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**HAVI Global Solutions** | Grow Smarter

# LUXURY BRAND Tactics

What's ahead for luxury brands? All signs point to robust growth, predicts The Luxury Marketing Council, as long as those brands focus on marketing special features (i.e., elevated functionality, craftsmanship, presentation) that are only available in higher-end products.<sup>1</sup>



## ATTAINING STATUS

UK-based luxury hair care brand **Philip Kingsley** was recently awarded Britain's CoolBrand status for the third year in a row, acknowledging its cutting edge leadership in "style, innovation, originality, authenticity, desirability, and uniqueness" by a panel of experts from various industries. Positioned as the leading authority in hair and scalp health, the luxury brand emphasizes key differentiators that reinforce its product line as groundbreaking, including being the first to address both the specific needs of different hair textures as well as create pre-shampooing conditioning treatments, scalp masks, and scalp toners. The product line also leverages packaging to reinforce its premium positioning, creating packaging that is both enjoyable to clients while cueing classic luxury, high performance, and premium function.<sup>2</sup>

## POSITIVE PRESS

Other luxury brands generating news in unconventional ways include **Prada** and **Manolo Blahnik**. Italy's Prada recently announced its third annual literary competition, held in partnership with publishing house Giangiacomo Feltrinelli Editore, to celebrate its **Prada Journal** collection. Prada Journal, a collection of eyeglass frames, developed in collaboration with **Luxottica**, encourages consumers to take a fresh, different view of the world through its lenses.<sup>3</sup>

Executives for luxury shoe brand Manolo Blahnik raised \$198,000 for the University of Connecticut dairy scholarships, donating "strappy metallic stilettos, blue satin pumps with crystal buckles, thigh-high boots, and hundreds of other delicate couture confections trimmed with turquoise beads, crystals, or brocade" for a charitable sample sale. Normally retailing between \$450 and \$1,300 USD, the haute couture items were sold to budding fashionistas for \$150 to \$350 each. Manolo Blahnik executives George Malkemus and Anthony Yurgaitis own an award-winning Connecticut dairy farm, which led to the offbeat collaboration.<sup>4</sup>



# HONG KONG'S E-Waste Initiatives

Hong Kong is known for embracing technological innovation, but it often results in significant amounts of e-waste—approximately 70,000 metric tons annually.<sup>5</sup> E-waste is also projected to be one of the fastest growing waste streams, with the global e-waste management market expected to reach \$49.4 billion USD by 2020, a compounded annual growth rate of 23.5 percent from 2014.<sup>6</sup>



## LARGE-SCALE INVESTMENTS

In response to the growing challenge, the Hong Kong government recently committed \$1 billion HKD to recycling efforts and has recently formed an advisory committee to make recommendations to the government. This committee will stay intact for three years and consists of “experts, academics, and people with experience in business management and community service, as well as representatives from various business and industry associations.”

As part of this initiative, \$550 million HKD (equivalent to \$71 million USD) has been earmarked for an e-waste electrical and electronic equipment treatment and recycling—or WEEETR—facility, designed to process 30,000 metric tons per annum. The **Hong Kong Environmental Protection Department** awarded a contract to **ALBA Integrated Waste Solutions Hong Kong Limited**—a joint venture between bulk cargo handler **ALBA Asia**, German recycling technology firm **Erdwisch Vertriebs GmbH**, and local collection firm **IWS Environmental Technologies**—to design, build, and operate the facility in Tuen Mun EcoPark. The facility

will convert regulated e-waste into raw materials, including metals and plastic, and is targeted to be fully operational by 2017.<sup>7</sup>

## LEGISLATIVE CHANGES

Hong Kong’s Legislative Council is currently reviewing a new bill to encourage e-waste recycling on the “polluter pays principle.” The bill—named Promotion of Recycling and Proper Disposal (Electrical Equipment and Electronic Equipment) (Amendment) Bill 2015—oversees the recycling of items such as air conditioners, refrigerators, washing machines, televisions, computers, printers, scanners and monitors.

Companies that manufacture and/or import regulated electrical equipment must register and pay a recycling fee for equipment distributed within Hong Kong. The bill would also require sellers to arrange for a free-of-charge removal service for consumers and then deliver old equipment to an appropriate recycler. Finally, a waste disposal license would be required for anyone storing, treating, reprocessing, and/or recycling regulated e-waste.<sup>8</sup>

# TECH-SAVVY Bottles



Near-field communication (NFC) smart bottles are all the rage these days—no surprise given projections that global shipments of NFC-enabled smartphones will reach 1.2 billion by 2018.<sup>9</sup> NFC technology presents numerous advantages to manufacturers, enabling product tracking along all supply chain touchpoints to maintain product integrity and to protect against counterfeiting. Beverage brands are also leveraging the technology to communicate directly with consumers, as well as helping consumers verify the authenticity of the contents of purchased alcoholic beverages.



## CLUB CONNECTED

French luxury cognac brand **Rémy Martin** will soon launch the Club Connected Bottle, a package that provides “product authentication, opening detection, and a consumer engagement program, all in one.”<sup>10</sup> The product launch marks Rémy Martin as the first brand in the industry to use NFC technology in a commercial release. An integrated tamper-proof tag,

developed by digital innovations company **Selinko**, contains a high-security, asymmetric-encryption technology similar to what is used in electronic passports and bankcards.

Consumers with Rémy Martin’s app can tap their Android smartphones on the top of the bottle to ensure that the product is genuine; the app also confirms whether the bottle is sealed or has been opened. Once the bottle is open, the tapping motion triggers the company’s consumer engagement program within the app, sharing information about available rewards, events, and special offers. The NFC-enabled bottles will be available this fall in upscale Chinese nightclubs before a market-wide launch effort.

