



Newsletter

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coMMunity

E-Business Award 2003 for coMMunity

Third place in the e-Business Award 2003 competition organised by the Vienna Chamber of Commerce for the Internet services provider freecom for its B2B platform www.mm-coMMunity.com

coMMunity, commissioned by Mayr-Melnhof Karton particularly impressed the jury with its innovative features and its usability.

This year the Vienna Chamber of Commerce for the first time organised the e-Business Award for extraordinary and innovative e-business solutions. Our internet platform designed by freecom won the third place out of more than 130 participants. Freecom Internet services GmbH was established in 2000 as a company close to Mayr-Melnhof Karton AG to implement the group's intranet and e-commerce objectives.

"coMMunity is a highly ergonomic and innovative business solution. Even though it involves a huge data volume, a clear and efficient presentation of the information has been achieved," says Prof. DI Dr. Kurt Judmann, a member of the jury from Vienna's Technical University.

The online customer information system has been designed as a B2B workplace to facilitate interactive data exchange and to simplify communication for the customers of Mayr-Melnhof Karton. It is a new approach for the joint optimisation of the supply chain. Customers have access to their current orders, production and delivery data, and are able to create their own statistics.

coMMunity supports "day to day business" through straightforward usability and is an important component of MM Karton's "e-business strategy".

www.mm-coMMunity.com
www.freecom.at





Franz Rappold

Board

Ladies and Gentlemen, Dear Business Friends,

At the end of the summer we welcome you with the new design of our Newsletter. We hope that you appreciate our layout and that also in the future we will be able to present you with valuable information in a clear and well-structured form.

The market during the first six months

The general revival on the market for folding cartonboard in 2002 has failed to continue during the first six months of 2003. The rise of the Euro against the US Dollar and the local currencies in Western and Eastern Europe has further increased the pressure on exports. Also the energy sector could have some nasty surprises in store. Rising electricity prices at the stock exchanges, a lack of water, compliance with the Kyoto protocol, the upcoming introduction of road pricing for trucks will possibly create new financial burdens on the route to the customer.

Despite the difficult market environment, the rising cost pressures, and changes in consumer behaviour we succeeded in the first six months of 2003 to achieve pointed growth and to consolidate our market shares.

Trends in consumption and trade

During the first six months consumer behaviour showed contradictory tendencies. While consumer spending on foodstuffs is still stagnating, growth of non-domestic consumption continues relentlessly. The increase in per-capita spending for telecommunication and the speedy rise of discounters and private labels with shares of already more than 40 percent on the German market shows where all the available consumer income is channelled to. Even though volume-wise trade in consumer goods is growing at more than two percent, increase in the gross domestic product will not exceed the disappointing 0.6 percent mark. On the other hand the latest surveys on business climate and the willingness of consumers to spend already show a positive tendency.

Integrated supply chain

As can be seen from a survey by the European Retail Analyst more than half of the consumers interviewed said that when they do their daily shopping they "occasionally" to "frequently" face empty shelves. This is unacceptable particularly at times of decreasing brand loyalty. Here we all face a major challenge. There is potential in an improved integration and communication dialogue between all the parties involved. To meet the expectations of packaging to serve as a sales instrument, large private label manufacturers in particular use this argument to increase cooperation with cartonboard- and folding carton manufacturers to expand their influence. The pressure to save costs in the supply chain also assures that MM recycled cartonboard qualities are increasingly recognised as a valuable alternative to virgin fibre qualities.

Global expansion

It continues to be our goal, now and for the future, to consolidate our competitive position in order to offer our customers the best possible service at an optimum price. In addition to cost-cutting measures we also increasingly focus on internal and external training initiatives, the preservation of a broad product range, and intensified communication with our customers. On-site-support and global customer care are other essential factors for our future success. This is why Mayr-Melnhof Karton is expanding its global network and building up its own sales organisations on the Russian and Chinese markets.

Should the competitive environment remain continually difficult, even during the second six months of 2003, we already have the adequate tools to successfully master the new challenges on the market!

Yours cordially,

Franz Rappold
Member of the Board

Private labels

Private Labels - Unlimited Growth?

The European-wide trend towards private label products continues relentlessly. This development is closely connected with the spread of discounters covering almost their entire range with brands of their own and thus putting pressure on brandname manufacturers.

But it is not just the increase in the number of private labels alone that leads to enormous growth, it is rather the greater willingness of price-conscious consumers who at times of a poor economic situation now more frequently patronise discounters.

Highest growths in Germany and Spain

According to a study by AC Nielsen last year Germany and Spain enjoyed the highest growths in private labels. While in Germany private label already represents approximately 33 percent of the market, Spain in 2002 reached a market share of 27 percent. The unbeaten leader is still Great Britain where more than 40 percent of the trade volume is already covered by private labels. Only in Italy consumers still slightly resist the rise of the own labels; here their market share in 2002 was just 13.3 percent.

