

DATADOT TECHNOLOGY LTD

How to Build Customer Trust, Brand Protection and Sales Using Smart Packaging



DataTraceid
AUTHENTICATION SOLUTIONS





STEVE DELEPINE

VP BUSINESS DEVELOPMENT

Steve Delepine is an international brand protection professional with over 20 years of experience in sales, marketing, operations and project management. He has a proven track record in growing sales, managing costs, increasing profitability and building brand awareness.



TEMOGEN HIELD

CEO

Temogen Hield is an innovative strategic thinker with a natural change and future focus. He is passionate about customer engagement and trust, and building lasting relationships that are mutually beneficial and uses a range of executive capabilities to lead and motivate teams to achieve by taking responsibility for results. He is a strong integrator with excellent stakeholder management skills.

How to Build Customer Trust, Brand Protection and Sales Using Smart Packaging

Discover how Smart Packaging can create competitive differentiation through consumer authentication and engagement:

➤ 1. INTRODUCTION

A summary overview of key trends in counterfeiting and smart packaging shaping consumer expectations and preferences

➤ 2. CASE STUDY

A case study on how smart packaging can be applied to build consumer trust and loyalty whilst providing brand protection

➤ 3. HOW WE CAN HELP

Some simple steps to build brand protection and customer assurance

➤ 4. Q&A SESSION

Question time to answer your important questions and provide further information

How to Build Customer Trust, Brand Protection and Sales Using Smart Packaging

Discover how Smart Packaging can create competitive differentiation through consumer authentication and engagement to:



Build **customer trust and assurance** through product authentication and protection features



Deepen **customer engagement** and communication through interactive product information platforms



Enhance your **brand value** and **product assurance** to create a compelling **point of differentiation** and customer experience



Build **customer loyalty and advocacy**, leading to increased **product sales** and referrals



Capture and leverage **customer** and product data to build **valuable insights** on product usage and tracking

1

INTRODUCTION

Emerging trends: counterfeiting, consumer behaviors and implications for brand owners

THE NEW IMPERATIVES: AUTHENTICITY & TRUST

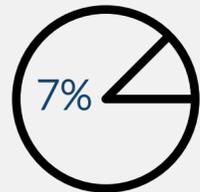
Counterfeiting is a significant global problem that is continually growing...

\$1.77 Trillion

Global impact of counterfeit goods in 2015, up from \$250 billion in 2009 (OECD Report)



The Global Counterfeit market is the size of Italy's GDP, the 9th largest economy (OECD)



Of all global trade is estimated to be in counterfeit goods (World Customs Organization)



5.4 million

Estimated number of legitimate global jobs at risk from counterfeit goods (OECD Report)



...And has permeated all industries, damaging company brands, reputations and profits...



10% of medicines worldwide are fake. 60% contain no active ingredients, 16% incorrect ingredients (World Health Organization WHO)



70% of all wine sold in China is estimated to be counterfeit (World Trademark Review)



~80% of all olive oil sold in the U.S. contains lower grade oils and impurities (Forbes)



33% of all fish sold in the U.S. is fraudulently labelled (Oceana)



5,300 product recalls of pet food products in the U.S. due to melamine contamination by Chinese manufacturer. Cost of recall and legal claims ~\$100m (US FDA and Wikipedia)



...Exposing consumers to toxic substances, resulting in dire consequences and mistrust...



650,000 deaths occur each year from counterfeit medicine containing toxic and ineffective substances (WHO)



54,000 babies were hospitalized and 6 died in China from counterfeit baby formula containing melamine (Wikipedia)



149 people died in the U.S. from counterfeit blood thinner Heparin in 2008 (US FDA)



74 people died in Russia from counterfeit vodka in 2016 (Wikipedia)



Consumers now rank product safety, experience and transparency as key drivers in purchase decisions (Deloitte US Consumer Trends 2016)



KEY POINT: Authenticity and Trust are the new imperatives for brands and provide a key opportunity for companies to differentiate and build brand value through product authentication and consumer engagement

A LOSS OF TRUST CAN WIPE OUT MILLIONS IN SALES & PROFIT



After one of the most infamous data breaches in history, Target's sales fell by 46 percent in the fourth quarter of 2013 – which amounted to a loss of more than USD200 million in profits (customerthink.com).


72%
of consumers prioritise product purchases from brands they trust
Source: Nielsen Research


43%
of U.S. millennials agree they do not trust large food manufacturers compared to just 18 percent of non-millennials
Source: Mintel Report


42%
of shoppers said they rely on retailers to assume a greater role in managing food safety, up from 25 percent in 2009
Source: FMI Study

 **KEY POINT:** Counterfeit has the potential to rival or exceed a major data breach in terms of the financial and reputational damage it can do to a brand

SMART PACKAGING CAN PROTECT AGAINST COUNTERFEIT AND INCREASE AUTHENTICITY & TRUST

\$800 Billion

The packaging sector is valued at more than \$800 billion a year. Smart packaging will be \$39.7 billion by 2020 (Markets and Markets)



4 billion

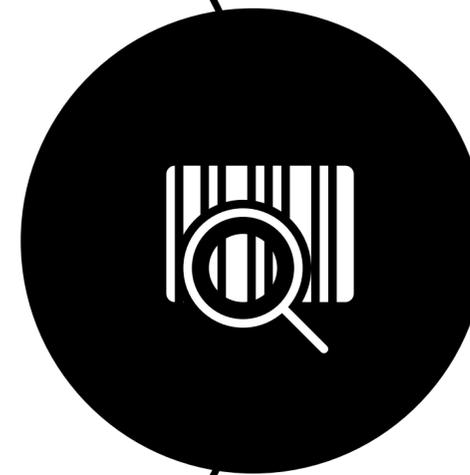
Smart-packaging sector is growing at a CAGR of about 5% and connecting around four billion people (Markets and Markets)

ACTIVE PACKAGING

Provides physical functionality and features that protect and preserve product contents such as protective wrapping, security seals, and anti-tamper and tamper evident features, temperature and moisture control.



