
From Local to Global – Europe-Wide Packaging Sales Network



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The network's organization form

Cooperation between companies in networks represents an increasingly important aspect of competitive behaviour. Yet the establishment of alliances and / or networks is not a new phenomenon: there are plenty of examples to be found throughout the past century or more, especially in the area of trade and commerce.

Mid-market firms perform better and more efficiently if they pool their energies. At the same time, they hope to be able to compete more successfully against big (international) »players« as a result. Cooperation and coordinated business activities are key factors in today's competitive arena. Companies which collaborate seek to achieve an economically viable size, minimize risks or initiate and set standards of their own. By exploiting synergies, they endeavour to break into new markets while maintaining their grip on old ones. Alliances and partnerships also serve to fill skills gaps, explore new problem-solving techniques, encourage innovation and build new knowledge within the community.

Every form of cooperation has its own, distinctive profile. Its performance, level of development and success varies irrespective of the industry to which the partners belong. Different purchasing alliances choose different cooperative organization forms – from classic buying groups through integrated system networks to clearing organizations.

The majority of alliances and partnerships see themselves as marketing groups covering a broad spectrum of marketing services. The focus is on sales market orientation in general as well as on transforming classic buying groups into modern purchasing and sales networks. With regard to sales markets, the measurable success derived from sales synergies – especially when it comes to securing and improving competitive positions – plays a central role.

The desire to leverage additional sales potential in the packaging wholesale sector is a crucial driver for PackSynergy. The cooperation network's sales-oriented strategy centres around a sharp focus on the European market with a clearly defined objective: to be represented with at least one well-positioned partner in every national European market – and in particular to be able to respond faster and more actively to new sales-related requirements in those markets.

From a purchasing cooperative to a European brand – PackSynergy

Small and medium-sized packaging wholesale and service companies, the majority of them family-owned, exist throughout Europe. In 1998, a group of visionary SMEs from the (German) packaging industry founded a network which today is regarded as an innovator and a driving force in Europe. The vision of cooperation and interaction has been central to our work from the outset: »Together we can achieve more.« Thomas A. Baur's appointment as CEO in 2014 marked the beginning of a new chapter as a European purchasing alliance.

Since 2020, PackSynergy AG has officially referred to itself as »The European Packaging Network«. The »product« is coordinated service processes in three areas: purchasing, marketing & sales and knowledge & innovation.

As the biggest network of mid-market, owner-managed packaging wholesalers, PackSynergy currently combines the strength of 20 successful family businesses in an effective European association. The Group gives international customers and suppliers cross-border access to locations and markets throughout the European continent. At the same time, the expanded network of PackSynergy members with suppliers and industry partners results in a significant pool of knowledge and a think tank for the industry.

Just like other purchasing alliances, PackSynergy also provides classic purchasing services, mainly through European framework agreements. Knowledge management is another important pillar of our service portfolio. We develop digital based best-practice initiatives Europe-wide and across company lines, often in collaboration with suppliers in the packaging industry.

Our priority areas are:

- Sales
- Logistics
- Sustainability
- Digitalization

The PackSynergy Group's third pillar is systematic, pan-European branding. The aim here is to strengthen the Group's position – and that of its member companies – at European level and be a point of contact for customers who are increasingly looking for multinational packaging solutions. In the past, this field has tended to be left to a few chains operating Europe-wide.



Fig. 1: The network's pillars

As a further important effect, the network of packaging wholesalers has developed into a pan-European sales network for the manufacturing industry, and this naturally also has a positive impacts on the conditioning and positioning of individual members.

For packaging suppliers who are well-positioned in their national or regional markets, membership of Europe's biggest packaging network represents a strategic decision. The PackSynergy umbrella brand is systematically used for communications. Both the brand itself and the associated marketing activities – especially if they are digital – form the basis for targeted positioning in the market.

