
PAPER, FILM & FOIL CONVERTER®

PFFC

2007 Critical
Trends

- Investigation conducted exclusively for *Paper, Film & Foil Converter*.
- Methodology, data collection and analysis by Penton Custom Research Department.
- Data collected February 9, 2007 through March 2, 2007.
- Methodology conforms to accepted marketing research methods, practices and procedures.

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Objectives & Methodology

Objectives

Objectives of this study effort include:

1. Examine critical trends for in the converting industry, including revenue, business activities, and costs of doing business.
2. Measure the impact of imported converted products on U.S. companies.
3. Determine incidence of, and interest in, partnering with companies outside the U.S.
4. Compare the results to those of last year.

Methodology

Sample framework

e-mail Survey.

On February 9, 2007, Prism Business Media e-mailed invitations to participate in an online survey to a total of 8,277 subscribers of *Paper, Film & Foil Converter* selected on an nth name basis.

Response motivation

To encourage prompt response and increase the response rate overall, the following marketing research techniques were used:

- A drawing was held for an iPod Nano.
- A link was included on the invitation to route respondents directly to the questionnaire.
- The magazine name was used on the invitation to tie the study effort to the magazine.
- Follow-up e-mails were sent to non-respondents on February 20, 2007, and February 27, 2007.

Survey instruments

Copies of the invitations and questionnaire are included in Appendix B.

Sample Statistics

A.	Total mailing	8,277
B.	Bouncebacks/undeliverables	2,612
C.	Effective mailing (A-B)	5,665
D.	Completed surveys	261
E.	Effective response rate	4.6%

Margin of Error

The most conservative estimate of standard error at the 95th percentile confidence level is +/- 6.0 ppts.

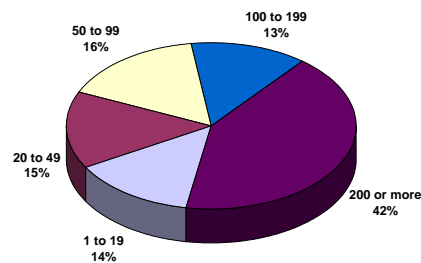
Each primary business type is well represented in the sample.

About one-fourth of the respondents each worked for an unprinted rolls and sheets; tapes, labels & tags; or flexible packaging company.

The largest segment of respondents work for companies employing 200 or more people.

Number of Employees

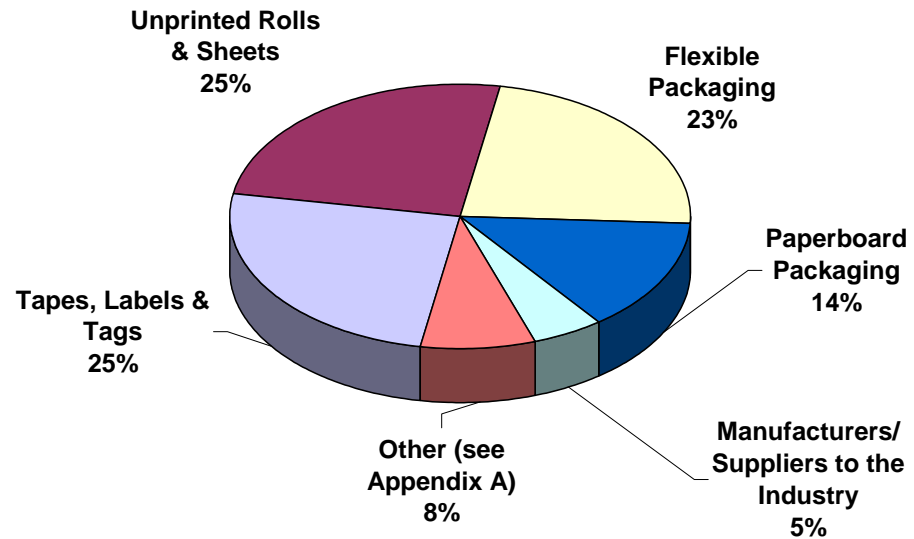
- How many employees does your company have in total?



Base = all respondents (261).

Primary Business

- What is the primary type of business conducted at your location?



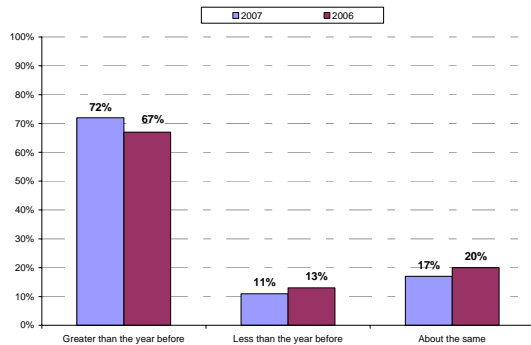
Base = all respondents (261).

Revenue increased from 2005 to 2006 for most respondents.

The magnitude of the revenue increase was smaller this year than last, however.

2006 Sales Revenue

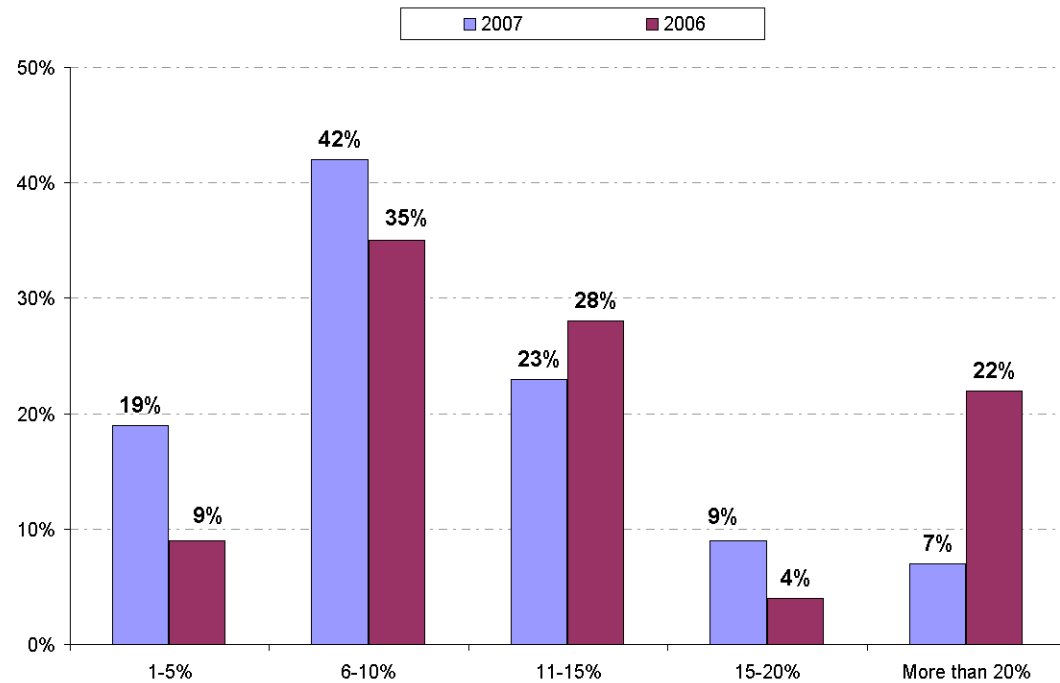
- How did 2006 sales revenue for the primary business above compare to 2005 revenue?*



Base = all respondents: 2007 (261) 2006 (69)

2006 Sales Revenue Percent Increase

- By what percent did 2006 revenue increase over 2005?



2007 Base = respondents reporting a 2006 revenue increase (187)

2006 Base = respondents reporting a 2005 revenue increase (46)

*NOTE: Question was worded differently in 2006: How did 2005 revenue compare to 2004?

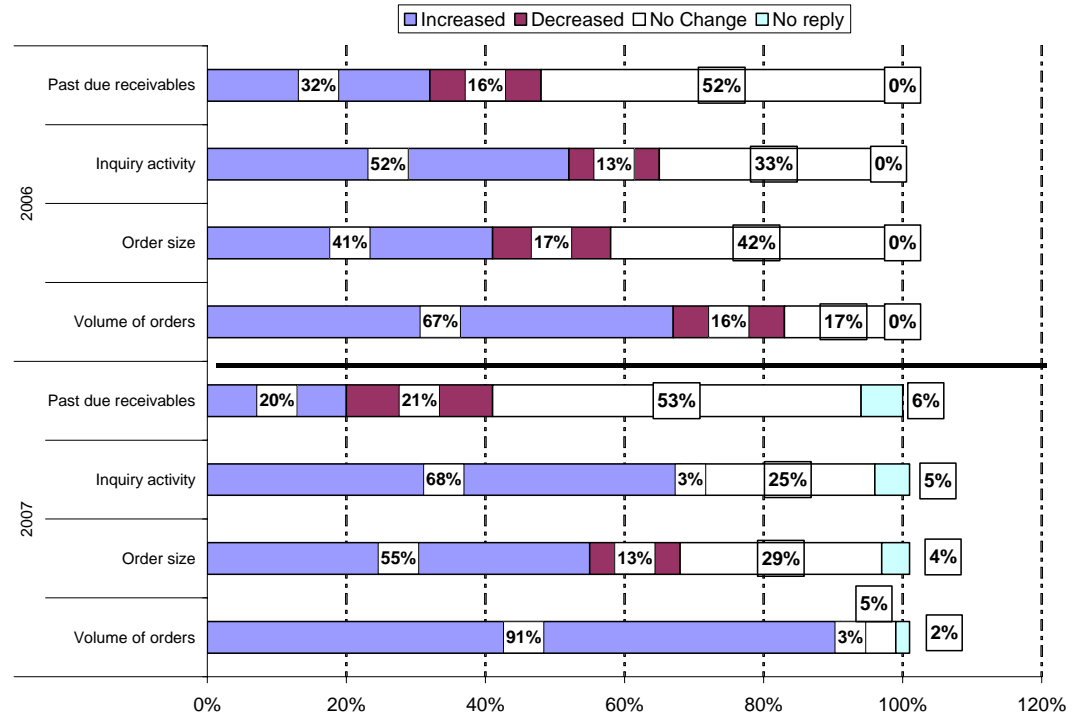
Volume of orders, inquiry activity and order size all increased for a majority of respondents in 2006.

