STRATEGIES FOR ENTERING INTERNATIONAL MARKETS IN THE PACKAGING INDUSTRY: RISK AND OPPORTUNITY ANALYSIS FOR SUSTAINABLE GROWTH

Nikitenko O.
master's degree, National Technical University «Kharkiv Polytechnic Institute», Kharkiv, Ukraine
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Abstract

This article analyzes strategies for entering international markets in the packaging industry with a focus on risks and opportunities for sustainable growth. It examines key challenges such as globalization, technological changes, shifts in consumer preferences, and environmental requirements. Special attention is given to innovative approaches to sustainable packaging production and adaptation to environmental standards, which have become an important aspect of successful international expansion. The description of the most effective methods for risk mitigation and the application of modern technologies in the packaging industry helps companies enhance their competitiveness and ensure long-term sustainability in the global market.

Keywords: international markets, packaging industry, sustainable development, innovations, environmental standards.

Introduction

Globalization of economy and international trade exchange process reforms pose absolutely new opportunities and place very serious tasks in front of different types of companies. Internationalization of packaging industry had taken an active role over the last two years. This includes a wide variety of variables, from a shift in consumer demand, green policies, and import-export restrictions.

Meanwhile, the way in which packaging companies enter international markets is fraught with such risks as political instability, currency fluctuations, and economic crises, not to mention many regulatory challenges. Within the last few decades, the ecological requirements for packaging-for instance, reducing the usage of plastic and switching to biodegradable materials-have turned into a serious factor of choice for the strategy of entering international markets. These factors have influenced not only the financial costs of companies but also their capability for adaptation to global trends in sustainable development. Therefore, research is needed regarding international market entry strategies in the packaging industry, through which recommendations can be developed on the best paths to achieve sustainable growth and successful adaptation to changing global economic and market conditions.

Main part. Global packaging market: current status and trends

The global packaging market is continuously showing its robust growth as part of international trade and economic processes. In 2023, the value of the global packaging market reached over $1,1 trillion and is expected to grow at a CAGR (Compound Annual Growth Rate) of 4-5% by 2028, reflecting the consistently high demand for packaging materials worldwide (fig. 1).

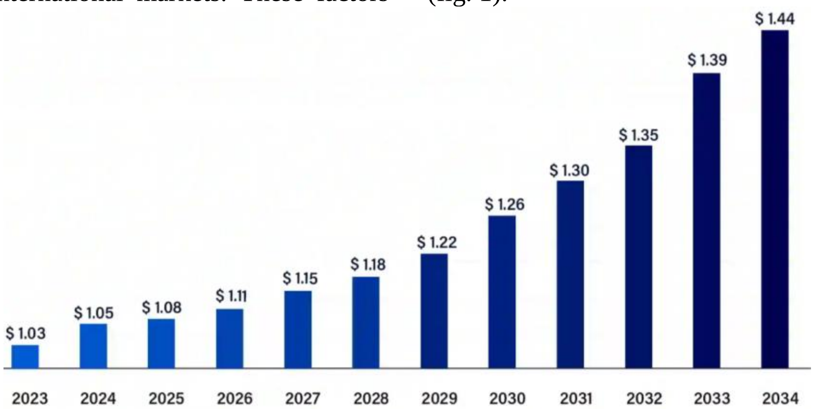

Figure 1. Packaging material market size 2023 to 2034, trillion dollars [1]

Some of the drivers include increasing consumer demand, e-commerce expansion, and an escalating demand for sustainable solutions. Sustainable packaging solutions are one of the trends that can easily be witnessed in the international packaging market. By pressure group lobbying and even by legislation, organizations are compelled to reduce their use of plastic and thus continuously try to produce packs that have minimal negative impacts on the environment. Biodegradable and compostable material development, for example, or developing packaging that contains recyclable content, is all in this category.

Besides, digitization of the packaging industry plays a significant role. Inclusions of the Internet of Things, digital printing, and attachment to tracking systems are already integral components of the packaging process. These will allow companies to further enhance supply chain transparency, quality of a product, and tracing status of packaging in real time. It opens new opportunities for logistics process improvements with high levels of customer service.