The message sent out to customers by all partner companies is clearly formulated: in addition to the expertise of what are in most cases owner-managed »local players« with several decades of experience, they specifically take advantage of the European network's service portfolio whether for existing accounts or when acquiring new clients:

1. Price advantages derived from group purchasing
2. Access to an extensive assortment of more than 100,000 items across Europe, many of them available through a network of virtual warehouses network
3. Knowledge lead in the packaging sector as a result of active knowledge management
4. Innovative product and service solutions thanks to close (group) cooperation with industry
5. Shipment throughout Europe within the network

Improved sales synergies in the packaging market

Background: Market structure and customer requirements

The European market for transport and industrial packaging is dominated by small to medium-sized companies from the local region. With just a few exceptions, the structures are very similar in all national markets throughout Europe. These markets are generally served by local players – wholesalers operating within a radius of about one or two hundred kilometres; depending on their strategic focus, they could be highly specialized (e.g. stretch film) or offer a broad portfolio comprised of multiple product categories (cardboard, bags, films, adhesive tapes, machinery and equipment, etc.). In addition to standard packaging, the share of customized, speciality ranges is growing steadily across different sectors.

Striking trends have been observed for several years now, and even more so lately:

- Wider shipping radius, international delivery
- Increased competition
- Sector concentration as the number of chains grows
- Higher expectations regarding assortment expertise
- Higher expectations regarding warehousing and delivery speed
- Calls for innovative packaging solutions
- Calls for sustainable packaging solutions

Today, specialized (industrial) packaging is increasingly part of the product value-added process. The focus here lies on complex intralogistics processes. Changes in legal requirements, the growing importance attached to carbon footprints and the rigorous optimization of recycling are creating mounting pressure to develop innovative and more sustainable products. The challenge facing mid-market wholesalers and their sales teams is to offer a prompt response to current trends and come up with customized solutions to match.

The ability to supply a unified, single-source »solution« is especially important when it comes to transnational customer requirements. Local wholesalers tend not to have a sales network of their own with which they can meet these. A competitive environment – for instance, comprised of international providers with corresponding purchasing terms – puts even more pressure on independent companies.

The decision to further develop the PackSynergy Group's structures such that, in the long term above all, sales advantages can be achieved too was taken against this background.

Adaptation of the network to changing markets

Significant changes in the market inevitably mean structural and process changes in the network. The association's increased European profile has given rise to essential, proactive optimizations in the network itself as well as in its sales structures:

1. The central warehouse which has been serving the German market in particular for many years now co-exists with an online warehouse. Individual wholesaler stores are combined in a virtual network with the aid of suitable structures and data networks. Each firm thus has online access to sections of partner company warehouses. Assortment expertise and delivery reliability are greatly improved in this way. Project assortments can be managed across company lines.
2. The introduction of sales-based knowledge management gives members access to modern sales techniques. At the same time, a targeted project and knowledge exchange takes place in the sense of best-practice solutions.

Key accounts, especially, increasingly demand comprehensive, pan-European supply solutions. It should also be mentioned in this connection that specific packaging solutions, many of them adapted to international value chains, are developed together with wholesale suppliers. This aspect has played an important role in the PackSynergy Group's European development during the last few years over and above mere growth targets.

Requirements as well as better offers from suppliers to enable coverage of larger, European market regions have additionally driven this trend. In the long term, the cooperation network will consequently strengthen its position as a strategic and reliable industry partner for the European market.

A packaging network, currently made up of 20 small and medium-sized enterprises representing a large area of Europe, has been built up in this way, and during the last five years the pace has quickened.

Effective expansion of the sales network in Europe

The services we offer to customers and suppliers – which are made possible by the network – are unmatched anywhere in the European market in terms of magnitude and relevance. Based on the rich body of experience from our European expansion to date, our aim is to be represented in all relevant national markets by 2025.

The network's current structure and continued expansion allow member companies to derive important strategic synergies from the sales network:

- Meeting the requirements of existing customers throughout Europe,
- Systematically targeting new customers, and
- Participation in European tenders.



