



# PATTERNS

Making Connections: Brand Insights  
from Around the World

Issue One/2016



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## PATTERNS

We asked SGK experts in a variety of fields - and from perspectives in the U.S., Europe and Asia - to share their specialized insights for brand performance. They responded by highlighting connections. From a printed code to an engaged consumer. From graphic design to embedded information. From economic challenges to growth opportunities. From beautiful objects to unexpected experiences. And from East to West. These are brand insights you can use.

# PATTERNS IN BRIEF

## THE NEW LUXURY CODES: FOUR WAYS VENERABLE BRANDS ARE REINVENTING THEIR ALLURE

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Luxury brands have the “luxury” of repeating time-tested messages of quality and opulence for buyers who already respect their cachet – right? Wrong. The most successful luxury brands aren’t just selling beautiful objects. They’re immersing shoppers in acclaimed stories and unexpected experiences. Revealing the inspiration and methods behind their fine craftsmanship. Speaking up for principled values. We offer several examples to inspire any brand – from haute couture to fast fashion.

## THE CONNECTED PACKAGE: THE NEXT GENERATION IN BRAND EFFICIENCY, INTERACTION AND APPEAL

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Since the beginning, the primary purpose of packaging has always been to create brand appeal. But a secondary purpose has become just as important: Conveying information. These two functions have always been at odds as barcodes, QR codes and copy-heavy product details compete for space against package design. But what if all that information could be linked from an easily scanned watermark embedded invisibly within the design itself? Welcome to the new connected package.

## MEN’S BEAUTY GOES BIG IN ASIA. WHAT CAN WESTERN BRANDS LEARN?

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What do men see when they look in the mirror? Think of your brand as that mirror. It can reflect basic hygiene and grooming to meet social norms, or it can reveal expressive possibilities for a highly personal style. Asian markets lead the world in embracing men’s beauty. And while most Western men aren’t quite ready for foundation and lipstick, they’re increasingly looking to flaunt their own individuality. Hold a mirror up to the East and visualize new opportunities for helping these men look their best.

## VARIABLE MARKING AND CODING: MAKING THE BEST OF A NECESSARY GOOD

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Variable markings on packages and labels can benefit brands in many ways – from meeting requirements for traceability, to assuring consumers of product authenticity and freshness, to delivering a customized experience that builds loyalty. But for some brand managers, variable printing carries a stigma of being costly, difficult to manage and error-prone. It doesn’t have to be that way. Learn how variable coding can support high-quality production while helping your brand stand apart in the marketplace.

## CHINA, LAND OF OPPORTUNITY: MEETING NEW CHALLENGES WITH A NEW CONSUMER FOCUS

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Recent headlines tell of economic jitters and tougher regulations in the world’s second largest economy. Does the news signal an end to the robust growth that so many brands have enjoyed for so long? It’s all a matter of perspective. Fundamental changes in Chinese markets are causing growing pains. But brands that adapt to China’s “new normal” stand to gain a substantial advantage. That’s true for local Chinese brands and global brands alike – and there’s a lot to be learned from the strengths of each.

# THE NEW LUXURY CODES:

## FOUR WAYS VENERABLE BRANDS ARE REINVENTING THEIR ALLURE

Delphine Dauge, Agency Director, and Annette Klek, Marketing & Client Director, Brandimage Paris

The minds, hearts and hands that create luxury are true champions of creativity in service of the imagination. They bring artistry to their work. They make emotional connections, liberate dreams and engage people in the art of fine living with stories and experiences that go beyond the surface of the object itself.

Branding of luxury goods is at its best when it, too, looks beyond the surface of wealth and opulence. Here are four ways that luxury brands are bringing captivating, artful and even surprising stories to the fore – and reaching new buyers in the process. These are outstanding examples of the new luxury codes.

### **LITTLE DETAILS ARE NOW A BIG DEAL**

Final quality has always been the main selling point for most luxury brands – not the painstaking details of how the products are made. Today that mindset is changing. Increasingly, shoppers are curious about the details of design and craftsmanship, and many luxury brands are pulling back the curtain to reveal the sources of their artistry.

Chanel has invested in several ateliers that are unsurpassed in the expertise and artfulness they bring to their craft, such as Lesage (pearl embroidery), Lemarie (feathers and camellias), Causse (gloves) and many others. These artisans retain their independence, while Chanel ensures the continuation of its suppliers. And Chanel burnishes its reputation as a champion of the finest craftsmanship.

Guerlain exhibits craftsmanship that goes far beyond the core product, with packaging that rivals the perfume inside. One astonishing creation represents over 500 hours of collaborative craftsmanship between the perfumer, a watchmaker and the jeweler Lorenz Baumer. A diamond-studded pendant fashioned after the company's iconic bee incorporates a miniature mechanism that opens the bee's wings to reveal an inner chamber containing the perfume.

Macallan honored the 150th anniversary of René Lalique's birth by releasing a 64-year-old single-malt Scotch whisky in a decanter crafted using the Lalique lost-wax method – bringing together the highest art of the distiller and the crystal maker. The one-of-a-kind creation was auctioned for \$460,000, a world record for whisky. The proceeds went to a charity that provides people in developing countries with safe drinking water – dovetailing with both the brand-story and sustainability trends we discuss below.

Savoir-faire is key to the brand message. It's no longer only a matter of appearance. It's about the beauty of deep craftsmanship.

### **BRAND STORIES ARE NO LONGER A SECRET**

As luxury brands showcase today's lavish materials and meticulous methods, they're also sharing the intriguing stories of their past and how they came to represent the finest life has to offer.

