

65th Annual Conference featuring adhesive tape supply chain challenges hackathon a great success

Afera looks back on a work- and fun-filled yearly autumn meeting, which provided great interaction and learnings about “The Shape of Tape in 2030”. Attendees left the co-creation session with an integrated view of collaboration opportunities to create a sustainable supply chain and better, protected innovation of products and technologies with value chain partners.



The European Adhesive Tape Association’s premier annual event took place from 28-30 September, exclusively face-to-face at Hotel Las Arenas Balneario Resort. Themed “The Shape of Tape in 2030” with a special emphasis on supply chain challenges, opportunities and solutions, the Working Programme featured 6 industry-related

presentations, a co-creation session with the audience on Thursday (Day 1), experts panel discussions on both days, 8 networking moments/activities and an inspiring setting in Valencia, Spain. Many of the 125 participants provided overwhelmingly positive feedback on their experiences at the Conference, especially about the networking and interactive activities. They all returned to their businesses with fresh insights and ideas about their own supply chains and other business strategies.

What Afera Members thought

“The 2022 Annual Conference demonstrated clearly that our Members are very aware of the forces that currently—and will in the future—shape our industry. And that by collaboration where we can, we will be future-proofing ourselves, certainly in the field of sustainability,” commented **Evert Smit, Afera President and director scouting at Lohmann GmbH & Co. KG.**





“For me, the joint exercise about supply chains was a magnificent highlight and evidence that collaboration can truly work magic. Using modern foresight tools will help us to build the required scenarios. The regulatory, IP and legal landscapes will play an even more important role in our futures. Only through open, respectful discussions (‘let’s disagree more’), we can deepen our understanding of the underlying forces at play. And only by acting together as a tape

industry will we ensure the world understands that tapes can and should be the relevant bonding technology of the 21st century!”

Rupert Kichler, Afera Marketing Committee Chairman and marketing director at Avery Dennison Performance Tapes, who acted as Moderator of Day 1, added, “The tape industry’s 65th Annual Conference in Valencia again proved to be the most important meeting of the movers and shakers of our industry. In the face of unprecedented economic and political uncertainty, participants confirmed that discussing and networking about the future of our business helps them in acquiring the foresight, orientation and tools with which to meet these challenges.”

“Again Afera’s Conference was a big success, just seeing everyone in the Industry here, eager to reconnect after the COVID years,” said **Nick Dewingaerden, business development specialist at Kaneka Belgium N.V.** “There are lots of opportunities to conduct both planned and ad hoc business meetings. What I value the most is the important mix of high-quality presentations, discussions and chances to network Afera provides.”

Gianluca Micci, general manager of Erga Tapes srl, shared that the event was “really interesting, especially this year with the newly structured Programme including the new supply chain exercise, which gave us the chance to engage with producers and primary suppliers in more depth. Trying to form a vision of what the supply chain will look like in the future is not easy but very useful. I was in the “Redesign for Bottlenecks/Risks” group, and I think we were successful in understanding the importance of remaining positive and continuing to work with other parts of the chain.”

“I think Afera’s congress was really interesting, with good conversations about the future,” offered **Graeme Roan, PSTC Marketing Committee Co-Chairman and global marketing manager of adhesives at Synthomer plc.** “At PSTC, we have been thinking about the future for a few years now—with some missteps along the





way, but then you always get new things out of those. Now we have ended up with a strong outreach plan which is helping to grow the Industry for all. What we have seen here in Valencia is that there is a lot of promise for our industry; we just should not overcomplicate it.”

“As this is my first time at an Afera gathering, because I jumped in for a colleague of mine, I had no expectations. It was a really great experience! I enjoyed the Technical Committee Meeting, in which we got a lot of work done, and I also liked learning from the presentations in the plenary session. Meeting so many people in such a nice environment was also great. I

guess you could say that there wasn't too much of any one thing, so the Annual Conference was very well balanced,” commented **Kerstin Unverhau, team leader of R&D at 3M Europe.**

Participants survey

About 50% of attendees participated in a survey of Afera's 65th Annual Conference, and on a scale of 1 to 5, they gave the event a 4.0. They rated the social programme and networking opportunities the same. When asked what they liked about the event, 38% chose the interactive workshop on supply chain challenges and solutions, while 36% chose networking, 31% chose the plenary content and 17% the setup and location. Supply chain expert Bram Desmet, who lectured on the service, cost and cash concept, and Pablo Englebienne, Afera Regulatory Affairs Manager, who updated us on Afera's Flagship Sustainability Project, were the most popular speakers.

