


CONSTANT PROGRESS

Constancia Flexibles, which includes Teich and Haendler & Natermann, is expanding rapidly in pharmaceutical packaging with a blend of strategic acquisitions, customer-focused innovation and a reliable integrated manufacturing operation. Tom Albrighton spoke to Gerhard Cislinsky, Director for Sales Controlling and Communications, and Peter Bräuer, VP Pharmaceuticals, to learn more.





Constantia Flexibles uses aluminium, paper and plastics to create packaging materials for the dairy, confectionery, food and beverages industries, as well as for international pharmaceutical companies. Products are used as lidding materials, packaging in the confectionery or pharmaceutical industry, as well as in lightweight container systems for pet food or dessert ranges and labels.

Constantia Packaging AG, the holding company for the group, is located in Vienna and listed at the Viennese stock exchange's prime market. It has around 6,500 employees in 20 countries throughout Europe, Asia and North America. In 2005, the 40 production facilities generated approximately €1 billion in sales, with Europe, the leading market, accounting for around 90% of the total. Constantia Flexibles, the flexible packaging business, accounts for some 75% of sales, while Duropack, the corrugated board division, makes up the remaining 25%. Constantia Flexibles includes Austria-based Teich Group and Germany-based Haendler & Natermann Group and is subdivided in turn into three divisions: food, beverages & labels (led by H&N) and pharmaceuticals and healthcare (our focus in this article).

Pharma focus

Peter Bräuer begins by outlining Constantia's focus in terms of pharma packaging. "Our main focus on the pharma side is on primary flexible packaging made from aluminium foil and film, for pharma and selected medical and cosmetic products," he explains. "We supply the pharma industry directly, as well as packaging converters supplying the end client. We have a leading European position in blister foil for liddings, and a number-two position in cold-forming applications. Our liddings encompass functional specialities such as child resistance, high barrier properties and anti-counterfeiting measures, while cold-forming applications are particularly used in climate zones 3 and 4. Our materials are used to make pouches and sachets as well as for medical and diagnostic applications in hospitals and the like."

Constantia's expansion, coupled with industry changes, have seen it move up the market rankings. "Basically, our clients include the largest players in the pharma industry," says Peter. "There's virtually no major player that we don't supply, either directly or through converters. Over the last few years, as a result of our own organic growth and acquisitions, as well as previous consolidation in the packaging industry, we've also moved to a number-two position worldwide."

"In comparison to food or beverages & labels, our pharma business is quite small, but still we are number two in the world and growing faster than the market, which we're very proud of," adds Gerhard Cislinsky.

Integrated production

Constantia Flexibles handles production processes including rolling, lacquering and laminating, coextrusion, coating, printing, embossing, slitting and punching at its sites around the world. "Currently we are running 31 production facilities worldwide, most of them in Europe, but also in the US and in China," says Gerhard Cislinsky. "Teich AG has the only rolling mill here in Austria, around 60km west of Vienna. We've also built a second new rolling mill which is second to none and just started production. On the pharma side, we have a state-of-the-art cleanroom facility in our second Austrian plant."

Constantia is an integrated operation, manufacturing its own foils and films. "We supply all the companies in the group with prematerial, which means we are rolling and partly lacquering the foil before sending out the semi-finalised product to our production facilities," says Gerhard. "It's very important to our customers that we have an integrated production line and can guarantee a consistent prematerial supply. The quality is the same from one lot to another, in contrast to companies who buy on the market. We also offer traceability, of course – we can tell exactly where the material is coming from, and if there should be some kind of claim we can pinpoint the single reel that was sent to the customer. That's vital for food and pharma clients."

Future growth

In December 2006, Constantia acquired Hueck Folien GmbH & Co. KG, a specialist in flexible packaging for the food and pharma sectors. The acquisition of this owner-managed enterprise, based in Weiden, Germany, adds a further four plants to the group, including a plant dedicated to pharmaceuticals in the USA. The deal also enhances Constantia's position in the pharma market while furthering its ambitions in the New World. "This deal brings us tremendous possibilities for further market penetration in the world market, particularly the US and Asia," says Peter Bräuer. "And we see further potential for our group in those regions too."

As Gerhard Cislinsky explains, international growth to improve geographical coverage is a key strategic theme. "We can supply our customers globally, and although the current focus is Europe our strategy is always to follow our multinational customers," he says. "So further expansion to Eastern Europe, to the US and to the Far East are going to be our priorities. We are selling to South America already, of course, and a couple of our multinational customers are also there, so there's a good chance that we will also expand to this area in the future."

Through further acquisitions, Constantia can build a more challenging competitive position. "Our strategy is to continue growing," confirms Gerhard. "If you compare Constantia Flexibles with the leaders, Alcan or Amcor, we never will be as big as they are in total, but I strongly believe that in our strategic niche sectors we are number one or at least a very realistic alternative."

Constantia Flexibles uses wholly owned sales offices, apart from some developing markets where it sells through independent agents. "The difference is quite clear," says Gerhard. "If you have your own employees they carry their hearts to the customer, while independent representatives have to make the living and may well be representing one of your competitors... who knows!" ▷

Innovation themes

Innovation, in both product and process, is very important to Constantia. The group gets involved in the design of the packaging as well as the design of the line and the machinery – the whole supply chain from its suppliers to its customers. “We’re very much market-driven and customer-focused, and we’re also a very innovative partner,” affirms Peter Bräuer.