For example, Dom Pérignon champagne draws a continuous line from the innovations of its namesake, the monk and cellarmaster known as “father of champagne,” to the mastering techniques used today. These methods have been refined over the centuries, but the brand continues to honor its heritage of quality – offering wine tastings that sample many decades of vintages, restoring Dom Pérignon's vineyard, and helping preserve the Abbey where he practiced his craft and was interred 300 years ago.

The LVMH event Journées Particulières offers another remarkable example, promoting the savoir-faire of 70 distinguished houses and their deep history of craftsmanship. The public is welcomed to workshops, wine cellars, private mansions, family homes, historic stores and other heritage sites around the world. Through highly curated exhibits, demonstrations and interactive participation, attendees gain first-hand knowledge of LVMH brands and all they embody – from their historical beginnings to the artisans who make them great today. LVMH is also proclaiming its people, places, materials and methods online to reach consumers worldwide who may be discovering the world of luxury for the first time.

To create brand preference, luxury brands need to tell the tale of their history, to share their legend in order to inspire and forge emotional bonds with their clients.



## EXPERIENCES MATTER JUST AS MUCH AS OBJECTS

To be a luxury brand in the true sense of the phrase, it's not enough to create high-quality products – it's about creating an aura. For a luxury object to have personal meaning, it has to be part of an experience. Following the example of fast-fashion brands, luxury retailers are learning to create an aura of surprise.

Take Karl Lagerfeld, head designer and creative director of Chanel and one of the world's most famous fashion pioneers. The force behind Chanel Mobile Art, a touring pop-up museum featuring art based on the iconic brand, Lagerfeld has now turned his attention to pioneering a new breed of digital concept stores that combine traditional retail spaces with the power of social networking. In a span of minutes, you can try on couture pieces, snap images of your outfits in an in-house photo booth, and upload them to social media for all of your followers to see before paying via a mobile device.

The Burberry flagship store in London incorporates full-size screens that can feature products, stream video and also serve as mirrors. RFID chips embedded in clothing and accessories communicate with the screens to display information about the item's craftsmanship or to show how models have worn it on the catwalk. Customer preferences are captured to help deliver more personalized experiences, online and in-store.

Other pop-up experiences include the Veuve Clicquot mobile champagne and caviar bars, bringing the convenience of a food truck to this premiere brand while creating social media driven excitement around the next destination. Or the Prada pop-ups in locations ranging from Paris to a desolate stretch of highway in the West Texas desert. Or the whisky blending and tasting events at Grant's Atelier Blendologie pop-up.

Luxury brands are also using building broad awareness through social and interactive technologies. For example, Guerlain and Yves Saint Laurent are among the first luxury brands to embrace

social media platforms such as Instagram to interact with people in a much more democratic way than ever before. And Dior has created its own branded virtual-reality headset to give shoppers a backstage view of the activities behind the fashion-show runway.

All these examples represent luxury brands moving beyond exclusive shops displaying precious objects to delivering surprising experiences in unexpected places.

## LUXURY BRANDS ARE TAKING A STAND FOR A BETTER WORLD

In their rush to capitalize on the latest looks, many inexpensive fashion brands have bypassed more sustainable labor and environmental practices in favor of lower prices and broader audiences. In contrast, luxury brands are becoming more vocal about the need to do better for the planet and its people – fostering a guilt-free approach to retail that goes a long way toward inspiring consumers to justify these products' premium price tags.

For example, Hermès has created a line of surprising and ever-new products created from materials discarded in the process of crafting its high-end luxury goods. "Petit h" products are designed by the same artisans who make the big-H Hermès brand extraordinary. The selections change every month and never fail to delight. "Petit h" is the brainchild of Pascale Mussard, a sixth-generation Hermès scion known, since he was just a boy, for declaiming, "Don't throw that out; it might be useful."

Stella McCartney has the same "don't throw it out" ethic. This noted designer has been quoted as saying, "I design clothes that are meant to last. I believe in creating pieces that are not going to get burnt, that are not going to landfills and that are not going to damage the environment. For every piece in every collection, I am always asking what have we done to make this garment more sustainable and what else can we do."

Among luxury brands, Stella McCartney is one of the leaders in the use of green energy, organic materials, recycling, renewable and biodegradable materials, waste reduction, water conservation and other sustainability initiatives. Most importantly, McCartney is a passionate advocate for sustainable practices – and is gaining the attention of a rapidly growing cohort of luxury shoppers as a result.

Such outspokenness hasn't always been fashionable. But at Paris Fashion Week 2014, the world's top models wore Chanel while staging a mock demonstration for women's rights, complete with protest signs and bullhorn-led chants. While it's easy to be cynical about a protest march for equality led by models like Gisele Bündchen and Cara Delevingne in top-dollar outfits, it's remarkable that a conversation about feminism should arise at all in a fashion world that objectifies feminine beauty.

Luxury brands are demonstrating that they're giving back to the world – not just making things, but doing things for a brighter future. It's another way – a better way – to connect with people and build the goodwill that keeps a brand relevant and vibrant.

## WHAT CAN WE LEARN FROM THE LUXURY MARKET?

The first lesson we can take from these emerging trends is that it's never too late in a brand's lifecycle to explore new opportunities for reaching customers. With so many innovative ways of interacting with shoppers, "the way we've always done it" should never hold you back.

Beyond that, these cases teach us an even more valuable lesson. Whether you're selling luxury or fast fashion, you're not selling a product. You're selling an experience. An identity. You're asking for the shopper's trust, and rewarding it with belief. You're offering people ways to feel good about themselves and their experiences. About the world and their place in it.

Trends come and go. But the basics – quality products, smart storytelling, memorable experiences and responsible living – will never go out of style.

It's not enough to create high-quality products – it's about creating an aura. For a luxury object to have personal meaning, it has to be part of an experience.

