but no one knew what they were," Bierwagen recalls. "Now the requests are coming but there are very few solutions out there for it. The level of demand is that of a niche, so the solutions are coming from secondary suppliers with little expertise in media packaging. The solutions they're bringing to market are, let's say, a little immature."

DVD packaging equipment has reached a balance: the first generation of automated packagers is just reaching the used market, just in time for an increase in demand from small start-ups and replicators seeking added pack capacity. However, Bierwagen cautions, the market for DVD will follow the same path as CD, only faster. "It took 10 to 15 years for the used CD packaging market to develop," he says. "What took 15 for CD will take two or three for DVD. The cycles are getting shorter."