

How cei Uses Primary Research To Drive Innovation

April 1, 2014



Petfood Industry

WATT GLOBAL MEDIA

Presentation Outline

- cei Overview
- “Outside – In” Approach
- How research guides innovation at cei - Key learnings
- Success Stories



cei

- HQ in Wisconsin
- \$250 million in revenue
- Top 20 North American converter
- Pet Food largest of core markets
 - Woven bags
 - Pouches
 - Roll Stock

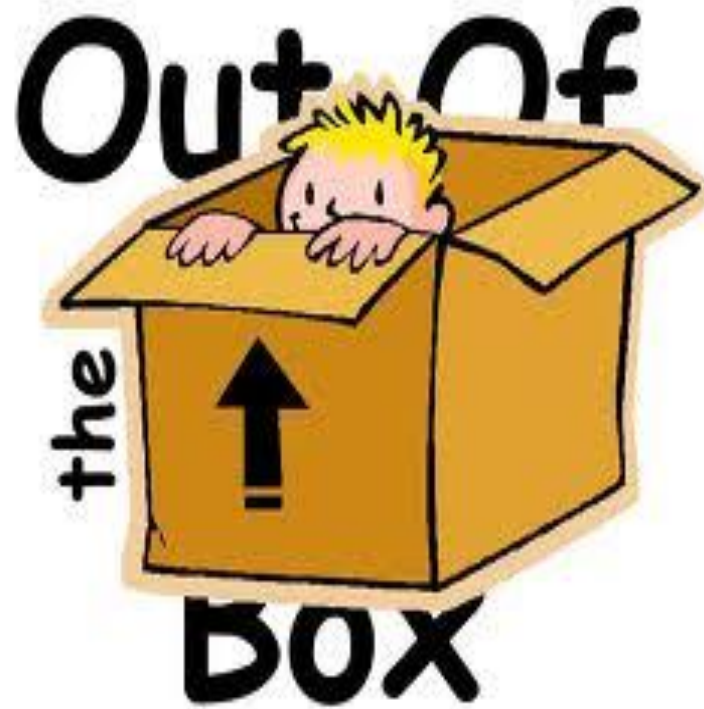




**"We need a bit more science
in our market surveys."**

“Outside – In” Approach

Innovation is not just new product launches...
it includes service, cost saving initiatives, sales management and much more...



Creates innovative results



Taking Research To The Next Level

What most companies utilize

- Published Data
- Subscription Services
- Internet
- Government Records

Augment and Customize it

- Retail Visits
- Focus Groups
- VOC
- Supplier Interviews
- Independent Customer Surveys



Bridge the Gap From Public to Customized Research

Public Information

Need for resealability of bags and pouches



5 year CAGR predictions



Bag preference by sub-market



Manufacturer need for shelf differentiation



Touching the Market

Consumer focus groups to understand feature needs by age/gender

VOC and independent surveys to determine who, when, what, why

Focus groups, VOC & usability studies to understand drivers and requirements

In-store visits to study consumers, focus groups with retailers



cei Innovative Process



Retail Visits



Focus Groups



Usability Studies



VOC



Surveys

Retail Visits

Diverse retail distribution channel visits

- ✓ Q2 2013
- ✓ Q3 2013
- ✓ Q4 2013
 - Mass Merchandisers
 - Leading Pet Super Stores
 - Specialty, Boutique
 - Regional Feed & Grain Stores



Retail Visits' Key Findings

- Up to 75% of consumers don't know what pet food they last purchased
- Confusion/difficulty of finding brand when packaging changes or products are moved
- Difficult to make brand decisions
- Opened, ripped and dirty bags

*results – HD printing, application of tags / labels,
new generation adhesive*



Focus Groups

Pet food packaging

- Q2 2013 – Consumers
- Q3 2013 – Consumers
- Q3 2013 - Retailers



Focus Group Key Findings

- Consumers are drawn to packages that have graphics and text on the pinch bottom of the bag
 - *“I want an easier way to be able to see the important stuff on large bags without having to try and wrestle with the bag”*
- Likes – Clean, clutter free designs and text, bright colors, illustration of the actual size of the kibble
 - *“I like sharp colors, but something a little more simple – not so confusing that you don’t know where to look”*
 - *“I need to be able to see what size the food is. The last time I bought a bag of food the pieces were too big for my dog”*



Focus Group Key Findings

- Dislikes – Difficulty opening packages, inability to reseal the package, difficulty finding and ultimately understanding the ingredient listing.
 - *“I want to be able to be able to open it easily without using a switchblade or something”*
 - *“I want to be able to reseal, freshness is important, I have to put it in a plastic container to keep it fresh”*
 - *“I expect to be able to understand the ingredient list without having to Google the words”*
 - *“The package catches my eye – but the ingredient list is the most important”*

***results – WPP pinch bottom offering,
transition to HD graphics, WPP pinch bottom with
reclosable features***



Voice of the Customer / Supplier



Pet food

- ✓ Q1 – 2013
- ✓ Q3 – 2013
- ✓ Q4 – 2013
- ✓ Q1 – 2014
- In-depth understanding customer's unique business needs
- Innovative collaboration

VOC Key Findings

- Control of the marketing message on the retail shelf
- Supply chain management – spoilage, logistics, warehousing
- Cost control
- Shorter lead times
- New approach to service

results – Generation 2 WPP pinch bottom, reduced / eliminated raw material, VMI / stocking programs, lighter weight woven, implementing innovation through service programs



