

AXIOM
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COMMUNICATION

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Communication plays a significant role in the efficient day-to-day operations of every business, and when it breaks down, the bottom line often suffers. But when communication receives the attention it deserves – and requires – the results can be seen throughout nearly every aspect of the business.

That's exactly what Diamond Flexible Packaging is finding out as it soars toward a 150 percent growth rate during the past three years.

"Whenever a company stumbles, it's usually because of some lack of communication or some assumption that has taken place," says Scott Hansen, Diamond's director of sales and marketing. "We pride ourselves on open communication and feel it is very important to allow our customers to be an integral part of the sales process. We have found that the most successful programs occur when all concerned parties have open communication, especially in the beginning."

Concerned parties can include film suppliers, slider or zipper suppliers and equipment manufacturers (with can include both the pouch machine and the filling and sealing equipment supplier).

"I think that's a really big aspect in taking care of the end-user customers," he adds.

Today, the lynchpin to Diamond's tag-team communication method might be its relationship with Pactiv. The

large slider/zipper supplier is the key component to Diamond's pouch division, anchored, from a product standpoint, by its hooded slider pouch.

SLIDER IN DA HOOD

As the only U.S. company to offer such a product, Hansen explains that Diamond's relationship with Pactiv has brought plenty of positive attention to the Northbrook, Ill.-based converter because the technology is unique.

"We are currently the only American company that is able to convert this particular Pactiv slider. It's very new to the industry," says Hansen. "When we made the transition to focus on pouches, we knew that we needed something to differentiate ourselves. It was not an easy transition to go from a poly bag manufacturer to a value-added pouch manufacturer.

"People were leery at first because we were an unknown. It has taken some time, but our reputation of service and quality on the poly side is transferring to the pouching business."

Already with service as an integral part of the Diamond culture, Hansen still felt like the company needed a niche.

"Fortunately, we've had strong support from Pactiv and this new technology, which has sort of garnered us some attention," he adds. "I just see us growing more and more as people hear positive things about us and learn about this slider technology and want to incorporate that into their packaging."

The slider technology that came out of Diamond's relationship with Pactiv

IS KEY

IN THE MIDST OF AN UNPARALLELED GROWTH CURVE, POUCH MAKER DIAMOND FLEXIBLE PACKAGING RELIES ON THE STRENGTH OF ITS COMMUNICATION AND BUSINESS RELATIONSHIPS TO CONTINUE TO MAKE ITS MARK IN THE BAG AND POUCH SEGMENT



Diamond's relationship with Pactiv helped facilitate the company's new focus on pouches.

allows the manufacture of a pouch with a hooded slider that also features hermetic seals above and below the zipper (assuming no perforations).

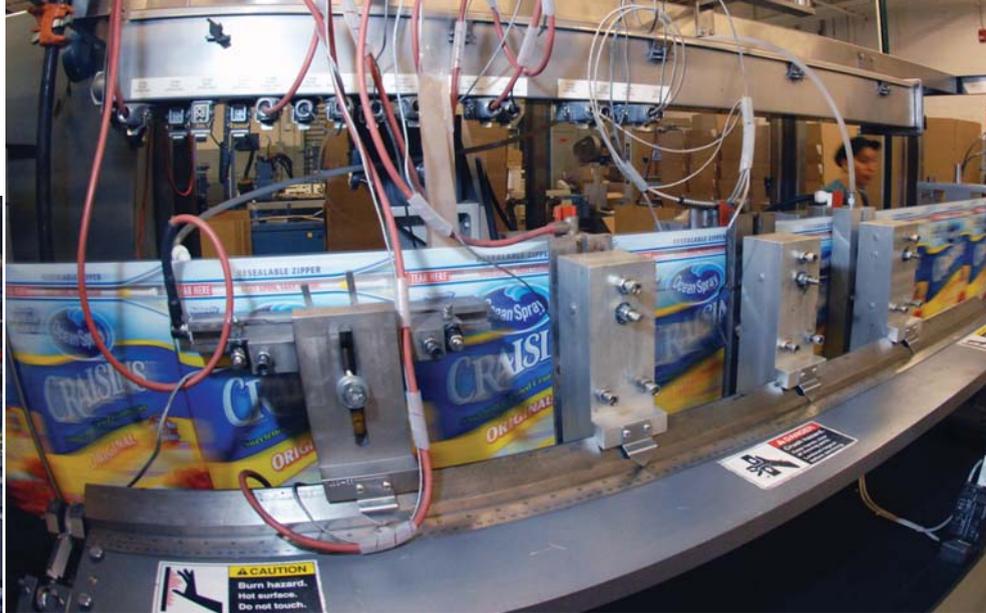
"Our competitors cannot do that because they do not notch the track," says Hansen. "What they do is seal the package around the track. We notch the track, which takes the hard track piece out and away from the side seal so that we're able to seal 100 percent all the way up the side of the package."

While slider technology is a very important niche for Diamond, Hansen is quick to point out that it is not the only thing Diamond does well.