Past-due receivables remained the same for the majority of respondents, and another 21% experienced a decrease.

Nearly all of the respondents (91%) experienced an increase in the volume of orders in 2006,

Business Activities – 2006 compared to 2005

- Please select how 2006 compared to 2005 within your company for each of the following business activities.



Base – all respondents: 2007 (261) 2006 (69)

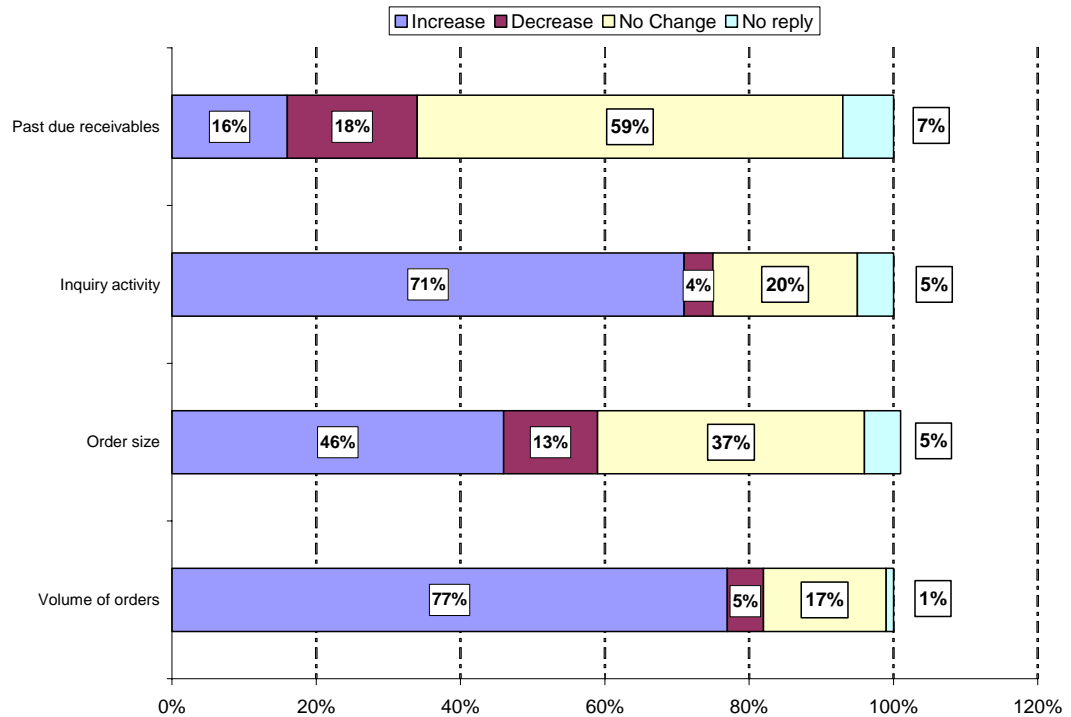
The majority of respondents expect volume of orders and inquiry activity to increase again this year.

The largest segment of respondents (46%) also expects order size to increase.

Most respondents (59%) expect past due receivables to remain about the same size as last year.

Change in Business Activities

- What do you expect to happen in 2007 compared to 2006?



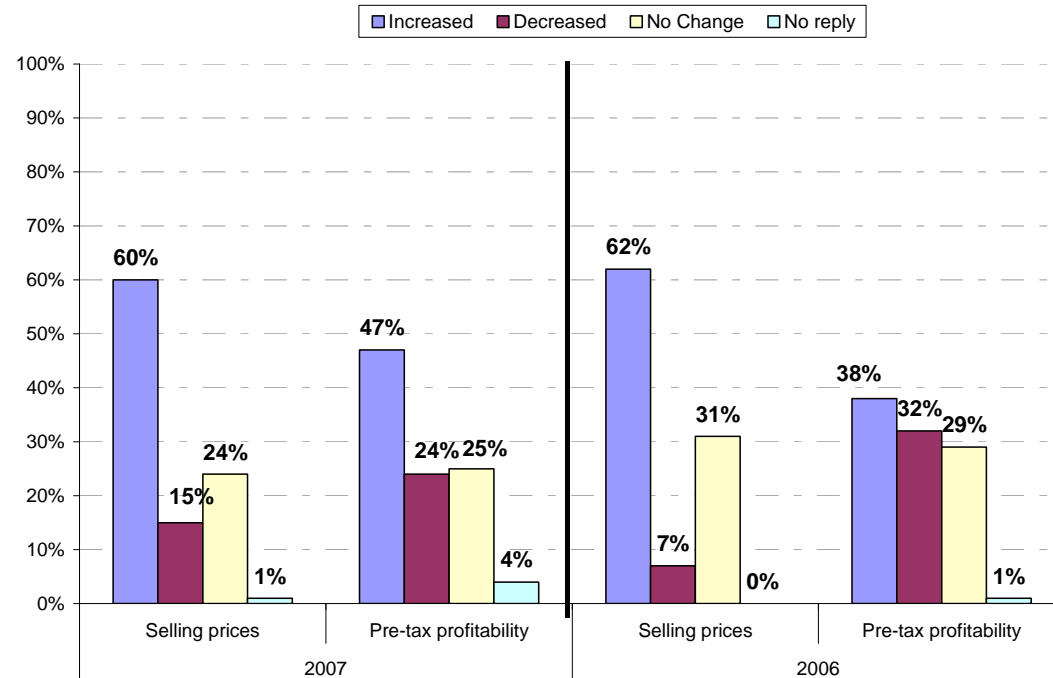
Base = respondents reporting 2006 revenue increase: 2007 (187)

Selling prices increased for a majority of respondents, and nearly half saw pre-tax profitability increases as well.

While the number of respondents reporting an increase in selling prices was similar to that found in the 2006 study, more respondents reported increased pre-tax profitability (47% vs. 38%).

Change in Financial Indicators

■ How did your financial indicators below compare to those of 2005?



Base = all respondents: 2007 (261) 2006 (69)

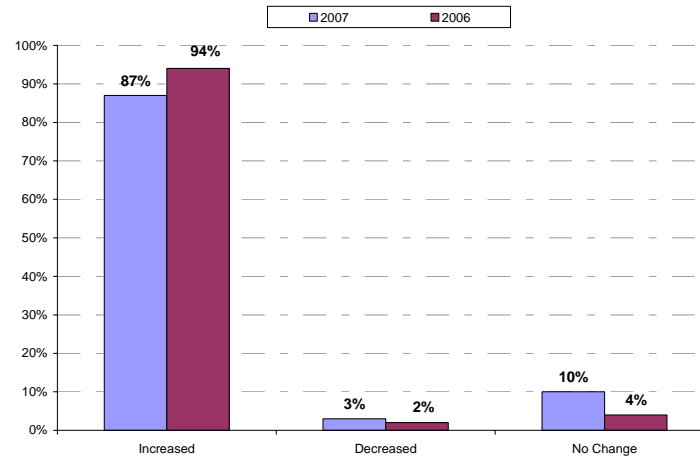
Raw materials costs continued to increase for a majority of respondents.

Slightly fewer respondents reported an increase in 2007, however (87% vs. 94%).

The percentage increase in the costs also went down from the 2006 study. This year's respondents were more likely to report an increase of 3 to 7%, compared to more than 8% last year.

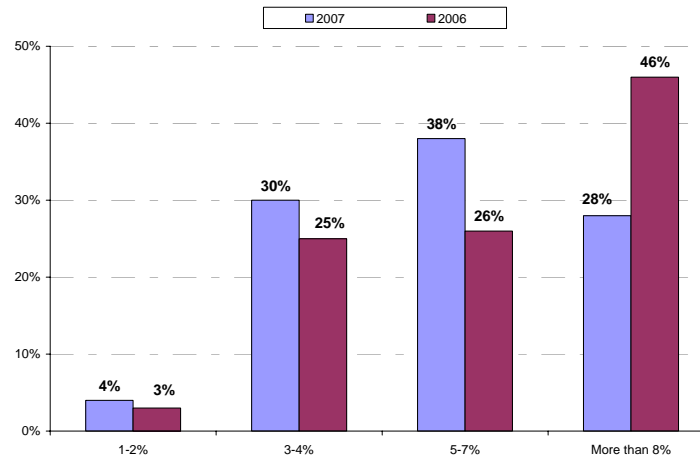
Change in Materials Costs

- How would you describe 2006 materials costs compared to a year ago?



Base = all respondents: 2007 (261) 2006 (69)

- Please indicate the approximate overall percentage increase of your raw materials costs.



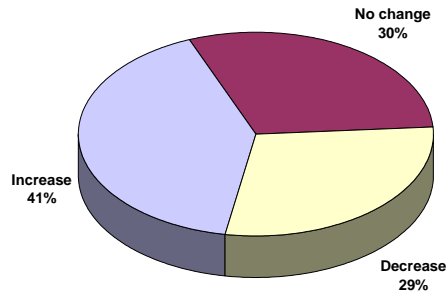
Base = respondents reporting an increase: 2007 (226) 2006 (65)

Overall plant capacity utilization was an estimated mean 77% in 2006.

The largest segment of respondents (41%) reported an increase in the business backlog in the second half of the year.