SMART PACKAGING



INTELLIGENT PACKAGING

Incorporates functionality that integrates the physical packaging features with digital technology to assure, engage, educate and inform consumers about the product, its status and other information.



KEY POINT: Smart packaging enables companies to drive positive differentiation based on authenticity and trust

SMART PACKAGING ENABLES BRANDS TO CREATE ENGAGING CUSTOMER EXPERIENCES & COLLECT CUSTOMER DATA



84% of consumers use their smartphones before or during store visits to research product information (Deloitte Consulting Report)



60% of consumers find new experiences more exciting than new products (Canadean Global Survey)



45% of customers share negative reviews on social media (Zendesk)



ENGAGING CUSTOMER EXPERIENCES

- Inform, educate and converse with customers through a dedicated app- based channel, on the customer's smartphone
- Enable sharing of experiences and product advocacy via social media



CUSTOMER DATA CAPABILITY

- Identify and connect with your customers
- Understand where and how customers are using your products and engaging with your brand



KEY POINT: Smart packaging has enormous potential as a marketing and data collection tool

SMART PACKAGING AS A KEY DIFFERENTIATOR

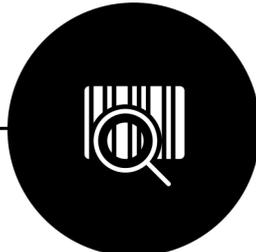
The challenges of brand protection can be addressed with an integrated smart packaging authentication solution

“Without differentiation you have no brand”
— Bernard Kelvin Clive



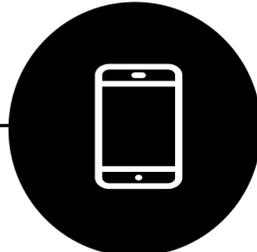
VALIDATE

Consumer inspects and validates product before purchase to ensure not tampered or damaged



AUTHENTICATE

Consumer logs onto product website or digital app to authenticate product



EDUCATE

Consumer obtains product and other useful information via product website or digital app



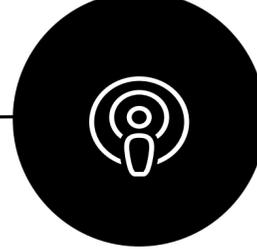
LOCATE

Consumer and product information tracked via ‘track & trace’ platform for product traceability



COLLATE

Consumer information is captured via digital platform and used to understand consumer patterns



COMMUNICATE

Company engages and communicates with consumer via digital platform using notifications



ADVOCATE

Consumer shares product information and brand experience to friends via social media



KEY POINT: Smart packaging can create a powerful competitive differentiator through enhanced consumer assurance, engagement and experience that can lead to increased customer loyalty and sales



2

CASE STUDY

An interactive illustration of how smart packaging can be implemented to build consumer trust, engagement and loyalty

ABC COMPANY REQUIRES AN AUTHENTICATION AND ENGAGEMENT SOLUTION

The challenges of brand protection...



ABC Company sales have grown strongly from expansion into new markets such as China



Recently, a competitor experiences a product counterfeit breach where toxic substances were found, resulting in a global product recall



ABC Company operates globally with leading consumer products and a strong brand reputation



ABC Company's growth has created challenges in engaging and servicing customers to meet their needs in real-time



ABC Company is concerned about its product supply chain security and consumer engagement and explores possible solutions

THE PROPOSED AUTHENTICATION AND ENGAGEMENT SOLUTION BENEFITS

Challenge/Opportunity	Business Requirements		Solution Components
<ul style="list-style-type: none"> ABC is concerned about impacts of loss on Trust driven by counterfeit on its business, and Sees opportunity to differentiate by increasing Consumer Trust 	<ul style="list-style-type: none"> Provide consumer with tangible and overt reasons to Trust ABC products more than the competition 		Tamper evident labelling to build Consumer Trust - products have not been tampered with or refilled. QR Code to trigger digital Consumer Assurance via smartphone.
<ul style="list-style-type: none"> ABC is looking to gather additional supply-chain data about who, where and why their products are being sold and purchased. 	<ul style="list-style-type: none"> Collect supply-chain and customer data 		Track & Trace serialization 'back-end' to enable smartphone based Data Collection on product usage and consumer behavior
<ul style="list-style-type: none"> ABC sees an opportunity to further differentiate its brand by engaging directly with its Customers before and after purchasing decisions 	<ul style="list-style-type: none"> Provide consumer with provenance information pre-sale, and Create a platform for post-sale communication 		Branded smartphone app that provides Consumer Engagement with <ul style="list-style-type: none"> Assurance that product is authentic Information about Product Provenance, such as supply-chain to customer information Regular and engaging Post Sale Communications, such as a wellness blog
<ul style="list-style-type: none"> Especially for imports to China ABC is concerned about large scale counterfeit undermining its brand positioning 	<ul style="list-style-type: none"> Reduce likelihood of Counterfeit, by protecting supply chain 		Overt & Covert Counterfeit Detection systems to help identify diversion and counterfeit products entering into their supply-chain

Tamper evident labelling to build **Consumer Trust**

- products have not been tampered or refilled



According to anecdotal reports the average bottle of Champagne is refilled 7 times in China ([Jeremy Oliver](#))