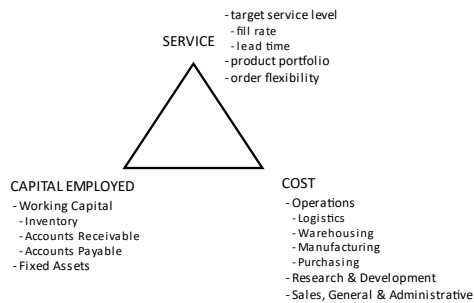
Organisation

The event's dedicated Programme organising committee included Anne-Marie Klink (3M), Jean-Loup Masson (Novacel), Bert van Loon (Afera Strategist), Mr. Smit, Mr. Kichler and Afera Secretary General Astrid Lejeune. Mr. Van Loon and Mr. Kichler served as our 2 energetic moderators of the 2 days of the Working Programme, which included the topics:

- Technical, Marketing and Steering Committee Meetings
- Afera Flagship Sustainability Project Workstream Meeting and update
- Afera's role in helping the shape of tape in the next decade
- Supply chain trends and challenges for the



Supply Chain Triangle of Service, Cost and Cash



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European tape industry, including a co-creation session on scenarios and shared priorities for the future

- Foresight and futures intelligence activity in a business setting
- What is wrong with the patent system
- Building future confidence in adhesive bonding technology.

A snapshot within Day 1: supply challenges and solutions

Our future business success is all about transparency and working together

After introductions the first day of our Programme, Mr. Smit discussed Afera's role in helping shape tapes in the next decade. Next, focussed on how supply chain, strategy and finance are interlinked, a lecture and interactive co-creation activity was led by one of the leading experts in supply chain strategies, Prof. Dr. Bram Desmet, who is a professor of operations and supply chain at the renowned Vlerick Business School in Ghent, Belgium.

In his 2019 book *Supply Chain Strategy and Financial Metrics*, Prof. Dr. Desmet introduces the 'supply chain triangle' concept of 'service, cost and cash' as a foundation for strategic supply chain management. Costs represent all kinds of operational expenses: logistics, warehousing, manufacturing and purchasing. Cash is an equivalent for working capital, which includes accounts receivable, inventory (which is most complex) and accounts payable. Cash, or capital employed, also includes fixed assets. Service is on-time, in-full delivery performance combined with product portfolio and order flexibility.

Nowadays, the supply chain triangle should be an integral part of an organisation's strategy, since a successful balance benefits the overall business goals. According to Mr. Desmet, most people consider supply chain management the handling of the flow of goods and an inverse flow of cash and information from the supplier's supplier to the customer's customer. The service, cost and cash triangle concept can be used to



explain the balancing act companies are faced with today: The challenge of providing extra services to customers without excessively increasing cost and cash, for example, or making a strategic decision not to serve all customers equally.

'Normal' is far off

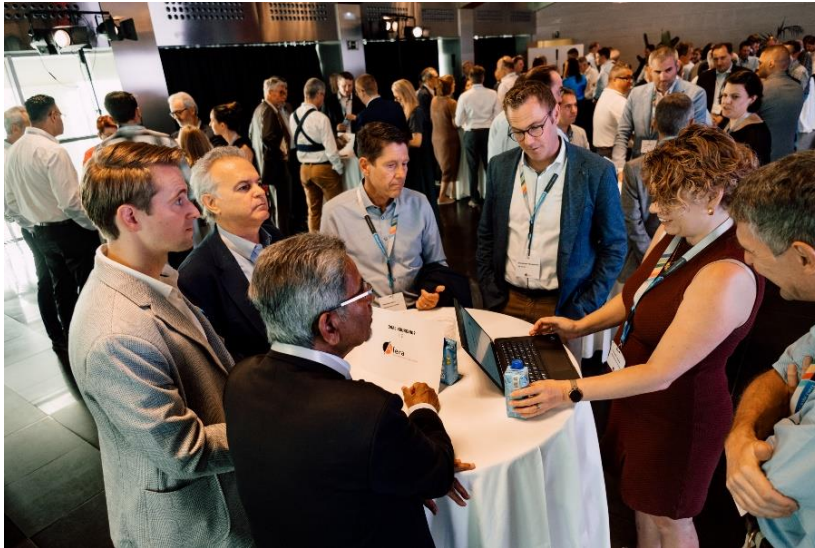
The audience was asked to indicate via a mobile phone survey what their key struggles have been over the last 2 years. Answers ranged from capacities, delivery lead times, raw materials availability and shipping delays to placing the costs, price increases, keeping customers happy and order cancellations. Key suppliers have been unable to supply the needed raw materials or components, leading to all sorts of firefighting costs. Demand has greatly exceeded capacity, leading to increased lead times.

