

A close-up, slightly blurred photograph of a blow molding machine. Several parallel extruded plastic sheets are visible, moving along a conveyor system. The sheets are light-colored and have a ribbed texture. The machine components are dark and metallic.

Understanding the Growing Contract Manufacturing Market: *What Are The Opportunities?*

Ron Puvak Executive
Director Contract Packaging Association

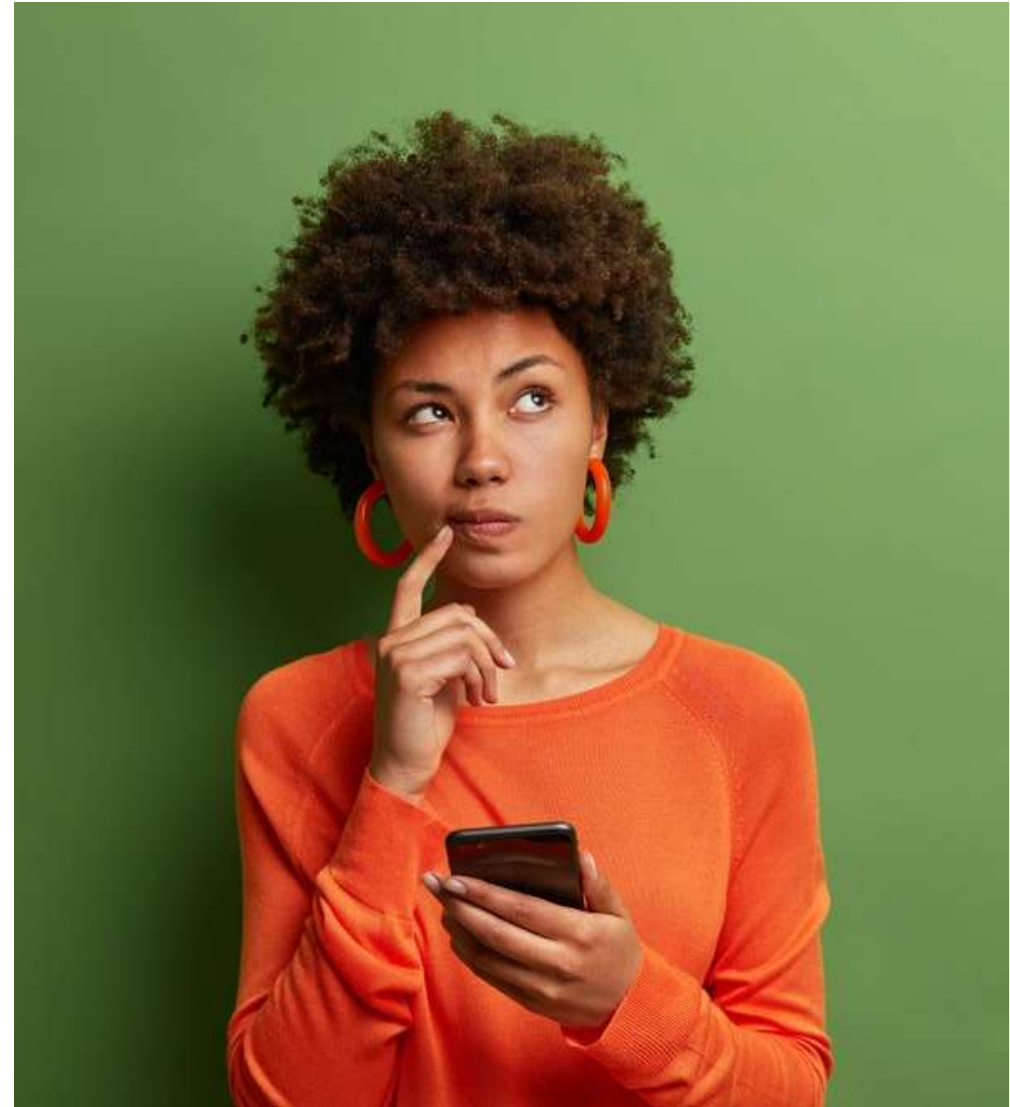
WHY USE CONTRACT MANUFACTURERS & PACKAGERS

THE MILLION DOLLAR ANSWER

“Every Dollar You Invest in
Production is one LESS dollar for
product innovation, brand building,
marketing and promotion.”

Challenges

1. How to connect with CP/CM
2. Speaking their Language?
3. Navigating the Relationship?
4. Understanding their needs?



Contract Packaging Association

CPA, The Association for Contract Packagers and Manufacturers, is the **premier resource for the CPG brands and retailers** they serve.

CPA members are dedicated to helping produce products. We drive the dynamic growth of the industry and serve as a **solution provider to new, emerging, store and established brands.**

CPA members are at the forefront of **driving innovation** and delivering quality solutions.