Backlog

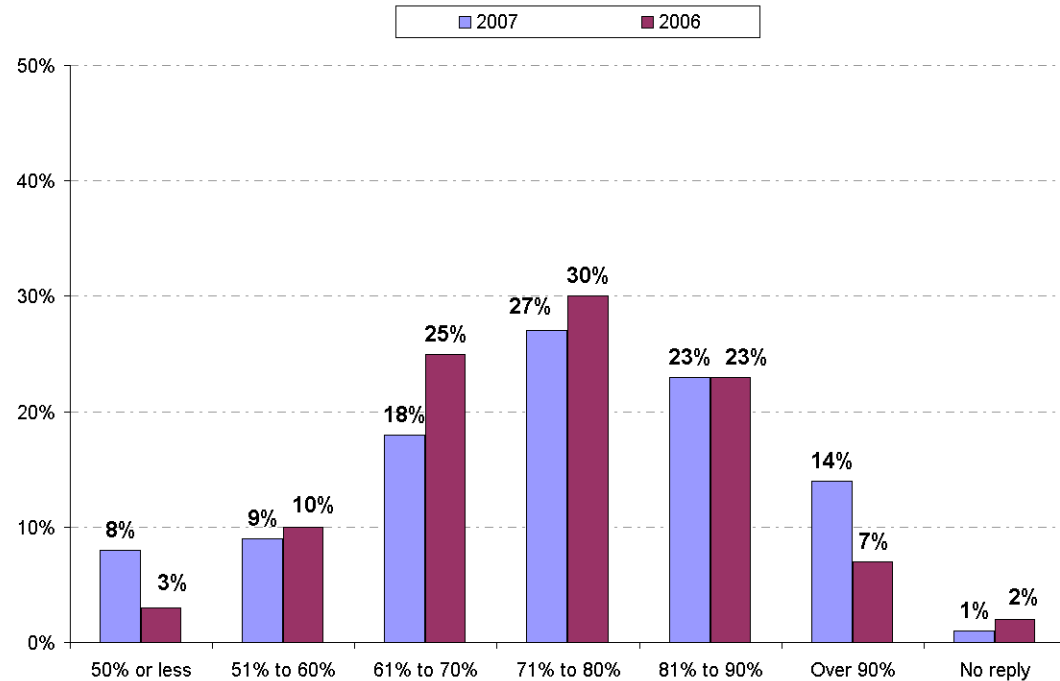
- For the last half of 2006, did you see an increase or decrease in your business backlog compared to the first half of 2006?



Base = all respondents, or 261.

Plant Capacity Utilization

- Please estimate your overall 2006 plant capacity utilization.



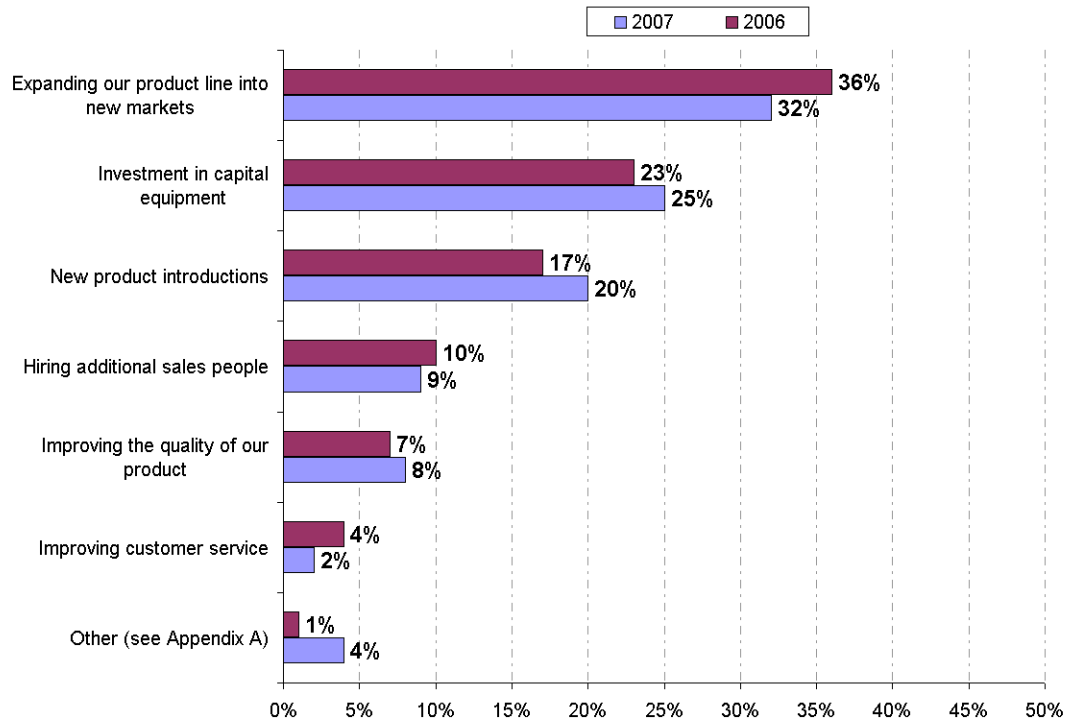
Base = all respondents: 2007 (261) 2006 (69).

Expanding the product line into new markets remains the best investment of company resources, according to respondents.

Investment in capital equipment (25%) is also considered a wise investment.

Areas with the Greatest Impact on Revenue and Net Profit

- *In which ONE of the following areas would a company investment have the greatest impact on driving your revenue and net profit in the coming year(s)?*



Base = all respondents: 2007 (261) 2006 (69)

Fewer respondents indicated a negative impact from imports than last year.

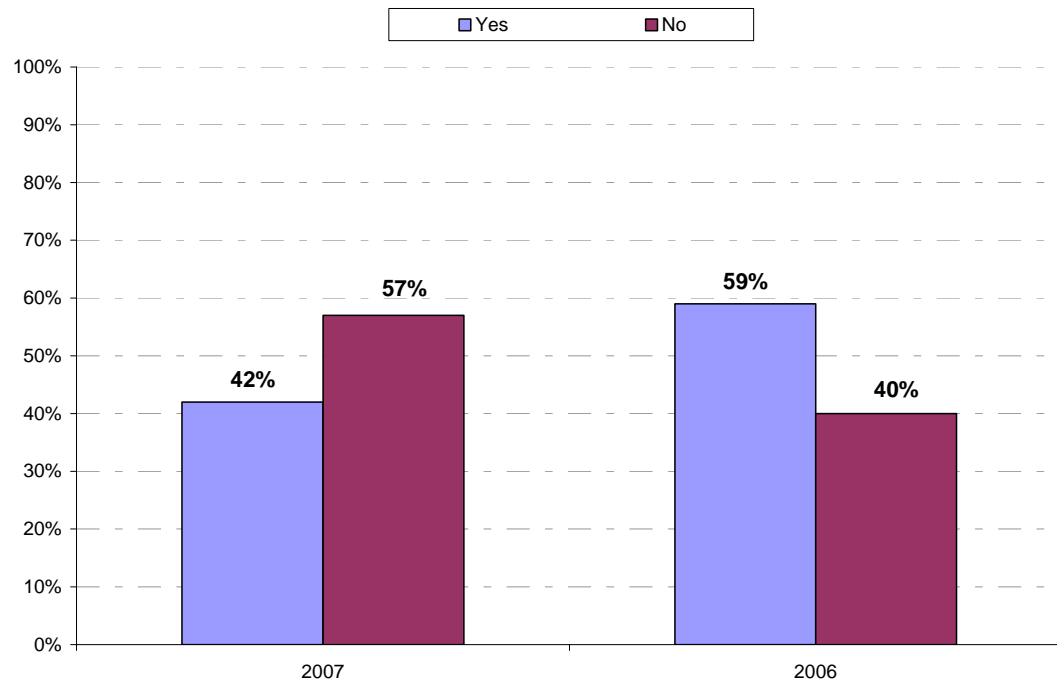
This year, four in ten respondents indicated a negative impact from imports, compared to nearly six in ten last year.

42% of respondents reporting a negative impact say that 2006 sales revenue was down by 5 to 10%.

More than eight in ten of these respondents (82%) indicated that these products were imported from China. Mexico was a distant second, chosen by 30% of respondents.

Impact of Imported Converted Products on Revenue

- Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 sales revenue compared to 2005?



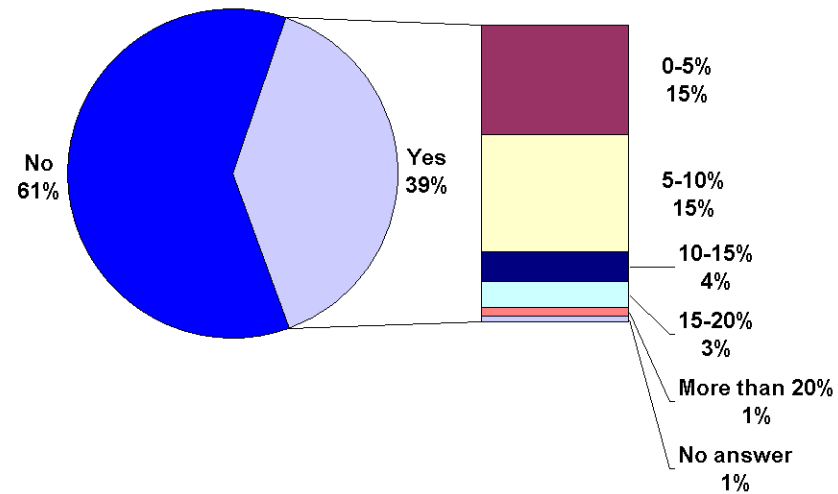
Base = all respondents: 2007 (261) 2006 (69).

Four in ten respondents also reported a negative impact on profit margin.

One-third of these respondents (30%) reported that profit margin was down 10% or less as a result of imported converted products.

