

From stickers to sommeliers

As a fledgling label converter, Paragon Label had some obstacles to overcome. Millions of bottles of wine later and its at the top of its game. **Katy Wight** reports

With 100 million labels already printed this year, Paragon Label, based in Petaluma, California, has fast become one of the most prominent flexo wine label printers north of San Francisco. California is now the world's fourth largest wine-producing region behind Italy, France and Spain. Its wine exports have doubled since 1996 and the trade is estimated to be worth around \$650 million annually. Nestled between the Napa and Sonoma Valleys in an impressive facility, Paragon is in a perfect position to exploit the potential of this industry growth.

Being accepted by the vineyards and convincing them about Paragon's capabilities with flexo was the converter's first challenge. Paragon is an offshoot of parent company Mrs. Grossman's Paper Company, which was founded in 1979 by Andrea Grossman. Mrs. Grossman's specializes in stickers for children and scrapbooking and Andrea's son, Jason, joined the business in his teens. Jason is now the president of Paragon.

'In the early 1990s, 50 per cent of Mrs Grossman's business was coming from one customer,' says Jason Grossman. 'For two years they put a ton of work on us and we had to decide whether we were going to buy a new press or outsource. We decided to buy the press and then we had to think about what we would do if they pulled out their business. Would we sell or find other avenues of business? We thought that if a slowdown did occur, we would print wine labels.'

Now Paragon has brands such as Niebaum-Coppola Wines, Don Sebastiani & Sons, Rabbit Ridge and Parducci on its books, but the company made slow progress in its first two years. Grossman had everything in place to print the labels, apart from a wine-oriented sales technique.

'It was very difficult to penetrate the prime label and wine market initially, adds Jason. 'The only samples that we had were stickers – and there's a real stigma in this industry about

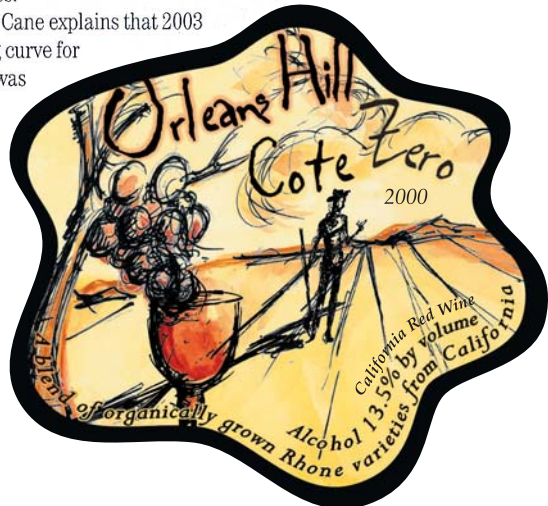
stickers – when actually they can be as tough, if not tougher, to print. It took us three years to be respected.'

Full flexo service

Paragon persevered, gaining customers in the wine, gourmet foods and cosmetic markets, and in 2002 the acquisition of a local competitor, McCoy Packaging, marked a turning point for the business. The start-up team at Paragon was joined by a team of seasoned printers – one being British-raised Gary Cane who became general manager for Paragon – and business really began to pick up. Combined, the company services around 400 different customers, about 85 per cent of which are wineries.

Now Paragon and Mrs. Grossman's share eight Mark Andy flexo presses, ranging from seven to 13" web widths in six to ten colors. All of the presses have inline photopolymer embossing capabilities and Rotoflex rewinders with mounted vision inspection systems, and three of them have inline hot foil-stamping capabilities.

General manager Cane explains that 2003 was a steep learning curve for Paragon and that it was still finding its feet, but things really took off in 2004. The wine industry is steeped in tradition and the Paragon sales team worked hard to convince the vineyards of flexo's capabilities.

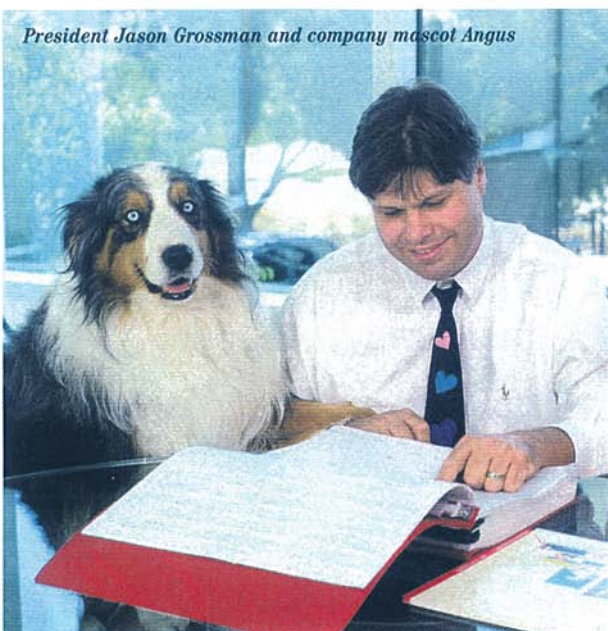




In-line photopolymer embossing capabilities on each press produces texture at a lower cost

'We have a constant battle against the offset mindset,' explains Cane. 'We specialize in high-end prime label and the level of flexo these days means that we are banging on the door of the offset guys. Our offset competitors are often saying that flexo can't print certain applications, but we just prove them wrong.'