# The Connected Package:

## THE NEXT GENERATION IN BRAND EFFICIENCY, INTERACTION AND APPEAL

Bruce Miller, Vice President of Product Development at SGK

Product packaging has long played multiple roles for brand owners and retailers. Beyond containing the product, it conveys information about the brand. It helps in tracking products with UPC labels and barcodes that make inventory and POS scanning easier. And, as a key consumer touchpoint, it engages consumers with eye-catching designs that convey the product's quality and value to help the brand stand out on the shelf.

That last function has always been key. With only slight variations, for more than 150 years the primary purpose of packaging has been to create brand appeal. But in an age of constant interconnection and omnichannel marketing, is it really enough for packaging to offer appeal by simply looking pretty? And if not, what's next?

The connected package.

The next generation in packaging, the connected package, is responsive to consumer behavior, retail experiences and cultural phenomena. It creates greater value for consumers, retailers and manufacturers by becoming part of the digital stream of information, communication and transaction. It makes traditional packaging more useful and, as a result, weaves itself seamlessly into the lives of consumers and the logistics of retailers - delivering greater value to all.

An emerging solution for the connected package is digital watermarking. Subtle, signal-rich codes can be embedded into the package's artwork in a way that's difficult to discern with the naked eye but easily recognizable by POS scanners and smartphones.

A [Schawk](#) partner, [Digimarc](#), has turned digital watermarks into a full solution for connected packaging. The solution, called Digimarc Barcode, contains the product GTIN for checkout scanning and also references a URL maintained on backend servers to connect the consumer with a mobile experience. In essence, Digimarc Barcode creates a new means of communication that is embedded into the physical package so that digital content can be accessed when, where and how the user wants it.

According to Digimarc, the pioneer and leading provider of digital watermark packaging, enabled with Digimarc Barcode redefines how consumers shop and engage with products while delivering a compelling ROI to retailers and brands by changing the ways users view, handle and interact with packages.

Notes Sean Calhoun, vice president of product management at Digimarc, "By enhancing their products with Digimarc Barcode, brand owners and retailers alike can create packaging that wins at the shelf while future-proofing their packaging for exciting new applications."

Digimarc Barcode connected-package technology offers significant benefits across the entire retail spectrum - from CPGs to retailers to consumers - in two key areas: mobile discovery and POS scanning.



As all brand owners know, pack space is a limited commodity, and it's not always possible to display all the information a consumer might desire. This has led to the rise of QR codes as a means of providing further information digitally, but these codes are often unsightly and take up a considerable amount of space, especially if the package is small. Digimarc Barcode allows data to be embedded within the package graphics, negating the need for big and unsightly QR codes.

Offering a foolproof method for pack-wide scanning, Digimarc Barcode allows consumers to scan anywhere on the pack to access unlimited product details online. Complete nutritional details, country of origin for all ingredients, allergens, carbon impacts and other information can all be accessed in a way that's easier, more useful and more attractive compared to traditional labeling. Brands gain an unlimited messaging canvas while eliminating the need to sacrifice valuable pack space for QR codes.

And this unlimited messaging capability is key to engaging consumers. A Digimarc/Harris poll indicates that 78 percent of consumers say that they have wanted additional information about a product after reading a product's package, opening the door to new and innovative marketing campaigns through greater brand interaction.<sup>1</sup> Anything from digital coupons to product videos to cross-brand promotions can be associated with a Digimarc Barcode, and the messaging can be changed whenever the brand owner wants to update it.

While pack-based messages are locked once the package is printed, digital messaging can easily be swapped out and updated to accommodate product changes, evolving market demands or seasonal campaigns. Moreover, brands can control the consumer experience in a way not possible with traditional packaging, taking the package into the global information network available through digital media.

In addition to increasing consumer engagement, Digimarc Barcode can help provide greater flexibility and efficiencies for POS scanning, saving both time and money for retailers and consumers alike.

Using traditional UPC codes, retail personnel must take the time to find the code and align it properly to the scanner. And that wasted time costs retailers money. According to Walmart<sup>2</sup>, for every one second in average transaction time across its U.S. locations, it spends approximately \$12 million in associated costs.

In its early efforts Digimarc sees instances upwards of 30 percent reduction in scanning time because the sales clerk can scan anywhere on the package without the need to orient the barcode to the scanner. For retailers, the cost savings can be exponential, far exceeding the investment in the required POS scanners.

Further, Digimarc Barcodes provide an improved in-store consumer experience through faster and easier checkout. According to a Digimarc/Harris poll<sup>3</sup>, 88 percent of U.S. adults want a faster checkout. The time saved in scanning translates to happier consumers due to decreased wait times to pay for groceries. It also enriches the interaction between the sales clerk and the shopper because the clerk doesn't need to focus on finding the UPC and can instead engage more actively with the consumer.

Digimarc Barcodes can also enhance the self-checkout experience. According to the same poll, 75 percent of consumers say that self-checkout would be appealing if technical problems were reduced. The foolproof scanning that digital watermarks offer provides this ease of use, lessening the number of technical issues that require troubleshooting by retail personnel during self-checkout and speeding the overall transaction process.

While it is currently being launched on a wider scale across North America, Digimarc Barcode is still a new technology. Digimarc has publicly announced the adoption of the technology by several retailers and national brands, and behind the scenes testing is currently underway by leading national and private label brands to determine the technology's efficacy. Retailers do require an imaging scanner, although this industry movement is underway in any event. Digimarc has announced relationships with the four largest scanner manufacturers.

Embedding digital watermarks in package artwork requires significant technical ability, which is why Digimarc is partnering with Schawk to provide this service and leverage their artwork expertise.

