

China's Label Market

Development Center to further educate and work with the Chinese manufacturing sector to help improve standards in sustainability," says Martin Ferguson, Australia's acting minister for trade.

So while China's label industry addresses issues of efficiency, cost and sustainability, the country's communist government can sometimes provide roadblocks to the production process.

"We'll be running a job, and all of a sudden there will be a change in the law," Martin says. "It's really the biggest shock when it comes to operating a business in China. There are day-to-day changes, and you can't fight them."

The Chinese legal system can have adverse effects on the economy and the work force. For example, the country's "one child per family" policy, implemented to curtail overpopulation, is the cause of China's rapidly aging population – and workforce. It is estimated that in 2010, 34 percent of China's population will be over 50. In the near future, the massive workforce will be a massive elderly population, and it remains to be seen if the country's economic structure is equipped to handle it.

CCL Label, headquartered in Toronto, Canada, is the leading global label supplier, and currently has two manufacturing facilities in China with more on the way. Its Guangzhou plant started operations in 2006 and focuses on personal care products. The Hefei plant, located in central China, opened in 2004 and is devoted to battery and beverage labels.

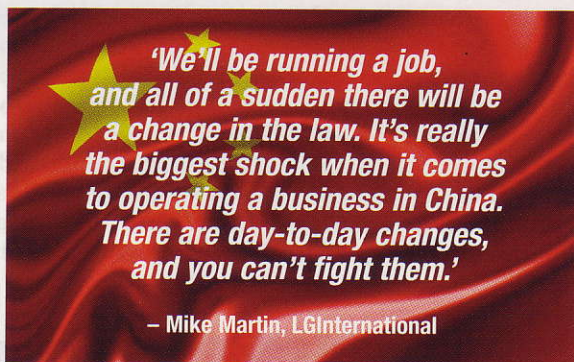
Jim Anzai, vice president, managing director, CCL Label Asia, talks about drivers in the Chinese label market, as well as the company's current and future enterprises in China. "A main driver for label demands is growth in the hair and skin markets, targeting working females in urban settings. Another fast growing sector is beverage. To this end we feature CCL's "Wash-Off" technology for returnable bottles. In fact, China is the largest beer production country in terms of volume," Anzai says. "We have global end user producers existing in China seeking business in its domestic market. Also, we've seen major global players in Japan and Korea move their manufacturing facilities to China. They manufacture in China, and then export back to their countries. So export is another key economic driver."

CCL reports that sales from both facilities increased from 2006 to 2007. Estimates for 2008 also show increasing sales, particularly a significant jump at the Hefei facility.

Anzai says CCL is expanding its Hefei plant and completion is expected later this year. Construction of a new facility in Tianjin for personal and health care labels is expect-

ed to start in 2009.

While the company is optimistic and enthusiastic about its business ventures in China, Anzai does acknowledge risks associated with the Chinese market. "Inflation is as high as 8.6 percent and that will make costs expensive in a short period. Also, the RMB (Chinese currency) exchange rate has increased 15 percent over the last two years," he says. Anzai also notes the aging population as a potential risk factor as well as policy changes in taxes, regulations and laws.



Yet taking the risks into account, Anzai believes that China is still a very attractive, growing market. "The CCL Asian team is striving to make the CCL business model successful in emerging markets."

Evonik Goldschmidt, headquartered in Düsseldorf, Germany, is currently very active in China. The company is a producer of UV silicones for a variety of pressure sensitive applications.

Mikko Meyder, global marketing manager RC silicones, discusses Evonik's appeal to the Chinese label market in regard to cost and sustainability drivers, as well its future endeavors in the region. "For label stock producers, our products offer immediate cure, stable release values, low energy consumption for silicone curing, and a significantly lower initial investment for UV equipment compared to a thermal drying oven. Chinese printers and converters have the possibility to use our UV silicones with a converting line supplied by our partner, ETI, and yield various advantages out of this. They can produce their own, tailor-made label stock at very low cost, and the combination of the ETI line with our silicones allows them to produce label constructions that cannot be made with standard labelstock.

"Our current efforts in China concentrate on a transfer of our UV technology to the Chinese market. We are sure that the advantages of UV curing, especially on the cost side, will convince many labelstock producers, printers and converters in the region to adopt this technology. In order to support our customers in the technology shift that is necessary, we are currently building up a technical center in Shanghai. On an overall floor space of 500 square meters, we will install a narrow web siliconizing line and have sufficient lab space to do all relevant testing of label stocks and release liners. The technical center will be operational in the second half of 2009. We will use it to demonstrate the advantages of our UV technology to our existing and potential customers. We will also use it to adapt silicone formulations to customers' needs and conduct all relevant tests with labelstocks," Meyder says.