Further, the global packaging market is shifting towards smart packaging, embedding sensors to monitor the quality and safety of products. Smart packaging has turned into a very significant constituent for industries such as food, pharmaceuticals, and cosmetics, in which shelf-life control and/or storage conditions are important [2].

Important changes in the global packaging market, therefore, are focusing on sustainable development, technological innovation, and increases in the efficiency of production. Most importantly, these changes affect international competition and the entry strategy companies utilize in foreign markets. Consequently, with a view to successful expansion in the international arena, packaging companies need to take into account both the macroeconomic factors and technological trends, not only to meet the demands of consumers but also to minimize their environmental footprint.

Macroeconomic factors and their impact on exit strategies

Macroeconomic factors determine the international market entry strategies of packaging companies. Such changes in the economic environment may strongly influence the financial stability of companies and their possibilities for international expansion due to global financial crises, inflation, exchange rate fluctuations, and trade barriers. **Changes in currency rates**, in particular, directly affect production and transportation costs, which, in turn, modify the attractiveness of export strategies for companies specializing in packaging.

Moreover, **economic crises** are a strong force behind the supply and demand of international markets. During a crisis, companies try to reduce their costs, which has a tendency to cut down demand for packaging, especially for expensive or specialty forms of packaging solutions. At the same time, a crisis may increase demand for cheap and high-efficiency packaging solutions, opening up new opportunities for companies targeting the economy segment.

The other significant consideration in the design of the international market entry strategy is customs **tariffs** and **trade barriers**. The imposition of new tariffs, quotas, or other bans will double the price of supplies and make the market less attractive to exporters. Particular emphasis was given to the need to change strategic priorities, especially after the imposition of tariffs between the USA and China in 2018, which forced various organizations to reallocate production capacity from country to country and region to region for cost expense reduction purposes [3]. With this, it becomes especially crucial to choose an optimum mode of entry-from direct investment to joint ventures with local partners, which avoids tariff risk and political risk.

Another important **macroeconomic factor** that affects the businesses in the global market is the process of economic globalization and the signing of international trade agreements. Trade agreements, such as free trade agreements, create ease of entry into new markets because there are fewer administrative and trade barriers. Packaging businesses can use such agreements in an attempt to strengthen their positions in the global market because of improved terms for import and export [4].

Regulatory barriers and their role in exit strategies

Regulatory barriers play an important role in packaging firms' internationalization and exert a substantial influence on the strategy of expansion and product adaptation decision. They include quality standards, environmental law, safety and packaging law, and consumer protection law. A awareness and respect of these regulations are key to minimizing the risk of local legislation violation and penalties (table 1).

Table 1.

Regulatory barriers and their impact on market entry strategies in the packaging industry

Regulatory barrier	Description	Impact on market entry strategies	Example
Environmental requirements for recycling and waste disposal	Legislation regulating packaging recycling, restrictions on certain materials.	Requires adaptation of packaging to meet environmental standards, transition to recycled materials.	European Commission: «European Green Deal».
Packaging labeling and safety standards	Safety and quality standards for packaging, such as FDA requirements in the USA	Companies must comply with local standards, impacting packaging material selection and production methods.	FDA standards for food packaging in the USA
Customs tariffs and quotas on packaging materials imports	Regulation of trade tariffs and restrictions on packaging imports, increasing customs duties.	Encourages creation of local production facilities and joint ventures to minimize costs.	High tariffs on plastic packaging in South America.
Legislative restrictions on plastic use	Laws restricting or banning the use of plastics in packaging, requirements for biodegradable materials.	Requires change in packaging composition and transition to eco-friendly alternatives.	Ban on single-use plastics in the EU.
Regulation of chemical additives in packaging	Restrictions on the use of certain chemicals in packaging materials.	Necessitates compliance with chemical composition regulations, affecting production technology.	Strict regulations on chemical additives in packaging in India.