We believe the connected package represents a huge leap forward, making packaging a more useful tool for consumers, retailers and brand owners. By enabling the connected package, Digimarc Barcode marks the next evolution of product packaging. Expect to see greater efficiency, interaction and appeal – coming soon to a brand near you.

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# Brands gain an unlimited messaging canvas while eliminating the need to sacrifice valuable pack space.



# Men's Beauty Goes Big in Asia. What Can Western Brands Learn?

Kathryn Sloane, Director of Growth at SGK  
Benjamin Chong, Strategy Director at Anthem Asia

Bring up men's beauty at a sports bar in the U.S., UK or Australia, and you're likely to see some unkempt eyebrows get seriously raised.

But it's not as if men don't care about their appearance. From the metrosexual look of 10 years ago, to the rise of the bearded hipster, to the "man bun" hairstyles that have appeared almost overnight like mushrooms after a rainstorm, men adopt styles they think will get them noticed – just as they've always done.

What Western men don't do much is talk about personal grooming and beauty – let alone be seen pursuing it in public. You won't see a guy at a sports bar taking out a compact and doing a quick touch-up on his makeup. So it might surprise you to learn that the U.S. led the world in new men's grooming product launches in 2014, at 21 percent, followed closely by the UK at 17 percent.<sup>1</sup>

However, despite all this new product development, Western markets are dwarfed by Asia in terms of actual sales.

From 2012 to 2014, the total global male grooming market grew by 70 percent,<sup>2</sup> and is expected to be worth USD 21.4 billion in 2016.<sup>3</sup> Asia represents more than 60 percent of that market,<sup>4</sup> with projected growth of nearly 10 percent despite already being the leading region in men's skin-care sales.<sup>5</sup> In China, the men's grooming category is growing at a stunning 20 percent a year.<sup>6</sup> And in South Korea, men use an average of 13 grooming products a month while leading the world in use of men's cosmetics, accounting for one-fifth of global sales.<sup>7</sup>

## LOOKING AT THE MAN IN THE MIRROR

So there's a disconnect. In the East: a well-established, vibrantly growing market. In the West: an attempt to catch up by introducing new products that haven't always broken through the cultural reticence of many men to appear as if they're overly concerned about appearances.

We see it as a divide between the image of men's beauty with a big B versus a little b.

Little b beauty comprises traditional products for routine maintenance and instant results. But with big B, individuality and self-expression are everything.

Little b brand owners focus on convenience and problem-solving: basic hygiene, shaving comfort, oil control, unisex and multifunction products, and so on. Little b products have been around for a long time, and their underlying message is often, "Get cleaned up quickly and get on to more manly things." The messaging is often about putting in minimal time and effort to get maximum results. And those results are more about meeting the expectations of other people – appealing to women, getting attention at parties or even being a better family man – than expressing one's true self.

That message runs the risk of appearing condescending. Products can easily fail when they play to the shopper's disinterest in the category or to forced masculine stereotypes that disregard the shopper's individuality.

These risks grow greater as big B beauty comes to the fore. The men who are driving the greatest worldwide growth in grooming and beauty products are those who feel liberated to celebrate their vanity and masculinity. They see attention to their appearance not in terms of problem-solving with immediate results, but as a long-term investment in identity and its public expression. These men are actively redefining what it means to be masculine.

## REDEFINING MASCULINITY: THE ASIAN INFLUENCE

Little b beauty is still the baseline in the West. But in the East, big B beauty has caught on in a big way, particularly in South Korea and Japan. In these highly advanced and influential societies, big B grooming and cosmetic products are the norm, and personal vanity is socially encouraged.

There are many reasons for this. For one, beauty is seen as an entry to and marker of success. An attractive personal photo may be as important to a job application as an attractive résumé. Popular culture also has a huge influence. J-pop and K-pop artists universally put fashion and beauty at center stage in their work. For male artists, this means adopting styles that Western men might regard as highly feminized.

