

AFERA ANNUAL CONFERENCE 2016 HAMBURG

THE SPEED OF CHANGE



THE INDUSTRY INSIDERS' DEBATE

What experts told us in Hamburg

[Afera's next Annual Conference](#) is fast approaching. Themed "The next generation of tape makers and users" and its impact on the production chain (suppliers, sales channels, product development, converters, supply chain, business models, technology and the application process), [the programme](#) again promises to attract the tape market's most interesting experts, seasoned and new. Read on to find out what industry experts revealed at our last Conference in Hamburg.

Managing at the speed of change

The panel was chosen for its representation of the entire adhesive tape industry value chain. Captains of industry Filippo Antonelli (3M Italy), Stefan Essing (OLBRICH, Germany), Yasemin Seyren (Organik Kimya, Turkey), Matthias von Schwerdtner (tesa, Germany), David Annoni (Ghezzi & Annoni, Italy), Ian Grace (Bostik, France) and Colin Wills (Parafix, U.K.) joined in a discussion centred around the "speed of change" and the meaning in "going slow" and "going fast", the Conference's themes.

Moderator Jean-Loup Masson, director of R&D at Novacel (F), focussed his questions on today's greatest business challenges, tomorrow's most pressing issues and dealing with complexity. Co-moderator Bert van Loon, marketing innovation expert and independent strategist (NL), noted the points made during the working programme were edgy, interesting and relevant, yet in a sense we are facing age-old business challenges: improving customer service and communication, allocating resources, monitoring and acting on legislation, etc. As in every industry, challenges great and small have lurked since the beginning of time. How the tape business is managed determines whether you will succeed or fail.

This is what we found out from our panellists:

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More and better solutions? Tuning into your customers

The most important concept, emphasised first by Mr. Antonelli, is that tape manufacturers are moving from “product” to “solution”. This denotes a required shift to a more customer-centric strategy, in which businesses put greater value on getting close to customers and even their customers’ customers. “This positive mentality is a big change,” he said.

“Building closer relationships with customers is key,” echoed Ms. Seyren. “We have to understand their actual needs better” in order to keep “in line with the speed of change.” Similarly, Mr. Antonelli shared, “if you follow the trends in customer demands and market gaps, you will be the preferred supplier many times over.”

Mr. Wills noted “that people in B2C markets are now used to being able to buy very small quantities of bespoke items.” Businesses need to find ways to adapt to be able to offer such items at reasonable prices, and this means adapting resources fluidly. In the converting business, this amounts to changing “our machinery to our customers’ kinds of problems,” often a great challenge.

“We need to grow quickly,” Mr. Wills explained further, “but, again, with the constraints we have, we can’t just go out and buy a new factory.” This actually requires the patience and insight of long-term strategising: “We have to rearrange our entire production to fit in new machinery and so on, but that needs to be done very carefully and thought out over time.”

According to Mr. Annoni, “following the markets” by, for example, producing small orders – by “following the final customers’ needs” – requires flexibility and intuition on one hand, and efficiency on the other, as businesses have “to increasingly improve speed and cycle time” with quality as the goal.

“If you are small enough to have the luxury not to be attacked by a major competitor, then you do not have to patent.”

Matthias von Schwerdtner, tesa

“Flexibility” was the buzzword

Being able to adapt quickly to customer needs (e.g. keeping abreast of market demands for more tailor-made items and services) requires flexibility. Flexibility is achieved when a business has cash available, achieves innovation through effective R&D, and manages complexity well.

Cash

Do you have enough cash to adapt to changing markets, carry out R&D, file patents – to “move fast” enough?

Most panellists answered “no” in short. “On this subject, we are quite fortunate in that virtually everything we make is

bespoke through our customers, so our [money] is very fragmented, and it is within processes really rather than in products,” Mr. Wills offered.

“They say in general you should have 3-5% of your turnover invested in R&D,” said Mr. Grace. Bostik does this, but “people always want more (i.e. developers always want a new machine, to laminate this to this) so the answer is you never have enough cash.”

“With increasing complexity of the market, and in order to get the right products to the right people, to stay abreast of the trends, to procure the machines, it seems like a contradiction, but you need more cash in order to make cash,” explained Mr. Masson.

“We try to maintain a balance of listening to the market and valuing each customer request in order to choose the best challenge,” shared Mr. Annoni. He referred to this as the constant threat within Ghezzi & Annoni as a machine producer: “So the short answer is no, there isn’t enough cash, but we need to play the cards we have.”

Mr. Essing added that although much careful investment has been made into OLBRIK’s facilities, “there is not enough cash going forward” if you consider evolving regulation, coating techniques and many other variables.

Whether you have enough cash for the investments you would like to make depends on your business choices, Mr. Antonelli concluded. "It is a question of priorities – if it is imperative to meeting your goals, such as a certain level of R&D, you allocate for it, and you do not spend money on something else."