External Manufacturing or Packaging of Products



The Association for
Contract Packagers & Manufacturers

INDUSTRY EXPOSURE



- Trade Shows
- Conferences
- CPA Magazine
- Inside Look e-Newsletter

EDUCATION



- Webinars
- Pack Expo Forum
- Industry partner education
- State of the Industry report

NETWORKING



- ENGAGE
- PACK EXPO Meet & Greet
- Collaborative community
- Regional Meetings

CPG RFQ



- Free Industry Resource
- More than 1,100 annually
- Online member directory
- The go-to source for CP/CMs



contractpackaging.org

38th Annual Blow Molding Conference, October 23-25, 2023

Chicago (Wheeling), IL

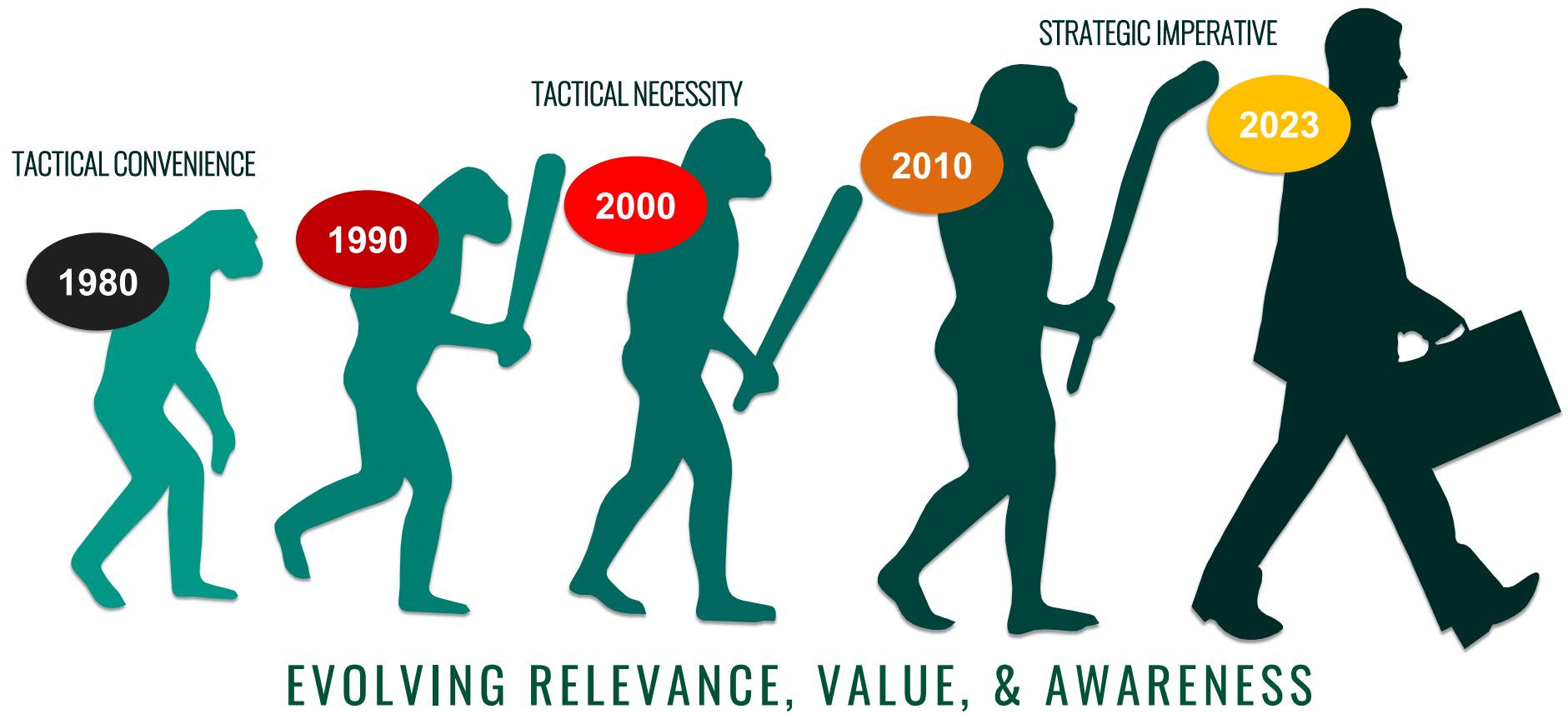


MARKET DEFINITION

Contract packagers and contract manufacturers serving branded food and CPG companies in North America



CP/CM Industry Perceptions



CP/CM Industry Scope

Packaging of
Food and
CPG
Products

Contract
Packaging

Additional
Levels of Post-
Production
Packaging &
Configuration

Secondary
Packaging

Converting or
processing
ingredients &
components
into food/CPG
products

Contract
Manufacturing

Why Brands Use CP/CMs

4

Capacity

While essential, having the right capacity in the right place is the most basic of requirements

3

Efficiency

Traditionally CP/CMs often offer cost advantages over internal sources when all costs are factored

2

Innovation

Brands are reaching up and down their supply chain for product and process innovation from CP/CMs