Fig. 2: The sales network in 2020

The sales structures within the network also generate substantial advantages for individual sales staff. In July 2019, European sales employees were asked what benefits they derive from the network. The central messages were as follows:

The sales employees taking part regard membership of the network as a great advantage. They describe the network as a platform offering more purchasing power, an enormous pool of knowledge and experience and extensive product expertise. PackSynergy members are better able to »make the right business decisions in a hard-fought business environment«. And, as another key finding: »The network represents the future.« Sales people are glad to be part of a bigger network that presents a joint face beyond their own local markets.

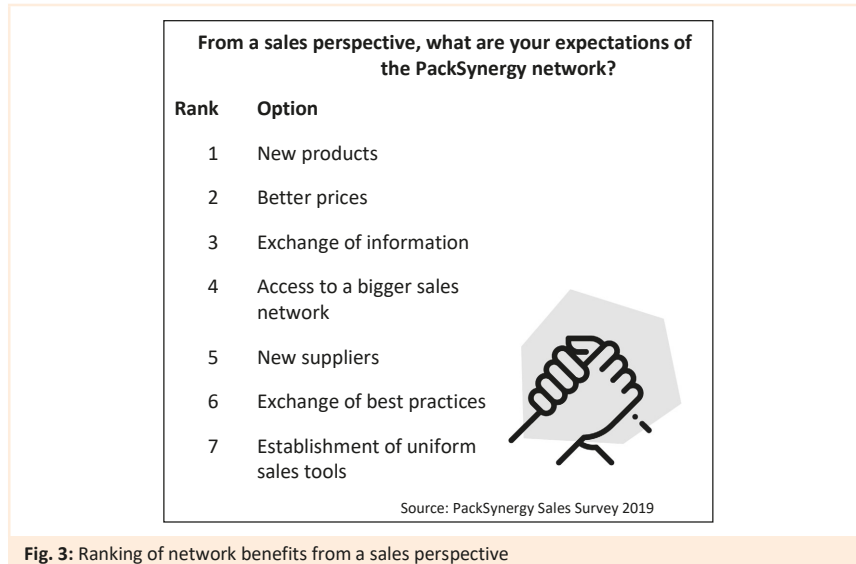


Fig. 3: Ranking of network benefits from a sales perspective

The brand in sales

The PackSynergy brand was likewise analysed and realigned as an essential factor in the realignment envisaged for the network; the aim was also to simultaneously strengthen sales in the changing competitive environment. Corporate and product branding play an important role here alongside »strategic purchasing« and »knowledge management«.

The international nature of regional providers needs a »name« in order to achieve recognition and gain a foothold in the market across country boundaries. »PackSynergy – The European Packaging Network« was chosen for this purpose at an early stage and is perfect for:

- Concentrating the activities of more than 20 national and regional packaging wholesalers under one roof,
- Communicating, documenting and positioning what they jointly have to offer in the market,

- Systematically communicating the network expertise of individual wholesalers, whether to existing customers or when acquiring new clients,
- Increasing our presence vis-à-vis key accounts and buying advisers with a unified brand in connection with European tenders.

In 2019 and 2020, workshops were held on the subject of pan-European cooperation among partner companies regarding the network's positioning, the aim being to reposition the brand and develop a unified vision for all partners. Together, we fleshed out and agreed on the establishment of a strong brand essence and related marketing. We also defined clear corporate values as well as a corporate identity – in the belief that sales would profit to a greater extent in sales from a clear brand definition.

Since 2020, the common basis for European cooperation and our shared understanding of the brand has been set out in a Brand Guide. The unified, pan-European brand is meanwhile an important sales and competitive instrument, especially for sales staff.

The continued development of a pan-European sales model would be very difficult without a compelling brand. The brand reflects network's innermost attitudes – its character. It ensures that customers perceive our members as international players with strong local roots.

A strong brand image guarantees advantages both for customer retention and when acquiring new clients. The basis for this is trust. Especially when it comes to product branding, the unified brand image not only increases awareness of our members; it is also of considerable benefit in case of up-selling or cross-selling at any time in the future.

The more powerfully the network's emotional and social values are communicated by the brand essence, the stronger the perception of this effect will be. From the outset, the focus was placed on the »why« for this reason. Why does the group exist? Why sell products under a joint brand? What is the shared vision? A clear definition of what drives us from day to day – of our convictions and values – was equally a part of this process.

