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Smithers Pira White Paper



Metal Packaging trends –
putting the Rexam acquisition
into context

Introduction

In February 2015, Ball Corp announced it was in talks to buy British drinks can maker Rexam Plc for \$6.6 billion. Ball and Rexam are two of the three big players in the global beverage can market. If this deal takes place, Ball will hold the majority share of the global beverage can market, with around 40% of the total market value, amounting to nearly \$15 billion. Thus the company will have the crucial impact on the development of the metal packaging industry.

Metal packaging is one of the major parts of the packaging industry, introducing innovations and dynamic developments. Metal cans have the biggest share of metal packaging market which grows annually at a 3% rate in value terms. Innovations are fundamental to its continued development.

There are a number of trends having an impact on the global metal packaging market. Product differentiation through packaging is a major driver in packaging including metal cans, manufactured in various sizes and shapes. The use of distinctive containers also enables marketers to reposition a product from

conventional to premium level to help justify the higher packaging costs. In addition to the package's shape, other crucial distinctions for product packaging can be made through printing, labelling and other decoration methods.

The popularity of private label continues to grow in many geographical regions. Historically, metal cans used for private label brands lacked attractive packaging design of their branded competitors. But their appearance has been changing. Recently top private label brands are beginning to look and feel like the well-known international brands.

Beyond brand and price, one of a packaged product's most important factors is convenience. As more people have their meals on-the-go, they opt for stylish but convenient metal cans that can fit anywhere, from a cup holder to a backpack or a desk. New self-heating and self-cooling features for metal cans are available, making it suitable for environment with no microwave and refrigerator available.

Sustainability and recyclability are among the major trends affecting the global market of

metal cans. Globally metal beverage cans have a collection rate of around 70% that is more than double that of any other beverage container. In addition, over the past two decades metal cans have become considerably lighter. Improvements in can making technology and the continuous development of metal grades have made possible the down-gauging (light-weighting) of cans in the can making process. The reduction of the weight of can is a major contributor to prevention of waste.

These five key trends for the metal packaging industry are covered in more detail in this white paper:

- ① **Lightweighting**
- ② **Emerging end-use markets**
- ③ **New shapes and forms**
- ④ **Advance printing and coating**
- ⑤ **Modern ends and closures**

① Lightweighting

Lightweighting is one of the most effective methods for reducing costs of packaging and improving production sustainability. In early 1970s an average 330ml steel beverage can weighed 50 grams. Forty years later material efficiency had improved by 60% as average weights fell to 20 grams without any impact upon pack integrity. In case of aluminium cans, average weight dropped by 40% over the same period of time and it is forecast to fall to just ten grams in the nearest future. Future developments in the beverage can design are set to focus on further materials-saving measures and also reductions in processing times. The creation of smaller neck diameters and smaller lids are currently the major contributor towards the lightweighting trend.

A recent example of a smaller lighter metal pack for pressurised products was seen in the personal care industry in 2013 when Unilever introduced a new can design for its deodorant lines. The company reengineered the spray system, reducing the amount of gas needed to deliver the same amount of product. The new cans use 25% less aluminium and occupy 50% less space, leading to reductions in space occupied during transit, lower transport costs and a reduction in CO2 emissions. According to the company, the new can saves 24 tonnes of aluminium and leads to a 283 tonne reduction in carbon output each year.

“If Ball acquires Rexam, Ball will hold the majority share of the global beverage can market, with around 40% of the total market value, amounting to nearly \$15 billion”



Source: Unilever

② Emerging end-use markets

Cans, plastic bottles and stand-up pouches are the types of alternative packaging within drinks sector. Wine producers have been experiencing a decline in sales for a number of years in number of geographical regions and had to find new ways of approaching target consumers. To attract more young adults and increase wine consumption occasions some wineries started offering wine in cans. In 2012, a metal packaging producer Rexam partnered with Accolade Wines to create cans for the sparkling collection range. Rexam produced 250 ml slim cans are targeted to existing sparkling wine drinkers and young females who prefers other alcoholic drinks.