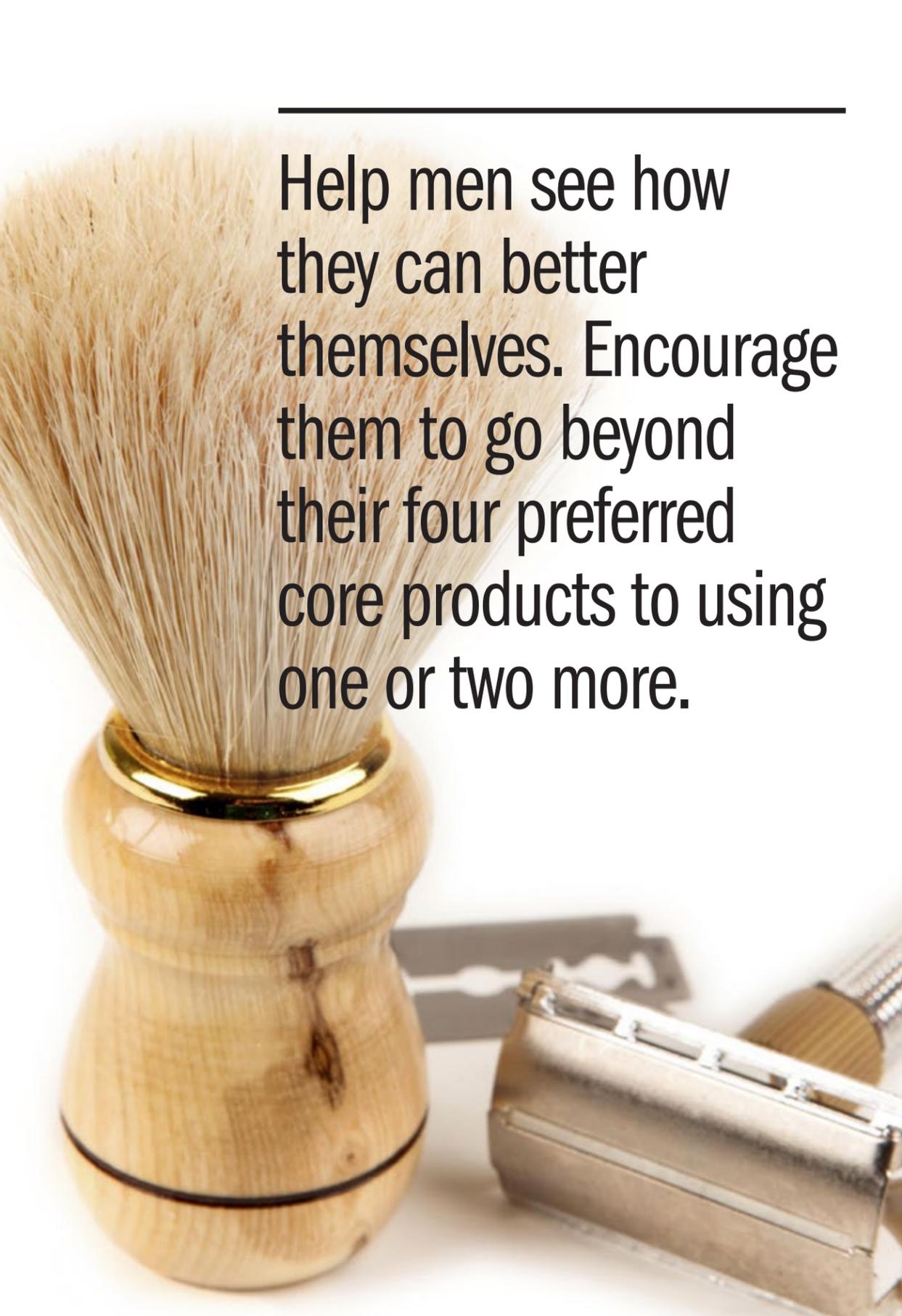
For example, the hugely successful South Korean rapper G-Dragon may be the first male celebrity to endorse a bright red lipstick, applying the Saem's Global Eco Red in an ad clearly intended to get the attention of his male as well as female fans. This blurring of genders is met by a blurring of races and cultures as the megastar sports a bleached blonde "fauxhawk" and unusually pale skin to set off a lipstick color promoted with the tagline, "It came from Spain." And that's just one of his many looks, all carefully put together.

## ENCOUNTERING THE MARKET, FRESH-FACED

Fashion trends in South Korea and Japan exert an outsized influence throughout Asia and beyond, while each culture brings something of its own history and social context to male grooming trends.

In China, the market is expanding at a yearly rate of more than 20 percent as a rapidly growing middle class equates men's beauty with sophistication and professionalism.





Help men see how they can better themselves. Encourage them to go beyond their four preferred core products to using one or two more.

In India, the influence of Bollywood has helped make big B beauty products for men socially acceptable.

Vietnam, Thailand and Taiwan are showing the strongest category growth in Asia. In each, the middle class is rising, and a vibrant youth market has shoppers embracing individualism in a way that previous generations couldn't have imagined. Young men are encountering the full spectrum of grooming and beauty products at once – with no preconceived notion that some products are more manly than others – giving big B brands a clean slate to influence consumer preferences.

In many urban centers across Asia, men and women often share the beauty experience, frequenting beauty counters and enjoying beauty treatments together. At M.A.C. Cosmetics in Singapore, nearly one in three shoppers are men. It's now the norm for men to compete with women – or rather, to join with them – in seeking a look that conveys personal perfection, self-expression and life success.

#### THE NEW MACHISMO: BEYOND ASIA

Ideals of male beauty are changing around the world – though not always in the same direction and at the speed we see in Asia. For example, sales of men's grooming and beauty products in Brazil have more than doubled in the past five years, and cosmetic surgery is increasingly common in a culture that puts self-expression on display, as during Carnival.

In other emerging and developing markets, men are using a wider variety of products than ever before, including lip glosses, BB creams, foundations and more. Thirty-five percent of Colombian men use nail polishes on a weekly basis.

All of this makes North America, Australia, the UK and much of Europe seem conservative by comparison. But even in these traditionally little b markets, men are showing new freedom to experiment with self-expression. For example, beard culture has led to a burgeoning market for “craft” beard care and shaving products, and has even reintroduced the traditional male-oriented barbershop to a younger generation.

However, the disconnect still remains between markets that lead the world in new product introductions, and the predominantly Asian markets that lead the world in beauty product sales. It may be time for Western brands to go bigger.

#### IMPLICATIONS FOR “MAN BRAND” OWNERS

Even if more entrenched male grooming markets aren't quite ready for Zayn Malik in red lipstick, there's ample opportunity to gently shift little b consumers toward new ways of embracing and expressing their masculinity. Our recommendations aren't about playing in either the little b or big B camp, but about exploring the grey area in between.

Here are our “high five” considerations for brand owners:

1. Sensible reasons to extend the grooming regimen. Help men see how they can better themselves. Encourage them to go beyond their four preferred core products to using one or two more.
2. Trial for loyalty. Even little b men today are far more inclined to try new products and are far less loyal than their fathers. Brand owners need to consider how to encourage trial and loyalty through effective portfolio optimization, new product development and messaging. Opportunities to inspire trial abound.
3. More meaningful segmentation of your male grooming portfolio. Enable men to trade up as they transition from one age group to the next and from little b to big B products.