Impact of Imported Converted Products on Profit Margin

- Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 profit margin compared to 2005?
- If yes, by what percent?



Base = all respondents, or 261

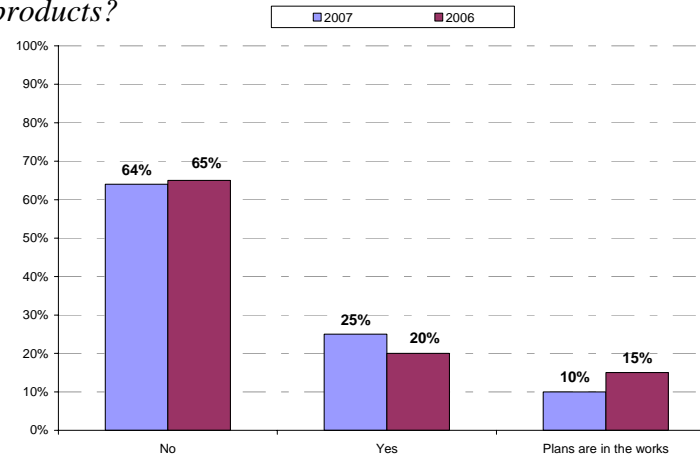
The same number of respondents as in 2006 reports no partnerships with foreign companies.

About 5% of those reporting planned partnerships in last year's study apparently brought those plans to fruition.

As found in the 2006 study, just over one-third of respondents (35%) report existing or planned partnerships.

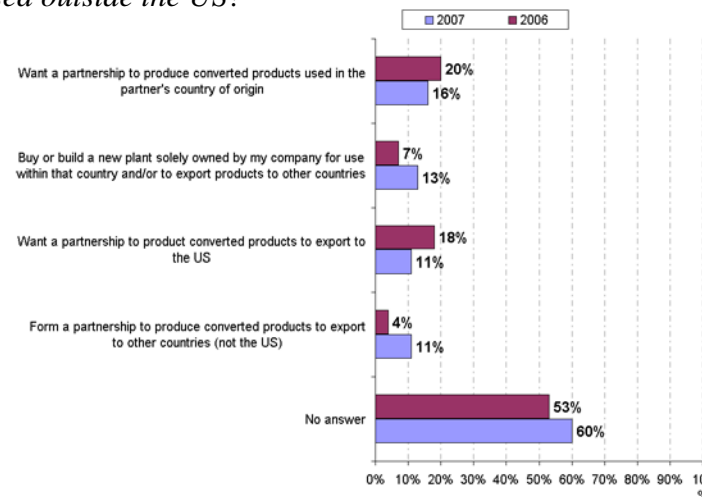
Partnering with Companies Outside the US

- Has your company partnered with another company based outside the US to produce converted products?



Base = all respondents: 2007 (261) 2006 (69).

- What are your company's interests in developing a partnership with a converter company based outside the US?



Base = respondents reporting no partnerships; multiple answers: 2007 (168) 2006 (45).

A majority of respondents have a designated marketing budget.

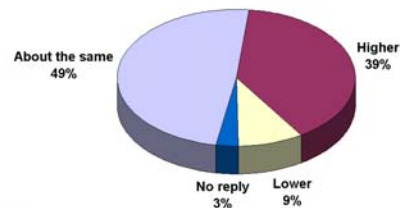
Just over half (56%) of the respondents have a designated marketing budget.

Most commonly, the budget represents 3% of sales.

Respondents with designated budgets report that 2007 spending will be about the same as 2006..

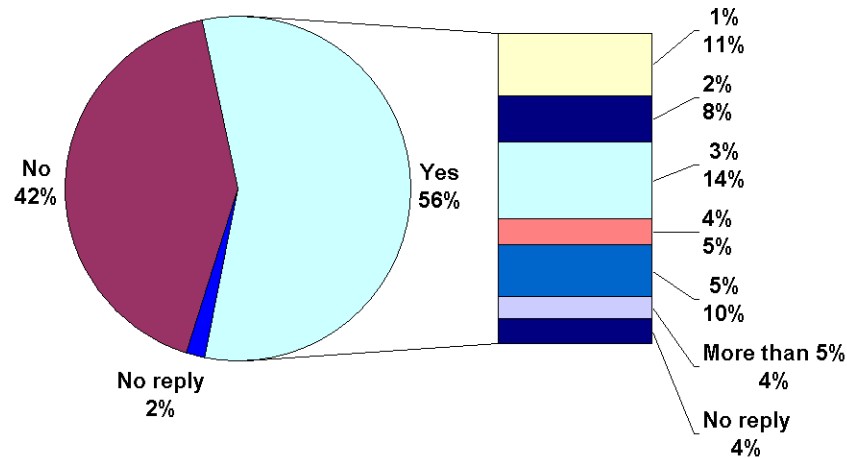
Marketing Budgets

- *Is your 2007 marketing budget higher or lower than the 2006 marketing budget?*



Marketing Budget

- *Do you have a designated marketing budget?*
- *What percent of your annual sales revenue does your marketing budget represent?*



Base = all respondents, or 261.
 Base for chart at left = respondents with designated marketing budgets, or 147.

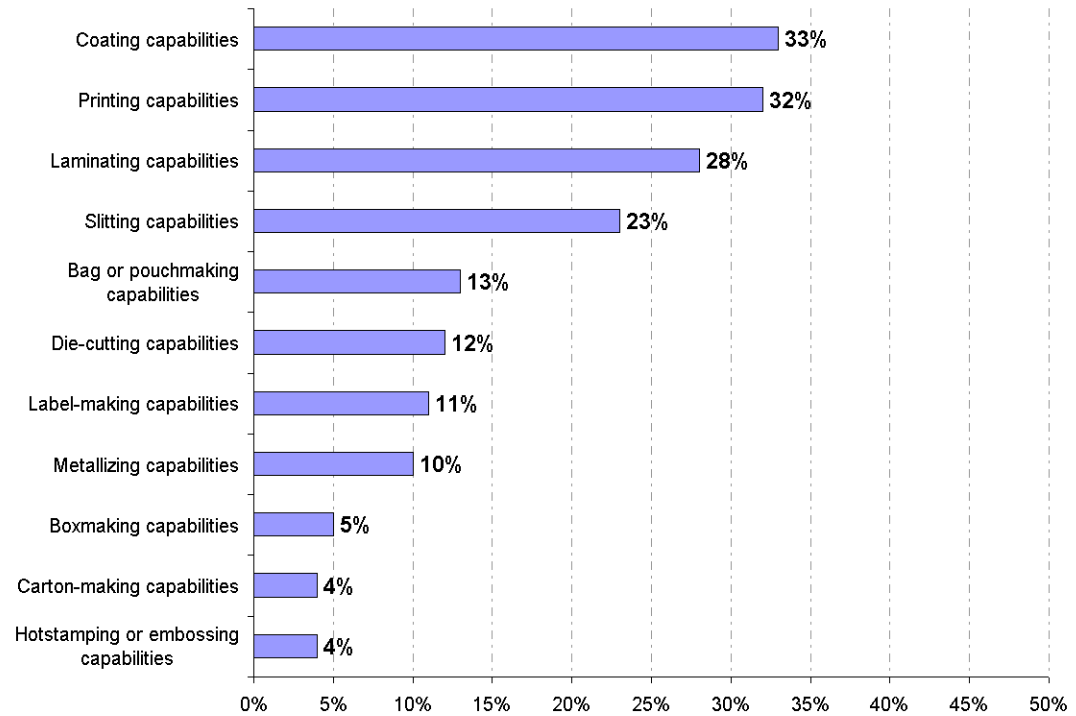
Three-fourths of respondents plan to add or expand products/services.

This compares to two-thirds of the 2006 respondents who expected to add or expand products/services.

Coating, printing, laminating, and slitting capabilities are the most often cited additional or expanded products/services.

Additional or Expanded Product or Service Capabilities

- What new or expanded products/services do you plan to offer your customers in 2007?



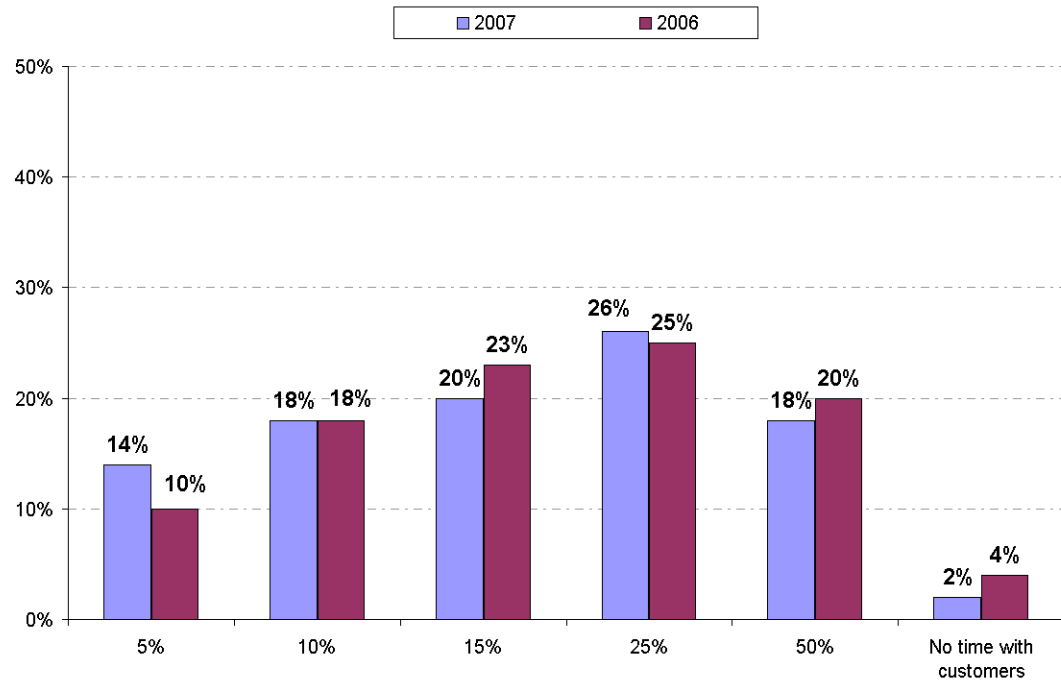
Base = all respondents, or 261; multiple answers.

