

Independent Carton Group
Customer Needs Research Study

**Conducted
August 27, 2002 through September 26, 2002**



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EXECUTIVE SUMMARY

Background

Between August 27 and September 26, 2002, The Seidewitz Group conducted a Customer Needs Study on behalf of the Independent Carton Group (ICG). The objective of the study was to understand the many factors that influence the folding carton purchasing decision.

The study involved in-depth interviews with individuals who make purchasing decisions about folding cartons. Participants were chosen to reflect the broad diversity in size, location, and industry type of ICG customers. Companies represented ranged in size from less than \$100 million in sales to over \$30 million in sales and were from all regions of the country. There was also one company from Canada. Industries represented included food products, consumer products, pharmaceuticals and medical devices, automotive products, hardware products, retailing, and specialty industries.

In conducting a Customer Needs Study, The Seidewitz Group uses the consumer research techniques called *probing* and *laddering* to identify factors that influence a purchasing decision. These techniques help identify both business needs (i.e. the business reasons for making a decision) and personal needs (e.g. the personal factors that influence a decision). Personal needs are often overlooked factors that can play an important in business decision-making.

General Findings

General findings are not specifically related to the factors, or needs, that influence folding carton purchase decisions. However, they provide important information about the context in which such decisions are made.

1. Folding cartons are generally considered a commodity.
2. Purchasing decision-makers are under great pressure to reduce costs.
3. There is significant interest in suppliers being proactive in identifying total-cost savings.
4. There is a distinct difference between purchasing decision-makers at large multinational corporations (\$3 billion + in sales) and those at smaller companies (< \$500 million in sales). Purchasing decision-makers at large companies tend to have highly specialized purchasing responsibilities (sometimes focusing just on folding cartons), don't handle day-to-day purchasing decisions after choosing a supplier, are well-informed about the folding carton industry and its technology, and are rewarded almost exclusively for cutting costs. Purchasing decision-makers at small companies tend to have more general purchasing or general management responsibilities, handle both selecting a folding carton supplier and the subsequent day-to-day purchasing, are not well-informed about the folding carton industry, and tend to be rewarded for broader business factors than simply cutting costs.

5. Purchasing decision-makers at medium-sized companies (\$500 million - \$3 billion in sales) are somewhere between decision-makers at large and small companies, in terms of their job responsibilities and reward structure. For example they are less specialized in their purchasing responsibilities than their counterparts at large companies, but more specialized than their counterparts at small companies.
6. The three reasons why decision-makers will give a new supplier an opportunity to compete for new business are 1) having new information or products to share, 2) persistence, and 3) familiarity with company name or reputation.
7. References and current customers are an important part of many decision-makers' initial assessment of a potential new supplier.
8. Purchasing decision-makers find it difficult to assess the quality of service they will receive from a new supplier. Unlike price, product quality and other transparent factors that are considered in the supplier selection process, decision-makers find it very difficult to know whether or not a new supplier will meet their requirements for service.
9. Purchasing decision-makers often describe their jobs as thankless. They describe themselves as middlemen and women who are often invisible when things are going well; however, when there is a problem, people from multiple functions (manufacturing, marketing, finance) will be angry with them all at once.

Customer Needs

As a result of the differences in their responsibilities and reward structures, there are distinct differences in the needs of purchasing decision-makers at large and small companies.

Decision-Makers at Large Companies (\$3 billion + in sales)

- This information is proprietary

Decision-Makers at Small Companies (< \$500 million in sales)

- This information is proprietary

Decision-Makers at Medium Size Companies (\$500 million – \$3 billion in sales) and at Companies With Special Packaging Needs

- This information is proprietary

Customer Perceptions of Integrated and Independent Folding Carton Suppliers

1. There is fairly strong name recognition of large integrated folding carton suppliers such as Caruastar, Smurfit-Stone and Rock-Tenn.
2. Decision-makers at small and medium-sized companies are generally not familiar with the terms “integrated” and “independent” as applied to folding carton manufacturers.

3. Perceptions of the price differences between integrated and independent firms are mixed. Some decision-makers think integrated suppliers provide better pricing because of their size and vertical integration; others think independents are “hungrier” and therefore give better prices.
4. Integrated manufacturers are perceived as providing less risk of interruption of supply and better pricing for large runs.
5. Integrated manufacturers are perceived as providing inferior service, less flexibility and, sometimes, worse quality than independents.
6. Independent manufacturers are perceived as providing better service, flexibility and responsiveness.
7. Independent manufacturers are perceived as more proactive in working to reduce total costs.
8. Independent manufacturers are perceived as having difficulty handling large runs; they were also seen to be greater a risk for interruption in supply.

The Independent Carton Group

Founded in 1983, the Independent Carton Group (ICG) is an association of seventeen independently owned and operated folding carton manufacturers.

The ICG operates a buying group for raw materials, supplies and capital equipment, arranges for back-up production in the event of an emergency at one of its member-companies, and provides members with marketing and sales support. By pooling the purchasing power of its members, the ICG buying group has helped ICG companies establish cost structures that rival those of large integrated firms while maintaining the flexibility and responsiveness of independently owned companies.

More information about the ICG is available at www.independentcartongroup.com.

The Seidewitz Group

A pioneer in the use of consumer research techniques in business-to-business markets, The Seidewitz Group provides brand strategy consulting and marketing communications services to B2B clients.

Through the use of consumer research techniques, The Seidewitz Group helps clients gain an understanding of the personal factors that influence decisions made by businesspeople. With this understanding, The Seidewitz Group helps clients develop and implement branding strategies that resonate with B2B target audiences—and deliver exceptional business results.

The Seidewitz Group's client list includes:

- Procter & Gamble
- Intuit
- Global Lead
- Independent Carton Group (a national trade association)
- Bell Incorporated
- Powers & Associates
- The City of Cincinnati

Services available from The Seidewitz Group include:

- Brand strategy development
- Market research design and execution
- Marketing communications plan development
- Logo design and tag line development
- Web site design
- Advertising campaign development
- Collateral material design

Scott Seidewitz, founder of The Seidewitz Group, is a former Procter & Gamble brand manager with a Master's degree in Corporate Strategy and Marketing from the MIT Sloan School of Management. An innovator in the field of brand strategy development, he used consumer-branding techniques to reinvent P&G's marketing to dental professionals. The approach was so success that it was reapplied to all P&G businesses with non-consumer target audiences. Scott has applied consumer decision theory and brand strategy principles to fields as diverse as technology marketing and political communications.

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