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ELECTRONIC BUSINESS

Web Sites Aim To Revolutionize Packaging

By Timothy Haddock
Investor's Business Daily

At a time when every industry seems up on e-commerce, one recent entrant into this Internet community — packaging — might be easy to overlook.

Of course, packaging often is overlooked anyway. It's what we toss in the trash when we finish a soft drink. It's what gets in our way when opening our new laptop.

Yet while corrugated cardboard and Styrofoam peanuts may not be glamorous, the \$450 billion spent globally on packaging materials carries a bit more allure.

With few major players and many privately owned niche companies scattered about, the industry seems ripe for e-marketplaces.

Now some start-ups are trying to bring the community-building and information-sharing features of the Net to the industry.

Outsource Packaging

Most product makers don't make their own packaging, but hire outside companies to do that.

"It's nobody's core competency (among) product manufacturers," said Robert DeNola, 30-year packaging industry veteran and founder of Net start-up WebPKG.

"For a long time, packaging fell below the radar," he said. "There's a highly fragmented supply chain. There is almost no standardization. There isn't even a consistent nomenclature."

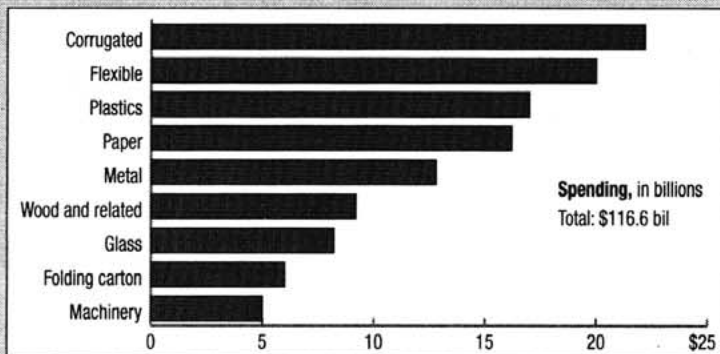
Sharing information among packaging suppliers may be easier said than done, though, because the field spans many nations.

Material specifications change from country to country. Even electronic blueprints created by computer-aided design, or CAD, systems can vary.

Each new design brings the challenge of ensuring that everyone gets the new version. Often the only way

The Price Of Packaging

Estimated U.S. direct materials purchasing for packaging this year*



*The U.S. market comprises about a quarter of the \$450 billion global market
Source: WebPKG

to share accurate specifications is by sending physical samples via overnight mail.

In the past, the result has been miscommunication, mistakes and missed deadlines, not to mention missed profits.

The packaging industry, DeNola says, has never collaborated well with faraway customers. It's never worked well with its own units "even within a given building," he said.

Tapping Into The Web

His solution? The Web. Backed by venture capital firm New Millennium Partners and some industry executives, DeNola's Silicon Valley-based WebPKG wants to create a central online hub where all players can view the same data.

CAD drawings, photos and even printer-ready artworks can be shared with manufacturers, designers and suppliers.

The next step was to put online some products that packagers can use. WebPKG offers CAD capabilities. It makes advanced products available for a monthly fee, so even small companies in poor nations can get access to good CAD software.

The result is reduced time-to-market, says WebPKG customer Joe Farned, global account manager for Xpedx, a distribution unit of International Paper Co. with some \$7 billion in annual sales. Where it once

took days to design packaging and provide specs to a foreign manufacturer, WebPKG has helped Xpedx do this in a matter of hours.

"Packaging companies need to be able to set up supply chains and share information with their customers and suppliers irrespective of geography," Farned said.

"The most compelling aspect of WebPKG is that it allows us to collaborate on and create supply chains on the Web in real time."

Other Web sites also are trying to bring package buyers and makers together to meet, greet, wheel and deal.

While your local folding-carton supplier may be open only 9 to 5, virtual storefronts on sites such as Packexpo.com never close.

These community-building Web sites let people read the latest packaging news, research products and prices and share comments. Sending a Request For Quote to dozens of vendors becomes as easy as clicking a button.

Reverse Auctions

Such Web sites also make it easy to conduct so-called reverse auctions, where vendors bid for business from potential customers.

The beauty of the Web is its reach. The U.S. represents only one-fourth of the global packaging industry.

Netherlands packaging entrepreneur Werner Stapela went live with

Packbizz.com in April. Packbizz hopes to cut the costs of the Request For Proposal process as much as 90%. It's also working to develop a secure online payment feature and a database that will automatically update stock on hand.

Buyers will have access to a bigger pool of suppliers, Stapela says.

"It's a more transparent market, with a minimum of effort," he said. "Sellers gain quick access to new clients and markets at a fraction of the sales and marketing cost."

Rivals Emerge

Another site is Packexpo.com. It's a joint venture between Cendex Corp., which builds business-to-business electronic marketplaces, and the Packaging Machinery Manufacture Institute, owner of the world's four largest packaging trade shows.

That pedigree doesn't worry rival PackagingInsider.com. It brings together the packaging expertise of Independent Publishing Co. and the server technology of TechTrader. PackagingInsider.com also aims to become e-packaging's top dog. It's signed a two-year pact with the Institute of Packaging Professionals to broaden its content and expand awareness of online trading.

Using the Web, even now, can be a competitive advantage for a company. Soon, it will be a competitive necessity, says Mark McDonald, an analyst with Andersen Consulting and co-author of "The eProcess Edge."

Doing business online "will build the repeat business that will make companies successful," McDonald said. "The people who will win are the people who are able to establish relationships and operate effectively as part of a network of companies, by sharing information and definitions to get greater coordination and collaboration."

Buzzword

CAD: Computer-aided design. CAD software tools convert a designer's sketches, such as a car design, into finished diagrams that are stored in a numerical control programming language.