"Slider has helped us get to where we are today, but of course, we produce press-to-close and a variety of other styles of pouches," he adds.

EVOLVING BUSINESS

Diamond's history goes back more than 75 years and included a heavy dose of poly bags and polypropylene. Only recently has the company changed to focus on pouches. Just three years ago, when Hansen joined



the Diamond team, the company was only selling a commodity product. With its change in focus, Hansen's goal is to see Diamond's sales increase by 150 percent by the end of 2007. That's when Hansen and Howard Diamond, CEO of Diamond Packaging, first turned to Pactiv to help facilitate their desire to concentrate on pouches.

"Howard saw the need in the marketplace for pouches, and I started here shortly thereafter. Especially after getting to know Steve Meli over at Pactiv, I whole-heartedly agreed that the future of Diamond is to make the pouching area of Diamond a success," says Hansen. "The poly bag industry and polypropylene as well, has become such a commodity, that it's becoming tougher and tougher to compete there because you've got off-shore

competition and tons of film providers. I think the barriers to entry are too low.

"We started really working very hard at the pouch side of the business, so that we could make the core business transition from this unsupported poly and polypropylene business over to the pouch side, because that's where the future of packaging is. And that's where we want to position ourselves. We're transitioning to make that into our core business."

While the transition has not been an easy one, according to Hansen, "It is easy to look back and see how the need for excellent service in the poly side has helped build our reputation on the pouching side of the business," he says.

SERVICE AND QUALITY

Transitioning to the pouch business was an important move for Diamond, but much of the transition is just a change in technologies. The staple of the company's business, which has been there for years and will continue through the transition, is the customer service offered by Diamond Flexible Packaging.

"Technology is one thing, and people could or probably will catch up to that at some point," says Hansen. "But we have based our reputation over the years, long before we got into the slider pouch business, on service. Service as well as quality."

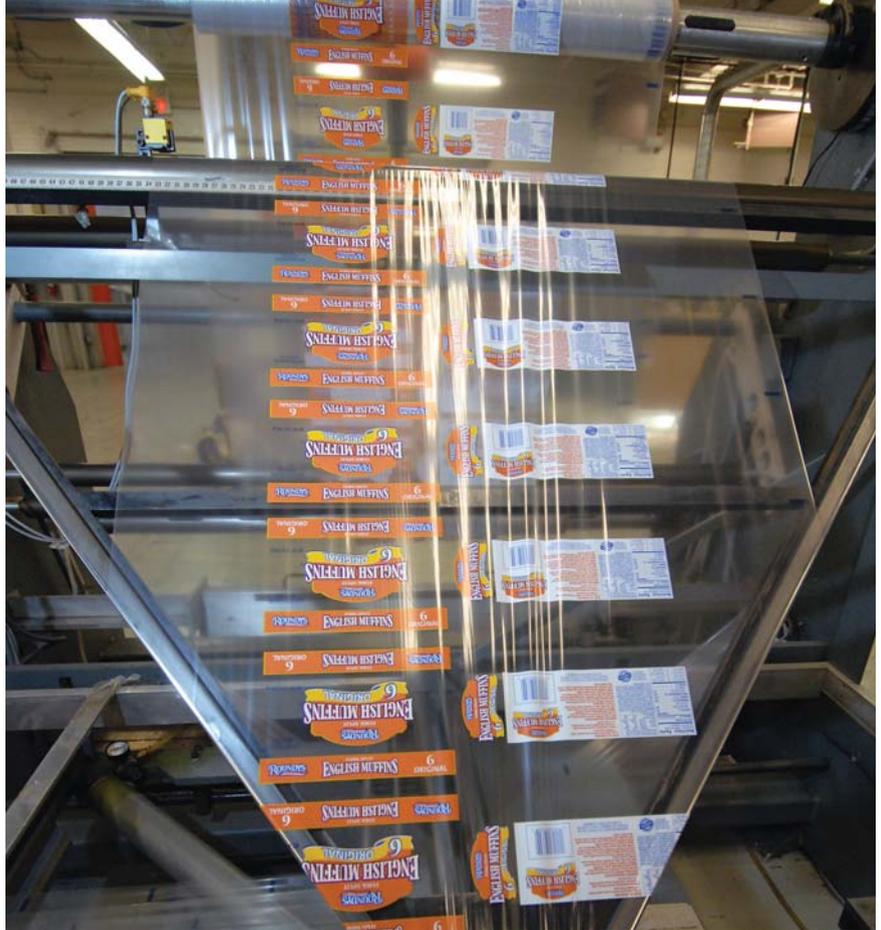
Hansen notes that the development of strong business relationships has truly helped facilitate the company's move toward pouches, because partnerships that are weaker may not have survived the trial-and-error phase that goes along with any shift in focus.

"We're always on the learning curve on the quality side of things, and we're fortunate that we've got customers who will work with us and communicate what is important to them," he says. "We are focused on making our company an extension of the printer/laminator.

