Feeding the Dragon |

Evaluating the Critical Success Factors of New Zealand's Food and Beverage industries exporting to China

Jason Te Brake

Kellogg's Rural Leaders Programme

October 2014

Contents page

1. Executive Summary

The emergence of China as the largest consumer of food and beverage products has been a significant global mega-trend, one which has far reaching implications around the globe and in the international food and beverage industry. These developments will have a significant impact on food and beverage exporting countries, such as New Zealand, and will present opportunities for exporting firms to increase the value of their production.

This report investigates the Critical Success Factors of global firms which have achieved success in the China marketplace, and compares them against three of New Zealand's food and beverage industries which have exports destined for China. The three industries include the Dairy, Red Meat, and Kiwifruit industries, which are important contributors to New Zealand's total exports and have a significant proportion of their exports destined for China.

The Critical Success Factors chosen are characteristics, conditions, or variables of effective export marketing strategies, being; Understanding of the market, Selling and distribution channels, Promotion of a brand, and Collaboration.

Using these Critical Success Factors, this report compares the habits, trends and practices of recommended practice firms against three of New Zealand's food and beverage industries.

The report found that across the three New Zealand industries there are vast differences in approach amongst individual firms but also across each industry. The results of each industry could be linked back to the structure of the industry, as well as the culture of the industry.

Of the three New Zealand industries, the Dairy industry was found to have the strongest coverage over all four Critical Success Factors, and also displays characteristics most in line with the recommended practice firms. There are factors in this industry which lead towards this, such as the industry being dominated by one large firm which has the resources, scale, and experience to lead the industry.

The Red Meat industry has traditionally been characterised by strong competition and barriers to collaboration within the industry, and this factor was quite evident during the discussions with firms in this industry. Though there are four large firms and a number of smaller firms in the industry which are selling similar products to the same markets, there is a lack of cohesion, industry collaboration and resource sharing, and an inability for branding due to each firm being unable to differentiate from another.

The Kiwifruit industry stood out as displaying strong habits in promotion of a brand and understanding of the market, which has been a result of the industry investing significantly in these two areas and having a focused approach of one product, one brand. This focus is further strengthened due to the structure of the industry being a single desk operator, which allows one firm to be responsible for all marketing, selling and distribution of product, and also allows it to gain scale benefits which are also similar to Dairy.

This report finds that three of New Zealand's food and beverage industries involved in this research have shown habits which are consistent with international firms which achieved sustained success in China. Each of the three industries have areas to continue to develop across the Critical Success Factors of effective export marketing strategies to ensure they are cementing themselves in the China food and beverage supply chain, and in order to maximise the opportunities presented by the emergence of China as a consumer of sophisticated food and beverage products.

2. Foreword

Being a member of New Zealand's primary industries, a significant area of interest for me is the growth potential for exports to the China market, and also one of great importance to the future of New Zealand's primary industries and the greater New Zealand economy.

I chose this topic as I was interested in investigating the export practices of New Zealand's leading primary industry export firms which are exporting to China, and comparing them against international firms which have achieved recognised success within China.

The basis of this interest for me was a desire to research how well New Zealand food and beverage exporters understand the China marketplace and its consumers, and to investigate whether they are building themselves as part of the supply chain in this market or simply selling while the demand is high and risking a downfall if China were to decide to stop buying New Zealand product.

This research would then evaluate what New Zealand firms are currently doing compared to what is 'recommended practice' of global firms which have achieved success. This investigation was intended to allow me to develop my understanding of the different export strategies New Zealand firms are using, evaluate the benefits and pitfalls of each strategy, and make recommendations for areas I believe firms could improve.

I must acknowledge the openness of the firms I interviewed across the three industries, and their willingness to share commercially sensitive information with me. In order to respect this commercial sensitivity, I decided to prepare this report discussing industry against industry instead of firm against firm. Due to the nature of New Zealand being relatively small and the high likelihood of identifying the contributions made from each firm, I have attempted to discuss any commercially sensitive information as an aspect of that industry, instead of alluding to which firm in particular. The exception to this is where references are made to publically available information.

Jason Te Brake

Author

3. Introduction

The emergence of China as a consumer of sophisticated food and beverage products has been a significant global mega-trend, one which has far reaching implications around the globe and in the international food and beverage industry. These developments will have a significant impact on food and beverage exporting countries, such as New Zealand, and will present opportunities for exporting firms to increase the value of their production.

Rapid growth in China over recent years has led to an increase in consumer affluence and changes in consumer behaviours. As a result, China has emerged as the world's largest consumer market for food and beverage products, making this market critical for global food and beverage producers. China's economic growth over the past 25 years is considered to be the largest and most sustained period of wealth creation in the history of the world.

The New Zealand government has set a target of doubling exports by 2025 in order to grow the export-led nation's economy. A significant component of the export strategy is the primary industries, a major contributor of total exports. The growth in exports is expected to be led by New Zealand's primary industries, particularly in the food and beverage industries, by growing exports to developing countries such as China.

The increasing demand for protein based food products from Chinese consumers and their ability to pay higher prices for high quality, safe and healthy food is expected to result in opportunities for New Zealand exporters due to New Zealand's global reputation for clean, green and safe food products. These factors, along with New Zealand and China signing a Free Trade Agreement encouraging trade through the removal of trade barriers, will present export growth opportunities for New Zealand firms.

Focusing on doing business with China has become a key part of the strategic plans for the majority of New Zealand's food and beverage firms, with the expectation that benefits from the China growth story are all expected to result in windfalls for New Zealand's primary industries, and therefore flow through to the greater New Zealand economy.

In order to capitalise on all of the above, it is paramount that New Zealand firms exporting to China understand the habits which form Critical Success Factors for export-led firms, and are able to put into practice these habits to ensure they successfully cement themselves in the China supply chain.

The purpose of this research is to provide an understanding of the key drivers of growth in China's demand for imported food and beverage products, and to evaluate the practices of three of New Zealand's food and beverage industries when exporting to China.

First, this report will detail the key drivers behind the China growth story, the reasons that China's growth and changing consumer behaviours continues to increase the demand for imported food and beverage products, and the effect this has on New Zealand's trade with China.

Secondly, this report will evaluate the Critical Success Factors of effective export marketing strategies and detail the considerations of each Critical Success Factor used in this research.

Thirdly, this report will use the Critical Success Factors of effective export marketing strategies as a framework to evaluate the habits, traits and practices of recommended practice firms and three of New Zealand's food and beverage industries when exporting to China.

This report will enhance users understanding of the impact of China's emergence as a consumer of sophisticated food and beverage products, and how well New Zealand's primary industries are placed to cement themselves in the China marketplace.

4. Background Information

4.1. The China Growth Story

The continuing development of China has been recognised as a significant global mega-trend which will continue to have wide reaching consequences around the world affecting the global food and beverage industry.

China's population represents 19% of the world's population [1] making China one of the largest consumers of food and beverage products in the world. There are significant changes occurring in China's consumer demand patterns, which will have an impact on the globally traded food and beverage industry.

The key drivers of significant changes in the Chinese consumer demand patterns are; rising disposable incomes leading to an increase in consumer affluence, the increasing amount of urbanisation, improved exposure of consumers to branded products, and improvements made to retail distribution channels.

Although levels of consumption of many food and beverage products remains well below those in developed countries, in particular processed foods, they are rising quickly and will continue to do so as China's economy is expected to continue growing. [2]

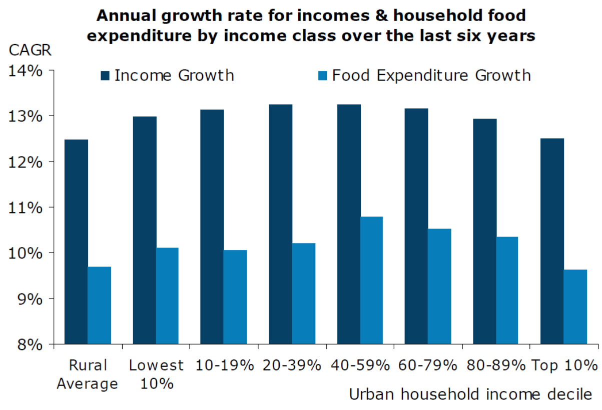
Rising disposable incomes and increasing consumer affluence

China has experienced average GDP growth of 10% over the past ten years [3]. This level of sustained economic growth has resulted in a large number of households moving from low-income earners to middle-income earners with much higher levels of disposable income.

