

NewNutrition Business

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PRESS RELEASE: Provenance and premiumisation in China – how New Zealand food and beverage brands succeed

Faced with the challenges of a tiny domestic market and a geographically-isolated country, New Zealand food brands have become world leaders in successfully taking products with a Provenance and Wellness message to the Chinese market, according to a new report from international consultancy New Nutrition Business.

As with Europe and the US, the New Zealand market is increasingly dominated by price-competitive and good-quality retailer own-label brands. For New Zealand companies the Chinese market has therefore become a way to get more volume and improve profit margins. Increasingly the same strategy is being followed by companies from France, Ireland and elsewhere.

The report, *Provenance and Premiumisation in China – how New Zealand brands succeed*, shows how eight New Zealand companies operating in dairy, fresh fruit, premium packaged foods and chilled foods have created a successful premium position in China with provenance and food safety positioning.

“These companies provide a real-world inspiration which can be followed by any ambitious company,” says report author Julian Mellentin. “In every case the New Zealand brands have been creative in their retail strategy. All of them use China’s fast-growing e-commerce platforms – such as Tmall and JD.com - to reach premium urban consumers.”

“Fresh milk brand Theland flies milk to the Shanghai market to selected retail stores,” says Mellentin. “Vogel’s breakfast cereal brand retails through e-commerce platform Tmall, while Comvita honey brand sells direct to consumers through a network of part-owned retail stores. These and many other companies earn price premiums of between 100% and 800% over Chinese brands.”

Contrary to popular myth, New Zealand has no geographic advantage in reaching the Chinese market. The flying time from Auckland to Shanghai, for example, is 12.5 hours – compared to 13.5 hours from LA and 11 hours from London. So what has made New Zealand’s success possible?

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“New Zealand companies benefit from their nation’s risk-taking, entrepreneurial business culture and the food and beverage industry is backed by the New Zealand’s government’s Department of Trade & Enterprise, which focuses strongly on practical help in the China market,” Mellentin says.

A key part of their strategy has been to focus on provenance, which has become a growth opportunity everywhere. Around the world a growing percentage of consumers want products that are ‘natural’ and have a strong geographic connection and identity. People like products with a back-story about a place and/or about ‘traditional’ or artisanal production methods. If these products come from companies that are small – or perceived to be – that’s all the better in the consumer’s mind.

Provenance-motivated consumers skew strongly towards having higher education and higher income. They are willing and able to pay premium prices for products that match up to their provenance interests. For Chinese consumers in particular, provenance is connected to food safety and quality.

Such consumers are a significant force in the major cities of Asia and particularly in China, where a growing middle class has more disposable income to spend on products they see as healthy and ‘authentic’.

New Zealand companies are showing the rest of the world how brands that offer provenance can succeed in a major Asian urban market – whether China or elsewhere. Many companies can create a provenance message – it isn’t necessary to be from New Zealand (the US, for example, is regarded as just as desirable and credible for a provenance story). It is a compelling strategy for any company that has good-quality natural products with health and provenance benefits.

NOTES FOR EDITORS

1. Editors can arrange an interview with Julian Mellentin, by contacting Marta Matvijevev at marta@new-nutrition.com.
2. Julian Mellentin is one of the world’s few international specialists in the business of food, nutrition and health. He is director of New Nutrition Business which provides case studies and analysis of success and failure in the global nutrition business and is used by more than 1,700 corporate subscribers in 42 countries. New Nutrition Business is a research and consultancy company with an expert focus on the business of food and

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health since 1995. It has offices in the United States, Europe, and New Zealand and affiliates in Japan and South Korea.

3. *Provenance and Premiumisation in China – how New Zealand brands succeed* is available to buy at www.new-nutrition.com