4. Grooming for the older gent. Asia is aging fast (China faster than any large country in recorded history), and so are Western markets. Actively engage older men with specific product benefits and brand messaging.

5. Engagement from the shelf out. Reinforce all of the above points by building and elevating the dialogue with solutions-based messaging on-shelf and at the point of sale.

Consider that young men today may be photographed more in a month than their grandfathers were in a lifetime – often in selfies, the ultimate expression of personal vanity. Consider that even their fathers are enjoying the spotlight more than was ever possible when they were younger – and that the market for fitness, health and anti-aging products is growing like never before as the entire population ages.

Consider that men increasingly want to make their own shopping choices rather than leaving it to wives or girlfriends. Consider that they're encountering an abundance of little b choices – and they're scanning the shelves and consulting their phones to discover the brands that speak to their individuality. Consider that men who make the effort to better themselves may be yearning for more than the old stereotypes of masculinity.

Sports bar norms aren't going away anytime soon. But lots of men today are looking to be more than “that guy.” They're eager to express their individuality. To project success and confidence. To feel good about looking good. To indulge in personal care as an integral part of being and living well.

They're looking to try something new. Your little b lines still matter. But consider the opportunities to go a little bigger.

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# VARIABLE MARKING AND CODING: MAKING THE BEST OF A NECESSARY GOOD

Liz Churchill, Vice President for Sales & Marketing, and Lyndsey Farrow, Marketing Communications Specialist, Matthews Marking Systems

It's easy to think of variable marking, coding and identification requirements as a necessary evil, but the truth is they're a necessary good. Look at all the ways packaging codes and markings can benefit consumers, producers, retailers and the brand itself.

## DOCUMENTING ORIGIN AND FRESHNESS

Every smart shopper looks at the "best by" or "use by" code to make sure they're getting a fresh product - and to judge whether items that have migrated to the back of the fridge need to be thrown out.

Country of origin labeling (COOL) for meats, fish, shellfish, nuts, fruits and vegetables can also benefit consumers by providing information to guide purchase decisions, and by helping packers, processors and retailers ensure the integrity and traceability of the food supply. COOL can be controversial, and the World Trade Organization recently ruled that mandatory COOL legislation in the U.S. for muscle-cut meats presents an unfair barrier to international trade.

However, companies and legislators who believe in the benefits are still pursuing options such as voluntary COOL - and mandatory COOL still applies to a wide range of consumable products. Most important, surveys have repeatedly shown that shoppers prefer to know where their foods come from, and the USDA has concluded that COOL benefits the consumer.

Shoppers usually get their way in the marketplace, and, whether mandatory or voluntary, labels identifying country of origin are likely to play a greater role in the decisions they make at the meat case and produce aisle.

## ENSURING AUTHENTICITY AND SAFETY

Far less controversial than COOL, but even more important to product safety, are the bar codes and other serialized markings used to identify individual lots, shipments and packages of drugs, cosmetics and other products for purposes of authentication and traceability.

Serialization codes are essential for supply-chain management and assurance. They provide the ability to track products from source to consumer, and to recall products quickly in the event of a problem. They support compliance with local regulations, such as varying tax codes or disclosure requirements in different jurisdictions. They can help ensure the supply chain is efficient and accountable. And they can help give consumers confidence that the products they consume are genuine and safe.

## DELIVERING A BETTER EXPERIENCE

Increasingly, variable marking is also being used to understand and respond to the preferences of individual shoppers. Serialized codes can be printed on loyalty cards, on promotional flyers and coupons, inside bottle caps, on product packages and more.

Variable codes and personalized graphics can engage shoppers and encourage them to take action - by participating in a contest, claiming a discount, earning a perk. And the data behind the markings can be used to help manage promotional programs and gain insight into each shopper's behavior.

Serialization can also provide the data you need to determine whether goods are being purchased in-store or online, at which particular retailers, and even whether specific types of promotions are meeting their targets. Codes can even be used to help prevent a program from going viral and blowing through your promotional budget.

## STRENGTHENING AND PROTECTING BRANDS

In the final analysis, all types of identification codes are about brand trust. The information printed on the package isn't just data. It's a story about where the item has been and how fresh it is. Reassurance that it's safe to consume. Motivation to make the brand a part of the consumer's everyday life.

That's why most manufacturers will include codes such as "best by" dates even though there's no regulatory requirement to do so. If the code isn't present and trustworthy, shoppers won't just abandon the purchase. They may abandon the brand.

Conversely, markings that are legible, helpful and reliable benefit everyone who touches the brand - from supply chain managers, to marketers, to retailers, to the shoppers who ultimately determine brand success.

## BETTER PROCESSES AND TECHNOLOGIES FOR BETTER MARKING, CODING AND IDENTIFICATION

With all the good that variable marking and coding can do, why do brand owners, packaging engineers and production line managers regard it as a necessary evil? There are many reasons package and label markings can be costly, difficult to manage and error-prone. Here are the top three issues, and what you can do to address them.



# All types of identification codes are about brand trust. The information printed on the package isn't just data. It's a story about where the item has been and how fresh it is.

**1. Print Quality.** Poorly printed markings bring consequences. A juice bottle may be left on the shelf because the freshness date is illegible. A shopper may lose confidence in brand quality or authenticity if the label doesn't "look right." A recall may balloon to disastrous proportions if a defective bar code makes a bad lot of product untraceable.

A smudged "best by" date used to be regarded as acceptable, but that's old thinking. There's no reason today to accept anything less than the best possible print quality appropriate to the application. Labels and packages should be designed from the beginning to optimize marking requirements – from leaving a discrete space where state tax codes can be printed on a wine bottle label, all the way to printing logos and promotional information directly on the package in the same step as the variable code.