Executives most often spent about one-fourth of their time with current or potential clients.

Just over four in ten respondents (44%) report that their executives spent at least 25% of their time with current or potential clients last year.

Time Spent with Clients

- Estimate how much of your senior level executives' time was spent with current or potential clients during 2006.



Base for both charts = all respondents: 2007 (261) 2006 (69).

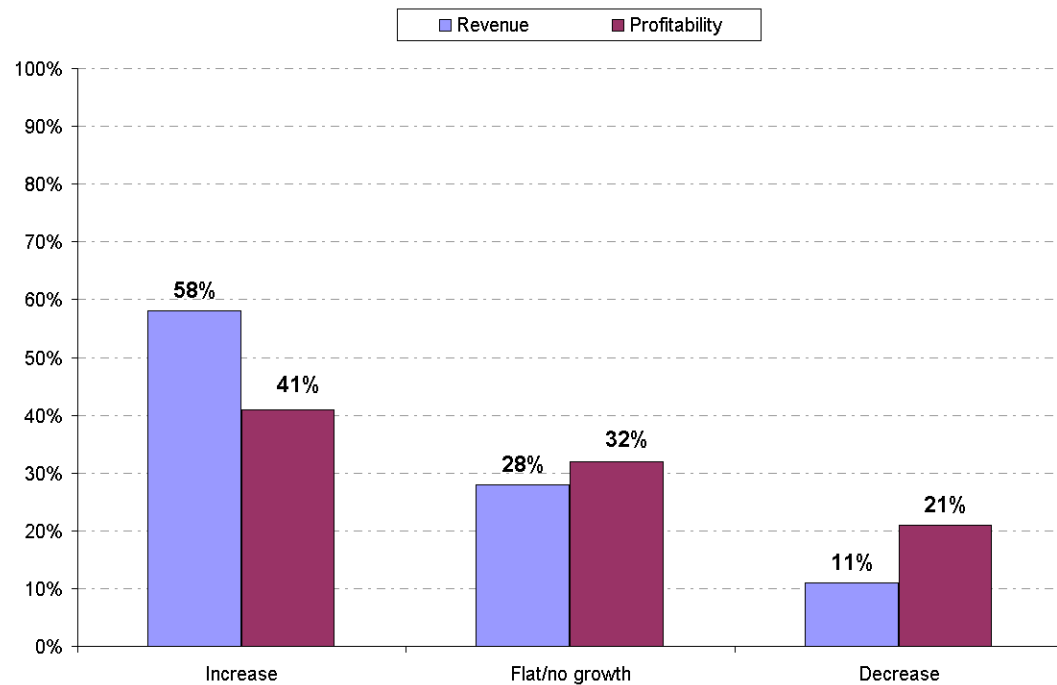
Respondents most often reported that their customers' revenue and profitability increased in 2006.

While a majority of respondents indicated that their customers' revenue increased in 2006 over 2005 (58%), only a plurality reported an increase in profitability (41%).

Profitability among customers' businesses was twice as likely as revenue to show a decrease versus prior year, according to respondents.

Customers' Business Change

■ How did your customers' business change on average in 2006 compared to 2005?



Base = all respondents, or 261.

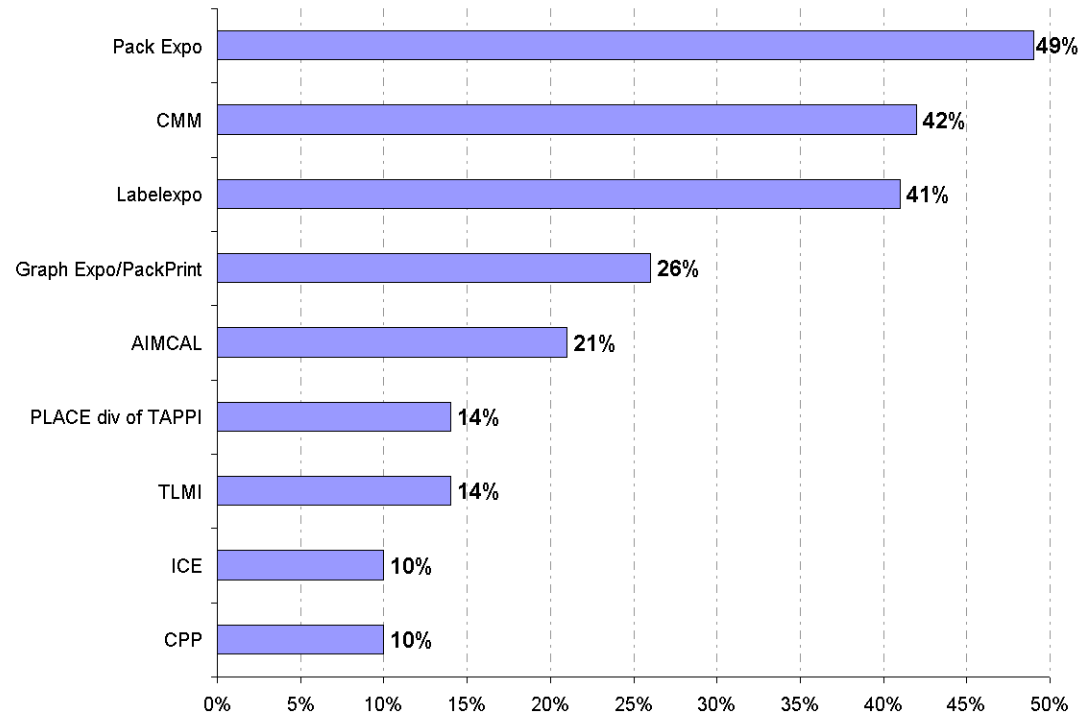
Respondents or their companies are most likely to attend Pack Expo, CMM, and Labelexpo.

More than four in ten respondents reported that they or someone in their company attends each of these trade shows.

Trade Shows/Association Meetings Attended

- Which of the following trade shows and/or association meetings do you or someone from your company attend?

TOP RESPONSES*



Base = all respondents, or 261; multiple answers.

*Please see the table on page T-34 for the full list of responses.

1. What is the primary type of business conducted at your location?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	-	-	-	-	-	-	-
Tapes, Labels & Tags	25.3%	-	-	-	100.0%	-	-
Unprinted Rolls and Sheets	24.5%	-	-	-	-	100.0%	-
Flexible Packaging	23.0%	-	100.0%	-	-	-	-
Paperboard Packaging	14.2%	-	-	100.0%	-	-	-
Other (see Appendix A)	8.0%	-	-	-	-	-	61.8%
Manufacturers/suppliers to the industry*	5.0%	-	-	-	-	-	38.2%

NOTE: The category "Manufacturers/suppliers to the industry" was created out of "Other" responses.

2a. How many employees does your company have in total?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
Mean	131	-	142	144	114	139	113
Median	150	-	185	150	75	150	92
No reply	-	-	-	-	-	-	-
Less than 10	8.4%	-	8.3%	5.4%	6.1%	6.3%	20.6%
10 to 19	5.4%	-	3.3%	2.7%	9.1%	7.8%	-
20 to 49	14.6%	-	8.3%	10.8%	18.2%	10.9%	29.4%
50 to 99	16.5%	-	21.7%	16.2%	21.2%	15.6%	-
100 to 199	13.0%	-	8.3%	21.6%	13.6%	12.5%	11.8%
200 or more	42.1%	-	50.0%	43.2%	31.8%	46.9%	38.2%

NOTE: Means and medians have been estimated.

3. How did 2006 sales revenue for the primary business above compare to 2005 revenue?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	-	-	-	-	-	-	-
Greater than 2005	71.6%	-	63.3%	89.2%	71.2%	71.9%	67.6%
About the same as 2005	16.9%	-	15.0%	5.4%	19.7%	21.9%	17.6%
Less than 2005	11.5%	-	21.7%	5.4%	9.1%	6.3%	14.7%

4. By what percent did 2006 revenue increase over 2005?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
Mean	10	-	9	10	10	10	12
Median	8	-	8	8	8	8	13
No reply	0.5%	-	-	3.0%	-	-	-
1-5%	18.7%	-	18.4%	21.2%	23.4%	17.4%	8.7%
6-10%	42.2%	-	52.6%	45.5%	40.4%	39.1%	30.4%
11-15%	23.0%	-	18.4%	15.2%	17.0%	32.6%	34.8%
16-20%	8.6%	-	7.9%	6.1%	10.6%	4.3%	17.4%
More than 20%	7.0%	-	2.6%	9.1%	8.5%	6.5%	8.7%

NOTE: Means and medians have been estimated.