Innovation: Space for creativity, new ideas

How do you develop new products, bring them to your customers and remain ahead of the market?

According to Mr. von Schwerdtner, a part of a business' daily operations must include the designation of space for cultivating creativity and new ideas. This is "one of the big challenges" which requires a corresponding company ethos and effective daily planning, so you allocate the room to "focus on the future or on the interesting things where you could make a difference in the marketplace." Unfortunately, too much of what we do is centred on daily survival.

Another long-term strategy is choosing partners in R&D of new applications and solutions. Mr. Grace explained that innovation is "mostly about partnership" – "selecting those you would like to work with over the long term." Challenges also lie in ensuring the security of your solution.

Organik Kimya has its own "fundamental research department for future trends such as polymers, nanotechnology, etc.," Ms. Seyren shared. Of its 500 employees, 80 belong to R&D. "Innovation is mostly driven by relations with customers, for we always believe that we have to listen to the voice of customers, even our customers' customers." She said situational and emotional intelligence, as described in Gordon Crichton's presentation the day before on capturing innovation with strategic suppliers, is ever more important than timing in finding the right solutions for our customers.

Ms. Seyren added that "innovation should not necessarily be considered invention." A tool to use in keeping up with the speed of change now can be as simple as improving the functionality of your existing product, as well as building in additional value on top of this: "For longer-term projects, you can plan and elevate more resources, but in the meantime, we need to do things differently."

Patents

Is it important to patent?

Numerous panellists indicated that China in particular is increasingly honouring patents. "Patent law and enforcement is becoming stronger in China," said Mr. von Schwerdtner. The issue of competing with Asian replication of machinery and products is slightly decreasing.

"Copying is bluffing," emphasised Mr. Annoni, who has five or six years of experience in Asian markets. "Creating, solving problems is a plus." Especially when equipment is involved, your customer needs support. Replicators of equipment and products will not be able to follow-up in the long-term.

In any case, Mr. Annoni explained, you have to "continue R&D, because you can launch a legal battle, but in the end what your customers want is to look forward, to move ahead" with developing solutions.

Mr. Masson added that Novacel "tends not to patent that much". Much of their R&D involves "tweaking, so it is rare when we have the opportunity to do a patent that is really disruptive, that is a game-changer." He continued, "Most of the time it is better not to disclose anything, however, because you have the machine issues, the raw materials formulation, and it is very difficult to have someone duplicate what you do."

"If you are small enough to have the luxury not to be attacked by a major competitor, then you do not have to patent." Mr. von Schwerdtner explained that companies such as tesa must be ready to protect their IP when seeking and developing new applications for their solutions. It does take resources: "You have to have a strategy in your company in terms of knowing what you want to protect and how, and if something happens, how you will deal with it." He emphasised that there is "no other way around it."

**"European companies can demonstrate that they have the better, more consistent offering to the market."
*Filippo Antonelli,
3M Italy***

An example Mr. von Schwerdtner gave was 3M's VHB™ tapes. After 3M's strong protection of this technology for many years, legions of competitors are popping up, especially in Asia, and market prices for the products are plummeting: "So that's why you have to have patents."

Many 3M companies also sell in Asia: "European companies can demonstrate that they have the better, more consistent offering to the market." Referring to his 30 years of experience at the Italy division of the multinational, Mr. Antonelli confirmed that "if you have strong R&D, to be consistent, of course you need to patent in order to protect your investment of many years." You simply have to evaluate the process and the value added to your customer's solution.

Ms. Seyren shared that protecting IP and filing patents is becoming more important in Turkey as well: "The Turkish government is supporting innovative companies by funding and offering incentives to encourage outside investment, so Organik Kimya feels comfortable with investing more resources in its R&D facility."

"But I do not agree that the number of patents indicates how creative a company is," Mr. Essing said. "No, generally for our business the costs of the patent and the time involved in seeing it through would outweigh the benefits to receive one," said Mr. Wills, who added that his converting business was different from others represented on the panel.

Managing complexity well

"From what we have heard over the last two days, I think we all agree that our tape worlds are quite complex," said Mr. von Schwerdtner, "with so many different markets, segments, raw materials and machines." A business' success very much depends on how this enormous complexity is handled, including the implementation of business standards and normalised processes for daily functioning. As mentioned before, too much of what tape-related companies do, understandably, is centred on daily survival.

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***Yasemin Seyren,
Organik Kimya***

The future tape business environment will only bring more variables to consider. "As a machine manufacturer, it is not enough to build mass machines today," explained Mr. Essing. "We have to support our customers with chemists, chemical engineers, pilot plants, pilot facilities, calculation tools, etc. to improve their processes."