Market share private labels (2002)

Country	Volume (%)	Value (%)
Great Britain	40.8	38.5
Belgium	36.5	27.2
Germany	33.2	25.4
Spain	27.3	27.3
France	24.7	20.9
Netherlands	21.1	19.5
Italy	13.3	11.5

Source: AC Nielsen

The catalysing power of new consumer trends

The increasing price consciousness of many consumers is accompanied by yet another trend: decreasing brand loyalty. The new consumer rather than subscribing to a specific brand prefers to try out new things and finds out that there is no difference to brandname products. At the same time price-conscious consumers go for quality as their prime aim and not to purchase cheap, but to get good quality at a fair price. And this is exactly the trouble for many brandname manufacturers as today many private labels already offer a quality that is no different from that of the market leaders.

The trend towards packaging of an increasingly higher quality paired with an attractive design makes it also increasingly difficult to differ from "cheap brands" through visual appearance.

The pressure on brandname items

Private labels will continue to grow as everyone agrees. But the question is: by how much and for how much longer? And in particular: which strategies should brandname companies adopt to curb this relentless growth?

Some brandname manufacturers have recognised the power of private labels and have begun to cater themselves to produce the discounters' private labels. Naturally, only a few manufacturers are happy to admit that their products come cheaper at discount stores. Producer identities are hardly ever given on the packaging materials of the "no names" with information being rather limited to "manufactured for".

Other brandname manufacturers such as Beiersdorf, Coca Cola, or Dr. Oetker continue to focus on their premium strategy and refuse to produce private labels for the discount market. As a price war with the private labels would have little success, many companies concentrate on their major core products, develop product innovations, and create emotional purchase incentives.

Many large manufacturers also hope for growth triggered by an expansion into growing markets such as Russia, Asia, or Latin America. Here the main issue is to conquer territory as quickly as possible.

So expectations are good that brandname manufacturers will also continue to be successful in the future. But it will finally be the consumer with its buying behaviour who will decide who will be the winner in the battle of "brandname vs. private label".



Technology

Great New World

Smart Labels are revolutionising the packaging materials market. RFID technology creates new shopping worlds and experiences.

By Olaf Starken | Imagine the following situation: after leaving the office a short drive takes you to the shopping centre. At the "new" supermarket you get a shopping cart, the built-in reading device identifies your personal RFID (Radio Frequency Identification) transponder, the successor to your ID card. An integrated display welcomes you by name and informs you about the latest offers. By pressing a button the information system in your home provides data on all the foodstuffs and consumer goods at stock in your dwelling. Using your personal profile, the computer draws up a virtual shopping list which you can amend according to your needs.

Taylor-made shopping

Now you are ready for your "shopping experience". The display on your shopping cart already shows your optimised shopping list. The integrated navigation system guides you to the first target item: "target reached". You take an item from the shelf and hold it next to the display on your shopping cart. You will immediately receive comprehensive information on the product or the item's product range to supplement at your choice. After you have collected all the items in your cart you proceed to the check-out. No need for queuing as the content of your shopping cart is registered contact-free by a RFID reading device on your way to the exit. You confirm the grand total of your bill and give authorisation for it to be charged automatically to your account. The data saved as a safeguard against

theft are deleted from the RFID transponders and you pass the security check at the exit without any delay. As soon as you arrive home your information system includes the new items into its database. You put the ingredients for your dinner into the respective kitchen appliances which receive the required information from the products' RFID transponders. Your dinner is optimally prepared precisely when you want it. "Enjoy your meal".

The supermarket experience

The shopping experience described above has already largely become reality at the Metro Group's "Future Shop" where just like at other test markets the feasibility of the next generation of "shopping worlds and experiences" is tested and optimised for the consumer. Identification techniques with a new potential for the entire product range are an important module of this new concept. That is starting with the manufacturer of packaging materials via the product manufacturer and trade right through to the consumer. New application possibilities are generated and existing ones are improved.

Improved technology

From today's point-of-view RFID technology offers the largest potential. Compared with the classic identification elements RFID tags offer the benefit of data transfer without eye contact and the simultaneous reading of several transponders (bulk



registration). The clearly larger storage capacity and the higher first reading rate compared against the bar code allows for additional applications. A long shelf life and a high resistance against environmental effects are additional arguments in favour of this technology.

RFID technology is nothing new. For several years it has been successfully used in access control to buildings, immobilisers in passenger cars, for identification purposes in animal husbandry, for product management in the garment industry, and for cash-free payments at filling stations. So far, however, the price of RFID tags - high in comparison with other technologies - has prevented use on the mass market and thus also for the packaging industry.

Further developments in the manufacturing procedures of the RFID transponders on a silica basis and the use of new materials such as polymers now also open up the consumers goods and packaging materials markets to RFID technology. The time has come for the use of this new identification technology which will open up interesting potentials for those who realise and understand how to use the advantages for the entire product chain.



Olaf Starcken is the Managing Director of PacProjekt GmbH. The company, which is part of Mayr-Melnhof Packaging, is the competence centre for packaging services. PacProject offers design, consulting, and communication services and supports a large number of brand item manufacturers from the idea to the finished product within a short time with a combination of creativity and technology.

www.pacproject.com

7th MM Symposium

MM Symposium: Fiesta Española - Endless Impressions

"Fiesta Española" - Endless Impressions once again proved that regional events also attract a large audience.