"We like to take that and really expand on that to improve our quality. And it's the service thing where we really shine. We will turn our plant upside down to our best ability, as long as we don't sacrifice anything to our other customers. We will turn our plant upside down to take care of a customer's need."

Howard Diamond agrees, noting that the ups and downs of the industry are a built-in factor when it comes to his company's customer service.

"We do quite a bit to meet the customer's needs," he says. "We know that in our market there are plenty of times when emergencies arise or the business ebbs and flows, and we try to service the customer so that we can



While value-added pouches are important to Diamond's growth, customer service and its poly business are the company's backbone.

put them in the best opportunity to service their market by being a dependable supplier."

Making that transition a couple years ago required that the company move from one shift to two, almost overnight, which was the first step toward the pouch business. The success of that step was dependant upon the quality of people Diamond had under its roof.

"We were very fortunate in the people that were available and willing to go the extra mile, and more than the extra mile, to make sure we were a success. Because we're banking our future on that pouching. We're dealing with some major customers that are high-profile, household names that we cannot disappoint. So that was our step No. 1," says Hansen.

"Step No. 2 is this third pouch machine (from Mamata), and we've actually got enough volume to get it on the floor, turn it on and fill it fully. Now we're starting to think about machine No. 4. So within very short order we've added a second shift, this

third machine, the volume to fill it, and we're already talking about the potential of additional machinery.

"We recognize how important it is to stay ahead of the curve and maintain our eedge when it comes to service," he says.

Diamond, as Pactiv's fastest-growing licensee, continues to be willing to invest in new equipment in order to maintain the high level of service their customers have grown to expect, according to Pactiv's Steve Meli.

"Howard Diamond has a very hands-on management style when it comes to both suppliers and customers," says Meli. "He is very involved in almost every project from start to finish and it shows in the type of quality and service that you get from Diamond."

In addition to the Pactiv equipment and the pouch making machine from Mamata, Diamond also utilizes pouch makers from PDI and Klockner, and prints on unsupported web with a six-

THE MAMATA-PACTIV-DIAMOND PARTNERSHIP

- The modular design of Mamata's Vega 610 pouch making machine is geared toward optimizing flexibility, and can adapt to any packaging system, including value-added products like slider zipper pouches, be they hooded or exposed.
- Diamond, a licensee of Pactiv, asked Mamata to integrate Pactiv's slider attachment into its pouch maker. The results included:
 - Single key operation that automatically configures the Mamata pouch making system and is ready for processing slider zipper pouches using Pactiv's attachment;
 - Built-in functionality to easily program the position of the slider through the Mamata pouch making operator console;
 - An excellent interface developed between Mamata's system and the Pactiv unit that adds the distinct advantage of avoiding multiple set-ups; and
 - The friendly integration



between the two companies and their products results in a user-friendly system that requires minimal understanding by the operators to process the pouches.

- This collaboration will produce hooded slider pouches at speeds of about 65-70 pouches per minute for a 10 to 12-inch draw size, which is a 25 percent higher output than Diamond's existing capability.

- In addition to the slider zipper pouches, the machine supplied to Diamond Flexible Packaging has the capability to make conventional three-side seal pouches from laminates as well as un-supported co-extruded PA/EVOH-based films, press-to-close zipper pouches, separate bottom-gusset inserted stand-up zipper pouches in two-up format, and self in-gusseted pouches in one-up format.

color Biolloni press. But Diamond does not laminate. The printer-laminators are their customers and Diamond has no intention of getting into the lamination business.

Howard Diamond, third generation in the packaging business, sees the growth of the company as just an evolution of the marketplace.

"The market's becoming a lot more sophisticated now as far as the requirements of packaging," says Howard. "When my father was in the business, it was just plastic bags, then it got to printed plastic bags, then it got to multi-color printed plastic bags, and now no one wants just a plain old plastic bag. They want a bag that provides barrier or shelf appeal, and by adding this closure system, it's another level of sophisticated reusability of the bag. So that it makes it appealing; you're buying a whole system when you buy a product. You're

buying the food, the bag that keeps it fresh and keeps it ready to eat. It serves their needs."

DIAMOND'S FUTURE

Going forward, Diamond looks to build upon the steps it has already taken into the pouch business. A major part of that, says Howard, is to establish a niche and be proactive with regard to competition, from any location.

"We have to niche ourselves in such a way as to not be a commodity," he says. "We have to compete with Asia. Asia can do it cheaper, but it takes extra time, and any wrinkle in the process can cause a problem. If a customer adds something special, they can't handle it. We can provide specialty items to a degree, and we can pull it off in a reasonable amount of time. We provide that next level of service."

For the team at Diamond, the future is now, and all of the improvements

and changes the company is implementing today will have a significant impact tomorrow, or at least that's the plan.

"In the future we'll have added capabilities and added capacity," says Howard. "We're trying to keep ahead of the curve and capacity so we can keep our customers in supply. And we want to keep learning and running equipment very efficiently."

Just as it always has, communication will play a big role in Diamond's success both today and in the years ahead.

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