A larger proportion of the middle-class are moving to a new 'upper-middle-income' group due to the sustained growth, resulting in households earning higher levels of disposable income. 50% of China's households are expected to fall into this category by 2020 from just over 14% in 2012. It is expected that the growth in this upper- middle income class will have grown from 13 million in 2010 to 76 million by 2015. [4]

Throughout China rising income levels are resulting in a greater level of consumer sophistication, with urban residents in particular spending a larger proportion of their incomes buying processed, packaged, and imported food and beverage products from supermarkets, and also a greater amount eating out in restaurants. [5]

Chart 1



Sources: ANZ, China National Household Survey

Between 2000 and 2010, nominal expenditure on food more than doubled in both rural and urban areas. During the same time the share of food expenditure out of total consumption declined from 49% to 41% for rural areas, and from 39% to 36% for urban areas. [6]

Urbanisation and lifestyle changes

China's urban populations are growing, having increased by an estimated 153 million over the ten years to 2012 [7], more than 30 times the New Zealand population. It is expected that by 2025 urban areas will swell from the present level of 607 million people to 822 million. This will see China's major cities such as Beijing and Shanghai continue to grow, alongside other smaller cities which are expected to grow at a greater pace. [8]

This urbanisation will lead to demand for packaged and convenience foods such as chilled processed food and frozen processed food. As growth in urbanisation continues, and the Chinese consumers lifestyle changes, packaged and convenience foods have become more popular. For lifestyle, convenience and time saving, more consumers are consuming food with less or no time to prepare, dining away from home, or trying western style fast food. As a result, it is expected that there will be rapidly growing demand in the future for chilled processed food and frozen processed food products. [9]

Food safety awareness

With the rise in consumer affluence leading to an increase in consumer sophistication, there is a greater awareness of food safety and health. With the growing number of high and upper-middle-income households, these consumers can afford to pay higher prices for food and are motivated to do so as a result of food safety concerns, and the numerous food safety incidents involving local food producers. Western products have a reputation for being good quality, nutritious and safe, leading to a growing demand for imported western food products. [10]

Health and wellness continue to be an important driver across almost all the packaged food sectors. The average Chinese consumer has a very developed understanding of the ingredients in food products, with knowledge of the nutritional benefits and also the relative 'wetness' and 'dryness' of food products. An example of this is the dairy and baby food industry, where there has been an increasing focus on the safety and nutritional features of the products on offer to consumers. [11]

Improvements in infrastructure

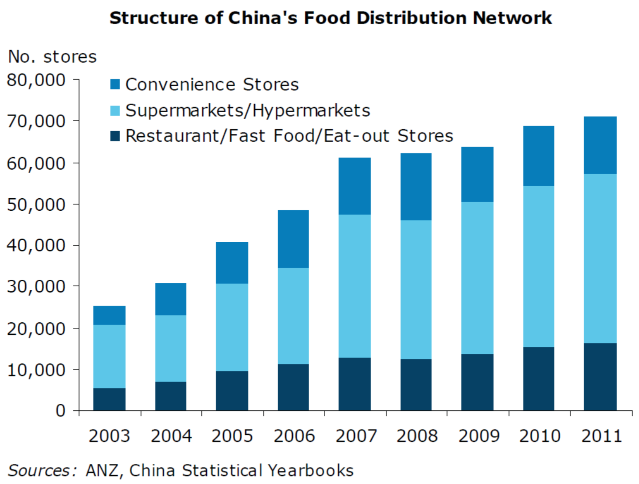
As with any developing country, logistics and distribution has been a challenge for food importers due to the lack of local infrastructure available such as transportation means adequate for moving chilled or frozen food and the sophistication of cold storage facilities. The entry of overseas logistics companies, alongside the significant contributions local and central Chinese government have made to developing national infrastructure, has improved the ability for food products to be distributed to areas away from the developed cities. The national infrastructure still requires significant improvements to reach a standard of most western countries, however the continued investment means that quality food products are more likely to be obtained in areas which are away from the more developed cities. This will see development moving from the Eastern provinces near the port cities through towards the Western provinces. [12]

Development of the retail industry

China's retail industry is developing rapidly. The retail experience for consumers is evolving from the traditional wet markets to supermarkets and hypermarkets. Before the widespread use of refrigerators, consumers would purchase a meal at a time and often three times a day. Now consumers have the access to supermarkets and hypermarkets, and have the means to be able to use these markets for low cost, convenient one stop markets. [13]

As a result of the development of the retail industry, supermarkets and hypermarkets providing new opportunities for processed food products are allowing shoppers to purchase packaged foods, such as fresh milk, confectionery, sweet and savoury snacks, and cooking oils [14]. These new opportunities have also resulted in consumers more likely to grocery shop once or twice a week in retail chains, such as Wal-Mart or Carrefour, and they tend to buy a variety of packaged food products to store in refrigerators. [15]

Chart 2



Online shopping has also been growing at a rate of 35%-50% and is estimated to be at a level of NZD $140 billion in 2011 [16]. Chinese consumers have increasingly begun buying their imported Food and Beverage products online as they are able to gain a price advantage compared to traditional import-oriented food retailers. This price advantage is mainly due to online retailers' ability to streamline their supply chain and reduce overhead cost, allowing them to offer better prices to the end customer [17]. The internet is also transforming the way FMCG companies in China must engage with consumers, by creating a much more level playing field where smaller players or newer entrants may be able to compete much more equally with the category giants. [18]

China consists of a number of distinct regional markets, with the eastern provinces more developed than the western. International retailers have begun expanding from the first and second tier cities into the third and fourth tier cities. Most imported products are entering the market via hypermarkets and specialty supermarkets, though some convenience stores are becoming more interested in imported products. [19]

4.2. China's Growth in Imported Food and Beverage Products

Since the late 1970's, China has moved from being a closed, centrally planned system to a more market orientated system which plays a major role in global trade.

As a result of large economic reforms within the country in the past, China became the world's largest exporting country in 2010. This transformation has been as a result of large economic reforms within the country such as decentralising fiscal systems, increasing autonomy for state enterprises, rapid growth of the private sector, creation of a diversified banking system, and importantly, the opening of borders to foreign trade and investment. {20]

These economic reforms have also led to China becoming the second largest economy in the world in 2001, surpassing Japan and sitting behind USA. [21]

China is the largest market for food and beverage products in the world, and it is also one of the largest producers of food and beverage products in the world. While being self sufficient in a number of basic crops and food sources, productivity gains over recent years have slowed leading to higher food inflation and an increase in imports of a number of commodities. [22]

China has close to 20% of the world's population, but only 7% of the world's fresh water resources and 10% of the world's agricultural land. As a result, being self sufficient for livestock and grain production will continue to be a challenge as these sectors are usually relatively land-intensive, and not produced as efficiently in China relative to other more land and water abundant countries. [23]

Chart 3

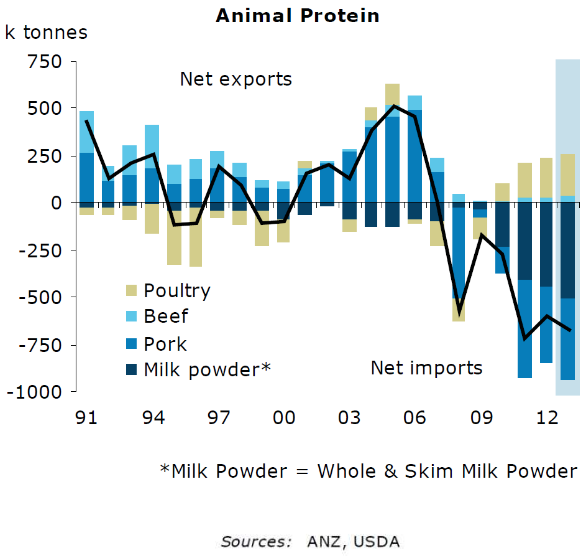


Chart 4

China's food and beverage imports per capita have been increasing 33.6% between 2009 and 2012 [24], and China's per capita GDP is expected to have a compounded annual growth of 7% between 2015 – 2019, making it more able to afford imported food products. [25]

The value of imported processed food and beverages climbed from US$13.4 billion in 2008 to US$35.1 billion in 2012, according to Chinese customs statistics. [26]