OTF TAMPER LABEL



Optically Thin Film (OTF) label with anti-tampering features added to packaging

REVEALS TAMPERING



Label reveals tampering with void message if tampered or removed

CONSUMER ASSURED



Consumer is immediately assured that product has not been refilled or tampered

QR CODE TRIGGER



QR code used to trigger digital engagement and provide further assurance (see Page 18)

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Track & Trace serialization 'back-end' to enable smartphone based **Data Collection** on product usage and consumer behaviour



The world's most valuable resource is no longer oil, but data ([The Economist](#))



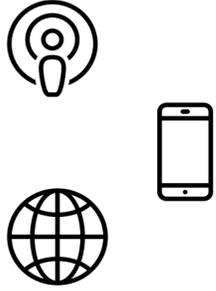
- The Serialization of each item, provides a unique value-add when combined with a customer facing App
- Real-time data collection of supply-chain, demographics, location, buying patterns, and customer feedback
- Enables limited and targeted recalls based on specific affected products (and other similar communications)

The screenshot displays the DataDot web application interface. The top navigation bar includes sections for CERTIFICATES, SERIALIZATION, FOOD, NOTIFICATIONS, MOBILE USERS, REPORTS, MASTER DATA, and ADMINISTRATION. Below this, a secondary navigation bar lists Dashboard, Production orders, Stock, Shipping orders, Code browser, and Feedbacks. The main content area is divided into several panels:

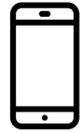
- Tasks:** A panel indicating "No tasks".
- Local serial numbers pool:** A table listing serial number templates and their quantities:

Serial number template	Quantity
Pure numbers	10,930
Seq. serial template	0
SSCC template	1,000
BeansTemplate	0
Hrana	1,966
Aplha18	1,000
WoTC SSCC	0
- Central serial numbers pool:** A table with the same structure as the local pool, currently empty.
- Map:** A map of the United States with several red location pins placed across various states.
- User details:** A panel showing a list of users, all with a status of "Active".
- Latest events:** A log of recent system events:
 - 2095312 **Activate product**
Product 8 activated.
24.10.2017 18:35:46 - Krešimir Đuračić
 - 2095224 **Edit location**
Subject location 27 inserted.
24.10.2017 18:33:08 - Krešimir Đuračić
 - 2095182 **Edit location**
Subject location 24 inserted

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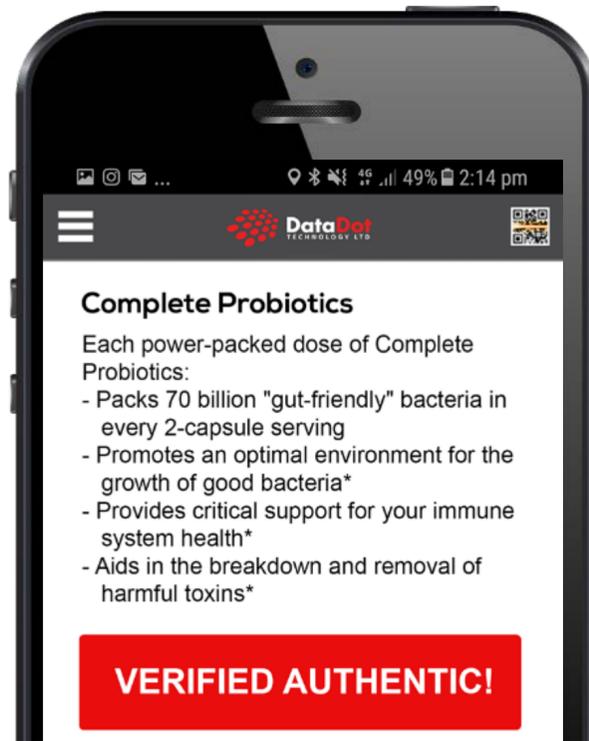
Consumer Engagement: Assurance, Product Provenance & Post Sale Communication



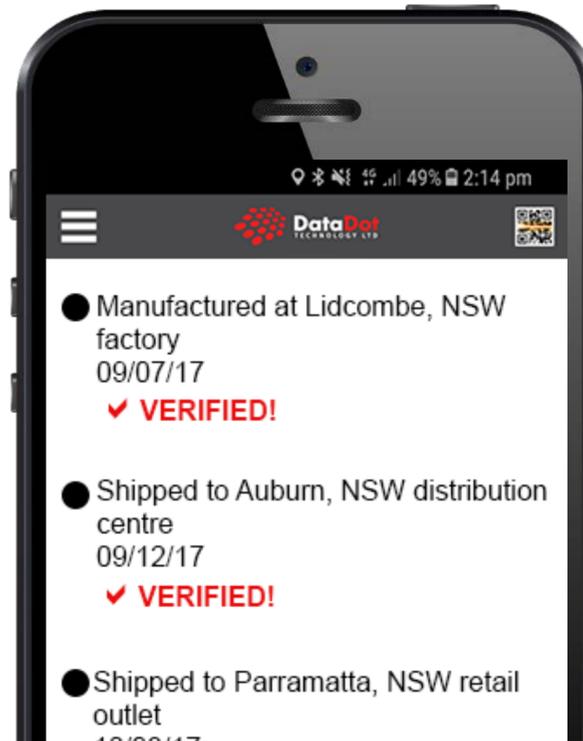
Viagra is one of the world's most faked drugs and can contain printer ink, drywall and amphetamines ([Brandon Gaille](#))