Brands that care about quality should also invest in the best available print technology. Big advancements in inkjet, thermal and laser printing have been made in just the past five years. In fact, the print quality, speed and control offered by today's most advanced systems can rival the capabilities of traditional printing technologies – so variable markings can be designed as a seamless part of the preprinted package or label.

**2. Data Management.** Regulations change. Different jurisdictions have different information and format requirements, even though the product in the package may be the same. Consider, for example, the sweeping changes to food labeling regulations that have come to the EU – or the new FDA regulations that will soon be changing the look and content of labels in the U.S.

To all that, add the complexity of managing multiple printing systems on multiple production lines – not only for primary packaging, but secondary and tertiary packaging as well. Brands need to centralize packaging design and printing control in order to respond quickly to content and format changes across all packaging types and minimize the risk of incorrectly coded packages.

An advanced, centralized print controller can be configured to draw product and supply chain information from official sources – such as product information databases, ERP systems and brand asset repositories. Based on this data, markings can be designed to meet the requirements of each regulation, label design and package type, with any changes propagated automatically to all printers of every type, anywhere.

**3. Cost Control.** Printing codes can affect production costs in several ways, especially when applying adhesive labels. For example, there's the capital and maintenance costs for labeling equipment. There's the cost of buying consumables such as print ribbons and adhesive labels, and of managing the waste they leave behind. There's the cost of lost production and scrap when consumables need to be changed or when labeling creates a bottleneck on the production line. And there's the cost of separately managing and storing preprinted boxes and labels.



While traditional preprinting and labeling methods will remain the preferred choice for many brands and marking applications, the speed, simplicity and quality of today's direct-print systems can offer a cost-effective alternative in the right circumstances. Direct printing can help brands gain market flexibility while saving preprinting, warehousing and labeling costs. Depending on the package design, secondary and even primary packaging can be printed in a single step right on the production line – not just variable markings but also the brand logo, messaging, nutrition facts, promotions and more.

### TURN A NECESSARY GOOD INTO AN OPPORTUNITY

There are many other potential issues and strategies for addressing them. But the core takeaway is that variable marking and coding isn't a necessary evil – it's a positive good that benefits the consumer and the brand. More than that, it can be an opportunity to improve production processes while helping your brand stand apart in the marketplace.

With over 160 years of experience – leading up to today's most advanced technologies – Matthews Marking Systems understands your marking and coding challenges, and how these challenges can be re-envisioned as opportunities for your brand. Visit our website for guidance on specific applications and a complete library of coding and marking resources.

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# CHINA, LAND OF OPPORTUNITY: MEETING NEW CHALLENGES WITH A NEW CONSUMER FOCUS

Jonathan Turner, General Manager at Brandimage in Greater China

With the world's largest population, second largest GDP, and a rapidly growing middle class, China represents a practically unlimited opportunity for brands that can create relevance for consumers. The question is how to find the sweet spot in a region that has been developing faster than many brands can adapt. Recent headlines have been cause for concern as brand managers try to read the tea leaves of a future where change is certain, but the path seems obscure.

Late summer, 2015, news of a slump in the Chinese stock market led to predictions of an economic slowdown that some feared would put an end to the strong growth that many brands in China have enjoyed for years. Around the same time, reports of new marketing regulations and tougher penalties for bad behavior added more fuel to the fire.

Both topics raise possibly troubling questions. How can brands adapt to the slowdown? How does marketing behavior need to change? Is this the end of the China market as we know it? And what does all of this mean for my brand?

We believe it could mean unprecedented opportunity. It's all a matter of perspective.

## PERSPECTIVE ON THE ECONOMIC SLOWDOWN

Growth has slowed but hasn't stopped. Per-capita income has grown at 11 percent annually since 2010, and even in the wake of the slowdown the government's five-year GDP growth target still outpaces the Western world at a robust 6.5 percent.<sup>1</sup> This continuing growth in personal wealth is contributing to a fairly quick recovery in property sales – a cornerstone of the economy. At the same time, it's enabling personal consumption, which is projected to grow 9 percent annually through 2020,<sup>2</sup> to pick up slack from areas of the economy in decline such as mining and construction.

Looking through a different lens, this can be regarded not so much as a slowdown as China's shift to a consumption-based model and an adjustment to the realities that market-driven economies face. In other words, it's the emergence of China's new normal – not cause for particular concern.

The slowdown in economic growth has had minimal effect on consumer lifestyles. One reason is that the Chinese have always been cautious – among the world's most diligent savers.<sup>3</sup> And they have rising incomes to be cautious with. Purchasing power remains strong and continues to rise. Consumption among the emerging-middle and middle classes is projected to grow at 5 percent through 2020. For the upper middle class and affluent, that figure more than triples to 17 percent.<sup>4</sup>

All of this is good news for brands. Retail sales are on the rise, as exemplified by Alibaba's record-breaking sales of US \$14.3 billion during the recent Singles Day extravaganza – an increase of 60 percent compared to the previous year.<sup>5</sup> Local Chinese brands, in particular, are experiencing strong growth. The “made in China” stigma is disappearing at home and abroad, and local brands are gaining confidence in their ability to compete against their global counterparts in function, quality and trustworthiness.

There's no reason for brand managers to panic about China – only to adjust to an evolving marketplace, as successful brands always do.

## PERSPECTIVES ON NEW REGULATORY LEGISLATION

The “new” legislation isn't actually all that new. It is an expansion and clarification of existing rules, together with a more detailed directive on how these rules can and will be enforced. In a market that has been repeatedly challenged by news stories exposing critical quality and safety issues, these rules are designed to protect consumers in ways Western brands have long been used to.