According to Mr. Essing, there are so many options and demanding solutions, OLBRIK has had to find a language not only with customers but with suppliers (the chemical companies) to develop things together, to move forward.

A key take-away from this discussion is what Mr. Essing said about handling the increasing complexity. Nobody can do this alone. We are not able to develop products without connections with customers and suppliers.

Mr. Annoni emphasised that key to achieving flexibility in business is in managing a number of variables: keeping in tune with market demands and, at the same time, using your gut instincts about the directions – the challenges – you should take – and allocating the resources in your operations to do those things.

Information and communication

"Communication is really important," Mr. von Schwerdtner added.

"There is still potential for tapes and for future applications that we do not have yet." He said that investing in researching and developing these yet-to-be-discovered solutions could only be done by managing the complexity that this industry and technologies hold: "And we do this by communicating with each other, within the company along the entire value chain."

"From my point of view, information is the key," Mr. Annoni shared. "In managing our business, we have to retrieve information from our customers in the field, and we also have to get word of our solutions out into the market." He talked of the give-and-take of arriving at the best solutions, a process which does not always involve customising a product but sometimes modifying an existing one. But most important is managing the dual flow of information.

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"I agree with many of you that communication is very important," Mr. Wills confirmed. "Very often in our business the customer does not really know what he wants – just that he is able to produce a product optimally." He continued, "We are often the best people to tell them how that should be done." That means having functional supply management processes in place so that customers treat tape manufacturers and converters as solution providers and do not get lost too far up in the chain.

Content marketing

At least two panellists mentioned the necessity of building and maintaining an online presence in current business:

"We have to embrace that and to use it to the best of our targets," said Mr. von Schwerdtner, especially if the European market wants to compete with that of China.

"Clearly the way our customers seek information and buy things is changing," Mr. Antonelli offered. "This means understanding the customer's evolving buying journey and adapting our sales and marketing organisations to be more effective."

Regulatory affairs

"It's important to follow up on regulatory affairs," emphasised Ms. Seyren. "They are very challenging." Panellists discussed the importance of standardisation according to national and regional guidelines and regulations, while striving to be creative and to invest in new directions.

"Today the department to be involved with is regulatory affairs," agreed Mr. Grace. "It is such a dynamic area because of fast-moving legislation and the time and effort involved in necessary reformulation."

"Through Afera we can save cash and join forces in monitoring and acting in regulatory affairs," said Mr. von Schwerdtner.

"Moreover, joining the Technical Committee brings your company closer to the issues." Afera's Committees collate, share and act on information they feel is relevant to the adhesive tape industry, possibly freeing up resources of member companies for allocation to other projects.

"Afera is a great tool in this area," Mr. Grace continued. "Many small companies face regulatory problems with banned products and so on." One of the strengths of Afera – "a magnanimous situation", he explained – is that the larger companies of the membership are able to support some of the smaller ones.

Afera

"Afera is a real association representing an entire industry, not just the same company types," affirmed Mr. Antonelli. "The specialty tape market is growing and capturing new markets, and in light of this, I think we have to continue to work together as an industry and to build upon our level of participation." He mentioned Afera's significant decision taken in October 2016 to allow [all classes of membership the possibility of sitting on the Steering Committee](#).

Mr. Essing added, "We are not producers of tape, but we can support tape manufacturers in many areas through our partnership with Afera." Through the Association, he explained, OLBRICH has contacts throughout the entire industry and a greater understanding of the market and trends: "Compared with the U.S., Europe uses many more adhesive technologies." The European market, Mr. Essing said, is moving at a speedier pace, because the various technologies (water-based, solvent-based, UV and hot-melt systems) are competitive with each other. European environmental legislation is also seen to be developing more quickly: "And we as a machine producer have to be close to this market and to feel there are good opportunities for us to learn things outside of our core business."

"Afera consistently offers a very nice networking platform between raw materials suppliers and end users," Ms. Seyren shared. "But I would like to see more tape manufacturers join the Association."

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Proactive future strategy

The tape world is “dynamic and challenging” and holds “no limits for creativity and opportunities”, said Ms. Seyren. “I believe, if companies set their future scopes proactively, these challenges may turn into advantages.”

What is the pressing issue of tomorrow morning?

“We’re focusing on emerging markets, such as Iran,” Ms. Seyren shared. “With the lifting of sanctions, we see huge potential, and I know there are many European machinery producers that are also interested in this and other new markets.”

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Automation where possible

Part of managing business complexity well is acknowledging and embracing the trend towards automation. Mr. Schwerdtner was particularly struck by the presentation of Stefan Puls, manager of the production control and logistics organisation at Airbus, in which he illustrated an “extreme example” of how their future organisation would be fully automated and free from paperwork. What is important, Mr. von Schwerdtner explained, is “ridding your organisation of anything that is not super value-adding and focusing on the value-in stuff.”