5. Please select how 2006 compared to 2005 within your company for each of the following business activities: Volume of orders

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	1.6%	-	2.6%	-	2.1%	-	4.3%
Increased in 2006	90.9%	-	92.1%	84.8%	89.4%	93.5%	95.7%
About the same as 2005	4.8%	-	2.6%	12.1%	4.3%	4.3%	-
Decreased in 2006	2.7%	-	2.6%	3.0%	4.3%	2.2%	-

5. Please select how 2006 compared to 2005 within your company for each of the following business activities: Order size

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	3.7%	-	7.9%	3.0%	2.1%	2.2%	4.3%
Increased in 2006	54.5%	-	39.5%	54.5%	55.3%	58.7%	69.6%
About the same as 2005	28.9%	-	26.3%	30.3%	29.8%	30.4%	26.1%
Decreased in 2006	12.8%	-	26.3%	12.1%	12.8%	8.7%	-

5. Please select how 2006 compared to 2005 within your company for each of the following business activities: Inquiry activity

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	4.8%	-	7.9%	3.0%	4.3%	2.2%	8.7%
Increased in 2006	67.9%	-	55.3%	72.7%	70.2%	78.3%	56.5%
About the same as 2005	24.6%	-	31.6%	24.2%	23.4%	17.4%	30.4%
Decreased in 2006	2.7%	-	5.3%	-	2.1%	2.2%	4.3%

5. Please select how 2006 compared to 2005 within your company for each of the following business activities: Past due receivables

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	5.9%	-	7.9%	3.0%	8.5%	2.2%	8.7%
About the same as 2005	52.9%	-	50.0%	54.5%	51.1%	63.0%	39.1%
Decreased in 2006	20.9%	-	15.8%	24.2%	23.4%	21.7%	17.4%
Increased in 2006	20.3%	-	26.3%	18.2%	17.0%	13.0%	34.8%

6. What do you expect to happen in 2007 compared to 2006? Volume of orders

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	1.1%	-	2.6%	-	-	-	4.3%
Will increase in 2007	77.0%	-	71.1%	69.7%	87.2%	87.0%	56.5%
About the same as 2006	16.6%	-	23.7%	27.3%	10.6%	8.7%	17.4%
Will decrease in 2007	5.3%	-	2.6%	3.0%	2.1%	4.3%	21.7%

6. What do you expect to happen in 2007 compared to 2006? Order size

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	4.8%	-	10.5%	3.0%	2.1%	2.2%	8.7%
Will increase in 2007	45.5%	-	47.4%	36.4%	53.2%	45.7%	39.1%
About the same as 2006	36.9%	-	28.9%	45.5%	34.0%	43.5%	30.4%
Will decrease in 2007	12.8%	-	13.2%	15.2%	10.6%	8.7%	21.7%

6. What do you expect to happen in 2007 compared to 2006? Inquiry activity

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	4.8%	-	7.9%	3.0%	6.4%	2.2%	4.3%
Will increase in 2007	70.6%	-	63.2%	63.6%	72.3%	84.8%	60.9%
About the same as 2006	20.3%	-	23.7%	33.3%	19.1%	10.9%	17.4%
Will decrease in 2007	4.3%	-	5.3%	-	2.1%	2.2%	17.4%

6. What do you expect to happen in 2007 compared to 2006? Past due receivables

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 revenue increase.	187	-	38	33	47	46	23
No reply	7.0%	-	13.2%	3.0%	8.5%	2.2%	8.7%
About the same as 2006	59.4%	-	60.5%	57.6%	55.3%	69.6%	47.8%
Will decrease in 2007	18.2%	-	15.8%	15.2%	19.1%	15.2%	30.4%
Will increase in 2007	15.5%	-	10.5%	24.2%	17.0%	13.0%	13.0%

7. How did your 2006 financial indicators below compare to those of 2005? Selling prices

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	1.5%	-	1.7%	5.4%	-	-	2.9%
Increased in 2006	59.8%	-	63.3%	73.0%	53.0%	64.1%	44.1%
About the same as 2005	23.8%	-	23.3%	18.9%	28.8%	23.4%	20.6%
Decreased in 2006	14.9%	-	11.7%	2.7%	18.2%	12.5%	32.4%

7. How did your 2006 financial indicators below compare to those of 2005? Pre-tax profitability

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	4.6%	-	8.3%	5.4%	1.5%	-	11.8%
Increased in 2006	46.7%	-	48.3%	48.6%	42.4%	56.3%	32.4%
About the same as 2005	24.9%	-	21.7%	32.4%	24.2%	21.9%	29.4%
Decreased in 2006	23.8%	-	21.7%	13.5%	31.8%	21.9%	26.5%

8. How would you describe 2006 materials costs compared to a year ago?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	0.8%	-	1.7%	-	-	1.6%	-
Materials costs increased in 2006 versus 2005	86.6%	-	85.0%	89.2%	84.8%	92.2%	79.4%
Materials costs were about the same	9.6%	-	8.3%	8.1%	10.6%	4.7%	20.6%
Materials costs decreased in 2006 versus 2005	3.1%	-	5.0%	2.7%	4.5%	1.6%	-

9. Please indicate the approximate overall percentage increase of your raw materials costs.

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting 2006 materials cost increase.	226	-	51	33	56	59	27
Mean	6	-	7	7	5	6	6
Median	6	-	6	6	6	6	6
No reply	0.9%	-	-	3.0%	-	-	3.7%
1-2%	4.4%	-	2.0%	6.1%	3.6%	6.8%	3.7%
3-4%	29.6%	-	23.5%	27.3%	37.5%	30.5%	25.9%
5-7%	37.6%	-	31.4%	18.2%	46.4%	45.8%	37.0%
8% -10%	20.8%	-	37.3%	27.3%	12.5%	10.2%	22.2%
More than 10%	6.6%	-	5.9%	18.2%	-	6.8%	7.4%

NOTE: Means and medians have been estimated.

10. Estimate your overall 2006 plant capacity utilization.

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
Mean	77	-	78	78	74	81	74
Median	76	-	76	76	76	76	76
No reply	1.1%	-	-	-	-	1.6%	5.9%
50% or less	8.4%	-	10.0%	8.1%	6.1%	7.8%	11.8%
51-60%	8.8%	-	11.7%	5.4%	7.6%	6.3%	14.7%
61-70%	18.0%	-	11.7%	24.3%	25.8%	14.1%	14.7%
71-80%	26.4%	-	23.3%	21.6%	37.9%	21.9%	23.5%
81-90%	23.0%	-	25.0%	29.7%	16.7%	28.1%	14.7%
Over 90%	14.2%	-	18.3%	10.8%	6.1%	20.3%	14.7%

NOTE: Means and medians have been estimated.

11. For the last half of 2006, did you see an increase or decrease in your business backlog compared to the first half of 2006?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	0.4%	-	-	-	-	-	2.9%
Increase	41.4%	-	43.3%	40.5%	47.0%	29.7%	50.0%
No change	29.9%	-	30.0%	29.7%	27.3%	34.4%	26.5%
Decrease	28.4%	-	26.7%	29.7%	25.8%	35.9%	20.6%

12. For which ONE of the following areas would a company investment have the greatest impact on driving your revenue and net profit in the coming year(s)?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	-	-	-	-	-	-	-
Expanding our product line into new markets	31.8%	-	31.7%	32.4%	28.8%	32.8%	35.3%
Investment in capital equipment	24.9%	-	33.3%	24.3%	21.2%	25.0%	17.6%
New product introductions	20.3%	-	13.3%	16.2%	21.2%	28.1%	20.6%
Hiring additional sales people	9.2%	-	6.7%	13.5%	12.1%	3.1%	14.7%
Improving the quality of our product	8.0%	-	11.7%	8.1%	6.1%	7.8%	5.9%
Other (see Appendix A)	3.4%	-	3.3%	2.7%	4.5%	3.1%	2.9%
Improving customer service	2.3%	-	-	2.7%	6.1%	-	2.9%

13. Estimate how much of your senior level executives' time was spent with current or potential clients during 2006.

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
Mean	21	-	20	21	19	22	27
Median	15	-	15	15	15	15	25
No reply	1.5%	-	1.7%	2.7%	1.5%	-	2.9%
5% time spent with customers	14.2%	-	16.7%	10.8%	21.2%	9.4%	8.8%
10%	18.0%	-	16.7%	21.6%	16.7%	20.3%	14.7%
15%	20.3%	-	20.0%	21.6%	21.2%	20.3%	17.6%
25%	26.4%	-	28.3%	21.6%	24.2%	29.7%	26.5%
50%	17.6%	-	13.3%	18.9%	13.6%	18.8%	29.4%
No time with customers	1.9%	-	3.3%	2.7%	1.5%	1.6%	-

NOTE: Means and medians have been estimated.

14. How did your customers' business change on average in 2006 compared to 2005? Revenue

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	3.1%	-	3.3%	2.7%	3.0%	3.1%	2.9%
Increased in 2006	58.2%	-	56.7%	62.2%	57.6%	62.5%	50.0%
Flat/no growth in 2006	27.6%	-	25.0%	32.4%	28.8%	26.6%	26.5%
Decreased in 2006	11.1%	-	15.0%	2.7%	10.6%	7.8%	20.6%

14a. How did your customers' business change on average in 2006 compared to 2005? Profitability

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	6.5%	-	6.7%	5.4%	7.6%	6.3%	5.9%
Increased in 2006	40.6%	-	41.7%	48.6%	43.9%	39.1%	26.5%
Flat/no growth in 2006	32.2%	-	25.0%	35.1%	31.8%	31.3%	44.1%
Decreased in 2006	20.7%	-	26.7%	10.8%	16.7%	23.4%	23.5%

15. Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 sales revenue compared to 2005?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	0.8%	-	-	2.7%	-	-	2.9%
Yes	42.1%	-	38.3%	62.2%	34.8%	42.2%	41.2%
No	57.1%	-	61.7%	35.1%	65.2%	57.8%	55.9%

15a. If yes, by what percent?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting negative impact on 2006 revenue.	110	-	23	23	23	27	14
Mean	9	-	9	8	9	9	10
Median	8	-	8	8	8	8	8
No reply	1.8%	-	-	4.3%	-	3.7%	-
0-5%	23.6%	-	26.1%	34.8%	30.4%	11.1%	14.3%
5-10%	41.8%	-	39.1%	34.8%	34.8%	51.9%	50.0%
10%-15%	20.0%	-	21.7%	17.4%	17.4%	22.2%	21.4%
15-20%	10.0%	-	4.3%	8.7%	17.4%	11.1%	7.1%
More than 20%	2.7%	-	8.7%	-	-	-	7.1%

NOTE: Means and medians have been estimated.

