CMA
Competition & Markets Authority

SONOCO/WEIDENHAMMER MERGER INQUIRY

Summary of hearing with Visican on 11 March 2015

1. Visican explained that sales of cardboard packaging was [✂], and estimated that [✂] of this was from food packaging and [✂] from non-food packaging.

2. Visican explained that for cardboard tubes there were different closures and different labels put on the side. For food, Visican mostly produced packaging for wrapped products (this food wrapping was described as flow-wrapped). There were a small number of customers where the food was in contact with the tube, but this was less than [✂] of Visican's turnover. For these products it made cans with an inner lining. Visican's customers decided what to pack into the can and how Visican was not responsible for the process.

3. Visican did not possess the technology to produce an 'anaconda seal diaphragm' (foil lining airtight seal) for cans. This would be the technology required to produce, for example, drinking chocolate cans. Visican was not interested in this area as it required a high production rate and Visican only had one factory and one line. The equipment required to produce such cans would cost around £2 million and Visican's factory was already at capacity. Visican's turnover was £4 million and it would require the £2 million machinery investment and approximately £2.5 million for a new factory to further expand its production of composite cans for food. Visican explained that for someone to get into this area, they would need to invest big money and secure big contracts, but stated that Visican was not interested in supplying Goldenfry or Premier Foods (Bisto).

4. Visican stated that it did not compete with Sonoco or Weidenhammer. With regard to supply to the premium spirits and whisky customers, served by firms like McLaren Packaging and Multi Packaging Solutions, Visican had tried to compete, but transportation costs had meant that this was not viable (many of the customers for drinks tubes were based in Scotland like McLaren). [✂] Visican primarily did promotional work with a run of 20,000 to 30,000; it did not produce packaging of mainstream runs. [✂]

5. Visican was able to offer a range of can heights between 30 and 300 mm. For runs, Visican was able to adjust this based on company needs. Visican explained

it had a much wider range it could offer, while CBT had just one can type and could offer lower prices.

6. Visican explained that there had been growth in turnover because of the development of new products. Visican had invested in getting British Retail Consortium (BRC) accreditation for food packaging ten years ago. The auditing for the BRC took place every 12 months and lasted around two days. The system had to be kept up to date every month, which required regular paperwork records to ensure that the inputs into the manufacturing process could be traced. It also required the employment of one person full time to maintain the quality system required for BRC accreditation. The total cost was around £12,000 plus the full time member of staff £35,000 per year. Visican explained that BRC accreditation was necessary, as without it it wouldn't have secured the business that it had, and it allowed Visican to access new customer groups. BRC accreditation was for the whole company, not just particular product lines.

7. Visican explained that the growth it had experienced was 'organic' and it didn't take business from other packaging companies. Visican competed with CBT and shared a few accounts (ie Visican and CBT had won business from the same customers on different occasions). Visican had competed with Robinsons (the Chesterfield factory) but not the other factories of Sonoco or Weidenhammer.

8. Visican stated that its factory had a [✂] per year capacity that was quantified on two 8-hour shifts over a five day week, panning 47 weeks. This was emphasised to be a theoretical maximum and output was in reality lower than this figure.

9. All packaging manufacturing by Visican occurred in the UK. On being asked whether there would be any new entrants into the sector that Sonoco and Weidenhammer operated in, Visican stated that it wouldn't say there wouldn't be no new entrants, but it would just require capital investment and long-term contracts of a huge volume to be in place. Long-term business would need to be generated and open book accounting would be necessary. Visican would not be interested in talking to a large customer, for example Goldenfry, about a contract if approached, and made clear that this area was not appropriate for Visican.