

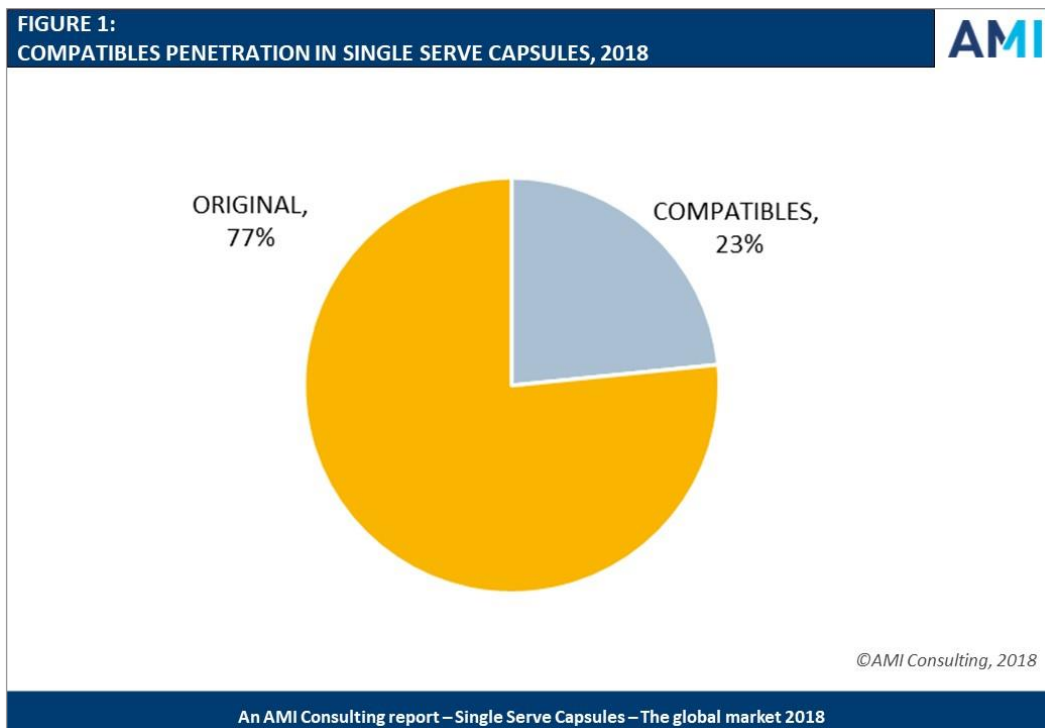
PRESS RELEASE

COMPATIBLES DRIVING SALES OF SINGLE SERVE CAPSULES

AMI, Bristol, 18/10/18 – A new report from industry consultants, AMI Consulting in cooperation with Plastic Technologies Inc., published in October 2018, is an authoritative comprehensive deep-dive analysis of the global Single Serve Beverage Capsules industry.

Single serve capsules are a dynamic market segment with a complex value chain. There are several coffee brewing systems available with proprietary capsule designs. Nespresso and Keurig are brands that pioneered the segment and have the highest machine instalment rates globally. Nevertheless, the expiry of their design patents in 2012 brought about disruptive changes in the supply chain. The changes created new opportunities for both end-users and converters to tap into this growing market segment. On the other hand, the supply chain of capsules is rapidly losing its oligopolistic nature and the former dominance of major suppliers is challenged as the market expands. A more fragmented supply chain affects the overall profit pool and the way consumers make their choices.

AMI Consulting estimates the volume of all compatible capsules (both plastic and Aluminium variants) in 2018 is equivalent to 23% of the single serve capsules market worldwide, driven by Nespresso, K-Cup and Nescafe Dolce Gusto machine penetration in households.



There are around 200 Nespresso-compatible plastic capsule designs, but only 10% of them are said to be able to deliver on quality. Nespresso is changing elements in the machine design cyclically, and the compatible suppliers are forced to play catch-up. The anti-trust law dictates Nestlé to make design adjustments publicly available with a lead time of 6 months to allow fair competition.

Compatible single serve capsules have now become fully embraced by consumers. They are accepted as (good-quality) alternatives. Mainstream popularisation of compatible brands has leveraged their need to differentiate and add value. Quality and shelf impact dictate high barrier specification for capsules. Compatibles formerly serviced with mono-layer PP and PBT capsules are now being re-specified. High barrier technologies include: co-extrusion thermoforming, co-injection, barrier IML, barrier coatings and barrier compression moulding.

With the growing number of capsules in landfills, the industry is under pressure from environmentalists as well as more conscientious consumers. There is an urgent need to review the materials used for capsules conversion in search of more sustainable options, as well as to explore end-of-life solutions. The milestone of all-compostable barrier capsule solution has now been achieved and commercialised.

This report is aimed at assisting industry participants and investors in anticipating change, formulating response strategies, directing R&D investment, and proactively managing the threats. It analyses the global market opportunity and maps out the complex supply chain structure. AMI's product portfolio catering to the single serve capsules industry includes specialist conferences in Europe (Berlin, September 2019) and USA (Atlanta, March 2019).

FURTHER INFORMATION:

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