16. From where were these products imported? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting negative impact on 2006 revenue; multiple answers.	110	-	23	23	23	27	14
No reply	-	-	-	-	-	-	-
China	81.8%	-	78.3%	87.0%	78.3%	85.2%	78.6%
Mexico	30.0%	-	30.4%	47.8%	34.8%	18.5%	14.3%
Other Pacific Rim	17.3%	-	8.7%	21.7%	4.3%	29.6%	21.4%
Other Asian	17.3%	-	13.0%	17.4%	30.4%	3.7%	28.6%
Western Europe	13.6%	-	21.7%	8.7%	-	18.5%	21.4%
Canada	11.8%	-	26.1%	21.7%	-	7.4%	-
South America	11.8%	-	4.3%	21.7%	4.3%	22.2%	-
India	11.8%	-	17.4%	4.3%	8.7%	14.8%	14.3%
Middle East	3.6%	-	-	8.7%	-	7.4%	-

16. From where were these products imported? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting negative impact on 2006 revenue; multiple answers.	110	-	23	23	23	27	14
Eastern Europe	1.8%	-	-	-	-	7.4%	-

17. Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 profit margin compared to 2005?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	0.4%	-	-	-	-	-	2.9%
No	60.5%	-	65.0%	54.1%	59.1%	59.4%	64.7%
Yes	39.1%	-	35.0%	45.9%	40.9%	40.6%	32.4%

18. If yes, by what percent?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting a negative impact on 2006 profit margins.	102	-	21	17	27	26	11
Mean	7	-	7	6	7	8	11
Median	8	-	8	8	8	8	8
No reply	2.0%	-	-	5.9%	-	3.8%	-
0-5%	37.3%	-	38.1%	41.2%	40.7%	34.6%	27.3%
5-10%	39.2%	-	52.4%	41.2%	40.7%	30.8%	27.3%
10%-15%	9.8%	-	-	11.8%	14.8%	11.5%	9.1%
15-20%	8.8%	-	4.8%	-	3.7%	15.4%	27.3%
More than 20%	2.9%	-	4.8%	-	-	3.8%	9.1%

NOTE: Means and medians have been estimated.

19. Has your company partnered with another company based outside the US to produce converted products?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	0.8%	-	-	2.7%	-	-	2.9%
No	64.4%	-	65.0%	56.8%	74.2%	59.4%	61.8%
Yes	25.3%	-	21.7%	29.7%	18.2%	31.3%	29.4%
Plans are in the works	9.6%	-	13.3%	10.8%	7.6%	9.4%	5.9%

20. What are your company's interests in developing a partnership with a converter company based outside the US? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents reporting no partnerships; multiple answers.	168	-	39	21	49	38	21
No reply	59.5%	-	56.4%	52.4%	57.1%	68.4%	61.9%
Want a partnership to produce converted products used in the partner's country of origin	15.5%	-	23.1%	14.3%	14.3%	13.2%	9.5%
Buy or build a new plant solely owned by my company for use within that country and/or to export products to other countries	13.1%	-	17.9%	19.0%	10.2%	13.2%	4.8%
Want a partnership to produce converted products to export to the US	11.3%	-	17.9%	19.0%	10.2%	2.6%	9.5%
Form a partnership to produce converted products to export to other countries (not the US)	11.3%	-	7.7%	14.3%	16.3%	5.3%	14.3%

21. Do you have a designated marketing budget?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents.	261	-	60	37	66	64	34
No reply	1.5%	-	1.7%	-	-	1.6%	5.9%
Yes	56.3%	-	56.7%	40.5%	59.1%	65.6%	50.0%
No	42.1%	-	41.7%	59.5%	40.9%	32.8%	44.1%

22. What percent of your annual sales revenue does your marketing budget represent?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents with a designated marketing budget.	147	-	34	15	39	42	17
Mean	3	-	4	3	3	3	3
Median	3	-	3	2	3	3	3
No reply	8.2%	-	-	6.7%	7.7%	16.7%	5.9%
1%	20.4%	-	8.8%	26.7%	33.3%	19.0%	11.8%
2%	15.0%	-	14.7%	26.7%	7.7%	11.9%	29.4%
3%	24.5%	-	32.4%	20.0%	23.1%	23.8%	17.6%
4%	8.2%	-	2.9%	-	5.1%	19.0%	5.9%
5%	17.0%	-	38.2%	20.0%	15.4%	4.8%	5.9%
More than 5%	6.8%	-	2.9%	-	7.7%	4.8%	23.5%

NOTE: Means and medians have been estimated.

23. Is your 2007 marketing budget higher or lower than the 2006 marketing budget?

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = respondents with a designated marketing budget.	147	-	34	15	39	42	17
No reply	2.7%	-	-	-	-	7.1%	5.9%
About the same as 2006	49.0%	-	58.8%	60.0%	51.3%	38.1%	41.2%
Higher than in 2006	39.5%	-	38.2%	26.7%	43.6%	40.5%	41.2%
Lower than in 2006	8.8%	-	2.9%	13.3%	5.1%	14.3%	11.8%

24. Which of the following trade shows and/or association meetings do you or someone from your company attend? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents; multiple answers.	261	-	60	37	66	64	34
No reply	14.2%	-	10.0%	16.2%	9.1%	18.8%	20.6%
Pack Expo	49.0%	-	71.7%	62.2%	37.9%	39.1%	35.3%
CMM	41.8%	-	45.0%	35.1%	42.4%	48.4%	29.4%
Labelexpo	40.6%	-	18.3%	16.2%	78.8%	39.1%	35.3%
Graph Expo/PackPrint	26.1%	-	23.3%	35.1%	25.8%	25.0%	23.5%
AIMCAL (Assn. of Industrial Metallizers, Coaters and Laminators)	20.7%	-	11.7%	10.8%	13.6%	40.6%	23.5%
TLMI (Tag & Label Manufacturers Institute)	14.2%	-	5.0%	5.4%	30.3%	15.6%	5.9%
PLACE Div. of TAPPI (Polymers, Laminations, Adhesives, Coatings,	13.8%	-	11.7%	13.5%	10.6%	12.5%	26.5%
CPP	10.0%	-	11.7%	5.4%	6.1%	10.9%	17.6%
ICE (International Converting Expo)	10.0%	-	13.3%	5.4%	7.6%	9.4%	14.7%

24. Which of the following trade shows and/or association meetings do you or someone from your company attend? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents; multiple answers.	261	-	60	37	66	64	34
Print	6.9%	-	5.0%	8.1%	6.1%	6.3%	11.8%
RadTech International Exhibitions	6.9%	-	8.3%	-	6.1%	12.5%	2.9%
Infoflex (Flexographic Technical Assn.)	6.1%	-	10.0%	2.7%	6.1%	1.6%	11.8%
NAPA (North American Packaging Assn., formerly National Paperbox Assn.)	5.7%	-	6.7%	16.2%	3.0%	1.6%	5.9%
PPC (Paperboard Packaging Council)	5.0%	-	5.0%	18.9%	-	1.6%	5.9%
AICC (Assn. of Independent Corrugated Converters)	4.6%	-	-	29.7%	-	-	2.9%
IDEA (Nonwovens Exhibition)	4.6%	-	1.7%	5.4%	3.0%	6.3%	8.8%
PLGA (Package Label Gravure Assn.)	3.4%	-	8.3%	2.7%	3.0%	1.6%	-

25. What new or expanded products/services do you plan to offer your customers in 2007? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents; multiple answers.	261	-	60	37	66	64	34
No reply	24.5%	-	16.7%	18.9%	15.2%	29.7%	52.9%
Coating capabilities	33.3%	-	21.7%	40.5%	34.8%	43.8%	23.5%
Printing capabilities	32.2%	-	43.3%	40.5%	45.5%	7.8%	23.5%
Laminating capabilities	28.0%	-	38.3%	24.3%	30.3%	25.0%	14.7%
Slitting capabilities	22.6%	-	26.7%	-	31.8%	29.7%	8.8%
Bag or pouchmaking capabilities	13.0%	-	45.0%	5.4%	3.0%	3.1%	2.9%
Die-cutting capabilities	11.9%	-	1.7%	24.3%	16.7%	6.3%	17.6%
Label making capabilities	11.1%	-	3.3%	2.7%	34.8%	4.7%	-
Metallizing capabilities	9.6%	-	13.3%	5.4%	3.0%	18.8%	2.9%
Boxmaking capabilities	5.0%	-	1.7%	27.0%	-	-	5.9%

25. What new or expanded products/services do you plan to offer your customers in 2007? (Select all that apply.)

		Missing					
		No reply	Flexible packaging	Paperboard packaging	Tapes, labels & tags	Unprinted rolls and sheets	Other
Base = all respondents; multiple answers.	261	-	60	37	66	64	34
Hotstamping or embossing capabilities	4.2%	-	3.3%	-	10.6%	1.6%	2.9%
Carton making capabilities	3.8%	-	-	24.3%	-	-	2.9%

Appendix A – Write-in Answers

Q1. What is the primary type of business conducted at your location? Other response:

Ceramic capacitors
 Consultant
 Consulting and sales
 Consulting services
 Corrugated consulting
 Creping consultant
 Flexo printing tissue converting
 Games puzzles pop
 IVD Manufacture
 Laminate Floor
 Manufacturer/convertor
 Medical disposables
 Packaging design
 Paper Mill Packaging and Dryer Sheets
 Prepress
 Prepress for Flexo
 Print buying
 Print package fulfillment
 Purchase packaging for Educational Customers
 Research
 Scrim-DRC