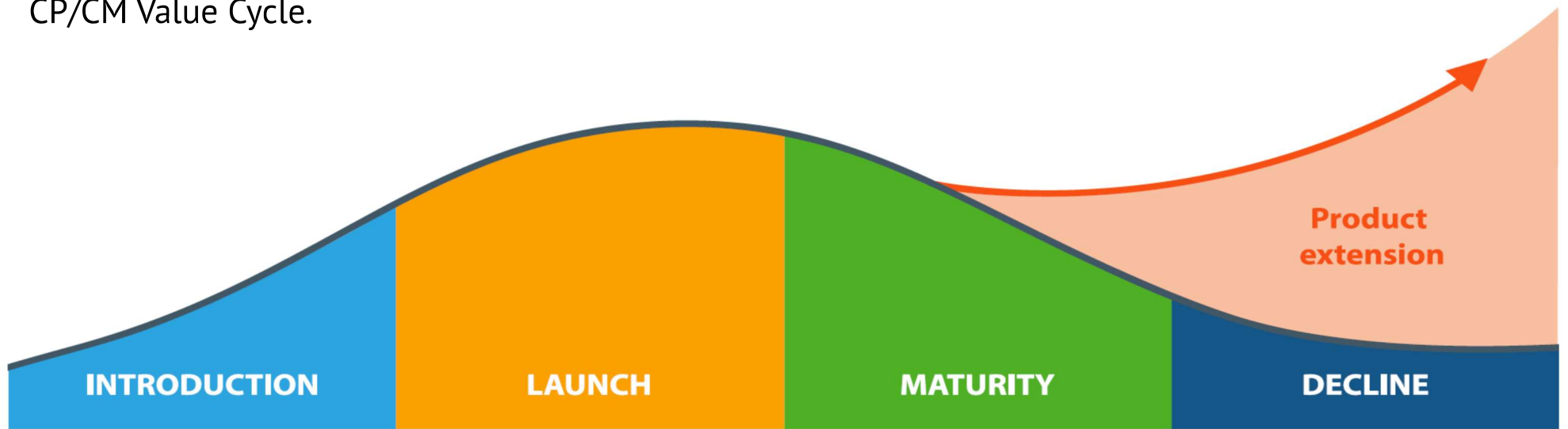
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Speed-to-Market

In an industry with fleeting competitive advantage, speed-to-market is everything

CP/CM Value Cycle | Product Life Cycle

Many SKUs now live their entire lifecycle in CP/CM facilities. Shorter lifecycles, the need for rapid speed-to-market, and ever-increasing demands for innovation are reshaping the CP/CM Value Cycle.



2023 CPA SOIR

- ✓ **Contract Packaging Association**
- ✓ **Documenting 15 yrs. industry growth**
- ✓ **CP/CM Owner, CEO, Executives**
- ✓ **CP/CM customer interviews**
- ✓ **Quantitative and qualitative research**
- ✓ **232 pages, 3rd party contributions**
- ✓ **Insiders' industry views**





**There are very few
problems that good data
cannot help solve.**

-- K. Taylor



INDUSTRY SIZE / GROWTH

The CP/CM industry continues to grow at a faster pace than the industry it serves.



HOW LARGE IS THE CP/CM INDUSTRY?

\$93B



\$157B



HOW FAST IS THE INDUSTRY GROWING?

