

2000 Box & Cartonmaker Profile

Leaner, meaner box & cartonmakers praise the industry's new-found discipline in production and pricing, but still worry about a shortage in quality labor.

by Christine Lyall
BCI Senior Associate Editor

As is fitting for the end of a millennium, the year 1999 was pivotal for the box and carton industry. It was the year in which some of the biggest and most influential mergers and acquisitions took place—among both converters and their customers—engendering a trend in consolidation, rationalization and discipline unlike any other in recent history.

It was the year in which the industry deliberately slowed down its production of paper, trimmed its inventories and increased its prices toward profitable levels. It was the year in which converters cut the fat from their operations, invested in more advanced technologies (largely through retrofits and rebuilds) and engaged in more e-commerce activity—all to compete on a more global and more demanding level. In short, the box and carton industry became more lean and mean in 1999, demonstrating a higher capacity for change than some might have given it credit for in preceding years.

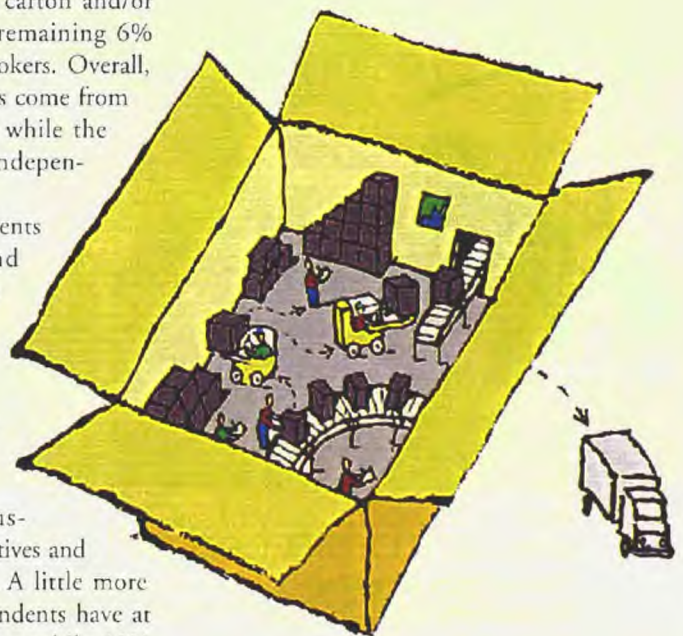
Despite—or perhaps because of—the many positive changes that took place in the industry last year, there also came new concerns and headaches, as many of the respondents indicated in BOXBOARD CONTAINERS INTERNATIONAL'S (BCI) 13th annual Box and Cartonmaker Profile and Salary Survey.

THE FACTS OF LIFE

BCI surveyed 75 industry members for this year's report. Of those, 40% are from sheet plants; 29.3% are from corrugating companies; 23% are from folding carton plants; and 1.3% are from rigid set-up box plants. Another 4% of the respondents produce a mix of corrugated, folding carton and/or rigid set-up, and the remaining 6% are distributors and brokers. Overall, 37% of the respondents come from integrated companies, while the remainder represent independent operations.

Most of the respondents are the presidents and upper-level managers at their companies, with 68% of them being male. Several of the respondents, however, are designers, production superintendents, controllers, customer service representatives and directors of personnel. A little more than 40% of the respondents have at least a bachelor's degree, while 23% have master's degrees and 4% have doctorates. About 19% of the respondents have only a high school education, and none of them indicated having graduated from a packaging school, specifically.

The respondents' companies serve primarily the food and kindred prod-



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ucts industries (76%), followed by: consumer durables (53.3%); automotive (52%); consumer soft goods (46.7%); industrial/engineering/scientific industries (45%); drugs and pharmaceuticals (40%); and cosmetics (22.7%).

SHOW THEM THE MONEY

Salaries for the respondents range from less than \$20,000 per year to more than \$200,000, and they come from companies with sales volumes of less than \$1 million per year to more than \$100 million. (For more information on salaries and company sales, see the charts on pages 35 and 36.)

While the majority of the respondents (56%) reported having received a salary increase in 1999, many did not. Among those who received raises, the average increase was about 8.5%. Perhaps those who didn't receive salary increases in 1999 got compensated through commissions and bonuses, as a hefty 65.3% of the respondents indicated. As might be expected, some of those commissions and bonuses were quite substantial, ranging from 6% to 20% over annual salaries, and as much as \$160,000. The majority of the respondents (41.3%) said their commissions and bonuses were based on their individual merit and performance, although company profits were also a determining factor (38%), as well as sales (21.3%). Overall, one-third of the respondents feel they are underpaid; none feel they are overpaid; and 57.3% feel they are paid about the right amount of money.