The increase in household disposable income, coupled with a number of food safety incidents within China in recent years, are two key drivers that have boosted the rapid growth of China's imported Food and Beverage market. A survey carried out by Ipsos during 2012 shows that over 60% of Chinese consumers would choose foreign brands, particularly when purchasing food products for infants and children. [27]

4.3. New Zealand's Growth in Trade with China

China surpassed Australia as New Zealand's top goods export destination on an annual basis for the first time in November 2013, with $10.0 billion of exports to China for the year ended December 2013. This was an increase of $3.1 billion from the year ended December 2012. China accounted for 21% of New Zealand's total exports in 2013, compared to 19% of exports destined for Australia, after Australia had been New Zealand's top export destination since September 1989. [28]

A significant driver behind China's exports surpassing Australia was due to an increase in food and beverage products as a result of growing demand in China, in particular for Dairy product exports such as milk powder, butter and cheeses (which were 50% of the total goods exported to China), and Meat product exports such as sheepmeat and edible offal (which were 9% of the total goods exported to China). [29]

China is New Zealand's biggest export market for food and beverage products, accounting for 11.3% of New Zealand's food and beverage exports. This equates to 6.4% of China's food and beverage imports, which makes New Zealand the sixth largest supplier of food and beverage products in which China imports the equivalent of NZD $40.5 billion. [30]

The growth in exports from New Zealand to China can be attributed to China's continuing economic development which has resulted in demand for larger volumes of higher value products, in particular food and beverage products.

Chart 5

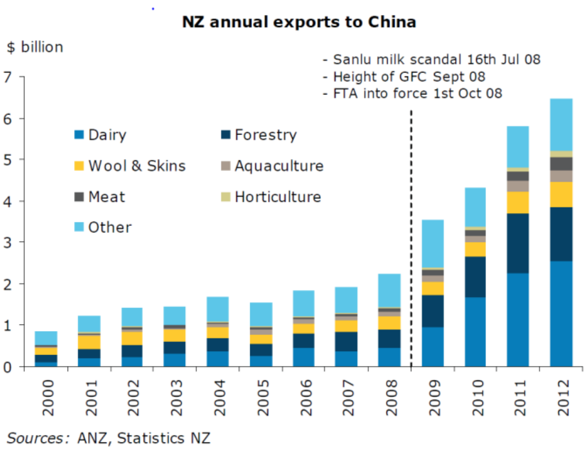
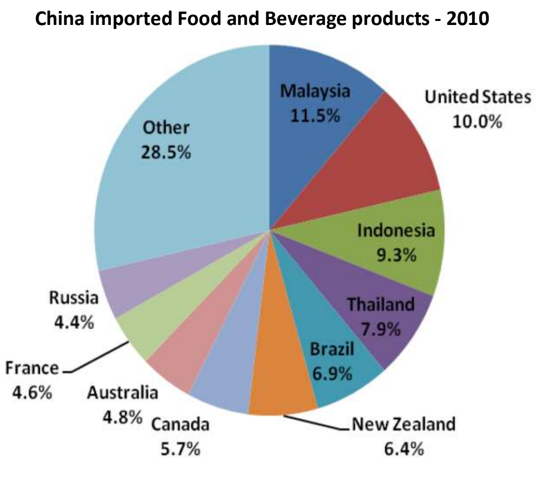


Chart 6



Source: China customs, via The World Trade Atlas

A second factor leading to growth in exports from New Zealand to China is the reductions in trade barriers, as well as a sense of greater economic cooperation, achieved through the New Zealand-China Free Trade Agreement.

New Zealand was the first OECD country to sign a high quality free trade agreement with China. The NZ-China Free Trade Agreement is an agreement that liberalises and facilitates trade in goods and services, improves the business environment, and promotes cooperation between the two countries in a broad range of economic areas. New Zealand and China have entered into an agreement that allows for mutually beneficial concessions in the area of trade of goods, services and investment. [31]

One of the greatest benefits for New Zealand exporters under the NZ-China Free Trade Agreement is the provision for the gradual removal of tariffs on 96% of New Zealand exports. It is estimated that New Zealand will make an annual saving of $115.5 million due to the removal of these duties. [32]

The New Zealand-China Free Trade Agreement took effect in October 2008. In the year ended December 2008, China was our fourth-largest export market for goods, with total exports to the country valued at $2.5 billion [33]. This had quadrupled by the year ended December 2013 to $10.0 billion.

4.4. The Impact of Growth in Trade

While discussing the drivers behind the growth in China's imported food and beverage products and the impact this has had on New Zealand's trade with China, it is also relevant to highlight the impact this has had on New Zealand's primary industry firm's behaviours.

KPMG's 2014 Agribusiness Agenda surveyed more than 150 of New Zealand's primary industry leaders and found that companies across New Zealand's primary industry are thinking carefully about China and see this market as a balancing act between managing commercial and political risks inherent with the market, with an attempt to maximise prices. [34]

The size and stage of market development in China provides an opportunity for New Zealand to invest in the market and develop more supply chain management focussed positions. Ultimately, building a strong supply chain management position should improve returns and provide a more sustainable market for high value New Zealand products. Such a position would also allow New Zealand to move towards a category management role as the market continues to develop and New Zealand's expertise in the market grew. [35]

The challenge many firms face is how to decline making a sale to a Chinese customer that is prepared to pay a higher price for a product than any other customer elsewhere in the world. Some of the observations made by KPMG's survey of agribusiness leaders were that; China needed to be approached as 22 different markets instead of one large market, the influence of government remains strong within China and having networks within government was crucial, many New Zealand firms were reverting to more generic products for the Chinese market in return for an immediate price premium (e.g. Frozen carcass), New Zealand organisations have tended to build business to business relationships instead of business to consumer relationships, and New Zealand businesses will struggle to compete with China firms when it comes to adding value to product due to scale and wage regulations in China.

While discussing the impact that China's growth in demand for imported food and beverage products and the positive effect this trend has had on New Zealand's exports, it is necessary to consider the negative impacts that have been experienced from the increase in trade.

As trade between New Zealand and China has continued to grow, there have been instances which have resulted in New Zealand needing to review its situation with trade to China. These instances affect companies that are in the industries which this report is reviewing, and therefore it is worth noting that the growth in trade with China has not been solely positive.

In 2008, China suffered a tainted milk scandal which exposed wide reaching corruption within the Chinese dairy industry. The contamination of milk products with an industrial chemical, Melamine, left at least four babies dead and sickened hundreds of thousands more. The chemical was added as a way of disguising milk which had been watered down, yet due to its Nitrogen ingredients, it can produce kidney stones and other potentially fatal conditions when consumed by humans. A dairy co-operative from New Zealand, Fonterra, was caught within the Melamine scandal through its investment in one of the Chinese dairy companies, Sanlu. Sanlu, along with 21 other dairy processors, were found to have added Melamine to their milk products. It is also noted that Fonterra's involvement in the scandal allowed the New Zealand government to place pressure on the Chinese government to uncover the scandal and bring it to the attention of the public. [36]

In 2013, New Zealand suffered two different incidents over two months when red meat products were held at Chinese wharves over customs certification issues. This incident had an impact on all New Zealand meat exporters with any product destined for China blocked from being imported at the wharf. It is estimated that this caused disruption to approximately $100 million of product. The New Zealand government cited issues such as changes in certification protocols and misunderstandings with veterinarian protocols. [37]

In 2014, the Chinese government changed the food safety regulations for imported infant formula, effectively closing the door to any infant formula exporters unless they could prove a close relationship with their manufacturer. The changes to regulations were given with one weeks notice, and while 5 of New Zealand's infant formula exporters at the time were able to gain registration immediately, the changes resulted in more than 50 infant formula exporters from New Zealand being blocked from exporting product unless they could satisfy the new regulations. [38]

The New Zealand firm exporting Kiwifruit products to China, Zespri, has faced difficulties with China authorities during 2012 as a result of its independent importer being charged for custom fraud and under declaring import duties on Zespri's products. The importer was jailed and fined in 2011, and Zespri was subsequently investigated for its involvement in the process. As a result of this investigation, Zespri's China subsidiary was fined $1 million and had to pay reparations of $10 million. [39]

These incidents are examples of the negative incidents which have occurred involving New Zealand's food and beverage industries in China, and it is important to understand these incidents when evaluating how well New Zealand industries are approaching the China market and the impact that the growth in trade has had.