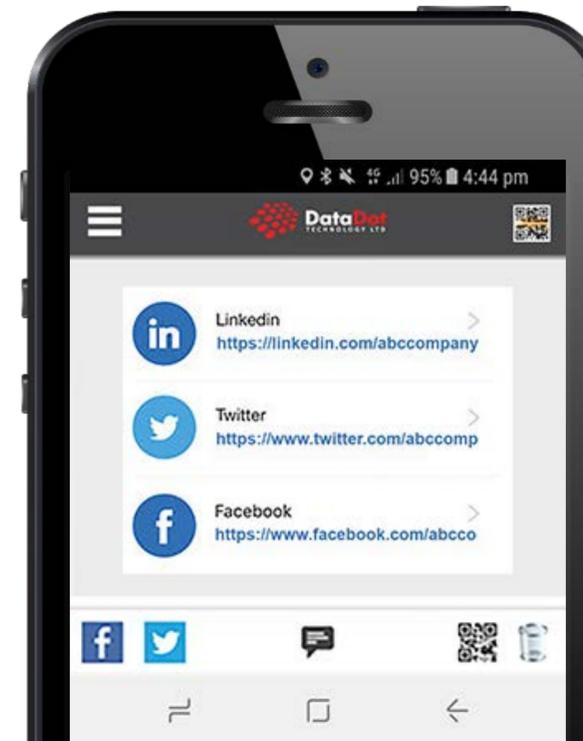
Customer logs into consumer app which registers details creating a customer contact and communication link with ABC Company. Product and brand collateral encourages app download



Customer uses consumer app to scan QR code and enter product serial number – app confirms authenticity of product



Consumer app provides provenance information about the product; enhancing transparency and trust



Consumer can connect and interact via social media to share product information and experiences with others creating product and brand advocacy and trust



ABC Company can communicate with customer via consumer app to provide:

- Promotional offers
- Loyalty rewards
- Product usage tips
- Product recall notifications

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Covert Counterfeit Detection system to ensure supply chain is counterfeit free



DATATRACEDNA CODE

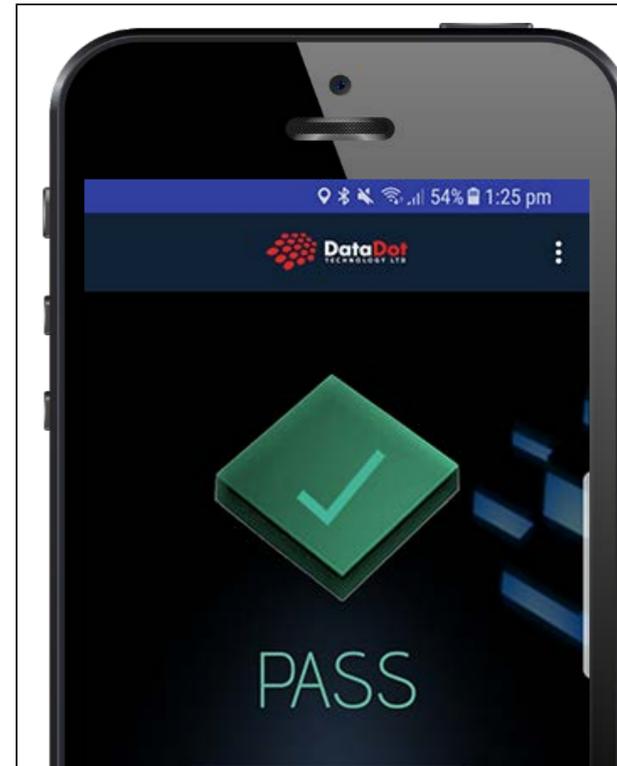
More than 120,000 people a year die in Africa as a result of fake anti-malarial drugs alone, says the World Health Organization ([BBC News](#))



DataTraceDNA code provides a covert layer of product authentication that can be applied to product in many ways and uses a forensic level of technology to confirm authenticity



Company inspector or supply chain manager logs onto DataTrace app and scans product to test whether the product is authentic or fake.



The DataTrace app can record other information in addition to the authentication scan result including photos and notes.



Authentication scan data is aggregated to provide real-time product and geographic data and reporting to monitor and manage counterfeiting. This data can be combined with other data sources

THE IMPLEMENTED SOLUTION PROVIDES BENEFITS TO BOTH ABC COMPANY AND ITS CUSTOMERS

CUSTOMER

Consumer Trust

Customers are able to **authenticate** and be confident they are purchasing a **genuine product**



Data Collection

Provide customer with **product provenance** and reassurance of brand value at point of purchase



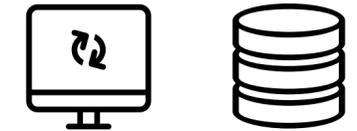
Consumer Engagement

Native language app provides **two-way communication**, product information, **social media sharing**, marketing and **loyalty offers**



Counterfeit Detection

Unique security seal and customer app, provide **customer assurance** they are purchasing the **genuine product**



COMPANY

ABC Company was able to apply a **tamper evident seal** directly to their existing packaging, **no change to packaging design or process**. Added brand value and **competitive differentiation**

Real-time data capture of customer & product supply-chain information, including **geographical data** to spot trends by product and location, to help **predict product demand**

Interactive interface with **language translation**, two-way customer engagement, **push marketing & upsell** based on real-time geographic & **demographic sales information**

Multilayered covert, overt, track & trace, cloud based system captures **real-time product authentication** information used for counterfeit & product diversion detection to improve supply chain & **brand security** monitoring for rapid identification and response

3

HOW WE CAN HELP

How to get started in implementing your brand protection and customer engagement project

Stable & Secure

We are listed on the Australian Stock Exchange. Our headquarters are in Sydney, Australia.