Almost 43% of the respondents are between the ages of 46 and 55. Falling in

at a distant second and third place were those respondents between the ages of 36 and 45 (24%) and 56 to 65 (17.3%). About 12% of the respondents are 25 to 35 years old, and 1.3% are 66 to 70 years old. None of the respondents this year is younger than 25 or older than 70.

Not so coincidentally, more than a third of the respondents (39%) have dedicated 21 to 30 years to the box and cartonmaking industry, while 20% have been in the industry for 31 to 50 years. Those statistics, which reflect the dominant age ranges as well, appear to reinforce the notion that once box and cartonmaking executives get into the industry, they typically make a lifelong commitment. Only 8% of the respondents have been in the industry for two to five and for 11 to 15 years; 17.3% for six to 10 years; 5.3% for 16 to 20 years; and none of the respondents has been in the industry for more than 50 years.

TO COMMIT OR NOT TO COMMIT?

The majority of the respondents (84%) intend to stay in the box and cartonmaking industry until they retire. Said a field sales manager at an integrated corrugating company in Missouri: "I like the challenge of beating competitors in a mature industry through unexpected innovation in all areas of the business."

The plant manager at an integrated folding carton plant also in Missouri said his job is "becoming more and more demanding with longer hours and fewer resources," while other high-tech industries appear to offer more financial opportunities. Nonetheless, he intends to stay with the industry because "Every day is a new challenge and interesting."

On the flip side, there are those (6.7%) who



BIGGEST JOB-RELATED WORRIES IN 1999

(% of respondents)

Quality/Productivity	49.3
Reducing operating costs	48
Customer relations	45.3
Sales	44
Safety	38.7
Price-cutting by competition	37.3
Employee relations	36
Meeting delivery schedules	36
The economy	34.7
Raw material costs	26.7
Company solidity	16
Receiving proper training	9.3
Excess inventory/Overcapacity	9.3
Job security	8

INDUSTRIES SERVED IN 1999

(% of respondents)

	Sheet		Folding Carton Plants	Total
	Corrugators	Plants		
Food/Kindred Products	81.8	76.7	94.1	76
Industrial/engineering/ scientific	68	80	35.3	45
Consumer durables	63.6	63.3	41.2	53.3
Consumer soft goods	54.5	43.3	58.8	46.7
Cosmetics	27.3	20	29.4	22.7
Drugs/Pharmaceuticals	50	33.3	53	40
Automotive	54.5	66.7	41.2	52

are so frustrated with the box and carton-making industry, they are considering leaving it before they retire. The president of an independent sheet plant in North Carolina cited the lack of customer loyalty, the lack of work ethic and an abundance of government interference as reasons for her displeasure. "There are no affordable and/or available 'old-timers' to teach the young set who aren't really loyal or interested. And the government, OSHA, FMLA, ADA, Workers' Compensation, EEOC, ESC... You name it, they've got their hands all over it!" The same president remarked, "How did we ever make corrugated products in the past without our beloved government and its many regulations?"

The controller at an independent sheet plant in Arizona summed up his reasons for possibly exiting the industry before he retires with: "This is a crazy industry where logic is often absent."

PRAISE AND CRITICISM

"It's about time!" declared the controller at an independent sheet plant in Illinois, referring to the "integrated discipline" that he, to his obvious relief, observed in 1999.

"I believe I see some price stability through the various industry consolidations," added the president of an independent sheet plant in North Carolina. Whether sizeable profits will now be made, however, is left to be determined. The same sheet plant president warned that "Market share attempts will still breed price competition."

Price competition is, in fact, a trend that irritates many of the survey respondents. "There is a prevailing move to gain market share by price-cutting, and it is eroding the industry earnings capacity," wrote the president of an independent sheet plant in North Carolina.

"We supply a needed commodity to our customers," said the general manager at an integrated corrugating company in Utah. "Why does the competition give it away?"

The general manager of an independent sheet plant in Virginia disapproves, however, of the commodity mindset in the corrugated industry. "This industry continues to sell corrugated containers as a commodity, rather than as a value-added product. Combine that with an ever-increasing level of knowledge by the customer

and you have a real problem passing your increased cost on to the customer."

What are some of these companies doing to combat price-cutting? "We are trying to send a message to our competition by not meeting price, then getting it back to our level when service and quality drop," said the Utah manager. An integrated corrugating company in California is expanding its production capabilities, reported the account sales manager.

The general manager of an independent folding carton plant in Minnesota that "lost a large part of (its) business to a competitor who severely cut price" said his company is "looking at ways to reduce overhead to be more competitive." And a packaging engineer at an independent corrugating company in Kansas said, "We are working with sales management to identify those value-added-over-commodity products and services available from our company, then establishing ways to communicate them to our customers."

JOB-RELATED CONCERNS

Among the other job-related concerns that survey respondents listed were, predictably: pressure to increase quality and productivity in their facilities (49.3%); reducing operating costs (48%); improving customer relations (45.3%); increasing sales (44%); and safety in the workplace (38.7%). (For a more extensive list of job-related concerns, see the chart on page 34.)