This definition is important because, especially within the network, the brand serves as a motivator. It symbolizes our shared understanding of the network and is a point of reference for sales employees all over Europe in the pursuit of a »one-company feeling«. The brand promotes recognition in our industry's procurement and sales markets and opens the door to participation in international tenders.

Vis-à-vis suppliers, the European brand forms the basis for joint negotiations and sales activities by partners throughout Europe. It increases awareness of the network in a highly competitive environment and helps us present ourselves in the market as a group.

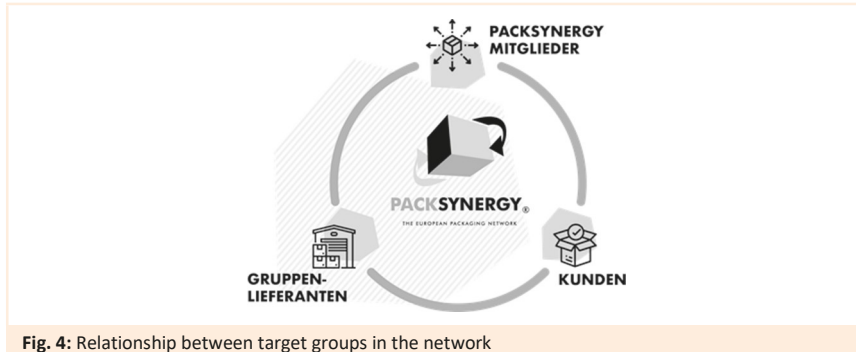


Fig. 4: Relationship between target groups in the network

The PackSynergy brand is driven and continuously developed by individual sales teams across Europe. The management at each of our European member companies are actively involved in, and committed to, this development process, and they act as important ambassadors of the brand in their respective local regions.

Finally, a unified understanding of the brand lays the foundation for targeted, digital based marketing campaigns in support of our members' sales activities.

Success factors and barriers to implementation

It is important to reach an understanding on common values, agreements and goals as a condition of international cooperation. Various fundamental aspects have been established in the PackSynergy network as a starting point for implementing the network idea and our joint sales activities efficiently:

1. **Requirements for new partners:** A commitment to shaping the future together with partners who meet each other at eye level and share similar requirements, issues and experiences forms the basis for our network's effectiveness. Together we formulated six key pillars, which should be addressed to new (and existing) partners as requirements. In addition to extensive experience and the desire to perform and make a contribution as an active network partner, the mindset is the most decisive criterion.

At the same time, these requirements for new partners represent a chance to measure ourselves against them and become even better members of our existing community.