5. Description of Methodology

This research will investigate the habits, traits and practices of global firms which have achieved success in the China marketplace (recommended practice firms), and three of New Zealand's food and beverage industries which have a significant proportion of their total exports destined for China.

The research will analyse the habits, traits and practices of each of the recommended practice firms and the New Zealand industries to evaluate each firm or industry's Critical Success Factors.

The Critical Success Factors will be chosen as characteristics, conditions, or variables of effective export marketing strategies and will only look at the habits, traits or practices these firms or industries display in exporting to China.

5.1. Critical Success Factors

The concept of Critical Success Factors was introduced in 1961 by Ronald Daniel as a means of identifying the information which is necessary to perform managerial duties. According to Daniel, a firms information system should focus on 'success factors' and that in most industries success is determined by three to six success factors which should be carried out with particular care to ensure the firms success. [40]

The concept of Critical Success Factors was further developed by Anthony, Dearden, and Vancil (1972) to demonstrate that Critical Success Factors will vary from one company to another and one manager to another. [41]

Rockart (1979) specified that Critical Success Factors are the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisation. They are the key areas which must be performed with success in order to allow the business to succeed. If the results in these areas are not adequate, then the organisations efforts for the period will be less than defined. [42]

For this research, Critical Success Factors are those characteristics, conditions, or variables that when properly sustained, maintained, or managed can have a significant impact on the success of a firm competing in a particular industry.

Critical Success Factors can be analysed at three levels; firm specific, industry specific, and economic socio-political environment. Firm specific analysis uses an internal focus for each firm. Industry level analysis focuses on certain factors in the structure of the industry which will have an impact on any company operating in that industry. A third level of analysis goes beyond industry boundaries and argues that an analysis of the economic, socio-political environment will provide sources of determinants of a firms Critical Success Factors, though it is noted that the more macro orientated approaches are of a lesser importance for a firms management system. [43]

Analysis at each of these three levels needs to consider Critical Success Factors relevant to each level, and analysis across the three different levels will allow greater potential Critical Success Factors.

For the purposes of this research it was decided to ignore the economic factors due to them being consistent across all three New Zealand industries, and the research will focus solely on industry level and firm level analysis.

Whilst it is important for business to emphasise enhancing their tangible success factors such as manufacturing productivity and producing quality products, it is equally as important in international markets to develop and exploit intangible success factors such as customer relationships, value of their branding, and core competencies. [44]

Critical Success Factors can be distinguished as internal and external Critical Success Factors. Internal Critical Success Factors are determined by the characteristics of the company's internal environment, such as its products, people, processes, and business structures. External Critical Success Factors are conditioned by a company's external environment, and while the company is not in control of these conditions, it is still able to measure the external Critical Success Factors. [45]

Identifying Critical Success Factors

Most industries have a set of Critical Success Factors that are set by that industries specific features and characteristics. A fit between competitive advantages and Critical Success Factors of a particular industry may form a firm foundation for a firm's successful performance in that industry. [46]

Leidecker and Bruno (1984) suggested a number of methods for identifying Critical Success Factors within a firm, industry or socio political environment. These include environment scanning, structural analysis of the industry, industry expert opinion, analysis of the competition, best practice analysis, company internal environment analysis, factor identification based on intuition, and profit impact of market strategy data analysis. [47]

The Critical Success Factors needed to be leveraged in order to gain international success include value chains, customer relationships, partnerships, research and innovation, securing suppliers, managing critical incidents, and core competencies. [48]

Based on the above, The Critical Success Factors selected for this research have been identified by analysis of New Zealand Trade and Enterprise (NZTE) publications and other trade publications and research, academic publications, discussion with independent industry experts, and factor identification based on intuition. The case studies of the recommended practice firms have been evaluated to ensure the accuracy of using the Critical Success Factors identified.

Critical Success Factors Used in this Research

This research will examine four Critical Success Factors as a basis for making comparisons between the recommended practice firms and New Zealand industries exporting to China. The Critical Success Factors have been determined using the above criteria for identifying Critical Success Factors.

The results of the analysis of New Zealand firms will be presented on an industry by industry basis, and therefore a high level view of the industry structure, size, and strategy will be analysed for each industry as well as the Critical Success Factors above.

The Critical Success Factors used in this research are:

1. Understanding of the market
2. Selling and distribution channels
3. Promotion of a brand
4. Collaboration

These Critical Success Factors are detailed further.

Understanding of the Market

China is a very fragmented market with significant differences across multiple regions. Therefore thorough market research is recommended before entering the market. Exporters need to consider a number of factors, such as region, age group and eating preferences in the various areas. [49]

Research and innovation techniques are also Critical Success Factors that allow firms to add value to products by tailoring them to suit customer needs, and requires a level of market awareness to invest in the research and innovation.

Considerations made in assessing the Critical Success Factor - Understanding of the Market include:

- Was market research completed prior to entering the market;
- How frequently is market research completed into areas of what customers want and what information drives their decision making;
- Does the firm have a strategy for the China market, who sets this strategy, and how often is it reviewed;
- Does the firm strategy strive to be a cost leader or differentiated product;
- How well does the firm understand the demographic and geographic make up of the marketplace and the customers they are selling their product to;
- Does the firm offer a point of difference in the market, and does the firm understand how it can cement itself in the market through this point of difference offering;
- Is the firm investing in research and innovation for product development for the China market.

Selling and Distribution Channels

Finding a local partner is crucial and it is recommended linking up with firms which have established wholesale and retail outlets. Ideally they should be able to drive penetration and growth as well as being able to make orders. [50]

Building and managing customer and distribution relationships helps companies to reach target markets and capture profit margins, and therefore is a Critical Success Factor. Capturing more of the value chain helps firms to capture more profit through controlling distribution systems, customer relationships and branding. [51]

Considerations made in assessing the Critical Success Factor - Selling and Distribution Channels include:

- How far along the supply chain does the firm control and have responsibility for;
- Does the firm 'sell to the wharf' and use a independent party to import and distribute, or do they perform the import and distribution process using an offshore subsidiary;
- Does the firm intend to capture benefits further down the supply chain in future;
- How did the firm initially develop relationships with Chinese parties, and how are these relationships maintained and grown;
- How are distributors and customers initially selected to partner with, and what level of due diligence does the firm perform prior to selecting potential distribution partners and customers;
- What personnel does the firm employ in-market to assist with distribution, sales and customs clearance.

Promotion of a Brand

Chinese middle class consumers focus on brands as they believe brands will give them greater status. They will buy luxury goods, not because they necessarily like them, but because they are representations of success. The Chinese consumer likes brands with names that express longevity, good health, happiness, and wealth. Safety also has a high appeal in China, and many major Chinese firms place greater emphasis on the corporate brand rather than the specific product brand due to this. [52]

Considerations made in assessing the Critical Success Factor - Promotion of a Brand include:

- What amount of marketing of a brand is done in-market for both customers and consumers;
- Is the brand the firms brand, the industry brand, or brand New Zealand;
- Is there an understanding by the firm of what the brand represents to Chinese customers;
- What research has been completed into understanding customer empathy towards the brand;
- What research has been completed measuring the brand awareness by the consumer;
- What personnel does the firm employ in market to assist with promotion of the brand;
- Are safeguards in place to mitigate brand damage;
- Has the firm identified a premium which is available to branded product;
- Does the firm participate in China as a good corporate citizen.

Collaboration

Mutually beneficial partnerships are often a Critical Success Factor for international strategies, and help establish access into international markets. International partnerships provide knowledge sharing, a reduction in risks in the market and sharing of costs to enter and operate in the market, sharing of distribution and manufacturing systems, and the ability to utilise the partner’s core competencies. [53]

Considerations made in assessing the Critical Success Factor - Collaboration include:

- What level of collaboration is the firm involved in;
- What level of collaboration does the firm have with other New Zealand parties operating in China;
- What level of collaboration does the firm have with China partners or other firms of other nationalities which operate in China;
- What level of support does the firm use from consultants and other support service providers;
- What future collaboration is the firm pursuing;
- Does collaboration with Chinese firms add value by being a good corporate citizen;
- What level of investment has the firm made in China to form partnerships with local firms, and vice versa with attracting Chinese firms to invest in it’s business;
- What level of assistance has been used from other organisations.