11.3%

Five Year CAGR for
All Sectors, All Years

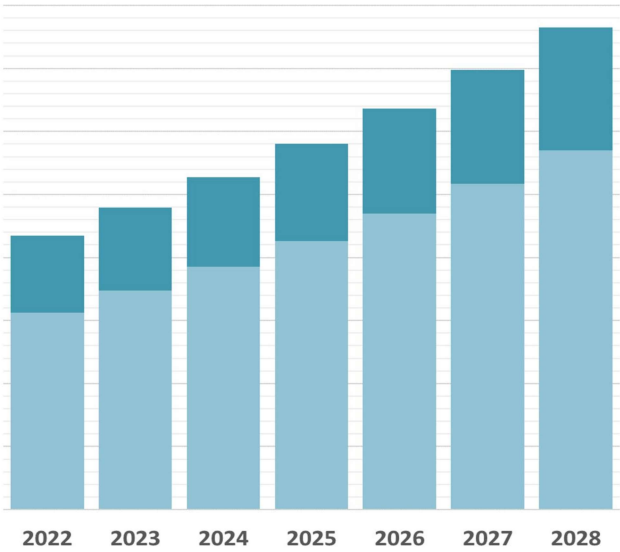
\$157B 2028



9.36 *

CONTRACT PACKAGING

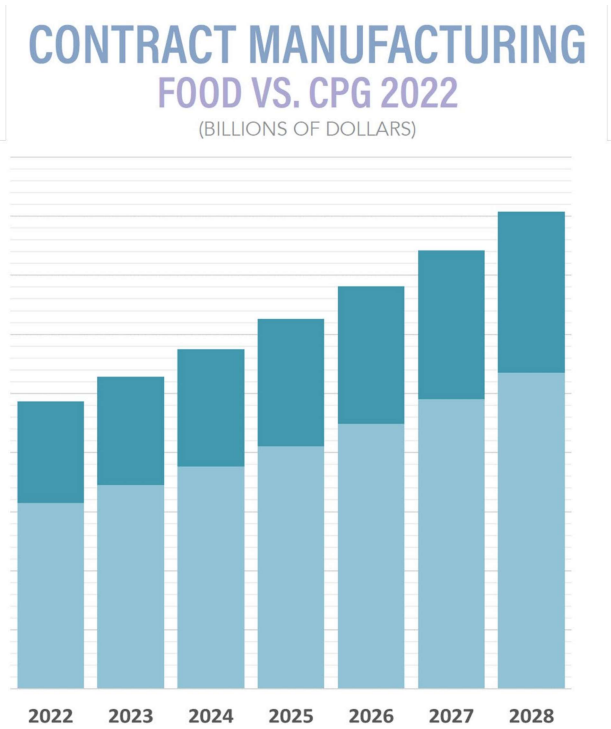
CONTRACT PACKAGING
FOOD VS. CPG 2022
(BILLIONS OF DOLLARS)



CONTRACT PACKAGING
(BILLIONS OF DOLLARS)



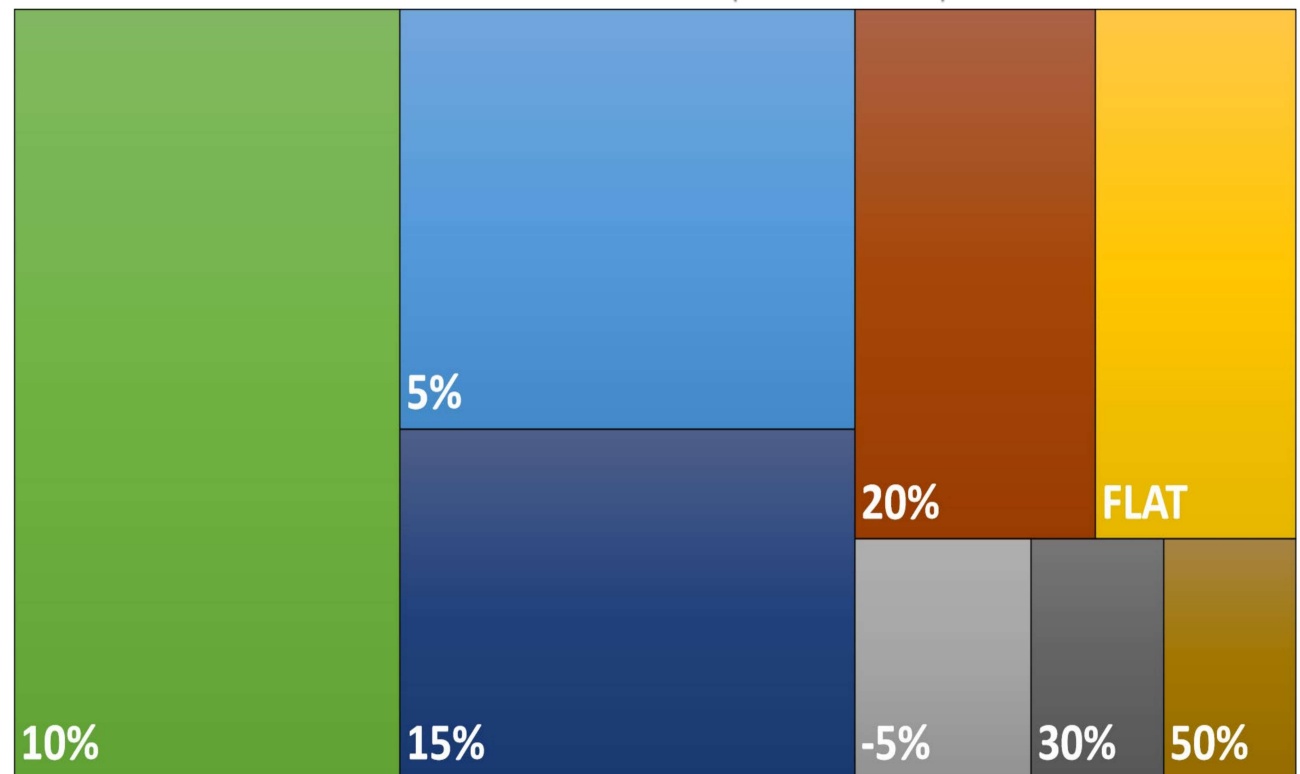
CONTRACT MANUFACTURING



CONTRACT MANUFACTURING (BILLIONS OF DOLLARS)			
	FOOD & CPG	FOOD	CPG
2022	FULL DETAIL IN 2023 SOIR		
2023			
2024			
2025			
2026			
2027			
2028			
CAGR			

