

II. The Global Market for Packaging and Labelling Equipment

As an industrial good, the global market opportunities for packaging and labelling equipment are concentrated in relatively advanced economies. Food processing, pharmaceuticals and light manufacturing of all kinds are the primary industrial customers for this class of equipment. The greatest opportunities will be in those markets moving without a mature domestic equipment sector but which have developed substantial manufacturing and processing sectors.

Successful exporting in this sector rests on a combination of solid market research, good timing, an evaluation of the relative costs of input factors in foreign markets, and high quality and service. Like all industrial goods, marketing packaging and labelling equipment requires a good understanding of your customers production environment and how your equipment lines can reduce his costs and increase the quality of his products.

The North American, EEC, and Japanese markets for this equipment are very large but also very competitive. All three markets have substantial domestic machinery sectors with which potential importers must contend. Successful approaches, particularly to the EEC and Japanese markets, have concentrated on carefully targeted niche marketing backed up by superior service. To introduce general purpose filling machinery into the Italian market, for example, with very strong local competitors, may not offer great hopes for success. Targeting a particular class of filling machinery, however, particularly those ill-served by domestic producers, offers more opportunity. Another avenue for entering these mature markets is through joint marketing and/or production agreements with foreign partners. While this carries an omnipresent risk of unwanted technology transfer (creating your own future competitors, in effect) it may be the only practical route into these markets.

Greater opportunities are offered by the markets of newly industrialized or industrializing nations who have not yet developed substantial local equipment sectors. With very strong light manufacturing industries, often for export markets, these rapidly industrializing economies offer substantial markets for packaging and labelling equipment. Current examples include South Korea, Singapore, Malaysia, Thailand, Taiwan and Hong Kong.

A key consideration in evaluating opportunities in these markets will be the relative cost of labour to capital. While labour costs remain much lower than capital costs, as is currently the case in Malaysia, capital equipment opportunities will be limited. However, if local labour costs rise in real terms, as has been the case in South Korea over the last several years, local manufacturers will turn increasingly to automated packaging and labelling lines to reduce input costs. In these circumstances, opportunities quickly emerge.