What do you expect to be the key struggles over the next 12 months? They answered manpower, rebuilding credibility with customers, cash, recession, inflation, energy, uncertainty, high stocks, regulatory changes, increasing marketing, bankruptcy and raw materials instability. Mr. Desmet acknowledged that key suppliers have been unable to supply the needed materials or components. In general, he sees capacity issues getting resolved, but just as supply is up, demand is decreasing. So companies are now encountering 'an expensive inventory problem'. If you add to this the high volatility of energy prices, the future is not necessarily bright.

Many organisations still have a functional focus: Sales is primarily focused on service; operations delves into cost, and finance concerns itself with the capital employed. Mr. Desmet says the key to success lies in better managing the big picture based on the return on capital employed (ROCE). "Balancing the triangle is not optional," he emphasised. "Doing this, or being aware of the choices in the triangle, is really at the heart of the value generation of the company. Struggling within the triangle will directly impact 'your bang for your buck'."

How can we deal with the issues in the triangle? How can we be more agile? Again the audience answered digitally: more planned strategy, working with suppliers/collaboration, co-operation with





(know your) customers, increasing transparency/openness, forecasting, efficiency, reducing waste, co-operation, communication/partnerships, innovation and reducing complexity. This served as the introduction to the adhesive tape supply chain challenges hackathon which took place after the break. The audience split into 12 groups stationed at 12 tables, each with a laptop and 2 each continuing to discuss 6 options for

dealing with the issues in the triangle. Each option had been formulated by Mr. Desmet from intake conversations with various Members prior to the Conference. The idea was to jointly draft supply chain scenarios from which both individual companies and the industry as a whole can benefit.

Interactive exercise

Dual sourcing? The importance of trusted relationships and networks

If we have shortages on key raw materials, should we then find alternative suppliers? Then should we go for dual-sourcing? Instead of trying to optimise everything for cost, maybe we should again start developing relationships with suppliers? If we develop that relationship and can be more transparent, maybe that will also help to create more flexibility and increase reliability. It is almost a question about competing with each other as companies or, alternatively, better connecting with each other into value chains of suppliers, manufacturers and converters.

The brainstorming groups thought sector actions might include everything related to working more closely together, where possible: discussion and exchange more readily and transparently, including with other organisations and associations, collective analysis of the value chain and creation of a sector strategy taking availability and challenges into account. This would contribute to Member companies' improved negotiating position and independence, sourcing critical mass, supply continuity, better pricing and improved service level of the supplier. The potential risks include ruinous competition on the supplier side (price wars), sharing too much information (IP), anti-competitive scenarios, reduction of buying power, less co-operation for R&D (customised solutions) and an increased effort to manage the suppliers' network.



Reshoring? Can Europe meet the challenge?