2022-2023 CP/CM GROWTH RATES

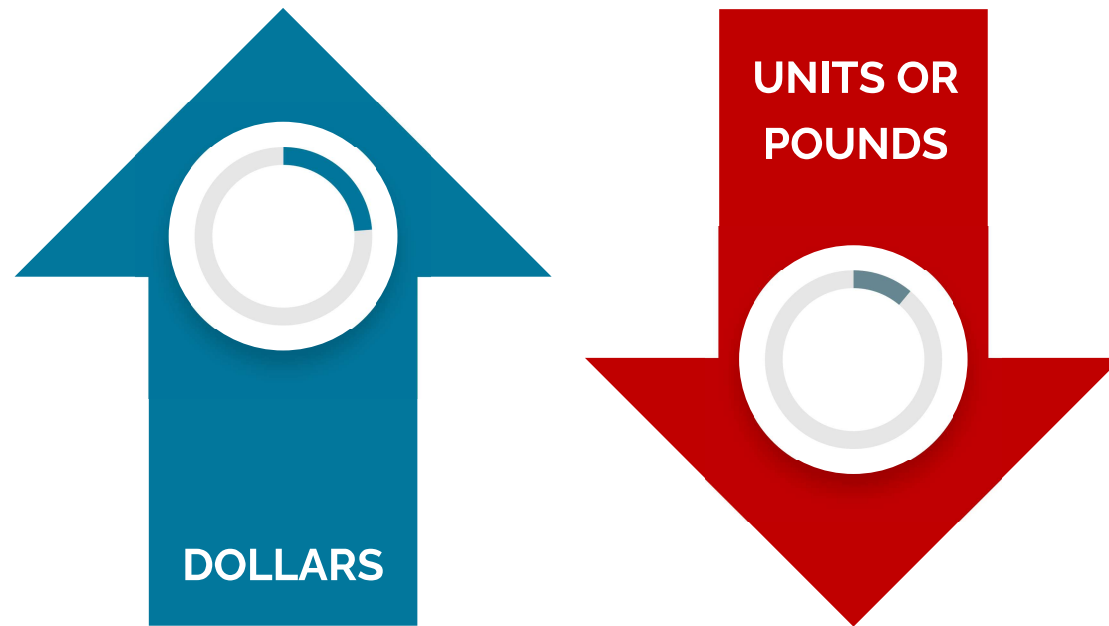
Predicted YOY rates from responding CP/CMs. also tracks with wider industry data



Source: 2023 CPA SOI

Fast Facts

2
0



Headline Inflation is Masking a Softening Market

SOIR CP/ CM FACTOIDS

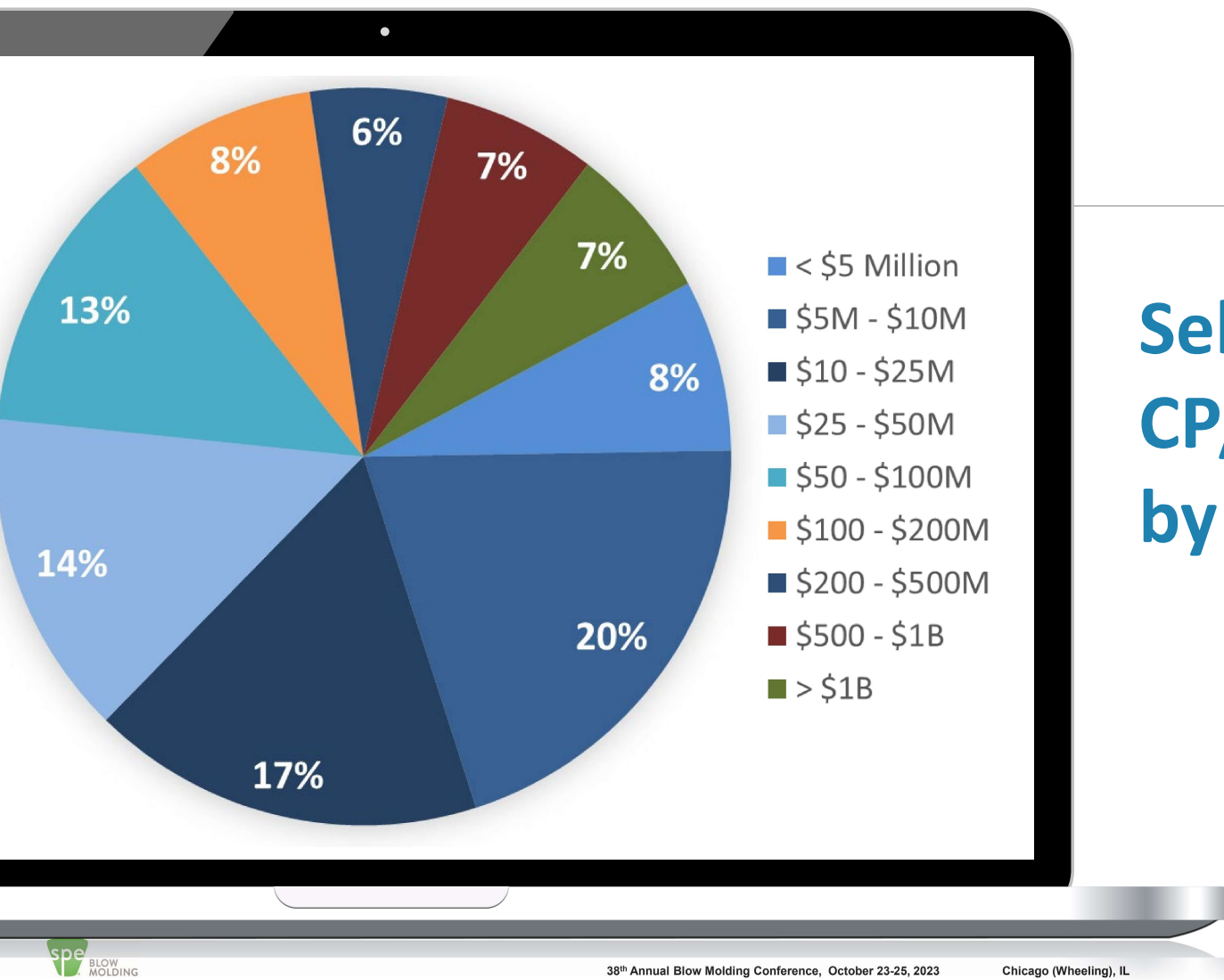
Contract packagers and contract manufacturers serving branded food and CPG companies in North America