5.2. Recommended Practice

For the purposes of this research, recommended practice will be the habits, traits and practices identified within the Critical Success Factors of selected global food and beverage firms. The habits, traits and practices of the global firms will be backed up using findings from research into publications which detail effective export market entry strategies. The global firms will be selected global firms which are acknowledged to have experienced sustained success in the China marketplace.

The recommended practice firms are recognised for; implementing expansion across multiple regions of China to realise scale in the marketplace, building a strong and reputable brand which its customers recognise and show loyalty towards, being recognised as a good corporate citizen, achieving strong financial results including sales growth and increasing returns.

The recommended practice firms in this research are; Yum! China, Nestle, and Mondelez International (formerly Kraft Foods).

Yum! China

Yum! Brands is the parent company of KFC and Pizza Hut, which entered the China market in 1987 through its subsidiary, Yum! China. Since then, Yum! China has grown to over 4,500 stores in 900 cities, with one new restaurant opening per day on average. Yum! China has outperformed its rival, McDonalds, to become the largest restaurant company in mainland China. Yum! China's story is recognised as a story of a successful entry into China by a Western Food company, as well as an insight into how quickly Chinese diets change as their income levels improve. [54]

Nestle

Nestle is the world's leading nutrition, health, and wellness company with operations in 86 countries, 330,000 employees worldwide and turnover over US$100 billion. Nestlé's mission is "Good Food, Good Life", and aims to provide consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories. Nestle is one of the oldest of all multinational business, having operated for over 160 years [55]. Nestle begun trading into Hong Kong in 1874, and set up a sales office in Hong Kong in 1920. Nestle opened its first factory in China in 1987. As of 2014 Nestle is involved in 33 factories with 50,000 employees supported by a marketing, sales and distribution network providing consumers with nutritious and delicious products produced from 90% local production. [56]

Mondelez International (formerly Kraft Foods)

Mondelez International is a multinational food, beverage and confectionary company which was established in 2012 comprising the global food and beverage brands of Kraft Foods. Kraft Foods was established in 1923 and was the world's second largest food company until 2012 when a decision was made to split into two companies; a multinational food and beverage company known as Mondelez, and a North American grocery company known as Kraft Foods Group. Post split, Mondelez has turnover over US$36 billion, employs 107,000 people world wide and has operations in 80 countries [57]. After entering the Chinese market in 1996, it was faced with overhauling its strategy and product offerings to better align with the particular appetites of China's consumers after the company kicked off its "Winning Through Focus" strategy in 2007. It now has the largest market share in China in two major categories; cookies and powdered beverages, with over 22% market share of China's cookie market. [58]

This research focuses on the food and beverage components of Kraft Foods (now known as Mondelez International) as it developed its presence in the China market before the company split, and therefore refers to the company as Kraft Foods throughout this paper.

5.3. New Zealand Industries

This research will investigate the habits, traits and practices identified within the Critical Success Factors of firms within three of New Zealand's food and beverage industries.

The New Zealand industries have been selected which have significant trade with China in terms of total value, volume, and proportion of total industry exports. The structure of each industry has also been considered to allow comparison over three industries with different industry structures.

The selected industries are Dairy, Red Meat, and Kiwifruit.

In order to observe commercial sensitivity of these companies, this report will only look at findings on an industry by industry basis as opposed to firm by firm, unless that information is publically available.

Dairy Industry

The Dairy industry is New Zealand's largest export industry with export earnings of $13.7 billion for the year ended 31 March 2014, and accounts for 29% of the country's total export earnings. [59]

Dairy exports to China totalled $5.65 billion for the year ended 31 March 2014. This was 50.5% of total goods exported to China for the period, and was up from $2.5 billion for the year ended 31 March 2012. [60]

Dairy exports to China accounted for 10.5% of New Zealand's total exported goods for the period ended 31 March 2014. [61]

New Zealand is the 8th largest milk producing country in the world and accounts for 4% of global milk production. However, due to its small population it exports 95% of milk produced and accounts for 33% of globally traded milk, the world's largest milk exporter in volume and value. [62]

The Dairy industry is dominated by Fonterra Co-Operative Group, which was formed through the Dairy Industry Restructuring Act (2001) and processes 88% of New Zealand's milk supply. The remainder of the industry is split between a number of smaller private and co-operative competitors, with no single company processing more than 4% of New Zealand's milk supply.

The Dairy firms which participated in this research project were Fonterra Co-Operative Group, Open Country Dairy, Synlait Milk, Westland Milk Products Co-operative, and Dairy Goat Co-Operative [interview set 1]. These firms process more than 95% of New Zealand's milk and represent over 18.5 billion litres of milk per year.

Red Meat Industry

The Red Meat industry is New Zealand's second largest export category valued at $6.5 billion for the year ending 31 March 2014 and accounting for 11% of export revenue. [63]

While New Zealand produces 5.4% of the global sheepmeat production, it accounts for 36% of the global traded sheepmeat. New Zealand is a minor global producer of beef accounting for 1% of global production. [64]

Red Meat exports to China totalled $999 million for the year ended 31 March 2014. This was 8.9% of total goods exported to China for the period, and was up from $500 million for the year ended 31 March 2012 [65]. Red Meat exports to China represent 28% of all sheepmeat exports by value and 10% of all beef exports by value.

Red Meat and Offal product exports to China accounted for 2.1% of New Zealand's total exported goods to all countries for the period ended 31 March 2014. [66]

New Zealand's red meat industry is considered a fragmented industry with strong competition. The industry consists of four equally large processors and marketing company's which together account for 73% of sheepmeat processing and 76% of beef processing, along with 24 small processing companies. The industry is considered to be highly competitive with the companies competing against each other in both livestock procurement and export marketing. [67]

The Red Meat firms which participated in this research project were Silver Fern Farms Co-Operative Group, Alliance Co-Operative Group, Anzco Foods, AFFCO Holdings, and Greenlea Premier Meats [interview set 2]. These firms account for 73% of New Zealand's lamb and sheepmeat processing and 84% of New Zealand's beef processing. [68]

Kiwifruit Industry

New Zealand is the 3rd largest Kiwifruit producer in the world, and contributes 30% of the world's kiwifruit volume while delivering approximately 60% of its value. [69]

New Zealand exported $817 million of Kiwifruit products for the year ended March 2014, declining from $1.04 billion for the year ended March 2013 largely as a result of the continued impact on the volume of product available due to the PSA disease outbreak in 2010. [70]

The impact of PSA disease outbreak on the Kiwifruit industry is highlighted by the fact that 100 million trays of Kiwifruit were exported in the year ended June 2010, and 89 million trays were exported in the year ended June 2014. [71]

Kiwifruit exports to China totalled $114 million for the year ended 30 June 2013, which represents 11% of total Kiwifruit exports by value for the same period. [72]

In 1997, the industries growers and the New Zealand government decided to form a single desk export arrangement for all Kiwifruit exports outside of Australia and New Zealand. This arrangement meant the New Zealand Kiwifruit Marketing Board, through the commercial entity Zespri, controlled 100% of the exports for Kiwifruit product to China. [73]

The Kiwifruit firms which participated in this research project were Zespri [interview set 3], which accounts for 100% of New Zealand's Kiwifruit exports to China.

6. Findings

6.1. Recommended Practice

The findings of the recommended practice firms are summarised in the following table and the key findings for each Critical Success Factor are detailed below.