'Most of the artwork that we receive is designed for offset and we also receive offset samples and proofs. But, we're happy to take any artwork and put it on press and show the client what



President Jason Grossman and company mascot Angus

The kit list:

- 7" Mark Andy 10-color, embossing
- 7" Mark Andy 10-color, embossing
- 10" Mark Andy 10-color, embossing, sheeter/stacker unit
- 7" Mark Andy 8-color, inline foil, embossing
- 13" Mark Andy 8-color, inline foil, embossing
- 10" Mark Andy 9-color, embossing, sheeter/stacker unit
- 10" Mark Andy 10-color, embossing, inline foil, sheeter/stacker unit
- 10" Mark Andy Scout 6-color, embossing, sheeter/stacker unit

we can do. Nine times out of ten it is exactly what they want and when they look at the price difference compared to offset, the deal is done.'

The wine market

The Wine Trends 2004 report found that recent growth in California wine was led in part by hundreds of small to mid-size wineries which gained market share at the expense of large wineries (over one million cases). These are the companies that are moving away from offset and into flexo for more economic shorter runs. They are also the companies that can afford to move into pressure sensitive labeling.

'About 50 per cent of companies outsource their application,' explains Cane. 'There is even a mobile wine line, where a van travels from vineyard to vineyard, bottling, corking and labeling the wines. Of the companies that have their own application capabilities, only a small percentage switches to pressure sensitive each year because of the costs of installing new machinery. The wineries are moving across to pressure sensitive labels because of the application speeds. They can apply a front and back label – in fact as many labels as they want – in one pass.'

Wine bottles are seeing an increasing number of labels being applied. Cane explains that the back label came about in the US because of the enforced government warning about the dangers of alcohol – not something the wineries want to feature on the front of the bottle. The Tax and Trade Bureau (TTB) also has stringent specifications about the information listed and the size and number of characters. 'Bikini' labels are also increasing in popularity – smaller labels that appear on the neck or below the front label. This increasing number of labels gives wineries the opportunity to exploit the potential of the main front label with enticing graphics that reinforce the brand image.

'The California wine labels are being driven by marketing,' says Cane. 'The latest trend is for vivid graphics, more colors and much brighter colors. I have friends in Bordeaux and the Old

Did you know...

Wine has been grown in California since 1769 when missionaries from Mexico moved to the San Diego area. Father Serra planted the first vines for sacramental purposes later that decade and the California wine industry was established. The Gold Rush of 1848 really kick started the California wine trade and the number of wineries grew steadily until Prohibition in 1919. Wine growing took off again in the 1970s when California was hailed as one of the world's great wine regions.

World wine labels are plain, simple and classic. They run 6-color labels on flatbed letterpress with much thinner papers. The Californian wine is bright and elegant, but definitely not classic. The French label wouldn't work over here. It's all market-driven so that consumers will go into the grocery stores and pick out the nice looking wine.'

The Old World wines rely on the drinker's knowledge of vintage and appellation, whereas the Californian wines are targeting the new wine drinker, who wouldn't necessarily know which bottle to buy. The California wines are also building up strong brands, assuring the consumer that they know what they are getting.

The Wine Trends 2004 report also says that California wine prices declined last year, as increased competition from an oversupply of grapes and wine prompted widespread discounting to move inventory – particularly for wines under \$6 per bottle.

'The Californian wine trade is increasingly selling on volume,' says Grossman, 'which is producing very tight profit margins on bottle sales. That's good news for us because the wineries are unwilling to pay offset printing prices. We are a premier flexo printer and people are taking us seriously.'

Cane adds: 'Some of the wine labels that we print can be very challenging. A label could have seven colors on the front label, seven on the back, complex graphics and a tricky die-cut, so it is an expensive label for the customer to print. When the actual bottle of wine only retails for about \$4.99, they need to sell as many as possible to make a margin. To market the wine they have made the label very bright and appealing to get them off the shelf.'