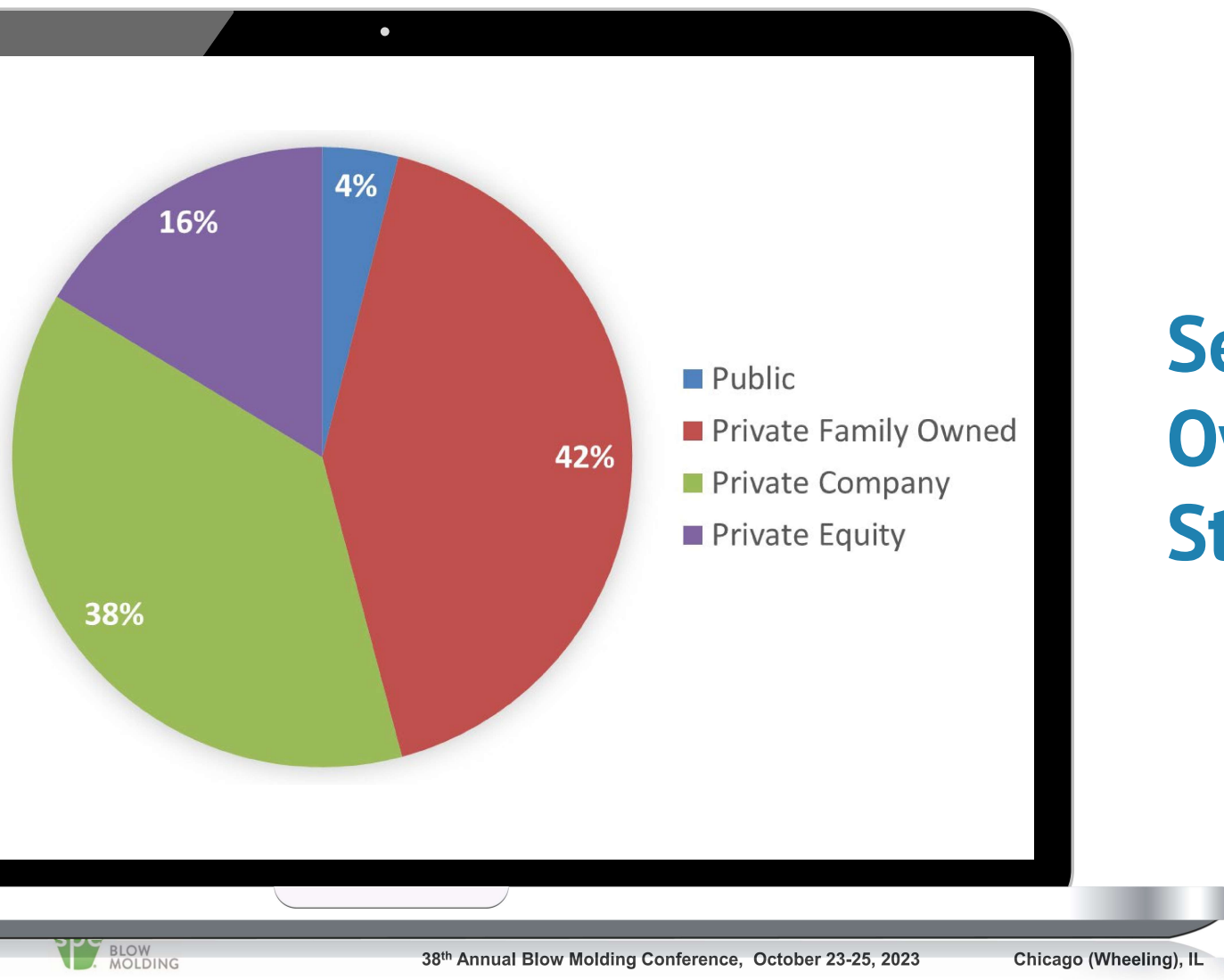
DIVERSITY OF SCALE

18%

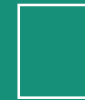
**Reported
revenues under
\$5M, while 6%
exceeded \$1B**



Self-Reported CP/CM Revenues by Range