	Yum! China	Nestle	Mondelez International (formerly Kraft Foods)
Understanding of the market	- Tailored product offerings to suit Chinese tastes and style of eating - Hire local management with experience of Chinese culture - Identify differences in cultural tastes and preferences between each region	- Marketing messages incorporating Chinese phrases and adages - Identified market entry strategy of low cost, branded foodstuffs to build presence - Hire local managers and factory staff	- Empower local managers to make decisions - Undertook market research to understand the effectiveness of product offerings - Made changes to product pricing, packages, serving quantity based on local preferences - Investment in research for new product development in China (Shanghai centre)
Selling and Distribution Channels	- Hire local management with experience in Chinese business as well as Western business principles - Growth supported by company owned distribution systems - Investment made in vertically integrated supply chain for supply continuity	- Investment in supply chain, such as processing factories and distribution channels - Employ local managers with local knowledge in the company's facility's	- Local management team to maintain relationships with distributors - Local acquisitions to secure a foothold in the marketplace
Promotion of a Brand	- Promote a brand offering healthy solutions and social responsibility - Image of being a local part of the community, not a foreign company - Sponsorship of youth programmes and competitions throughout the country reaching 260,000 participants in 438 cities - Built an 'employer of choice' image, through a family like workplace culture	- Nutrition and health programme reaching 865,000 children in China - Strong promotion of brands which appeal to Chinese consumers - Built brand loyalty through corporate citizenship and by being a local employer and part of the community	- Strong branding to appeal to the demographic they are marketing to - Marketing strategy in stores with consumers - Investment in local brands which appeal to Chinese consumers - Investment in research for new product development in China (Shanghai centre)

Collaboration	- Maintains strong relationships with all levels of government - Knowledge transfer programmes with suppliers	- Knowledge sharing programmes with local farmers and producers - Workshops to introduce standards of quality for suppliers - Displays a philosophy of 'creating shared value'	- Investing in local research and development facilities

6.1.(a). Understanding of the market

China is a huge market and it will require careful research to identify the most promising markets and products within it, and new products may be required to fulfil specific market requirements. [74]

Yum! China's management had a strategy that its KFC model would be seen as part of the local community, not as a foreign presence with the belief that the greatest opportunity was to take the best ideas from its US fast-food model and adapt them to serve the needs of the Chinese consumer [75]. This included altering its menus to appeal to the Chinese style of eating, which involves groups of people sharing dishes. While the Chinese KFC menu might stay consistent through stores within the country, it would also include foods tailored to the specific tastes of that region, identifying that each different region of China has different and unique tastes and preferences.

Nestle has entered the China market by providing low cost, branded food products and has also located its manufacturing plants within the regions, employing host country nationals and helping uplift their living standards. Therefore, not only has the company provided them with a livelihood by employing them and purchasing local produce from local farmers, but in doing so has also created strong brand loyalty [76]. A company recognised as a master of adaptation, Nestlé has created an array of products that incorporate differing regional flavours and cater to local tastes in coffee, chocolate, ice cream and water. [77]

Kraft realised that in order to succeed with Chinese customers a global corporation must transform itself, and begun allowing its local managers to make decisions about its products based on their understanding of the market, including changes in pricing, packaging, and serving sizes, to cater for the local market. Alongside this, it has also invested in research activities within Shanghai in order to develop new products for the China market which meet the consumer tastes in this unique market. [78]

6.1.(b). Selling and distribution channels

Beard (2011) found that having a presence in the market is critical for China, ideally through a permanent office. Many companies throughout the world have traditionally exported to China using agents and distributors, and maintain customer contact by visiting regularly. However, this places huge demand on managers to keep developing the relationships with customers, and it is not preferred from the customers' point of view. It was found that Chinese customers want to know there is someone down the road they can call to fix a problem. [79]

The importance of personal relationships is a significant difference when doing business in China compared to in the West. Historically, China has never had a strong legal system, so business has been conducted on the basis of relationships. In the West, a business arrangement is cemented with the contract. In China the contract is less important and business is conducted first and foremost between people. [80]

Capturing a greater share of the value chain is a Critical Success Factor that helps firms to capture more profit through controlling distribution systems, customer relationships and branding. Companies are encouraged to remove intermediaries and to control supply chains from the suppliers right through to the end consumers, allowing value creation to be enhanced. [81]

Companies that have invested in supply chain distribution and marketing are usually able to extract greater value from the market and are able to maintain more consistent pricing and returns than companies that operate on a trading basis only. However, investment in down stream distribution and marketing resources increases costs significantly and generates a number of additional risks for the business. [82]

Yum! China sourced its product from within China whenever possible which was a challenge due to its early suppliers including multiple vendors providing a handful of birds each. It identified that food safety was a big concern for Chinese consumers, and management made the decision to build the supply chain from the ground to help ensure quality. [83]

Nestle has used a strategy of investing in basic infrastructure to ensure it is able to maintain smooth distribution channels, which has allowed the company to also benefit from gaining a strong foothold in the marketplace, creating job opportunity's and increasing the visibility of its brand. [84]

Kraft learned that building a local management team to maintain a solid relationship with its Chinese distributors is a major part of doing retail business in China, and a key part of its strategy to allow its Chinese workforce to market and sell products that are made in China and are catered to its Chinese customer's preferences. [85]

6.1.(c). Promotion of a brand

It is beneficial for exporters to be in control of a brand story that represents a significant proportion of the value of the product. The closer an exporter is to the end consumer, the greater value that can be extracted from the use of that exporters own branding, instead of relying solely on a distributors branding. [86]

Yum! China has positioned its brand as a socially responsible brand in order to protect itself from future obesity epidemics it has experienced in Western countries. This includes involvement in youth programmes with over 260,000 participants in 438 cities, limiting the savings for consumers buying combos, development of its menu to be based around 'traditional' Chinese cuisine, and not offering supersized items. [87]

Nestle has adapted its brands to appeal to Chinese consumers and used a range of effective marketing methods to promote these brands. It is not the company with the largest marketing spend in its industry, but it is effective with the delivery it uses, and the widespread appeal of its brands.

Kraft has learnt from its experiences in the Chinese market that using its brands with the assumption of what made it successful in other markets will not automatically translate into success in the Chinese market. In 2005, after a decade in China and as a result of Chinese consumers not supporting the brand, Kraft was faced with having to reinvent its branding to appeal to Chinese consumers unique tastes, as it begun to turn around its position in the Chinese market. It now is able to boast the largest market share in China for cookies and powdered beverages. [88]

6.1.(d). Collaboration

Beard (2011) found that the greatest opportunities within China are through collaborating with local partners, and being prepared to invest in partnerships with local partners. It was found that this would allow firms to get around resource constraints, such as with setting up offices in overseas offices, while allowing firms to do business together. [89]

Yum! China works with it's suppliers in order to build their capabilities, stressing the importance of knowledge transfer, and even arranging for them to go overseas to learn. [90]

Nestle understands the value of being supplied high quality product from Chinese producers, and has invested significantly in a number of program's across different areas its suppliers operate in. These programs are designed to share knowledge, introduce and develop standards of quality, and provide infrastructure to its suppliers which was not available otherwise. Nestlé's coffee procurement supports up to 19,000 people involved in coffee farming, and since 1995 Nestle has provided training on planting, quality control and processing techniques to over 7,300 farmers. [91]

Nestle has a worldwide value of 'creating shared value', which is just as strong in China where Nestle has invested in a number of regions to provide support and technical assistance through development programs in order for farmers to achieve higher standards and better returns. [92]

6.2. New Zealand Industries

The findings of the New Zealand industries are summarised in the following table and the key findings for each Critical Success Factor are detailed below.

	Dairy industry	Red Meat industry	Kiwifruit industry
Industry Structure	The Dairy industry is dominated by one significant firm, Fonterra which accounts for 88% of the market, and a number of small independent firms	The Red Meat industry is considered a fragmented industry, with four large firms and 26 small firms, in an industry which is considered highly competitive on both the procurement front and selling in the marketplace	The Kiwifruit industry has critical mass benefits due to being a single desk model with one firm, Zespri, responsible for the product sales, marketing and branding
Understanding of the market	- Varying experience in market from new entrants to firms with 30 years of relationships in China - Most firms appear to have a strong strategic aim with China, which is based on long term relationships and premium products - Two firms have offices in-market, one firm has a related entity based in Hong Kong. Hire local people, closer to market - Many firms building market awareness through completing market research	- Market awareness built across industry using consumer taste panels, industry market research and market visits - Mixture of strategic priorities amongst firms - Varying experience in market from new entrants to firms with 30 years of relationships in China	- Has a clear vision of what Chinese consumers value and has built this into the company's product offerings - Strategy developed around China and communicated through to shareholders - Completes market research using in-market team and using market consultants - Relationships with China for 12 years
Selling and Distribution Channels	- Mixture of approaches with some firms selling to market and using distributors, and some firms with offices in-market - Two firms have offices in-market, one firm has a related entity based in Hong Kong. Capture greater share of the value chain. - Selling mixture of commodity and consumer goods	- Two firms have related entity's in Hong Kong and Taiwan, which are used for distributing products into mainland China - Selling to market in individual manner, servicing relationships by visiting the market - Selling commodity goods	- Resisted selling in-market as too complex, sells to wharf and uses agents to clear and distribute products - Previous history of being caught up with illegal smuggling due to fraudulent agent - Selling mixture of commodity and consumer goods

Promotion of a Brand	- Strong use of brand New Zealand, with most firms gaining additional value from also using firm's individual brand - One firm provides in-market brand awareness, and completes research assessing their brand marketing - Two firms using consumer branding, rest lack sufficient scale - One firm investing in corporate citizenship through investment in farm developments which provide employment opportunity's for local citizens	- Heavy reliance on brand New Zealand, no significant emphasis on individual firms branding	- Significant investment in branding - to be no. 1 fruit brand in China - In-market team to assist market research and provide promotional, marketing and trade support - Market research completed to gauge positioning of brand - Focus on one brand, one product for marketing - Able to extract a premium over competitors through strength of brand
Collaboration	- Most firms collaborating with either other industry participants, with Chinese customers, or with other New Zealand exporters - One firm has invested in a Chinese distribution and infant formula business to form a collaborative partnership - Two firms have shareholders who are large participants in China food production	- Collaboration done with customers to form joint business plans and run joint promotions - One firm recently announced as a participant in an in-market collaboration with other New Zealand firms	- Information sharing sessions with other New Zealand food company's

6.2.(a). Understanding of the market

The Dairy industry has firms with varying levels of experience in the China marketplace, with some firms having relationships with China customers for over 30 years, some firms having relationships with China customers for approximately 10 years, and some firms being relatively new entrants.