He goes on to focus on two key areas for innovation: high-barrier and secure packaging. “High-barrier packaging is a key growth area right now, with more and more life-science products coming on to the market and being packed in cold-formed packaging and materials such as Aclar®, Barex® and COC, which we can provide to our clients’ specifications. We offer our own expertise to develop bespoke packaging solutions, working with clients long before products hit the market. We develop applications and materials on our own initiative too, aiming to deliver useful innovations that still provide value for money for the industry.”

“We’ve worked intensively on our R&D in terms of new lacquers and different specifications, bringing us to the point where we can offer a 100% impermeable barrier through cold-formed applications – we’re one of only two companies in the market able to do so,” adds Peter.

Battling the pirates

With more and more fake products are finding their way onto the drug market, Constantia provides a range of security solutions for the pharma industry to deal with the problem. “An example would be our packaging for Levitra, a lifestyle product made by Bayer that’s similar to Viagra,” says Peter Bräuer. “We developed a secure packaging that guarantees that no counterfeit versions can be made – it’s virtually impossible to copy the product as a result of the system we’ve used. Obviously, I can’t reveal much more, but basically you need a rolling mill in order to create the effect, and since that requires an investment of millions of Euros and there are only so many mills in the world, the barrier to marketing a counterfeit version is just too high. The fact that the security measure is integrated at the rolling stage, as opposed to being printed on, makes this a unique solution in the market.”

Do clients prefer a visible or an invisible security measure? “It depends on the marketing of the product,” responds Peter. “In many cases, they like to have both. The invisible measures are often required by the supply chain, while the visible ones reassure customers and patients, who can immediately see that the product they’re holding is related to the company. As we say, ‘what you see is what you get’.

The practical side is obviously fundamental, but how important are visual or brand-building concerns in Constantia’s markets? “We have to distinguish between generic drugs and those provided through healthcare,” observes Peter. “As we know, most governments are under terrible cost pressure, leading them to try and influence the way products are distributed. Prescribed products are usually printed in one or two colours, whereas over-the-counter products are more colourful. As the pendulum swings towards OTC, marketing plays more of a role, and inevitably packaging material will become more colourful.”

Both big and small enough

Constantia has recently completed a new corporate design, making name and branding uniform across the group. “Until last year, all the companies in the group had their own logos and names,” explains Gerhard Cislinsky.

“Many people didn’t even realise that we’re all part of one group. By the end of 2006, we’ll be presenting to the market as a single, unified group. Some companies have taken the opportunity to change their names legally. Once the Hueck deal is completed in January [see below], we’ll be extending the process to their site too.”

“Over the course of the rebranding, we’ve discovered that customers like that fact that on the one hand we’re big, and the other hand we’re small,” adds Gerhard. “We are big enough to support multinational key accounts and deliver to wherever our customers are, but at the same time, running small production facilities around the world means we’re very close to our customers. This enables us to develop new products and new processes together with our clients. In the food area, for example, we never would have been partner to Danone, Kraft, Nestlé or Unilever if we weren’t a certain size. But as well as capacity, we need to be faster than the competition and closer to the customer, which is where being more compact can help.”

Closing the gap

Peter Bräuer sees a wealth of opportunities for Constantia in pharma. “It’s clear that flexible packaging is delivering stronger growth than rigid materials,” he points out. “In the US for example, many tablets are still sold in bottles, but that market is stagnating, with flexibles taking up the growth. I think pharma companies today are searching for viable, competent alternatives to the market leader, and we feel we can partner them in that. Multinationals also demand that their suppliers have production facilities in key markets worldwide, which of course we can also offer. Last but not least, the barrier market offers the best growth opportunities from the materials point of view, as far as we’re concerned.”

He continues by setting out Constantia’s targets for the medium term. “First of all, we’ll certainly continue to grow in the market. We’ve had healthy growth over the last few years, which should continue, and on the other hand we’ve also focused strongly on acquisitions, bringing a number of medium-seized companies into the group over the last seven years. The Hueck Folien acquisition brings us another step closer to market leadership – we’re closing the gap all the time.”

Acquisition is partly about geographical extension, but also about securing new know-how. “We certainly want to focus far more on the general healthcare sectors, with packaging for disposable products and cosmetics, where many film-based products are being used,” reveals Peter.

So, are further acquisitions on the cards? “Absolutely,” affirms Peter. “We’re very determined to secure further growth, and I’m very optimistic that this won’t be our last acquisition. Overall, we’re very optimistic and positive about the future.” □

Constantia Flexibles

Quality • Service • Innovation



Constantia Flexibles develops, manufactures and delivers flexible packaging solutions globally to its portfolio of customers in the food, healthcare and beverage markets. We are a leading supplier of aluminium based packaging for medicines and medical/cosmetic applications, including tablets, capsules, powders or meditechnical products.

QUALITY ... is our mission

By selecting Constantia Flexibles as your partner you will be working with one of the world's foremost suppliers of aluminium based flexible packaging materials.

SERVICE ... is our motivation

Working with Constantia Flexibles will give you access to a major global manufacturing and customer service network, which will exceed your expectations in terms of responsiveness, flexibility and creativity.

INNOVATION ... is our challenge

As a leader in innovation, Constantia Flexibles has a range of new technologies and processes to offer the very best solutions for your business.

If medical packaging is of critical importance to your business, then Constantia Flexibles is the partner for you.



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