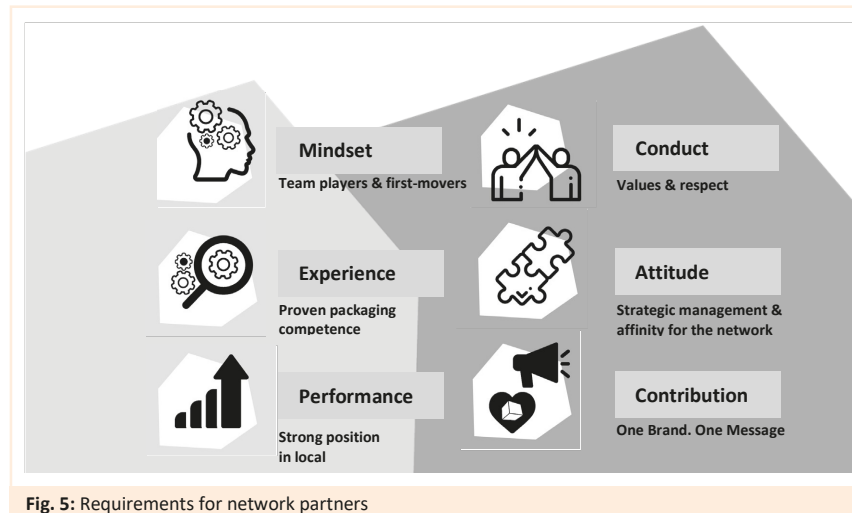


Fig. 5: Requirements for network partners

- Common values and rules:** Our independent companies are proud to be different – different in the way they define their home country, in their individual business approach and in terms of their culture. Our network's interaction – both with one another and with our group suppliers and customers – is shaped by common values, to which each member is committed. Authenticity and integrity are central to the way we think and act. Cooperation among member companies is characterized by fairness, responsibility and a fine balance between their own brand and the network brand. Trust represents the beginning of – and the foundation for – true partnerships that are actively embraced. It forms the basis for further development, for growth and for keeping the community alive. Professionalism is a driver here: it is necessary in order for the network to respond promptly, reconsider its actions and learn continuously. Together we want to create experiences for employees, partners and customers. Authenticity and integrity, trust and partnership and professionalism and experience are the pillars of successful collaboration within the network. Although they are very heterogeneous, both our members and our selected group suppliers are committed to the PackSynergy values and goals. The agreements they set down together in writing provide them with the pragmatic and entrepreneurial framework they need. By implementing a set of processes and rules based on trust in the framework of individual sales projects, we live out the essence of our understanding »We are family«.

3. **Targeted training & motivation:** These take place through a continuous exchange of knowledge and experiences for international sales teams. Weekly »Knowledge Management« sessions form the basis for a constant, unified flow of knowledge within the network. PackSynergy partners, suppliers and external speakers report on current product developments, sustainability issues, market changes, best practices, digital tools and sales and marketing techniques. The network provides every employee with a platform outside their own company for sharing their particular best practices, drawing personal motivation and gaining additional qualifications.
4. **Digitalization strategy:** The digital strategy which is established in the network is an important basic factor for the future: »Best & fast communication«. Projects and digital optimizations, both in the network and in partner structures, are developed digitally in project groups comprised of members' employees. An exclusive stretch film calculator app was unveiled as part of this strategy early in 2020. The app is designed to bring about an effective reduction in plastics consumption and help wholesalers in the packaging market operate in a more environmentally way with fewer carbon emissions. When the app was launched, it became the first PackSynergy Group product to have been successfully developed by a project group working entirely online.

However, account also needs to be taken of structural barriers. Compared to corporate structures, there are information deficits here which arise due to individual members' independence and which cannot be compensated. Different companies will always be managed in different ways and the following are just three typical examples:

- Bottlenecks at system boundaries
- No unified customer management system
- No real-time data from the market across company lines

System boundaries will remain inevitable in the foreseeable future because each member is independent and individual, with potential complications for processes and procedures.

Lessons learned – sales synergies in the network

Activities in the context of an organized network undoubtedly offer considerable potential as a form of working and organization for today and tomorrow. On the one hand, they are necessary in view of the increasing complexity of business structures coupled with rising customer expectations. On the other hand, they are made possible by ever more efficient IT structures as well as modern communication and marketing tools. Specifically:

Networks in general:

- A network strategy should nowadays be part of any corporate strategy. How it is actually lived out in practice depends on individual circumstances and the options available.
- In addition to national structures, the future belongs to European concepts for network organizations.
- Modern IT structures should be deployed in a targeted way in order to unlock new potential.
- Brand instruments especially support overarching sales activities.

The PackSynergy network in particular (packaging business):

- Binding rules and values formulated together provide the basic framework for our network's activities.
- Membership of the network is integral to each member's corporate strategy.
- The resulting shared mindset enables open and trustful cooperation within the group.
- Digital knowledge and information management practices are a key success factor.
- In the long term, the network intends to position itself as a think tank for the industry.
- The jointly developed brand understanding serves us as an international fabric and a sales instrument.
- Competitive structures in the network are avoided.
- Last but not least, the personal chemistry between individual stakeholders is decisive.

Notes on the authors

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Thomas A. Baur is CEO of PackSynergy AG. After graduating in Forestry and Business Management, he worked as a consultant with Roland Berger. He subsequently held various positions as Managing Director and as a delegate on the Administrative Board. Today, he heads the Management Board of PackSynergy AG.

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