Many of the firms in the Dairy industry are involved with conducting market research, which has been done on an individual basis as each firm sees fit. Two of the firms in this industry have established offices in-market in mainland China. One of these firms employs a significant number of local staff to develop and service customer relationships, as well as complete in-market research and other functions which would otherwise be outsourced. Another firm in the industry has a related party based in Hong Kong, which it uses solely for relationships and distributing product.

Firms within the Dairy industry appear to have clear strategic aims and purposes, which tend to be centred around strong, long term relationships and selling products into the high end of the marketplace.

The Red Meat industry has firms with a range of experience in the China market, with some firms having commercial relationships with customers in China for up to 30 years, and some firms having only been granted regulatory approval to export product to China in mid 2014. Firms within the industry have built up significant market awareness through market visits, industry supported market research, in-market consumer tasting panels, and the use of external consultants. This market awareness has been built up by firms on an individual basis.

Firms in the Red Meat industry tend to have a mixed response around having clear strategic aims in the market, with all firms looking to extract the greatest value possible but lack any clear strategic plans around this. Most firms understand their target market and what customers they are trying to reach, though each firm tends to be targeting the same mix of customers.

The Kiwifruit industry has had relationships with China for over twelve years, and over time has developed an understanding of what it believes to be the three key attributes that consumers value; food safety, food quality, and health. It utilises this knowledge and has built its product offering and branding messages around these three key values. It utilises its small in-market team and external consultants in order to build up market research, which it uses to review the placement of its products in the market and the branding strategy. It has invested in in-market research around the size of the market and the demographics of the market, strategic distribution planning, measuring the effectiveness of the brand, measuring consumer perception of the product, and which product has preference in certain markets.

The Kiwifruit industry has a China Strategy document. This communication document highlights the benefits of China to the industry, and where the industry sees its future within that market. This strategy document is communicated to its shareholders.

6.2.(b). Selling and distribution channels

The Dairy industry provides a range of different scenarios for selling and distribution channels, with some firms selling basic commodity products 'to market' and using distributors to clear customs and distribute their products, some firms selling consumer goods to distributors to clear customs and distribute, and some firms selling either commodity or consumer goods products to a related party in-market office and using their local staff to distribute product.

Three of the firms in the Dairy industry have an in-market office, whether it be a subsidiary or owned by a related party, and more firms in the Dairy industry are expecting to make this step in the short to medium term either by themselves or in partnership with other New Zealand firms. These in-market offices are used for building close relationships by having local staff in-market, and for clearing customs and distributing products. Firms that don't have an in-market office tend to sell to distributors and service relationships in the market through periodic market visits.

One of the firms in the Dairy industry has invested in a distribution business, which is expected to maximise the opportunities for distributing some of its products.

The Red Meat industry has been selling to the market and services its relationships with customers through regular communication and periodic market visits. The majority of firms in this industry sell to Chinese customers and rely on these customers to import, clear customs and distribute the product. Two of the firms have related party subsidiaries in either Hong Kong or Taiwan, which are used to import and clear customs for a portion of their total China bound product, before relying on a distributor. These two firms only move a portion of their total China bound product through this channel, and for the rest of their product they will use the same method as other firms in the industry of selling to a distributor to import, clear customs and distribute.

One of the firms in the Red Meat industry has been one of the most proactive firms in New Zealand to target on-line selling in China, and has been involved in large on-line promotions.

The Kiwifruit industry has resisted selling in-market in the past, viewing China as being too complex and instead using agents to import, clear customs and distribute its product. It has begun using four different agents in order to spread its risk, after being left exposed in the past with fraudulent agents. It has the view that in future there will be opportunities for it to move past solely “selling to wharf”, as China becomes less complicated.

6.2.(c). Promotion of a brand

Firms across the Dairy industry use the strength of brand New Zealand, as the New Zealand dairy industry has a strong, well known brand in China. Individual firms have also established their own brands with individual customers and use this to ensure they are in the higher end of the market. One firm has built a number of consumer brands, and one other firm is using a consumer brand for some product, but most firms acknowledge that due to their lack of any reasonable scale they are better suited to be investing in processing assets and building relationships than consumer brands.

One firm within the Dairy industry has also invested in a local distribution business, as well as investing heavily in developing dairy farms in China. This investment across the length of the supply chain, as well as providing employment on farm and dairy technology behind the farm gate has been with the intention of being a corporate citizen within China, and allowed the firm to build a brand in-market with customers, consumers and government for being a partner in the industry.

The Red Meat industry relies on brand New Zealand and each individual firm’s relationships with customers. There has been no significant individual firm branding completed, and it is acknowledged that any branding would need to be collaborative as all companies are essentially marketing the same product. Food safety and health are acknowledged by the industry as key concerns Chinese customers have, and there as been a greater emphasis on demonstrating strong food safety practices rather than developing this into a brand.

The Kiwifruit industry believes China is very much a brand focused marketplace, more so than it was 10 years ago, and that New Zealand companies should see it as a premium market suitable for only premium products.

The Kiwifruit industry has invested significantly in its own branding in China in order to become the number 1 fruit brand in the market. This includes employing a small team in-market which provide full time promotional and marketing support along with operational and administration assistance to agents and retailers.

The Kiwifruit industry has decided that it will invest solely in one brand and one product, which allows it to be focused solely on one branding strategy instead of building and managing multiple brands. Having a strong brand which is well recognised has allowed it to be able to price its products at a premium over the competition’s product. Having a team in-market has allowed it to be able to research the brand power to ensure it is getting the messages right with consumers, and at the same time using these personnel to push the brand.

6.2.(d) Collaboration

Two of the companies included in this research are involved in a collaboration arrangement announced in 2014 which sees NZTE and six of New Zealand's primary industry companies together establishing a joint China services company, Serveco, to ease entry into the China market. Synlait Milk and Silver Fern Farms, along with four other companies across different industries, have taken the opportunity NZTE has presented to be involved in a coalition of companies to go-to the China market together. Serveco will provide its members with an office and administration support to allow the companies involved to build stronger relationships with their customers and the Chinese government agencies. [93]

Cross border investment is high within the Dairy industry between New Zealand and China.

Chinese food company and dairy processing giant, Bright Dairy, invested in Synlait in 2010 taking control of 51% of the shares. The company continues to be a shareholder in 2014, albeit it now 33% after Synlait was publically floated in 2013, which allows Synlait to continue to utilise the partnership it has formed with Bright Dairy.

In 2014, Fonterra announced a partnership with the 2nd largest Chinese food manufacturer, Beingmate, which will involve Fonterra purchasing up to 20% of the shares in Beingmate, and forming a joint venture to process and distribute the Fonterra's branded consumer good products. Fonterra announced that Beingmate has an extensive distribution network and local knowledge that complements Fonterra's commitment to food safety and quality. [94]

Olam International (Olam) has held an investment in Open Country Dairy since its formation and held 24.9% of the shareholding in the company until July 2014, before selling down to 10% to other shareholders. Though Olam is registered in Singapore, it is a globally integrated supply chain manager, processor and trader of soft commodities, supplying products across 16 platforms to 13,600 customers worldwide. [95]

The Dairy industry showed positive signs of collaboration with all firms collaborating in some form, whether it be with other Dairy companies in New Zealand through the Dairy Companies Association, with their Chinese customers, or with other New Zealand exporters in other primary industries. In some cases firms utilised all of these avenues for collaboration.