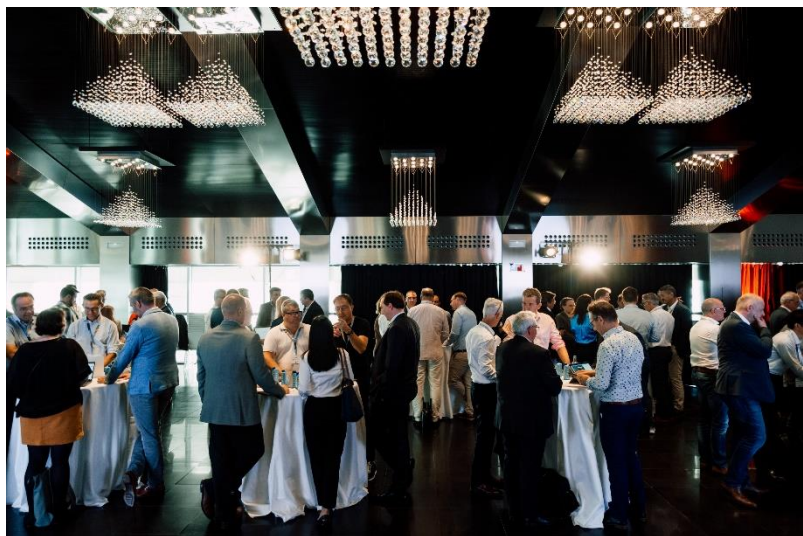
Should we partake in reshoring? If shortages are resolved and materials start flowing again, we may be faced with a relatively expensive supply chain because of factors such as high transport prices. Would it make sense to move regional, i.e. to produce and sell within the same region? And should we do that as individual companies or as supply chains,

in the case of pharma or automotive, for example, of converters, adhesives manufacturers and suppliers? How would we orchestrate this?

The 2 groups discussing this topic thought our sector might take the following actions: global thinking with local production (including understanding of politics and availability of raw materials), harmonised footprint measurements to decide on the overall impact of reshoring, increasing competitiveness of local production with improved digitalisation and automatisisation, local product premium labelling and pricing, and collaborating with other companies. The potential benefits of reshoring are sustainability gains such as less transportation and more local employment, shorter lead times, more flexibility and dealing within the same regulatory framework. The potential risks include insufficient manufacturing facilities/capacity, licensing, raw materials and resources such as skilled labour; and higher production costs.

Index-based pricing? The difficulty of establishing scope, openness and industry standard formulas

More than is happening already, should we link our pricing to indexes to eliminate some of our anxiety? If so, for which products do we already have good indexes, and would this be feasible for all products? Of which inputs do we have good visibility of the relative importance and price impact? Base chemicals (big volumes), additives (smaller volumes), or energy? Is there a possible role for a trade organisation to support this, e.g. source the compilation of indexes and distribute them among members? Perhaps good indexes don't already exist. If a neutral organisation would provide this information and make it public, would this help our sector?



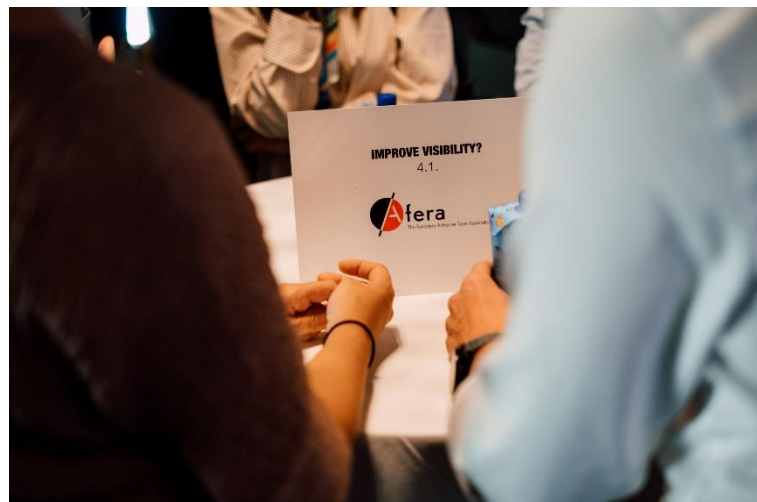


One of the brainstorming groups thought multiple-index-based pricing, if generally accepted, would offer transparency for both suppliers and customers of the market and trend indicators. It might offer a chance to avoid unhealthy discussions and negotiations, but what exactly is the right index or indexes? Would they really be accurate, reflecting the real costs of products?