When the plant manager at an integrated folding carton plant in Georgia was asked to explain his job-related worries, he noted: "You should always be concerned about safety, quality and productivity. And every company is under pressure to reduce costs because it's difficult to increase prices."

TOTAL SALES VOLUMES IN 1999

(% of respondents)

	Corrugators		Sheet Plants		Folding Carton Plants	
	1998	1999	1998	1999	1998	1999
Less than \$1 million	0	0	2.5	10	4	5.9
\$1 million-\$5 million	1.7	9	24.2	26.7	14.7	17.6
\$5 million-\$7.5 million	0	0	n/a	20	21.3	11.8
\$7.5 million-\$10 million	0	0	31.7	10	0	5.9
\$10 million-\$30 million	35	27.2	31.7	26.7	38.7	17.6
\$30 million-\$50 million	35	13.6	5.8	3.3	12	29.4
\$50 million-\$75 million	13.3	41	1.6	0	6.7	0
\$75 million-\$100 million	6.7	9	2.5	0	1.3	0
More than \$100 million	1.7	0	0	3.3	4	0



"It seems hard to get and keep good workers in the office and on the production floor."

—Field sales manager at an integrated corrugating company in Missouri



The same plant manager proceeded to express two more concerns that were notably more common in 1999 than in previous years, those of company solidity and job security. "The company might be sold," he stated, articulating the more understated fears of several other respondents.

While company solidity and job security didn't rank extremely high on the survey "worry list" (16% and 8%, respectively), they did make a stronger appearance this year. With the flurry of merger-and-acquisition activity that occurred in 1999, more converters are wondering whether their companies will be gobbled up by a conglomerate by the end of 2000. If that were to happen, they are then left wondering whether their jobs will be saved or eliminated.

On the other side of the consolidation coin are the companies that aren't sold or merged, but must fend for themselves against larger companies that have deeper pockets in a market that is squeezed.

"Our industry and customer base are both consolidating," noted the plant manager at an integrated folding carton plant in Missouri. "It's becoming increasingly difficult to grow our business and to maintain our customer base." He said his company is engaging in more direct interaction with its customers through "team selling" as a means of cultivating and nurturing accounts.

The general manager at an independent sheet plant in Florida noted another trend that seems to have emerged as a result of industry consolidation. "The integrations

are running smaller volumes," he said, which can be disturbing news for smaller independents that have traditionally thrived on those niche markets.

Other industry trends that respondents listed were shorter lead times, smaller quantities, exact-order sizes, lower inventories, higher quality requirements and more makereadies. The latter item comes in the wake of the industry's customers adopting a micro-marketing approach to business, said the plant manager at an integrated folding carton plant in California.

All in all, it looks as if the industry's customers are more educated about packaging and are calling more of the shots. Several respondents, however, lamented the fact that, despite their efforts to meet those demands, price and the lowest-cost producer tend to win out in the bidding wars.

Yet another concern voiced resoundingly among the respondents was the shortage of skilled, qualified and dedicated workers. The president of an independent sheet plant in Illinois said today's labor force lacks a good education and has poor literary and communication skills.

The field sales manager at an integrated corrugating company in Missouri wrote: "It seems hard to get and keep good workers in the office and on the production floor." And the plant manager at an integrated folding carton plant in Missouri said, "It's getting more difficult to attract young people into the industry."

As the field sales manager from Missouri suggested, once a company hires a person, the challenge then becomes holding onto him or her. The plant manager at an independent sheet plant in Minnesota can relate. He wrote: "Employee turnover creates continual training, which leads to quality and productivity issues."

Although the issues of education, training and developing a qualified labor force are far more profound than this article can cover, several respondents offered their company's solutions—or at least, their Band-Aids® for the symptoms. One respondent said her company holds "team meetings" and often allows its employees to attend training seminars. Yet another respondent, the general manager at an integrated corrugating company in Utah, wrote: "We are more careful about hiring. We bring a lot of new people on as 'temps', and if we like them, we hire them." ❧

ANNUAL BASE SALARIES IN 1999
(% of respondents)

	Corrugators		Sheet Plants		Folding Carton	
	1998	1999	1998	1999	1998	1999
Less than \$20,000	0	0	.8	3.3	0	0
\$21,000-\$30,000	0	0	.8	3.3	0	0
\$31,000-\$40,000	0	9	3.3	0	2.7	0
\$41,000-\$50,000	1.7	0	3.3	6.7	5.3	17.6
\$51,000-\$75,000	18.3	36.4	13.3	20	20	29.4
\$76,000-\$125,000	53.3	36.4	36.7	33.3	46.7	41.2
\$126,000-\$200,000	21.7	4.5	23.3	20	18.7	5.9
More than \$200,000	3.3	9	15.8	13.3	9.3	5.9