Cane says that the wineries are also becoming more creative in the kinds of stocks that they are trying to use. Although Paragon prints most of its runs on seven or eight substrates, it is also undertaking custom runs more frequently.

Customer service and competition

Custom substrates are only part of the package that has made Paragon such a success.

'We can't compete with the big Midwest and East Coast



"The Californian wine trade is increasingly selling on volume, which is producing very tight profit margins on bottle sales. That's good news for us because the wineries are unwilling to pay offset printing prices"

Not only are employees' dogs allowed in the Paragon Label offices – they frequently attend meetings – but busloads of children also arrive for plant tours of Mrs Grossman's each day and are herded around the Paragon label presses.

Gold star performance

'We had one customer who probably only buys about 12,000 labels from us every year,' says Cane, 'but he was a gold medal winner at a Napa Valley wine contest, so I printed up some small gold labels with his award printed on them as a gift. Those gold labels helped him to get into Safeway.

converters that have industrial and food capabilities,' says Grossman. 'The cost of living and running a manufacturing business is almost inhibiting to growth in California. We're not cheap, but we're higher quality and we provide a great service'

'East coast and Midwest printers have tried to break into the market because they have experience of other beverage labeling,' explains Cane, 'but the wineries perceive a wine label and a beer label as a completely different class. There is a real wine mentality and culture out here. And location is important. You don't really want to be out of the area. These companies can't offer the service that our customers expect and on top of that, freight is so much more expensive.'

Grossman believes that Paragon's reputation is growing because the employees really go beyond the call of duty. Cane actually drove 14 hours one weekend to deliver some labels to a customer because when the wineries are booked into the mobile wine line they need the labels or they can lose their slot.

'One of our customers, Rabbit Ridge, was sourcing labels from Nebraska because they were offering the winery a very cheap deal,' says Cane, 'but when they were being shipped, the printer kept on forgetting the back labels. They didn't know the wine industry and they certainly didn't know the kinds of deadlines that the vineyards have to work to. We're not threatened by the East Coast. Customers might be tempted to try them for price, but I guarantee that after a year, they'll come back.'

New markets

Growth has been fast since the McCoy acquisition and Cane has worked hard to streamline the business, increase efficiency and keep that growth in check. With a formidable reputation and a steady increase in sales in the wine sector, Paragon is confident it can target other markets that match its prime label capabilities.

'We're trying to diversify our marketshare at the moment mainly because the wine industry has downtime. From now until November is harvest time so the wineries don't need labels right now. Things will pick up again in February, but we have a little capacity right now,' says Cane.

'Our run lengths are dependent on the harvest. Last year was a good crop and this year is looking like its gong to be pretty good too. If it's not a good crop we start to get pretty nervous

and that's why we need to change our market structure,' he adds.

Paragon has made an inroad into the health and beauty market but the sales team is so tuned-in to selling wine labels that the transition into new markets has been a challenge.

Sales training has been implemented as the margins available in the health and beauty industry are worth fighting for, explains Cane. He thinks that more and more flexo printers are realizing that they can cater to the winery business, increasing competition and narrowing the margins.

One personal care company that Paragon did secure was Hawaii-based Island Bath and Body. Initially it had been sourcing five offset jobs from a company in China, but Island was unhappy with the consistency of the product that it was receiving. Paragon trialed the labels on flexo-printed pressure-sensitive film and the customer was extremely happy with the result.

Managing growth

Emerging in new markets and securing new customers has been a success for Paragon and Cane says that its biggest challenge is keeping up with its growth in terms of recruitment and equipment. Its great customer service is reliant on the people that it employs.

'We have grown really quickly,' he says, 'and I have taken on three people in the past month.

At the moment our strategy involves investing in the right personnel in order to secure our future. Finding the right person with the right experience is a major issue for us. We just recruited an operator all the way from Denver'

Paragon is lucky that as the orders have increased, it has been able to borrow capacity from Mrs. Grossman's presses. 'At the moment we are working on streamlining production on what we have got. We are planning to swap technicians with a label printer in Harlow, UK, for a couple of weeks next year. The owner used to work for me and he runs a company that prints food labels for major UK supermarkets such as Tesco. I would like to bring some of his pressmen over here and send some of mine to Harlow to swap ideas and techniques.' ■

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Paragon Label shares a twin-track Laserweb die cut system with Mrs Grossman. It was custom-made by California-based Lasercraft and uses PC Industries' web-handling. It's predominantly used for a particular line of finely die-cut stickers, but Paragon uses it for a handful of wine labels.

A roll of printed labels is first delaminated. The web is then laser die cut via a copper template at speeds of up to 15fpm. The laser vaporizes the area to be removed at 10,000°F and the label is re-laminated to the liner and rewound. 0