The benefits of indexing: a clear relationship between the index and a price change can be seen and accepted, building trust and serving as a reference point to the Industry. An association such as Afera could elaborate various pricing index models and deliver a set of transparent, harmonised model indexes to be adapted to the situations of Members. On the other hand, indexes are hard to set and modify/update, and doing so could cause friction, as different companies base their pricing on different factors: energy, labour, container/sea freight, adhesives, resin, paper, films, etc. What's more, the consumer doesn't care about the index but just sees the final cost. Either inflation is passed on to them or the cost margin is compressed somewhere within the chain. And, taking compliance risks into account, are Afera Member Companies open enough to share all this data within the value chain?

Improve (inventory) visibility? Data is a double-edged sword

Mr. Desmet described how in general across sectors, he sees a lot of uncertainty about how much stock is slipping down the supply chain, either at customers or their customers' customers. Afera Members want visibility and communication. How much stock is sitting at customers? Everyone has over-ordered, so they are reducing orders. We all carry an inventory risk. If raw materials prices decline rapidly, we will all be faced with expensive inventories. Who should own the inventory in the chain? If I still have inventory, and it's now relatively expensive, and somebody starts producing the same products for less, how do we deal with that? Who should carry the inventory risk? Should we forge more explicit agreements on who carries the risk of 'bad inventory'?



The discussion groups thought possible tape sector actions could be continuous communication with supplier/customer, increased visibility up- and downstream via digitalisation, and increased internal communication for forecasting of purchasing and sales. The potential benefits of greater visibility are a better overview of inventory leading to better reactions and forecasting, better customer-supplier

relationships, and raw material sourcing visibility interplay for complex constructions. Possible risks are that data is a double-edged sword; it could be used against companies commercially. Furthermore, conclusions taken from individual data sources can be wrong or time-sensitive.



(Re)design for bottlenecks/risks? Energy is a big risk

What could be the role of design in improving the flexibility of our supply chains? When we think about energy, should we redesign and optimise products for energy consumption? Maybe reduce dependency on energy-intensive raw materials? Redesign products to optimise our internal energy consumption or the energy consumption in the application of the customers? Should we redesign products to use alternatives for bottleneck raw materials? Could that at the same time contribute to safety and sustainability objectives (e.g. hazardous materials)?

Some actions the brainstorming groups decided we could take as a sector are using recycled raw materials and multiple sources of sustainable raw materials to improve carbon footprint. Another is more and better communication and transparency about problems and solutions. This could come with simplifying the supply chain process through digital connection at different levels. And of course, a focus on using renewable energy sources in the production process wherever possible. The benefits of this range from the spreading of risk to better planning and efficiency in processes, embracing circularity which meets regulations and attracting a younger generation of employees. The risks include the costs, supply and performance matching attached to sustainable raw materials, as well as the changing regulatory climate.

Shorten approval cycles?

The tape industry may lose out to competing solution providers due to a conservative approval process, which may be slowed by bureaucracy, regulations and/or other processes besides actual



approval work. Should we shorten approval cycles? Our final products get used in heavily regulated markets like pharma and automotive. During COVID, out of necessity, because of product indefinite unavailability, approval cycles were cut in half. How do we ensure we don't go 'back to normal'? What can be done to cut approval time yet in half again – so get it done in 3 instead of 6 months? If we can do this, it will certainly create the flexibility to redesign

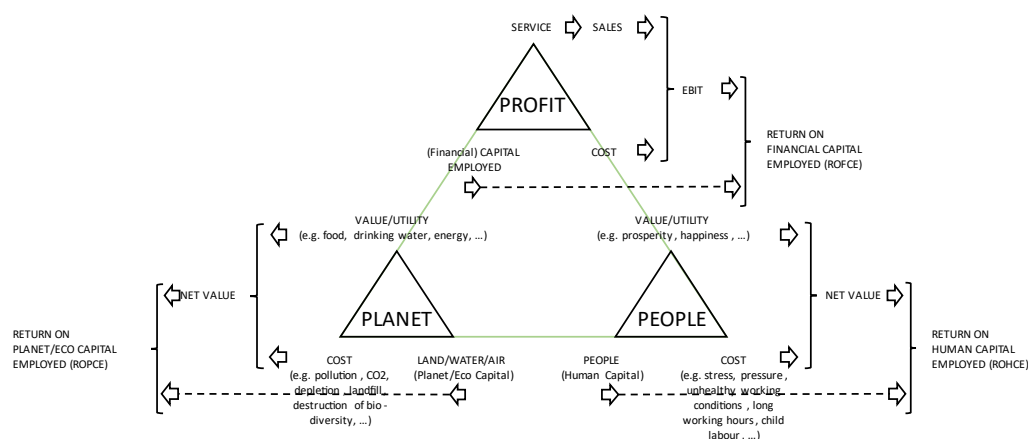
around bottlenecks and deploy the solution. So, the design and approval cycles might go together then.