Agile

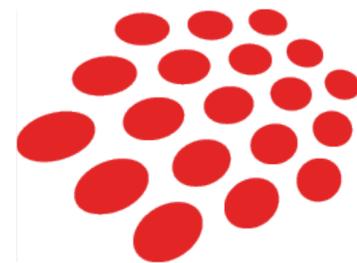
From CEO down, we are an agile team; our focus is to deliver customer benefit as efficiently as possible.

Industry Applications

Pharmaceuticals, Food and Beverage, Automotive, FMCG, Government, Textiles, National Security & Defence, Gaming, Industrial Assets, Bulk Materials.

Global Reach

We have offices in Australia, USA and UK. Our distribution network spans Europe, Africa, The Americas and Asia.



DataDot
TECHNOLOGY LTD

Experienced

We have been providing customised authentication solutions for over 10 years.

Leading IP

Our patented DATATRACE Forensic marking system is “Best-in-Class”. We also deploy a number of partner technologies.

Major Brands

The brands we work with include:



Associations

ISO Certified, Crime Stoppers, Institute of Packaging Professionals, Interpol, National Insurance Crime Bureau, International Association of Auto Theft Investigators.

DIAGNOSTIC SOLUTION PROCESS

Integrated Authentication Solution

Discover



Building an understanding of the customer and their business to create a value hypothesis for change

Key Activities:

- Conduct initial meetings to build understanding of customer’s business and stakeholders
- Develop Problem Definition Statement with stakeholders
- Create a value hypothesis for change

Diagnose



Exploring the elements of the customer’s problem to identify and prioritise the key issues to resolve

Key Activities:

- Construct an Issue Summary identifying the key issues to solve
- Create an Issue Risk Assessment
- Quantify and validate business impact of issues and assign priority to resolve

Design



Develop a tailored solution to address the customer’s needs

Key Activities:

- Assess possible solution options against customer criteria
- Develop Solution Design Statement with stakeholders
- Create Test Plan for solution
- Create Business Case and Pricing Model for solution

Deliver



Create and implement the tailored solution to realise the benefits

Key Activities:

- Finalise and sign Solution Proposal
- Execute Solution Implementation Plan and manage deliverables
- Provide benefit realisation reports to validate solution success

AUTHENTICATION SOLUTIONS

DataDot anti-counterfeit solutions are focused on increasing consumer trust levels and reducing counterfeit risk

Consumer Trust Solutions



- High performance tamper evidence and serialization
- OTF (Optically Thin Film) Proprietary Technology & Process (Trade secrets & patent pending)
 - Serialization and variable QR codes, can act as *smart packaging enablers*



- ### Smart Packaging Solutions
- Smart phone based platform that provides *consumer with authenticity assurance*
 - Enables *marketing comms with Consumers*
 - Provides *data analytics capability*

Covert Anti-counterfeit Solutions



- ### DataTrace Covert Marking
- Best in class covert marking solution
 - Highly flexible, can be added to inks, caps and labels
 - Currently deployed by Novartis for glass ampules



- ### DataTrace Data Aggregation
- Cloud based reporting and aggregation of DataTrace scanning results
 - Simple and efficient identification of hotspots
 - Data feed can be added to other systems (customization required)



GET IN TOUCH

For more information on how we can help protect your brand and customers, please contact us.



STEVE DELEPINE

VP BUSINESS DEVELOPMENT



sdelepine@datatraceid.com

360-606-8565



<https://www.linkedin.com/in/stevedelepine/>

www.datatraceid.com



TEMOGEN HIELD

CHIEF EXECUTIVE OFFICER



thield@datadotdna.com

+61 404-809-560



<https://www.linkedin.com/in/temogenhield/>

www.datadotdna.com

4

Q&A SESSION

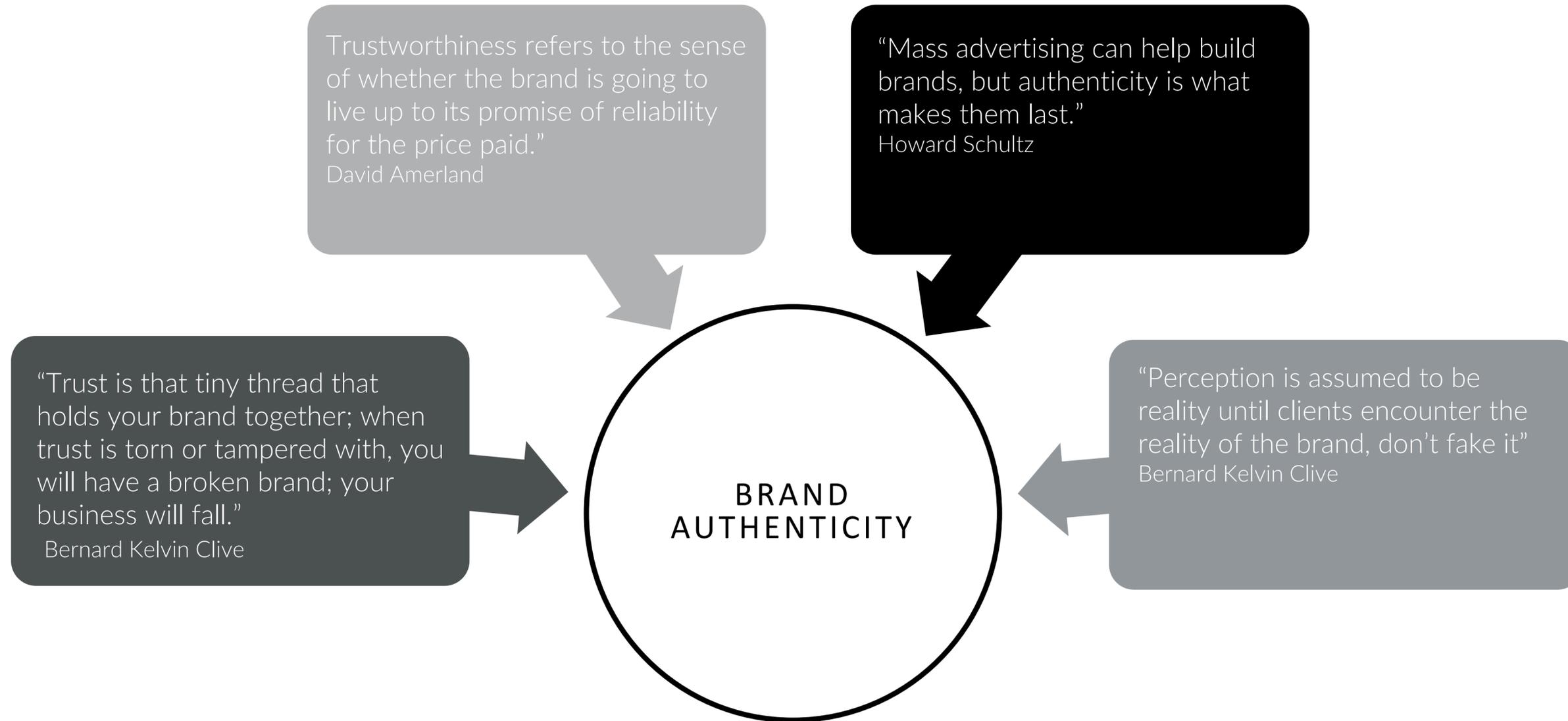
Question time to answer your important questions
and provide further information