Self-Reported Ownership Structure



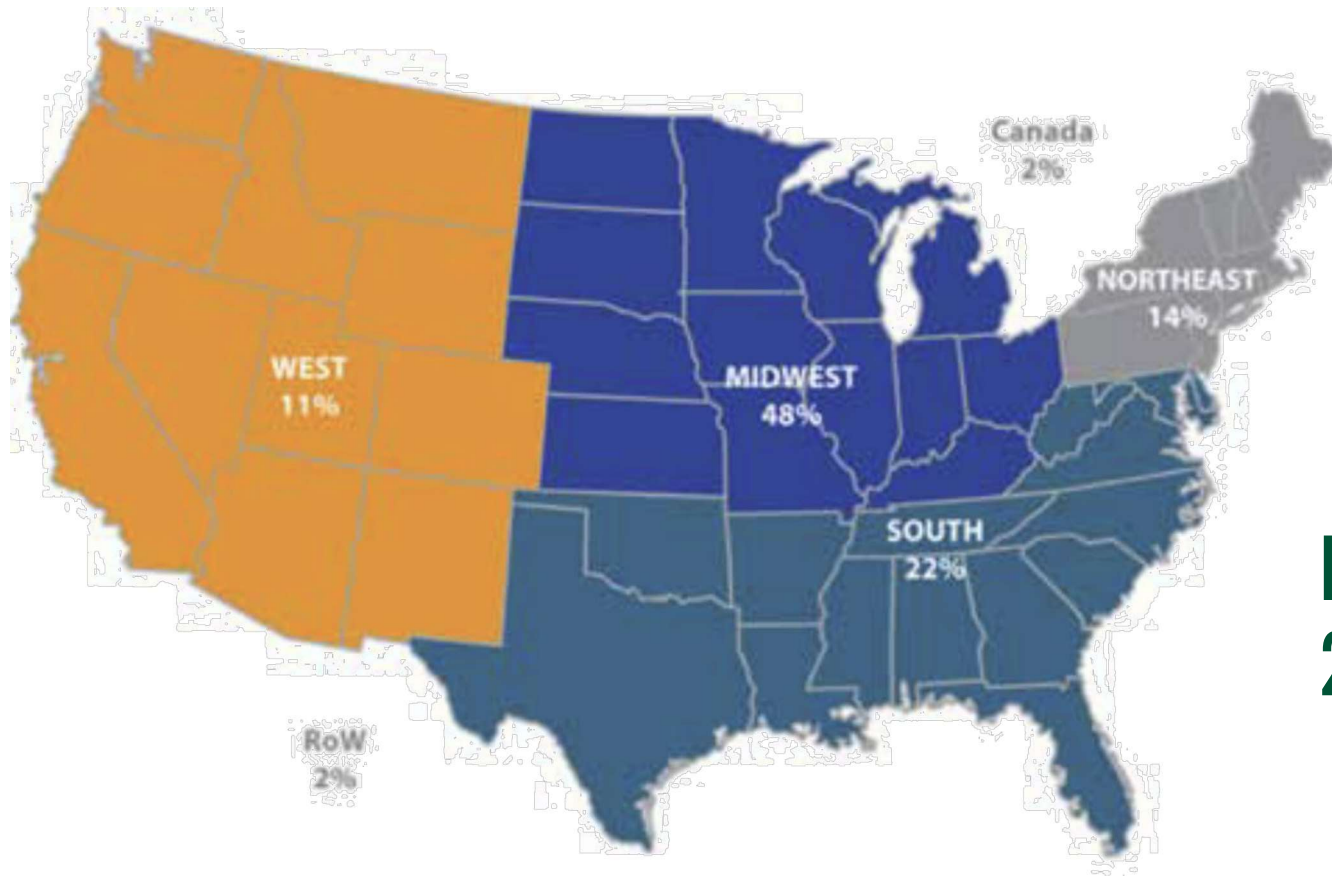
Age of Legacy

51% of privately held CP/CMs have owners over the age of 56. This is one of many trends driving the industry consolidation trends.

