



PACKAGED IN SIBERIA

Alexander Ladan, Director of Neo-Pack, speaks about the way manufacturers of polymer packaging surprise their customers and about the nature of Asian markets.

How is the packaging market in Siberia evolving? What do you think about the current Russian packaging market?



Founded in Novosibirsk in 2009, Neo-Pack manufactures a wide range of flexible packaging materials for various uses. The company covers the full production cycle, including film blowing, prepress, printing and further processing, and quality control.

Over the last 20 years, the packaging market has evolved greatly in Siberia and across Russia as a whole. In early 2000s, the packaging industry as we see it today did not exist, as the market was dominated by paper and cardboard packaging, while polymers were terra incognita. All materials and printing equipment had to be imported, which curbed the growth, complicated the logistics, and minimised the product range renewal opportunities. The first breakthrough happened between 2005 and 2008 when the whole retail structure underwent drastic changes. Counter stores and sales by weight gave way to supermarkets and hypermarkets offering pre-packaged goods that called for different-purpose films. It became clear that even the “smartest” film has to be made as close to the product’s manufacturing site as possible.

Today, packaging boasts one of the most stable and recession-proof markets, because it will always be in demand. The price and quality requirements may change though, as sometimes the premium segment falls back and the cheaper one gains ground. However, this does not cause the industry and retail chain demand for packaging to fade. On top of that, our industry has expansion potential: Russian packaging companies are eager to enter the CIS markets, where local packaging industries cannot compete technologically (except for Belarus). So, we have something to offer to our CIS neighbours. Neo-Pack is currently holding 10% of the Russian market to the east of the Urals, and aims to grow its share to 15% in the next couple of years.



Alexander Ladan, Director of Neo-Pack.

What challenges do you think regional manufacturers can face?

EVEN THE “SMARTEST” FILM HAS TO BE MADE AS CLOSE TO THE PRODUCT’S MANUFACTURING SITE AS POSSIBLE.

The first challenge is technological. Certain materials and spare parts still have to be imported. For instance, the paint and glue for flexography or mimeography are not manufactured in Russia – there is a small facility in Belarus, but we mostly have to rely on "far-away" imports.

Another challenge is the lack of skilled labour force. Few paper-printing professionals are prepared in Siberia or Russia as a whole, while the shortage of those with a focus on polymer printing is even greater. We now solve the issue internally by providing training for promising employees with paper printing background. The ability to work with colours, colour separation, colour reproduction, and the feeling of colour are all precious assets similar to a tuneful ear. We have built our own knowledge base in this area.

What are the trends in today’s packaging market, and where is it heading?

There are numerous trends, both in technology and design. First of all, it is design simplicity stemming from high professional skills – a lot of air and no lurid colours. Second, it is the development of proprietary brands by retail chains. Another trend is environmental friendliness and reuse. Previously, the key downside of plastic packaging was its non-biodegradability, but now the issue is addressed at the industry level. We are very impressed with SIBUR’s efforts to build a circular economy.

PREVIOUSLY, THE KEY DOWNSIDE OF PLASTIC PACKAGING WAS ITS NON-BIODEGRADABILITY, BUT NOW THE ISSUE IS ADDRESSED AT THE INDUSTRY LEVEL.

What can be done to surprise today's customers? What does a state-of-the-art packaging have to be like?

It is common knowledge that the appearance of a product influences consumer product choice. So, the industry trendsetters impress the audience with new visuals: prints changing colour or optical depth, or design solutions that have never before been used for polymers, for instance, imitation of printing on kraft or rice paper. Then, there are also texture innovations and films that mimic kraft or rice paper both by look and touch.



The company's new production facility.

This May, Neo-Pack reinvented an old industrial site and built a virtually new facility. What new goals were set following the capacity increase? Which areas of your business do you plan to expand?

TODAY, PACKAGING BOASTS ONE OF THE MOST STABLE AND RECESSION-PROOF MARKETS, BECAUSE IT WILL ALWAYS BE IN DEMAND.

First of all, we are ramping up our production as part of the existing growth strategy. Currently, we manufacture almost all types of polymer packaging and cover wide geographies, including Russia from the Urals to the Primorye Territory, Kazakhstan, and Kyrgyzstan. Almost every flexible package you see on any store's shelves is our product. Secondly, we are expanding our product range and categories, including resealable zip packs with a glue strip you might see on Alpen Gold chocolates, sterilised packaging for animal feed (another type of zip packs, but with interlocking profiles instead of a glue strip), and air-permeable film for greens, which allows lettuce or rocket to "breathe" and remain fresh. Another breakthrough is doypacks for liquid soap, for example. Just three or four years ago, containers for products of the kind were all solid and consisted of jars and vials, but now the segment has switched to doypacks, as the mayonnaise industry did during the mayonnaise boom.

Our next step is to have our facility internationally certified. Novosibirsk is expecting the launch of Lay's and Alpen Gold factories, and we must be ready to meet their demands.

Another crucial part of our business is empty shopping bags. We are suppliers for retail chains, fashion brands, department stores, including global and transnational corporations, and shopping icons. The fastest growing segment is courier bags used for mail delivery and online orders.