The new IBERICA press in 3b format was launched with a practical presentation at the 7th MM Symposium held in May 2003 at the CITO Service Centre at Schwaig. The event was organised in cooperation between MM Karton, CITO System GmbH, Linhardt Stanzformen and IBERICA AG represented at the Symposium by Bernhardt Maschinen.

Demonstrations included 8 blind embossing applications (tools by Metz CNC Technik) on Topcolor (GT1) 300 gsm with an impression output of 7500 sheets/h and MCM (GD2) 500g/cm² in three applications with minimum groove distance and an impression output of 8500 sheets/h. Great interest was again occasioned by the RSP-Inline Finishing System providing a demonstration of varnishing and cutting and creasing impressions within one single working process with Excellent Top (GC2)

250 gsm and MCM (GD2) 280 gsm on a 2-colour-Heidelberger printing machine. More than 70 participants on 16th May and another 31 Spanish customers on the following day were fascinated by the demonstrations and the contributions to the seminar, and were thus able to take home many meaningful ideas.

From Cartonboard to Cartons

And the next event is already coming up: the 8th MM Symposium will be held on 11th and 12th November 2003. The motto of this event will be "From Cartonboard to Cartons - Performance Optimised Packaging" and will take place at the BOSCH factory in Waiblingen. The stars of the event will be both the host's packaging plants and MM cartonboard varieties. The Symposium will get its finishing touches with the participation of the companies MARBACH/Heilbronn as a press mould manufacturer, and CITO System GmbH/Schwaig as an expert for correct trimming.

You'd better reserve one of the two dates now - invitations will then be sent out in October.

Attention! New event! Attention!
8th MM Symposium
11th + 12th November 2003



Customer Survey 2003

Success Factor Customer Satisfaction

Directing all activities towards the needs of our customers is the biggest concern for Mayr-Melnhof Karton.

Loyal customers who are happy with our performance and keep coming back are the success factor for the future of Mayr-Melnhof Karton.

Consequently it is all the more important to analyse the wishes and needs in an ongoing dialogue with our customers. This is why we are already organising a customer survey for the second time in a row. The objective of this study is to provide a topical reflection of our customers' satisfaction with the products and services which then serves as a basis to identify and create opportunities for improvement.

In September, Institut für Grundlagenforschung/Salzburg will contact selected customers for a survey either by phone or by e-mail. The results, conclusions, and planned activities will then be presented in the next editions of the Newsletter.

We are looking forward to your active participation and your feedback.

Mayr-Melnhof Karton - Best in Business.

Short announcement +++ Short announcement

MM Karton Sales Keeps Expanding: New Office Set up in Moscow

In August 2003 Mayr-Melnhof Karton inaugurated a new sales office in Moscow. The new sales organisation is headed by Mr. Vladimir Dedishchev and Mr. Waldemar Walch and is responsible for the Russian market with the purpose of assuring top proximity to the customer.

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Short announcement +++ Short announcement

News from Cartonette - Changes to the Product Range

Adjustments of the thickness values for:

Multicolor Kraft, Ecoprint, Multicolor Belvedere, Multicolor Mirabell, Multicolor Spezial, and Greyback Cartonboard.

Changes to grammage ranges:

Variety	old	new
Duplex white special	210 gsm	210 – 230 gsm
Kromopak	230 – 450 gsm	215 – 450 gsm
Swissboard grey	250 – 800 gsm	250 – 600 gsm
Swissboard light	250 – 700 gsm	250 – 600 gsm

For further information please go to www.cartonette.com

Short announcement +++ Short announcement

MM Karton Soon to Launch its Chinese Office

Preparations for the new sales office of Mayr-Melnhof Karton in Shanghai are already under way. In the future this will allow us to offer our Asian customers on-site support and the possibility to place orders directly via our local office. The launch is scheduled for January 2004. Mr. Arnoud Snellemann, MMK market manager for Australia and Asia, will take over as manager of our new Shanghai sales office.



Fruit cartonboard

Delicate Fruits - Adequately Packed into Cartonboard

Karton Deisswil, the Swiss cartonboard manufacturer which is part of the Mayr-Melnhof Group, in cooperation with a reputable carton manufacturer in Switzerland, has expanded the existing range of fruit shell boxes with a new interesting quality.

Coated folding cartonboard has been used for the first time for this type of packaging to assure good printability.

The strong water barrier which has already been a success with traditional applications again is a major feature of the new speciality from the Deisswil mill. A new special treatment of the cartonboard prevents humidity from the freshly picked fruits penetrating into the cartonboard.

This Deisswil quality can again be recycled without

any problem. Orders for our new quality can be placed using the following quality designation:

11134 Swisstop reverse white and impregnated Fruit bowls (GC1)

Surface weight range: 250 to 400 gsm

Your local sales offices will be happy to provide further information.