Source: Drinks report

A canned spirit is unusual, but Scottish Spirits Imports Inc. (Fort Lauderdale, FL) introduced a resealable latex cap for its Scottish Spirits in a can, making it a unique rarity. Produced especially for Scottish Spirits, the patent-pending latex lid allows Rexam's recyclable 355ml aluminium can with special liner to be resealed and the product to be kept fresh during reuse.



Source: Scottish Spirits Imports Inc.

The can is a new packaging format not only in some segments of the alcoholic drinks market. Beeline company decided to surprise its new potential customers by selling mobile phone SIM cards in a can through vending machines. The move is designed to appeal to a younger audience who is looking for a quick and unusual sales

platform. The company was looking for a way to set its product apart from its competitors through a novel distribution method. Rexam metal packaging producer was chosen to produce the cans as it was best able to meet the specific design and production terms, such as the brand's specific colour shades and the non-standard shape of a beverage can.



Source: Beeline



Source: JT Wines

③ New Shapes and Forms

In terms of packaging new shapes and sizes entering the global market of alcoholic and non-alcoholic drinks, an aluminium bottle is seen as a good way to promote limited editions and new brands. Over the past several years major metal packaging producers presented their versions of aluminium bottles for drinks. Consumers in North and South Americas, Western Europe and Asia have already had chance to buy beer, wine, ready-to-drink alcoholic mixes, soft drinks, ready-to-drink tea and energy drinks packed in aluminium bottles. Well-known brands including: Coca-Cola, Pepsi, Budweiser, Heineken, Jack Daniels, Smirnoff and others are using an aluminium bottles for their limited edition version to win over more new consumers.

Despite the wine industry overwhelmingly markets its products in glass bottles with traditional labels, there are some new wineries adopting aluminium bottles in their attempt to attract new customers. JT Wines is the first in the US to launch its wine brand in an aluminium bottle. FLASQ Wines, Chardonnay and Merlot varieties, were launched in January, 2011 in sleek 375-mL resealable aluminium bottles.

Since an average supermarket today offers over a hundred of brands of still and sparkling wine within a large price range targeted at a different audience, there is a good potential for aluminium bottles to gain a share of this market.

④ Advance printing and coating

Besides package shape, the other crucial distinction for product packaging can be made through printing, labelling and other decoration methods. New surface finishes – tactile, matt, shiny, embossed, high definition digital printing, use of thermochromic inks – make the beverage can stand out on the retail shelves and satisfy consumer needs.

Once a novelty, specialty inks are not the attention-grabbing rarity they once were, so companies have to develop new ways of getting the attention of consumers and the media. In 2013, a Russian producer of ready-to-drink alcoholic drinks, Favorit Stolica, launched its Black Jack brand with a glow-in-the-dark beverage can. The can's graphic has fluorescent ink absorbing light and glowing in the dark with a green hue. The target audience of this alcoholic drink is 25-30 year old clubs and bars goers.

In 2014, a Turkish brewer Efes Pilsner launched its Efes brand in a beverage employing eight colours HD printing to achieve high quality photographic finish. Metal packaging for drinks with an HD print is a particularly suitable solution for the limited edition packaging featuring celebrities.



Source: *The Marketing mag*

⑤ Modern ends and closures

Ends and closures have gained the full attention of manufacturers and their customers as they can provide a game-changing way to differentiate an otherwise ordinary container from the rest of the pack. Convenience remains one of the strongest appeals for consumers – and it is an aspect that packaging can address directly. Functional features provide improvement that typically helps to make a container more convenient for consumers.



Sources: Can2close, PepsiCo

In 2012, Germany-based Can2close Company launched a 'c2' resealable end – a new mechanism for beverage cans that the company claims is easier to use than existing standard stay-on tab openings and, more importantly, can be repeatedly sealed.

Producers of energy drinks are eager to experiment with new packaging formats including resalable cans. Burn (Coca-Cola Company) and NoFEAR (PepsiCo) energy drinks have been released such cans.

Having progressed rapidly in recent years, further advances in the metal packaging will find real applications on store shelves. While applications may initially be targeted to limited audience or product editions, the progress of packaging industry will encourage its adoption on a larger scale.

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The Future of Metal Cans to 2019

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