Another of the key regulatory drivers will have to be environmental policy, especially in the face of increasing calls to reduce plastic usage and replace with more eco-friendly materials. Within the European Union alone, strict regulation is placed on recycling and disposal methods related to packaging and recycling material use requirements. The European Green Deal strategy was adopted by the European Commission in 2021 with a carbon emission and making packaging more sustainable target. Its implementation is a serious investment in technological change and product modification, which will be necessary for any packaging company intending to enter the EU market. For instance, packaging companies in Europe must comply with the Packaging and Packaging Waste Directive, (94/62/EC), that has created standards for packaging design that should be recyclable or reusable [5].

Apart from the above requirements, regional product safety and quality requirements differ, thereby necessitating compliance with national laws by companies. For example, in the USA, food packaging has to comply with FDA (Food and Drug Administration) requirements, while in Asian countries, there are other regulations on the safety of packaging, especially food-contact packaging. Some countries have strict rules even for packaging labelling, e.g., listing the ingredients, shelf life, as well as the use of chemical additives. Failure to follow these rules can lead to extremely heavy fines or the banning of the sale of the products.

Another big regulatory barrier includes customs duties and quotas, which can significantly increase the export cost of packaging products. Some countries do not allow or have restricted importation of packaging materials; therefore, companies are obliged to seek ways of overcoming such obstacles. South American countries have very high customs duties for importing plastic packaging, and companies would be obliged to either find local partners or invest in local production. It is also encouraging in the selection of strategies like joint ventures or localization of production, which decrease dependency on international trade barriers [6].

Therefore, regulatory barriers are one of the most influential factors in the choice of strategy to enter international markets. Companies should take these into consideration while devising their strategies, keeping in view the local laws and standards to avoid legal risks and maximize their possibilities for successful expansion.

Strategies for adaptation to macroeconomic and regulatory challenges

Adaptation to macroeconomic and regulatory concerns is among the most crucial elements of a successful strategy for packaging companies to grow in international markets. These concerns require flexibility and the ability for swift response to changes in the external environment with the aim of mitigating risks and maximizing the opportunities that arise in a dynamic context [7].

One of the most effective ways is **production localization**. As exchange rates fluctuate unpredictably, customs tariffs rise, or trade barriers exist, the relocation of production facilities close to target markets reduces logistics costs and enables greater responsiveness to changes in demand. For example, Amcor, a packaging giant, has invested in local production capacities in high-duty countries such as India and China in order to lower costs and make its products more competitive [8]. Localization also allows for easier compliance with local regulatory requirements, such as environmental and safety standards.

Another approach is to collaborate with **domestic firms**. Under a situation of stringent regulatory constraints and product standards, joint ventures or collaborations with local firms can assist in resolving compliance issues efficiently. This enables the firm to utilize local market intelligence and existing relationships, which ensures quick entry into the market and minimizes the time taken to conform to local conditions.

Also, new solutions for sustainability are arising as a major factor in adapting to macroeconomic and regulatory issues. A shift towards greener materials and producing packages with tight recycling requirements is now a necessity not only to remain within the pages of local legislation, but to improve company reputation.

The **diversification** of a **product portfolio** is another significant adaptation strategy. Many packaging companies targeting international markets often face the need to provide solutions that are demanded by particular country and industry needs. Development of multi-functional packaging solutions, adaptable under varying conditions of storage and transportation, will facilitate effective work in various parts of the world, with considerably varied economic and regulative conditions.

Thus, the successful companies operating in international packaging markets have to be ready to change their strategy in response to macroeconomic and regulatory challenges. Localization of production, partnership with local companies, implementation of innovations, and diversification of the product portfolio are becoming the main tools for ensuring sustainable growth and minimizing risks in a changing external environment.

Conclusion

All strategies regarding entry into international packaging markets would need to incorporate all aspects: comprehensive-considering the current macroeconomic, regulatory challenges coupled with the modern trend of sustainable development and technological innovation. Indeed, flexibility to adapt to global fluctuations in the economic world, localization of production that is effective, strategic partnerships along with innovative solutions-minimize risks for growth and will maximize opportunities thereof. The transition to environmentally friendly and multifunctional packaging solutions is turning from just a response to market demands into an important component of a company's reputation in the context of growing attention to sustainability issues. Only those packaging companies that will manage to integrate these approaches will be capable not only of succeeding in a globally competitive environment but also of ensuring long-term sustainability and growth in the international arena.

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