Chinese brands can learn from global brands how to be more relevant on a personal level. Western brands can learn from their Chinese counterparts how to engage on a local level.



The rules range from prohibiting the use of China's flag in advertising to regulating the placement of ads on school buses. There are specific guidelines around truthfulness in price, origin, ingredients and functional claims. Ads that target kids with inappropriate products and messages are banned. Pop-up ads can't be so intrusive that they hinder normal internet use, and spam marketing is required to be opt-in.

Far from hindering commerce, these are necessary measures to promote responsibility and fair competition in a market that is shifting to a consumer economy.

Brand owners are responding the only way they can for sustainable brand development and growth: Compliance. It is no longer sufficient – or even possible – to bombard consumers with hyperbole and broad messaging. Brands must dig deeper to identify key rational and emotional benefits and be declarative about them.

#### NEW PERSPECTIVES MEAN NEW OPPORTUNITIES

Reactions to these economic and legislative developments do not need to be mutually exclusive. Both imply that the days of a “scattershot” approach to marketing in China are over. Marketing efforts need

to become smarter, more creative, more nuanced and more focused – not only to tick boxes on legislative requirements but also to make every marketing dollar work harder in a more challenging economic environment.

Most importantly, brand managers need to recognize the true source of these recent challenges. They are not isolated episodes, but rather signs of a more fundamental change. Chinese consumers are gaining more purchasing power than ever before. They're eager to express their individuality and independence. They have more options and want to make informed choices.

As a broad class of newly empowered Chinese consumers grows to become a predominant economic force, local and global brands can create new opportunities by making some key strategic adjustments.

#### BRAND PORTFOLIOS MUST BECOME MORE STREAMLINED AND EFFICIENT

Brands need to move away from the often-sprawling portfolios that have grown based on the old fallacy that “more brands + more products = more sales.” Chinese brands, in particular, have much to learn from their Western counterparts in defining a brand essence and strengthening the brand core.

Instead of offering dozens or even hundreds of “me too” products, brands should focus on the products that truly drive ROI, creating a coherent identity around these products that is distinctive and differentiated from the competition. The goal here is to replace “me too” with well-defined set of “must have” products that consumers will instantly recognize and choose even when they're feeling cautious about spending.

One example of this is Huishan Dairy. In a market where differentiation can be challenging and food safety scandals have made headlines, Huishan draws inspiration from Western brands. Its “grass to glass” positioning promises superior product quality and safety thanks to the company's wholly owned farms and high-nutrition feeds.

Huishan has even invested in a large herd of Jersey cows – the first of these premium milk cows ever to set hoof in China. The message to consumers is clear: Huishan combines world-class quality with local production to offer the best dairy products available to the Chinese consumer.



## BRANDS MUST BE FUNCTIONALLY CREDIBLE AND EMOTIONALLY RELEVANT

Brands shouldn't require new legislation to keep them from making extravagant or irrelevant claims. In the past, some Chinese brands have behaved as if they can say practically anything and consumers will follow. But increasingly sophisticated consumers in a maturing market can see right through dubious claims. They're looking for brands that offer a relevant dialog, tapping into their emotions and aspirations.

One notable example is Uni-President. Seeing an opportunity to revitalize China's cold tea segment, Uni-President launched its ready-to-drink Xiao Ming Tong Xue tea in the first half of 2015. Aimed squarely at Chinese teens and young adults, this all-new cold-pressed tea product with its playful packaging and cheeky, streetwise marketing quickly became a hit in China.

The product name itself, "Xiao Ming Tong Xue," creates relevance through intertwined meanings that engage a youthful audience while reframing a familiar product in a surprising new perspective:

- "Xiao Ming" is a homonym of a John Doe-type name that appears in all children's schoolbooks and on exam questions – for example, "If Xiao Ming eats one-third of his apples, how many does he have left?"

- The Chinese character designating "Ming" is also a word that describes the tender shoots of tea leaves.

- "Tong Xue" means "classmate."

Bold, cartoon-like packaging portrays multiple, youthful characters that come to life across the marketing mix. Most importantly, they're integrated seamlessly into the digital channels of choice for Chinese youngsters, with viral clips and "memes" that emulate the attention-grabbing characters of trendy brands such as Qoo or Minions.

Uni-President understands that the cold tea segment still has unrealized potential, and is transforming it into a ubiquitous product by tapping into the emotions and attitudes of China's youth. It's about rejecting hyperbole and getting on-target with the way consumers want to experience their world.

### EAST MEETS WEST

Chinese brands can learn from global brands how to be more relevant on a personal level. Western brands can learn from their Chinese counterparts how to engage on a local level. The key is to understand that consumers, wherever they may be, aren't really all that different. They want to acknowledge their shared roots, but flower in their own individual way.

The most successful Western brands know how to express their core values. But their globally calculated innovation processes may miss opportunities to reach newly empowered individuals in locally diverse Chinese markets.

Conversely, successful Chinese brands understand how to activate new products and campaigns for Chinese audiences. But they often have less well-defined brand cores, hindering the development of smart, efficient and sustainable portfolios.

As consumers gain purchasing power and social influence, the challenges of a consumer-driven market come to the fore. Smart marketers will look at these challenges and find new opportunities in the synthesis of Eastern and Western brand strengths.

Does your brand present a clearly focused identity? Are your brand values credible? Is your brand locally and personally relevant? If so, then the state of the economy or the regulatory landscape shouldn't matter all that much. You're doing the important work of brand marketing: Meeting people where they live. Wherever that may be: East or West.

It is no longer sufficient – or even possible – to bombard consumers with hyperbole and broad messaging. Brands must dig deeper to identify key rational and emotional benefits.

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