5

APPENDIX

Additional information on emerging trends, issues
and implications

THE IMPORTANCE OF BRAND AUTHENTICITY



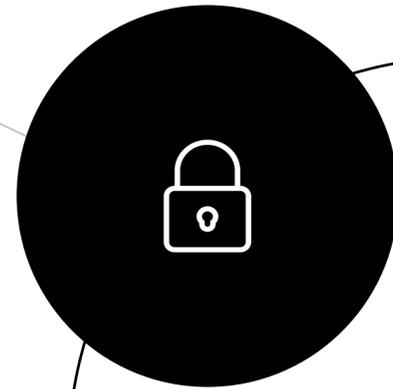
KEY POINT: Brand Authenticity is the new driver of brand value and consumer trust – without it you will lose customers

SMART PACKAGING TRENDS

Technology advancements and changing consumer needs and preferences have fueled the growth of the smart packaging industry and has seen packaging become an integral part of a product's marketing and customer experience

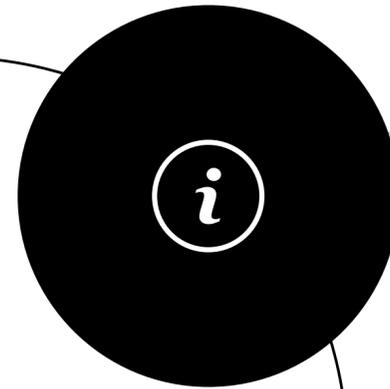
PRODUCT SAFETY

Consumer concerns over product quality and safety due to tampering and counterfeiting has resulted in companies investing in smart packaging technology to protect their customers and brand.



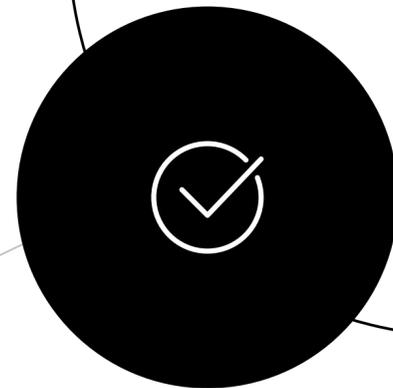
PRODUCT INFORMATION

Consumers are increasingly using their smartphone to research product information before purchase. Brand owners are using smart packaging to communicate and engage with customers at point of sale



PRODUCT QUALITY

Consumers are increasingly demanding better quality product packaging that preserves and protects the contents to minimize product contamination and packaging waste



PRODUCT TRACKING

Consumers are interested in knowing the provenance of products to ensure quality and safety. Companies also are investing in track & trace to manage supply chains



KEY POINT: Smart packaging provides the ability for companies to enhance their product value proposition by providing consumers assurance, information and peace of mind as to the quality and authenticity of their products

PRODUCT SAFETY

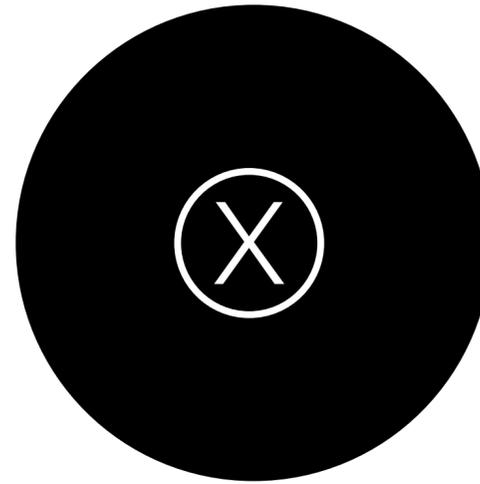
Consumer trust in a brand is increasingly playing a bigger influence in the product purchase decision and consumers are placing a higher emphasis on product safety and information to provide consumer assurance



72%

Of consumers prioritise product purchases from brands they trust

Source: Nielsen Research



43%

U.S. Millennials agree they do not trust large food manufacturers compared to just 18 percent of non-Millennials