(of firms reporting)

61

MIDWEST CONTINUES TO DOMINATE



Headquarters Locations 2023

Automation Investments

Labor and configuration constraints

Accelerating long term investment trends

Accelerating labor arbitrage reduction

62% CP/CMs increasing automation spending

Cost / programmability / flexibility

Backlog & lead times increasing



CP/CMs and ESG

2018 vs 2023 CP/CMs

Inclusion in ES Audits

Scope 3 Preparedness

More than just “E”

Customers are accountable





THE SIX TRAITS OF SUCCESSFUL CP/CM RELATIONSHIPS

Consistent fundamentals
in an era of dynamic change



Six Traits of Successful – CP/CM Relationships



Functional
Alignment



Structural
Collaboration

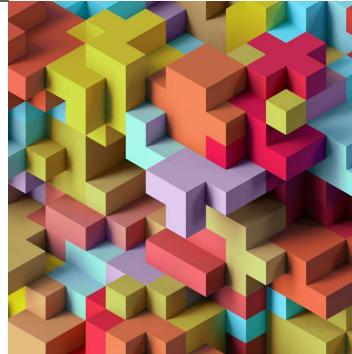


Common Value
Metrics

Operational
Transparency



Complimentary
Capabilities



Strategic
Outcome
Alignment





Rebuilding the Global Supply Chain

Old Model Redundancy and Inventory

New Model Transparency | Visibility | Agility

OPERATIONAL TRANSPARENCY

Relationship and project visibility needed for heightened levels of interdependence and integration

EVOLUTION

Efficiencies, greater innovation, supply chain complexities, scope 3 sustainability, production complexities, and regulatory environment

ENABLERS

Information Technology

Turnkey agreements

Time-on-station



Complimentary Capabilities

CP/CM value other options

- Equipment Base
- **Product Extension Abilities**
- **Changeover Capabilities**
- Extended Value Chain Services
- Superior Commercialization Needs
- Deeper Innovation Capabilities
- Structural Efficiencies
- **Asset Redeployment**

STRUCTURAL COLLABORATION

Systematizing relationships with agreed, guidelines, expectations, resources, and reporting

- **Supply chain fragility**
- **Agility concerns**
- **Beyond day-to-day / project level**
- **Enterprise rules of the road**
- **Aligned systems**
- **Realtime visibility**



STRATEGIC OUTCOME ALIGNMENT

Compatible, complimentary goals that inform and guide development and execution

- Cultural Compatibilities
- Agreed-upon Milestones
- Sustainability Concerns
- Necessary Time Horizons
- Become a reliable resource



COMMON VALUE METRICS

Realtime and interval reporting of projections and results based upon metrics of common value

- Measuring same concerns / same way
- Measuring what the CP/CMs care about
- Measuring what CP/CMs can control
- Adequate IT and process infrastructure



Opportunities CP/CM Relationships

Understand the Industry BASICS

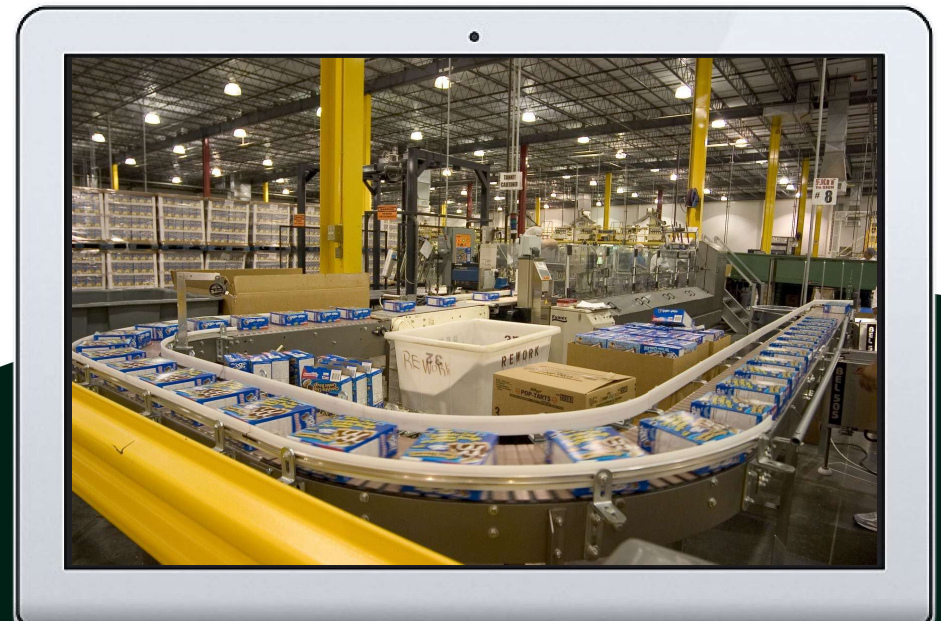
Be flexible/adaptable

Offer a service not a machine

Provide unique capabilities

Set metrics & expectations

Be ready to Pivot!



Q & A

Thank You