Trade show

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Trade show

Adsale Exhibition Services, based in Hong Kong, along with the China Foreign Trade Group, has organized the China International Exhibition on the Label Printing Industry, also known as Sino-Label. The event is one of the largest international exhibitions of its kind in China. It will be held March 3-6, 2009, at the China Import and Export Fair at Pazhou Complex, Guangzhou PR, China. The show will cover label printing machinery, bar code printers, RFID, anti-counterfeiting technology, label security applications, self-adhesive materials, testing equipment and accessories, label design, and more. Conferences and symposia are also part of the event.

"China's label market has achieved a growth rate of 15 to 20 percent over the last 10 years, higher than the global market growth rate of 3 to 6 percent. South China (Pearl River Economy Delta) progresses by leaps and bounds and is the largest region for the printing and packaging industry. Statistics show that there are a total of 1,000 label printing enterprises and over 10,000 packaging companies in the region. A large number of well known international and local suppliers of label materials cluster in South China. Guangdong Province and Hong Kong alone account for 67 percent of the country's total label printing production," says Sini Liu, assistant manager, marketing communications department, Adsale Exhibition Services.

Liu predicts China's label market will only continue to grow. "China's label market is growing at a vigorous pace. Vast opportunities are being generated by the wide range of applications and increasing demands for advanced label technologies from different industries, such as food, beverage, pharmaceuticals, cosmetics, and electronic products. It is estimated that in the forthcoming years, China's label printing industry will grow at a rate of 30 percent," she says.

Sino-Label 2008 exhibitors included Mark Andy, AVT, Lintec, Avery Dennison, Pantone, King Label and Labelmen.

'Guanxi'

Chinese culture is distinguished from Western culture in many ways, and how business is conducted is no exception. The Chinese term "guanxi" translates to mean "relationships," and in the Chinese business world it is understood as the network of relationships among various parties that cooperate together and support one another. Mike Martin compares the guanxi concept to the colloquial "Good Old Boy"

network that exists in American business culture. It is an important concept to understand if one is to effectively conduct business in Chinese society.

The Chinese prefer to deal with people they know and trust when it comes to doing business. While this doesn't appear to be much different from doing business in the Western world, the heavy reliance on relationships means that Western companies have to make themselves known to the Chinese before any business can take place. Furthermore, this relationship is not simply between companies but also between individuals at a personal level. The relationship is not just before sales take place but it is an ongoing process. The company has to maintain the relationship if it wants to do more business with the Chinese.

"A lot of business is conducted over meals, on a personal level," says Martin. However, he notes that there are roadblocks along the way that arise when two cultures clash. It shouldn't be understated that one needs to learn and respect Chinese mannerisms, customs, and etiquette, in order to succeed in China's business environment. Considering China's growth, it's probably a good idea. ●

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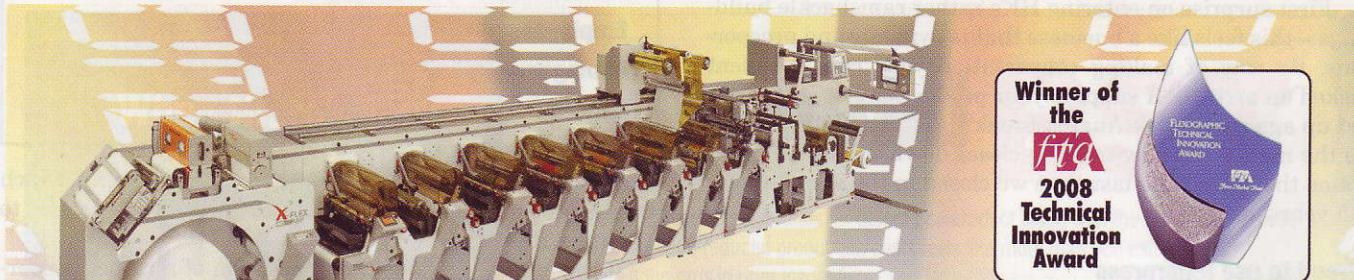
For its finishing line, Germark chose a Digital Galaxie from SMAG with flatbed screen printing and semi-rotary foiling, varnishing and diecutting. Germark now uses the ws4050 plus the Galaxie to offer what it calls Etiqueta Express: This special service offers customers a limited choice of labelstocks, digital printing and standardized dies, and of course super-fast delivery. Says Iban Cid,

“We still offer all our standard program, but the 48-hour service has brought us new business and cemented our relations with our more long-standing customers.”

The company’s original business was not labels but marking equipment (hence the name), and today coding machinery, together with a wide range of label applicators, still account for around one third of its sales. A hangover from the past? No, insists Sr. Cid: “We design and build all the range of applicators ourselves, selling over 100 per year, and it is a highly profitably part of our business, as are the coding machines.”

Profitability is a word that crops up frequently when you talk to Iban Cid. “I’m not embarrassed by profit,” he says. “We provide good service and good products, and it’s profitability that will help us to continue growing, providing jobs, and investing.”

— John Penhallow



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