Source: Mintel Report



42%

Shoppers said they rely on retailers to assume a greater role in managing food safety, up from 25 percent in 2009

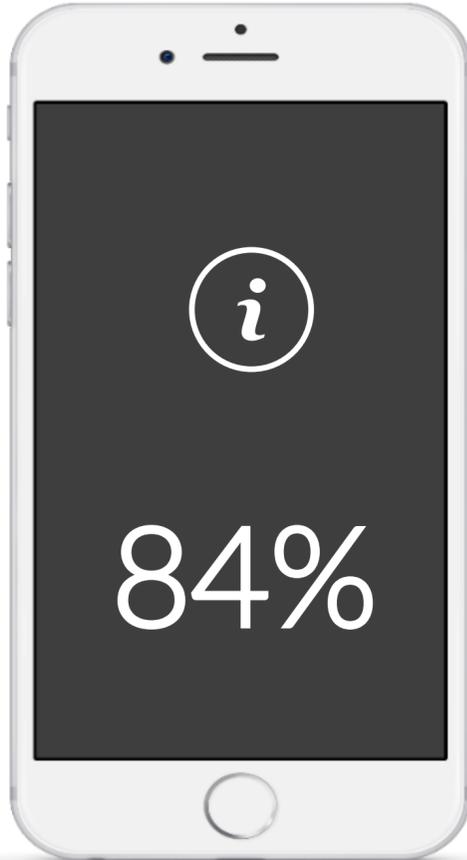
Source: FMI Study



KEY POINT: The increasing incidence of product tampering and counterfeiting has elevated consumer awareness and concern over product safety whereby product security features are now becoming a point of brand quality and differentiation

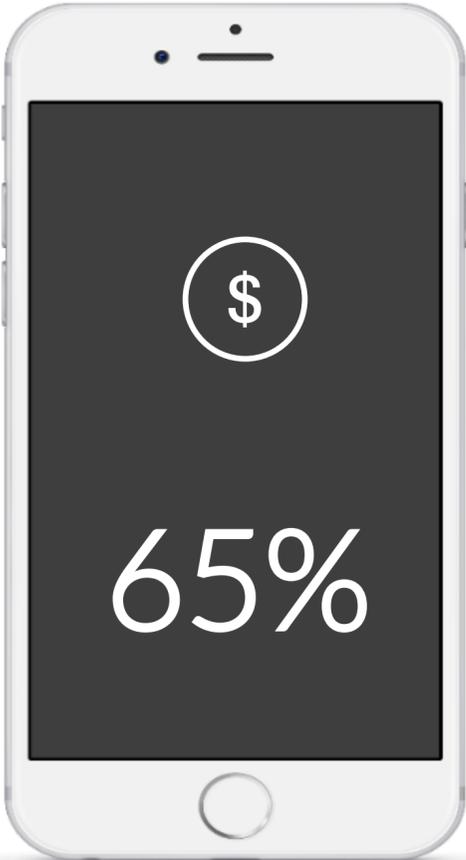
PRODUCT INFORMATION

Consumers are increasingly integrating smartphones as part of their consumer purchase decision process to seek supplementary product information, which provides a valuable opportunity for product owners to engage and inform consumers to build trust



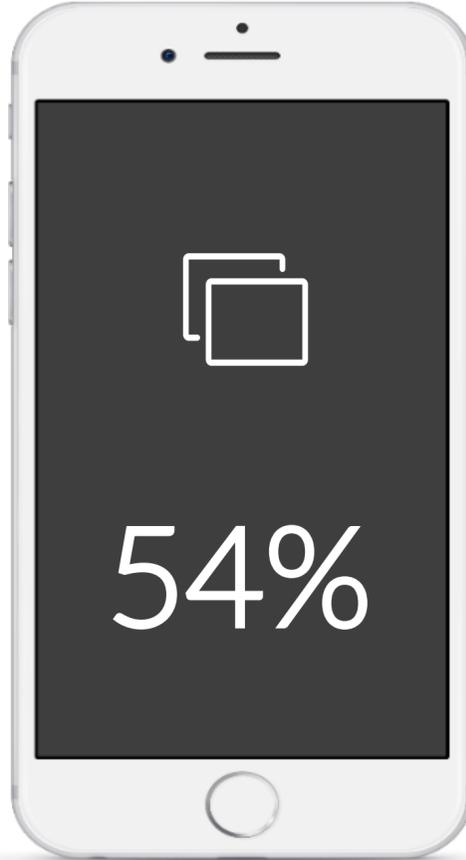
of consumers use their smartphones before or during store visits to research product information

Source: Deloitte Consulting Report 2015.



of consumers use their smartphones to compare product price information

Source: Deloitte Consulting Report 2015.



of consumers use their smartphones to research different products

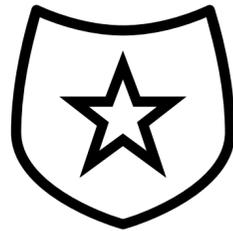
Source: Deloitte Consulting Report 2015.