Q4. By what percent did 2006 revenue increase over 2005? Over 20% responses:

24% (2 mentions)
 25% (3 mentions)
 35%
 50%
 55% (2 mentions)
 93%
 100%
 315%

No answer (2)

Q9. Please indicate the approximate overall percentage increase of your raw materials costs. More than 10% responses:

13%
 15% (2 mentions)
 18%
 20% (2 mentions)
 24%
 25%
 45%
 66%

No answer (5)

Q12. For which ONE of the following areas would a company investment have the greatest impact on driving your revenue and net profit in the coming year(s)? Other responses:

Acquisition
 Better managing costs & being more efficient from front office to manufacturing
 Expand customer base
 Internal technology
 Marketing
 More engineers
 Not sure
 Reducing waste, increasing productivity
 Structural reorganization

Q15a. [Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 sales revenue compared to 2005?] If yes, by what percent? More than 20% responses:

33%
 47%

No answer (1)

Q18a. [Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 profit margin compared to 2005?] If yes, by what percent? More than 20% responses:

39%
 22%

No answer (1)

Q22. What percent of your annual sales revenue does your marketing budget represent? More than 5% responses:

8%
 10%

No answer (8)

Appendix B – Survey Instruments

Dear Reader:

We are asking you to contribute to our annual Critical Trends study, which will be published in the June 2007 issue of *PFFC*. It's simple and quick—only 11 screens—and should take you only ten minutes to complete. In return, you will receive an **advanced copy of the published study**, and your name will be entered in a drawing among all participants for an **iPod Nano**.

My team identified you among a very select number of readers to participate, so we're relying on your input to make the Critical Trends study an unprejudiced and valuable resource across all segments of the converting industry. Your responses will be strictly confidential, used in combination only with other *PFFC* readers who participate.

The cut-off for the survey is **March 2nd, 2007**, and again, we're really depending upon your input to capture in this comprehensive study an accurate picture of the dynamics shaping our industry.

Please access the survey via this link:

<http://www.snap-surveys.com/prismb2b/jan/surveypffc/pffctrnds.htm>.

To enter your name into the drawing for the special prize and to receive an advanced copy of the study, be sure to fill out the entry at the end of the survey. The sweepstakes rules can be found at <http://www.snap-surveys.com/prismb2b/jan/pffcswp/pffcswp.htm>

Thank you in advance for your help.

Sincerely,

Yolanda Simonsis
Associate Publisher/Editor

P.S. If you have any questions about the survey or have any problems accessing it, please call our research department at 770/618-0394.

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Dear Reader:

We recently invited you to contribute to a very important survey for our industry– our annual *PFFC* Critical Trends study. If you have already completed the survey, please accept our thanks and ignore this message. If not, won't you take a few minutes and complete it now? It's simple and quick–only 11 screens–and should take you only ten minutes to complete.

Because we've chosen only a select number of readers to participate, we're relying on your input to help make the resulting information an unprejudiced and valuable resource across all segments of the converting industry. Your responses will be strictly confidential, used ~~only~~ in combination only with other *PFFC* readers who participate.

The cut-off for the survey is **March 2nd, 2007**, and again, we're really depending upon your input to this comprehensive study to obtain an accurate picture of the dynamics shaping our industry.

Please access the survey via this link: <http://www.snap-surveys.com/prismb2b/jan/surveypffc/pffctrnds.htm>.

As thanks, you will receive an advanced copy of the published survey, and your name will be entered in a drawing among all participants for an iPod Nano. Just fill out the entry at the end of the survey. The sweepstakes rules can be found at: <http://www.snap-surveys.com/prismb2b/jan/pffcswp/pffcswp.htm>

Thank you in advance for your help.

Sincerely,

Yolanda Simonsis
Associate Publisher/Editor

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Win an iPod Nano...

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2007 Critical Trends Survey

Q1 What is the primary type of business conducted at your location?

- Flexible Packaging
- Paperboard Packaging
- Tapes, Labels & Tags
- Unprinted Rolls and Sheets
- Other (specify)

Q2 How many employees does your company have in total?

- Less than 10
- 10 to 19
- 20 to 49
- 50 to 99
- 100 to 199
- 200 or more

Q3 How did 2006 sales revenue for the primary business above compare to 2005 revenue?

- Greater than 2005
- Less than 2005
- About the same as 2005

Q4 By what percent did 2006 revenue increase over 2005?

- 1-5%
- 6-10%
- 11-15%
- 16-20%
- More than 20%

If more than 20%, please enter the exact percent increase:

Q5 Please select how 2006 compared to 2005 within your company for each of the following business activities:

	Increased in 2006	Decreased in 2006	About the same as 2005
Volume of orders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Order size	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inquiry activity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Past due receivables	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6 What do you expect to happen in 2007 compared to 2006?

	Will increase in 2007	Will decrease in 2007	About the same as 2006
Volume of orders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Order size	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inquiry activity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Past due receivables	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q7

How did your 2006 financial indicators below compare to those of 2005?

	Increased in 2006	Decreased in 2006	About the same as 2005
Selling prices	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Pre-tax profitability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8

How would you describe 2006 materials costs compared to a year ago?

- Materials costs increased in 2006 versus 2005
- Materials costs decreased in 2006 versus 2005
- Materials costs were about the same

Q9

Please indicate the approximate overall percentage increase of your raw materials costs.

- 1-2%
- 3-4%
- 5-7%
- 8% -10%
- More than 10%

If more than 10%, please enter the exact percent increase:

Q10 Estimate your overall 2006 plant capacity utilization.

- 50% or less
- 51-60%
- 61-70%
- 71-80%
- 81-90%
- Over 90%

Q11 For the last half of 2006, did you see an increase or decrease in your business backlog compared to the first half of 2006? (*Backlog defined as orders in-house that will be produced in the next six months*)

- Increase
- Decrease
- No change

Q12 For which **ONE** of the following areas would a company investment have the greatest impact on driving your revenue and net profit in the coming year(s)?

- Expanding our product line into new markets
- Hiring additional sales people
- Improving customer service
- Improving the quality of our product
- Investment in capital equipment
- New product introductions
- Other (specify below)

Q13 Estimate how much of your senior level executives' time was spent with current or potential clients during 2006.

- 5% time spent with customers
- 10%
- 15%
- 25%
- 50%
- No time with customers

Q14 How did your customers' business change on average in 2006 compared to 2005?

	Increased in 2006	Decreased in 2006	Flat/no growth in 2006
Revenue	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Profitability	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q15 Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 sales revenue compared to 2005?

- Yes
- No

Q15a If yes, by what percent?

- 0-5%
- 5-10%
- 10%-15%
- 15-20%
- More than 20%

If more than 20%, please enter the exact percent increase:

Q16

From where were these products imported? (Select all that apply.)

- Canada
- Mexico
- South America
- China
- India
- Western Europe
- Eastern Europe
- Middle East
- Other Pacific Rim
- Other Asian

Q17

Have imported converted products from countries outside of the USA negatively impacted your business in terms of 2006 profit margin compared to 2005?

- Yes
- No

Q18

If yes, by what percent?

- 0-5%
- 5-10%
- 10%-15%
- 15-20%
- More than 20%

If more than 20%, please specify the exact percent decrease:

Q19 Has your company partnered with another company based outside the US to produce converted products?

- Yes
- Plans are in the works
- No

Q20 What are your company's interests in developing a partnership with a converter company based outside the US? (Select all that apply.)

- Want a partnership to produce converted products used in the partner's country of origin
- Want a partnership to produce converted products to export to the US
- Form a partnership to produce converted products to export to other countries (not the US)
- Buy or build a new plant solely owned by my company for use within that country and/or to export products to other countries

Q21 Do you have a designated marketing budget?

- Yes
- No

Q22 What percent of your annual sales revenue does your marketing budget represent?

- 1%
- 2%
- 3%
- 4%
- 5%
- More than 5%

If more than 5%, enter the exact percent:

Q23 Is your 2007 marketing budget higher or lower than the 2006 marketing budget?

- Higher than in 2006
- Lower than in 2006
- About the same as 2006

Q24

Which of the following trade shows and/or association meetings do you or someone from your company attend? (Select all that apply.)

- AICC (Assn. of Independent Corrugated Converters)
- AIMCAL (Assn. of Industrial Metallizers, Coaters and Laminators)
- CMM
- CPP
- Graph Expo/PackPrint
- ICE (International Converting Expo)
- IDEA (Nonwovens Exhibition)
- Infoflex (Flexographic Technical Assn.)
- Labelexpo
- NAPA (North American Packaging Assn., formerly National Paperbox Assn.)
- Pack Expo
- PLACE Div. of TAPPI (Polymers, Laminations, Adhesives, Coatings,
- PLGA (Package Label Gravure Assn.)
- PPC (Paperboard Packaging Council)
- Print
- RadTech International Exhibitions
- TLMI (Tag & Label Manufacturers Institute)

Q25 What new or expanded products/services do you plan to offer your customers in 2007? (Select all that apply.)

- Printing capabilities
- Coating capabilities
- Laminating capabilities
- Metallizing capabilities
- Bag or pouchmaking capabilities
- Slitting capabilities
- Label making capabilities
- Carton making capabilities
- Boxmaking capabilities
- Die-cutting capabilities
- Hotstamping or embossing capabilities

Q26 What significant (defined as over \$30,000) capital investments do you plan to make over the next 6 months?

Thank you for your time and input! To enter into the drawing for an iPod Nano, please complete the information below. This will not be associated with your responses in any way, and will ONLY be used should your name be drawn.

Name	<input type="text"/>
Address	<input type="text"/>
City, State, Zip	<input type="text"/>
Phone	<input type="text"/>
Email address	<input type="text"/>