Igor Didenko, co-owner of Neo-Pack, and Alexander Ladan, Neo-Pack's Director, at the launch of the new industrial site, May 2019.

Your company is involved in the government investment project called Launch of State-of-the-art High-tech Equipment with Doubling the Output of Flexible Polymer Packaging and Plastic Bags. How is the project implementation expected to impact the market?

TODAY, RUSSIAN PRODUCERS HOLD OVER HALF OF THE NATIONAL FLEXIBLE PACKAGING MARKET, WHILE THE SHARE OF IMPORTS IS ON THE DECLINE.

The market will be increasingly dominated by domestic manufacturers. We do not take the full credit for it, as Russian producers hold over half of the national flexible packaging market, while the share of imports is on the decline. It is also worth noting that global corporations are ready to rely on us.

How do you promote your products? Do you take part in industry exhibitions and conferences?

Yes, exhibitions are an extremely important tool. First of all, these are RosUpack and KazUpack. We strive to keep on top of the current trends, to see and feel them first-hand. Self-presentation in the community also goes a long way, as our contacts with customers are often established at exhibitions. Online promotion is our another tool: the Internet is ubiquitous and its immense potential cannot be ignored.

You work closely with Kazakhstani and Kyrgyzstani companies. What are the hallmarks of those markets and their requirements for packaging? What kind of products do you offer given the nature of the local markets?

Kazakhstan and Kyrgyzstan have quite specific requirements. First of all, they have retained some features of an oriental bazaar with all its bright colours under the boiling sun, which is indeed extremely active in Central Asia. Therefore, the packaging colours have to be more fade-proof. The film for soft milk bags also has to be thicker. These countries also have different milk drinking habits: milk is typically stored longer and added to tea rather than consumed as a basic product. This means higher demand for milk with a longer shelf life.



Neo-Pack's stand at KazUpack 2018 international fair in Kazakhstan.

THE INDUSTRY TRENDSETTERS IMPRESS THE AUDIENCE WITH NEW VISUALS: PRINTS CHANGING COLOUR OR OPTICAL DEPTH, OR COMPLETELY NEW DESIGN SOLUTIONS THAT HAVE NEVER BEFORE BEEN USED FOR POLYMERS.

The volume is also country-specific. People prefer XL packages, because, due to their traditionally large families, they have to stock up – three to five kilos of groats or pasta). A 700-gram pack looks odd to them. Another example is that there is no demand for bread packaging, because bread is sold hot and without any wrap, as is common in the Orient.

We are among top 3 packaging industry players in Kazakhstan with its promising market potential. Almost all global food brands known in Russia have their manufacturing facilities in Kazakhstan, but the local packaging industry is lagging behind – a perfect market niche for us. To enter the Kazakhstan market, one needs to know its nature. For me it was quite an easy task, as I was born and raised there.



How does the cooperation with SIBUR help you achieve your goals?

Our cooperation is fruitful and effective, primarily when it comes to the quality and timely delivery of feedstock for our facility. I would also like to note the efficiency of close communication between our specialists. We are definitely looking forward to ZapSibNeftekhim in Tobolsk reaching its full capacity. Our key interest here is the research into metallocene linear polyethylene.

SWITCHING TO PAPER PACKAGING IS A QUESTIONABLE SOLUTION. THE PRODUCTION OF KRAFT PAPER FROM RECYCLED MATERIALS REQUIRES THE SAME AMOUNT OF ENERGY AS THE PRODUCTION OF PRIMARY PAPER PACKAGING, BUT ITS FUNCTIONS ARE LIMITED.

What do you think about environmental activists urging people to stop using plastic products, including plastic bags? Can these efforts help improve the environment?

I believe it is rather about the hype than a thoughtful approach to environmental issues. For instance, switching to paper packaging is a questionable solution. Firstly, because the manufacture of kraft paper from recycled materials requires the same amount of energy as the production of primary paper packaging, so the energy saving is not an argument here. Secondly, paper has rather limited functionality – you cannot use it for meat or fish. Waste sorting followed by recycling or disposal are the real environmental trends. The attempt to discard polymer packaging as a principle and out of spite counts as childish obscurantism rather than environmentally conscious way of thinking. Some products are bound to be wrapped in polyethylene as otherwise they will go bad in a couple of hours.



The company's new production facility.

Do you use recycled polymers as feedstock? Do you see any potential in that area?

We do use them. We would certainly increase their share but for the shortage of collected and ready for recycling materials. Our environmental involvement is not meant to show off, it follows the demands of the production. We use recycled feedstock for some of

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our products but by no means for all of them.

Unfortunately, the current Russian infrastructure for waste collection is not efficient in separating plastics from other wastes. Until recently, the government has been reluctant to promote the use of secondary materials, but the trend has reversed as the country embarks on a large-scale reform to recycle solid municipal waste. We speak out against excessive consumption and believe that each and every one must act and change their ways in order to solve the plastic waste problem.

It took the West decades to adopt the conscious spending habits. I hope we can get there faster, while remaining reasonable and functional. That will be an organic growth.