KEY POINT: Consumers use their smartphones as an integral part of their product research and purchase decision making. Providing product information via smart packaging enables a more information rich and positive customer experience

PRODUCT QUALITY

Consumers are increasingly demanding better quality product packaging that preserves and protects the contents to minimize product contamination and packaging waste – product quality is as much about the packaging as it is the product contents



52%

of product purchase decisions are partly based on packaging. Product security features play a key role in choice where products are consumed

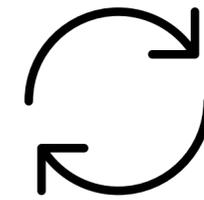
Source: Nielsen Research



55%

of consumers are willing to pay more for products that have a positive environmental purpose and quality

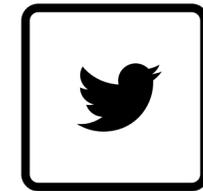
Source: Nielsen Research



90%

of consumers re-use or recycle product packaging after use – providing long tail brand advertising

Source: Nielsen Research



40%

of consumers would share photos of a product on social media if the product packaging was interesting and high quality

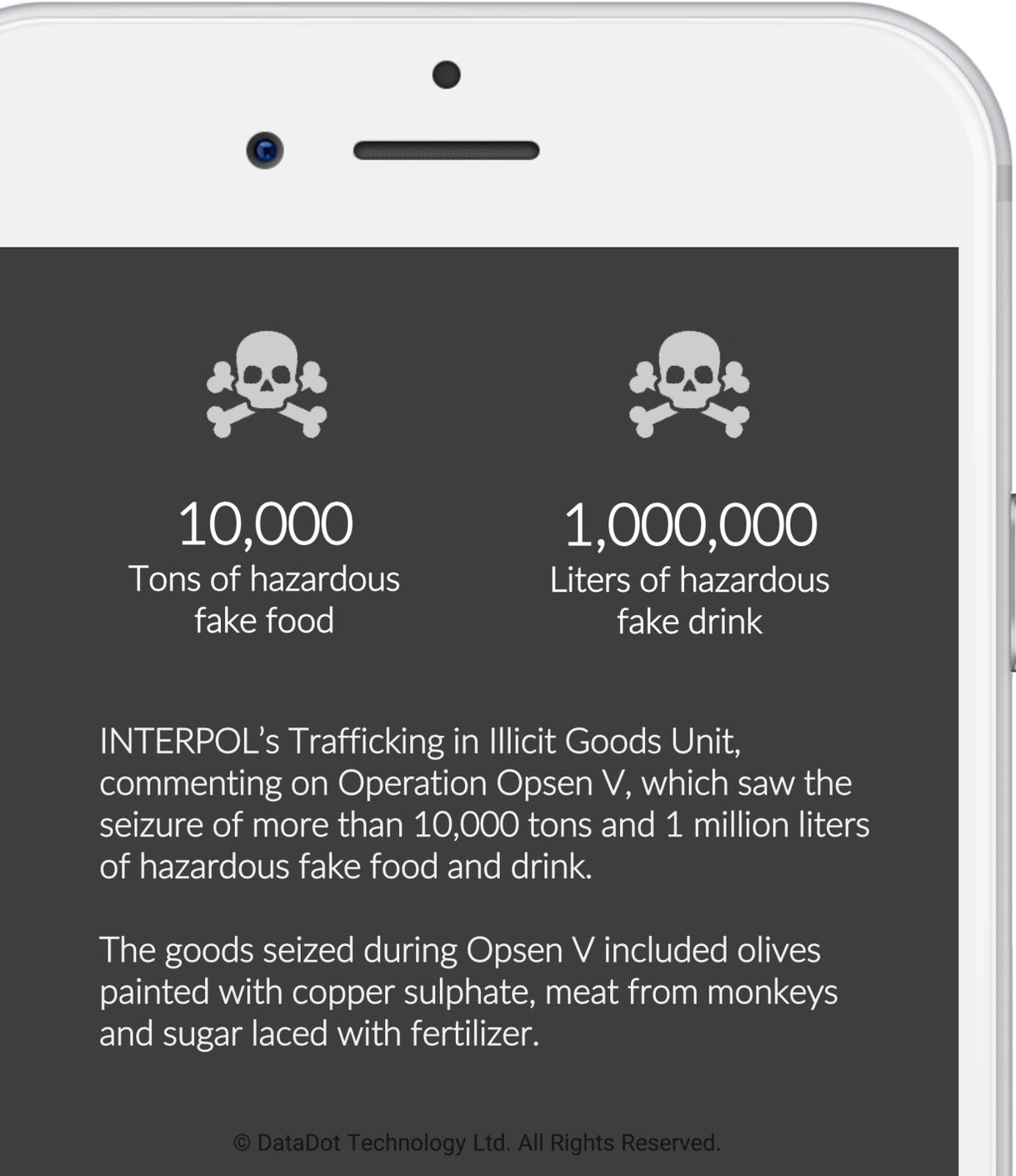
Source: Nielsen Research



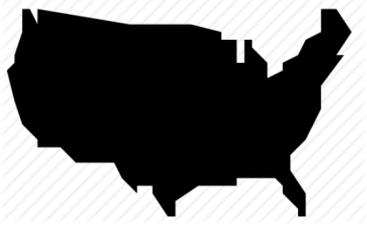
KEY POINT: Consumer product purchase decisions are significantly influenced by product packaging whereby the perception of product quality and environmentally responsible packaging plays a role in guiding consumer choice

PRODUCT TRACKING

Consumers are interested in knowing the provenance of products to ensure quality and safety. Companies are now investing in track & trace to manage supply chains, meet compliance requirements and to provide consumer assurance of their product origins



Companies cannot rely solely on government authorities to protect them and their customers from counterfeiting



13% of US food supply is imported through 300 ports, but only 2% is inspected by FDA before it is sold to consumers

Source: Brandon Gaille

Globally, regulators have imposed more stringent supply chain controls including product serialization to protect consumers



US FDA deadline for serialization of pharmaceutical products by November 2018

Source: US Food and Drug Administration



Unit 9, 19 Rodborough Road
Frenchs Forest, NSW 2086
AUSTRALIA

www.datadotdna.com
info@datadotdna.com
61-2-8977-4900