Usability Studies

Pet Food Consumer Studies

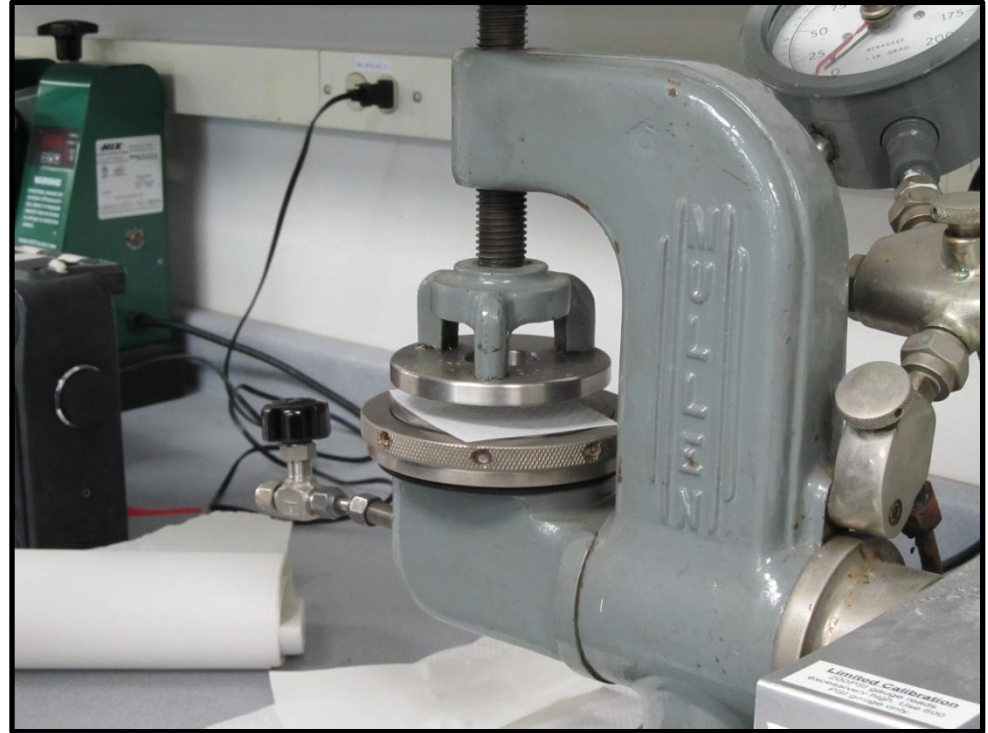
- Q2 2013 – Large Bag Convenience Features
 - ✓ Consumers – mixed
 - ✓ Seniors
- Q1 2014 – Large Bag Easy Open Features



Lab Testing

Integrity & Performance

- Burst
- Grease Wicking
- Drop
- Tensile
- Stiffness
- Tear
- Puncture
- WVTR
- Sutherland Rub
- Confirm high and low temperature limits for bag specifications



***Nearly \$1mm invested in R&D equipment
in the last 5 years***



Usability Studies Key Findings

- Consumer experiences in-store, transit and home
- Identified what reclosable features work and are best suited for each demographic
- Convenience features ease of use
- One size does not fit all

results – investigated development of different size & shape of bags, developed a generation 2 adhesive, pinch bottom easy open WPP in development



Surveys

Independent Customer Satisfaction Survey

- Q4 2013
 - ✓ 40% of customers indicated that they consider cei an innovative supplier
 - ✓ 60% of customers were neutral



Survey Key Findings

- **Strength** - *“Because of their quality and intellectual property cei currently has all of our film business”*
- **Strength** - *“They have their stuff together from a facility and equipment standpoint. All very impressive”*

- **Weakness** – *“I would like to see more curiosity from cei”*
- **Weakness** - *“As far as innovation goes, we probably hinder them more than anything...changes generally mean a lot of expenses and long periods of additional testing”*

***results – implemented “Total Cost of Ownership”
program to offset the cost of change***



Success Stories

Woven Poly Bag

- First domestic supplier and largest manufacturer in NA
- Innovation through cei assets (equipment) base

Pinch Bottom Woven Poly Bags

- First PBWPP
- First reclosable WPP bag
- First WPP with pinch bottoms on both ends of the bag

Recyclable Pouches

- Recyclable, water based inks



Innovation – Return on Investment

Patents

- WPP bags and pouches – 9 issued / 6 pending

Customer Satisfaction

- 80% customer retention from 2009 –2013
- In 2014, 18% of revenue from product line extensions & new products
- Consecutively named top 20 North American Converter
- Majority of customers surveyed rank cei as a top supplier

Awards

- Consistently recognized by industry peers as an industry leader
 - ✓ Packaging Excellence
 - ✓ Technical Innovation
 - ✓ Package of the Year
 - ✓ Excellence in Flexography



Pet Food Packaging Awards

2013-2014

- FPA Flexible Packaging Achievement Award – Packaging Excellence & Technical Innovation Achievement – Natural Life Pinch/Slider Woven Poly Bag

2012-2013

- FTA - Excellence in Flexography – 1 Gold & 1 Silver medal in wide web category
- Food & Beverage Packaging – Packages of the Year Award – pinch bottom woven poly bags with slide zipper

2011- 2012

- WorldStar Award – pinch bottom woven poly bags
- packagePRINTING Excellence Award – matte pinch bottom promotional bag
- Gold Ink Awards – 2 for print quality and design – Small animal feed bag
- FTA – Excellence in Flexography – 1 Gold & 2 Silver medals in wide web category
- IoPP AmeriStar Award – pinch bottom woven poly bags



Questions?