What could be the potential ways to increase the flexibility and relieve some of the pressure on the triangle? Because this is the heart of the value generation of the company. The 2 discussion groups thought that a good adhesive tape sector action would be to create synergies along the value and supply chain, with all players co-operating for a defined target application, taking into consideration final market and regulatory issues. We need good project leadership/decision-making and a top-notch ERP system, simplified bureaucracy, acceptance of higher risk and alternative like materials, shorter or fewer test phases, standardised raw materials with known characteristics, lower supplier prices (as an incentive to speed this up), parallel product and supplier approvals, and the option of multi-sourcing.

The benefits range from shorter time to market, higher supply flexibility, a higher number of innovative products, cost reduction (with higher complexity), product performance consistency, planning improvements, and available options for the future. On the other hand, the financial implication could be higher ultimately, due to higher complexity and pressure on quality control and R&D. Skipping some of the correct stages of approval means that products may turn out to have late unconformity. Formulation changes are needed sometimes, including production errors.

Sustainability in the triangle

To the Triple Triangle / Bottom Line



The supply chain which Mr. Desmet talked about is basically a financial triangle. Even under normal market conditions, it is hard to keep this balanced. The market conditions of the last 2 years have certainly been abnormal, and the audience agreed that within the next 12-18 months they will continue to be so.

But there are 2 other triangles which also need to be balanced: those of 'people' and 'planet'. The people triangle must balance human capital, value/utility (financial means and happiness) with the costs of stress, pressure and so on. In the planet triangle, we want to balance our sparse eco-resources, such as water and soil, with the value we draw from growing food and using water and

energy. We can also incur costs such as CO₂, an important element we are trying to measure and to reduce.

Why did we offshore and outsource so much in the 80s? It started in the financial end of the profit triangle. A lot of people in southeast Asia got reasonably well-paid jobs, so it helped to reduce poverty in a certain region of the world. At the same time, when industries moved away from certain parts of Europe and the U.S., it created poverty in those places, so issues were just shifted from one place to another.

Offshoring and outsourcing also greatly affected the planet triangle negatively, because supply chains became truly global, causing transport and therefore the CO₂ footprint to expand rapidly. At the beginning of the offshoring trend, we also moved operations to countries which had looser environmental controls than those of Europe and the U.S., so this was very bad for pollution.

The fact that these 3 triangles, forming one triangle, are hard to rebalance today, means we have to keep rethinking how we can do this. What Mr. Desmet said he still sees with companies is that if the profit triangle is under pressure, then the other triangles will follow. Simply thinking of all the air freight we have been using during the COVID years, in order to 'put out fires', shows us how eco-unfriendly we can be when worried about the bottom line.

Following the co-creation session, the Conference dived deeper into industry challenges during a panel discussion with both Prof. Dr. Desmet and industry leaders, exploring the lines of action and solution scenarios which are typically the responsibility of individual companies and those which are more suited to be developed within small or large industry collaborations.

In addition to his academic role, Prof. Dr. Desmet is also CEO of Solventure, a supply chain transformation partner to help companies create sustainable value. He can be contacted via bram.desmet@solventure.eu.

Day 2



The second day touched on issues such as the evolution and future of patents in a changing world, and market intelligence gathering and the setting of business strategy. We were updated on Afera's current Flagship Sustainability Project and how we can leverage "controlled longevity" to expand application areas for adhesive bonding in the 21st century. Finally, another panel discussion focused on how Afera can inspire and support the European tape industry going forward. Each of these lectures will be touched upon in future articles.

Next year's Conference

Afera's 66th Afera Annual Conference will take place from 4 to 6 October 2023 at the Westin Dragonara Resort on Malta.