## SMART WINES

**Thin Film Electronics ASA**’s patent-pending **NFC OpenSense** tags, along with the **G World Group**’s globally patented **SAMSCAN** anti-counterfeiting technology, are coming together in a partnership that will deliver the industry’s first “smart wine bottle.”



Ferngrove Wine Group (FWG), a Chinese-owned supplier of five-star wines based in Western Australia, is conducting a live trial of the technology tagged bottles. FWG exports more than 600,000 bottles to China each year.

G World placed a seven-figure unit order for the NFC OpenSense tags as part of the agreement with Thin Film and in conjunction with the planned Ferngrove field trial. The first release is slated to take place in China in direct response to the significant amount of counterfeiting activity present in the country. The one-inch tags will be placed near the wine bottle's top, but the technology is also designed to work underneath the label. The system, according to G World's managing director, is "designed to enhance trade and productivity for industry" as well as to assist in anti-counterfeiting.<sup>11</sup>

## PROTECTED DISTRIBUTION

French wine producer **Domaine Geantet-Pansiot** is also going smart this fall. Each bottle of **Grand Cru** and **Premier Cru** will soon use the high-security technology provided by Selinko. The bottles will each have a unique digital identifier that can be traced and authenticated along the supply chain. The company's goal is to secure their distribution network and combat unauthorized product sales in gray markets.



Using an **NFC CapSeal** chip placed on both the neck of each bottle and on the case, Selinko's technology will alert **Domaine Geantet-Pansiot** if product is taken outside the company's official distribution network. The chips are protected by more than 250 security measures and are certified by the **L'ANSSI** in France and the **United States Department of Defense**. The addition of the anti-counterfeiting technology guarantees the protection of the wines for thirty years.<sup>12</sup> **Domaine Geantet-Pansiot** also intends to use the technology to communicate its 2,000-year history directly to consumers as well as help consumers find authorized retail outlets where they can purchase more products.



# EARLY WARNING Systems

Big Data continues to take center stage as a critical tool to achieving efficient and effective supply chain management, even helping reduce the impact of threats (ranging from food safety to terrorism) on a company's supply chain. Techniques being used to identify risks and assess those threats include historical data analytics, risk mapping, and scenario planning.



## PROACTIVE MEASURES

Automotive supplier **Borg Warner** has developed a Supplier Performance Monitor using data from its own SAP system plus third-party data that is fed through an artificial intelligence algorithm similar to Google's search engine. The proactive monitoring system allows Borg Warner to identify potential problems early on and respond to them while they are still manageable.

German automaker **BMW** uses an even more forward-looking risk management approach, systematically sorting through social media postings, emails received, and press reports to identify early warning signals (e.g., quality problems, labor issues, shipping delays) before they develop into problems of significance. BMW's algorithm is based on a two-stage language-sorting engine created in partnership with a University of Manchester academic.<sup>13</sup>

## BIG DATA & BIG OIL

Global energy firm **BP** is working in partnership with **GE**, using GE's MRI scanners and other machinery in its production facilities to "pursue the power of 1 percent." The impact of 1 percent is a GE-held belief that even a small, 1 percent improvement in efficiency and productivity can add billions of dollars to annual global gross domestic product. In this instance, BP uses GE's sensors to ensure the efficient operation of critical rotating machinery found on the energy company's production facilities. This includes the compressors, generators, and critical pumps needed to ensure the safe extraction and transportation of oil and gas around the world.

Analyzing sensor data such as vibration, rotor position, temperature, pressure flow, and other important metrics, BP can identify when machinery is no longer operating at optimal capacity. The GE-enabled system allows BP to be proactive in obtaining significant risk management insights, helping diagnose problems in their earliest stages to avoid lost production and/or increased costs.<sup>14</sup>

# Making FRESH Possible

With consumer demand for fresh, healthy ingredients on the rise, restaurant chains are expected to make healthy options the new standard, not an added-cost extra. In the face of such demand, supply chains have no choice but to adapt to consumers' changing palates.



## COMPLIANCE CHALLENGES

Although many restaurant chains make aggressive claims to be more transparent about food sourcing in order to provide healthier, organic menu items, the challenge of locating enough high-quality supply to complete the menu overhaul is quite difficult. Procurement teams must evaluate existing suppliers to ensure they can meet the new standards as well as find new vendors to ensure continuous supply.<sup>15</sup>

## PROGRESSIVE POLICIES

Panera Bread is making progress toward its revamped Food Policy, a move that caters to consumers' growing interest in a more natural, healthy diet. Since last year's announcement, the company has been working closely with suppliers to "un-engineer" its food menu. The company recently released a comprehensive list of ingredients that will be removed from or never appear

in its menu items. Nicknamed the "No-No List," Panera plans to remove more than 150 ingredients—including artificial additives, trans fats, and substances like high fructose corn syrup—from its foods.<sup>16</sup>

## WAITING GAME

In what Wendy's executives claim has been its most difficult supply-chain challenge in recent history, the company spent 14 months searching for blackberries to complement a salad planned for next summer. The challenge of finding enough fruit—nearly two million pounds of blackberries—to supply its 6,500 North American restaurants proved more difficult than expected. Wendy's normally reviews two to five suppliers for each type of produce it uses, but the company went through more than 30 before finding a pair that could supply enough blackberries. According to Anthony Gallino, vice president of sales at **California Giant Berry Farms**, most blackberries are sold to grocery stores, leaving minimal supply for restaurants. In order to meet Wendy's high volume demands, growers had to plant extra blackberry bushes, which take three years to produce mature fruit.<sup>17</sup>



# Credits

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