Firms in the Dairy industry also have been involved in investment opportunities with significant participants in the Chinese dairy industry. As highlighted above, one of the firms included in the research is investing in a Chinese processing and distribution firm, which will assist with marketing its products. Two firms included in this research have major shareholders involved in the Chinese dairy industry.

The Red Meat industry has been involved in collaboration on an individual firm basis, collaborating with customers to form joint business plans, and in some cases with customers that sell other food products to run joint promotions. Some firms have collaborated with other red meat firms outside of New Zealand to share knowledge of the market.

Silver Fern Farms, one of the four large processing and exporting companies has been involved in Serveco, a collaboration of six New Zealand food businesses discussed above.

The Kiwifruit industry has had limited collaboration involvement. It has been involved in a small number of information sharing sessions with other New Zealand food company's, and also with New Zealand's Ministry of Primary Industries.

7. Discussion of Findings

7.1. Dairy Industry

Based on the findings of this research project, Dairy appears to be the industry of the three New Zealand industries which has a strong coverage over all four Critical Success Factors, and also displays characteristics most in line with the three recommended practice firms.

Though the Dairy industry is made up of one large single firm, Fonterra, and a number of smaller firms, having this diversity allows the industry to offer alternative strategies to its producers. This diversity also allows a healthy level of collaboration and competition between the firms, with firms understanding their place in the market and understanding there are areas where they are selling different products into different parts of the market, therefore not competing directly with each other. This has allowed a greater environment for sharing knowledge.

The largest firm in the industry has followed a number of the habits of the recommended practice firms, such as investing downstream in selling and distribution businesses in-market, having a strong presence in the market to provide market research and assist with marketing and promotional support, and developing strong consumer brands. Having this firm leading the industry has encouraged, and to an extent allowed, other firms in the industry to follow this example and move towards putting similar habits in place. This has resulted in more firms establishing in-market offices, building consumer brands, and developing market awareness either through collaboration with Chinese firms or through in-market research.

The Dairy industry has leveraged the brand of New Zealand first and foremost, but also developed its own industry wide brand of clean, safe and healthy products which consumer's value. Industry participants have also developed individual firm brands, which have allowed it to promote itself to the higher end of the market, though only a limited number of this branding is flowing through to consumer branding. This is an area where the industry can further develop going forward.

The Dairy industry has shown that it is the most proactive with cross border investment, with a number of firms investing downstream into local Chinese businesses which allow them to either capture a greater amount of the supply chain by distributing their own product, or to partner with these firms to find the best distribution channels for their product. Cross border investment in the Dairy industry has also flowed the opposite way, with two of the five firms in the research having significant shareholdings held by large Chinese food industry participants, and the other three being unable to access this due to being farmer owned co-operatives.

The Dairy industry has a strong strategic aim of where the firms are within the marketplace and the customers they are targeting, and has experienced a level of success in being able to target the higher end of the market through individual firms strategic objectives and allowed it to extract strong returns.

7.2. Red Meat Industry

The Red Meat industry is quite fragmented in the nature of industry, but appears to be quite uniform in its approach to exporting to China. The firms in this industry are showing many similarities in approach to China, with no firm being a standout for approaching China in a different manner to any others. Part of the problem with this situation is that all firms find themselves in a position of not offering anything different from what other firms in the industry offer, and the culture of competition in the industry prevents any possibility of collaboration in-market. As a comparison, the Dairy industry illustrates how firms can co-exist and have a culture of co-operation rather than competition. For this to happen in the Red Meat industry, each firm will need to identify their own strategic priorities which will require an open dialogue within the industry.

The Red Meat industry has built a strong understanding of the market over the years of relationships with Chinese customers, though this has been built on an individual firm basis and there has been minimal information sharing through the industry. The nature of competition within the Red Meat industry has meant that there has been no desire to share knowledge or avoid duplication of research and resources.

Two of the firms have offices close to the market which are used to clear customs and capture a greater share of the value chain. These two offices are based in Taiwan and Hong Kong, but as of yet no firm has invested in offices in mainland China. One of the firms in this research has recently entered a collaborative agreement with other New Zealand primary industry exporters to enter a joint office. This agreement is very recent and the success of this arrangement will remain to be seen.

The Red Meat industry has been the most proactive for internet marketing, an area which has been identified as a huge opportunity for smaller firms or new entrants to be able to compete against large firms in the China retail space. This is a progressive step along the selling and distribution channel Critical Success Factor which will allow the industry to get closer to consumers.

The Red Meat industry relies heavily on the weight of the New Zealand brand for demand for its products, though it is considered that the strength of the brand of the New Zealand red meat industry has not developed with consumers in China as much as, say, the Dairy industry. Individual firms in the industry have not been able to promote any consumer brands in China, though the first instance should be building the industry wide brand to promote awareness of the product in the industry.

Collaboration around China has been limited to firms individually participating in joint promotions with their respective customers. Some firms in New Zealand have shared knowledge with other red meat firms outside of New Zealand, but there is minimal collaboration between New Zealand firms in the industry. Collaboration is an area which the Red Meat industry could look to invest in to develop, which should assist with establishing each firms place in the market, sharing ideas, and leveraging off each others resources to build stronger industry branding in China and to capture a greater amount of the supply chain.

7.3. Kiwifruit Industry

The Kiwifruit industry has a benefit over the other industries that it is in a position of having a single desk operator responsible for the marketing, selling and distributing for all New Zealand kiwifruit product into China. This has allowed the firm to focus on its strategic proposition of one brand, one product, and allowed it to invest heavily in its branding to become the top fruit brand in the China market.

The Kiwifruit industry has a strategy which it uses to communicate to shareholders, and that is focused on developing its brand to ensure that its products are in the high end of the market and allows the company to demand a premium for its product based on the strength of its brand.

The Kiwifruit industry has been the strongest of the New Zealand industries in promoting a brand in China. This has involved investing heavily in market research using its in-market team to understand what the Chinese consumers relates to in branding, and then ensuring its gets its key messages of food safety, quality, and health built into its brand. The Kiwifruit industry has also used its in-market resources to assist retail customers to promote its products to consumers in the marketplace, ensuring that final consumers are getting the messages of its brand and the benefits of its product offering.

The Kiwifruit industry has experienced past difficulties with its selling and distribution channels into China, after making the decision it would not invest into selling and distribution resources in-market and instead rely on third party agents for clearing customs and distributing. This resulted in the company getting caught in the middle of fraudulent activities and smuggling accusations through its association with its convicted agent. As a result, the industry has had to rethink the risks surrounding its selling and distribution channels. An area which would be beneficial to look into to assist the industry getting closer to consumers would be to investigate internet marketing, which has been identified as a huge opportunity for smaller firms or new entrants to be able to compete against large firms in the China retail space.

The Kiwifruit industry has also not displayed a very high level of collaboration with either Chinese customers or with other New Zealand firms exporting to China. Collaboration is a key habit which is displayed by the recommended practice firms, and also one of the strengths of the New Zealand Dairy industry identified through this research. Collaboration, along with investing further in it's selling and distribution channels are two areas where the Kiwifruit industry should look to develop further in future, and this could begin with sharing ideas and partnering with some of the firms in the dairy industry.

8. Conclusion and Recommendations

The purpose of this research is to provide an understanding of the key drivers of growth in China's demand for imported food and beverage products, and to evaluate the Critical Success Factors of three of New Zealand's food and beverage industries when exporting to China.

It is clear to see that the growth in demand for food and beverage products in China will continue as a result of sustained high economic growth, causing; increasing consumer wealth and affluence, greater levels of urbanisation, and improving infrastructure within the industry. These factors are all resulting in a greater demand for higher value and more sophisticated food and beverage products across China. This rising demand for higher value and more sophisticated food and beverage products, coupled with the increase in food safety awareness amongst consumers, leads to opportunities for New Zealand to grow exports to China to satisfy this demand and benefit from the increasing wealth of consumers.

This report has looked at the four Critical Success Factors of effective export marketing firms, being; Understanding of the market, Selling and distribution channels, Promotion of a brand, and Collaboration. Using these Critical Success Factors, this research has compared the habits, trends and practices of recommended practice firms against three of New Zealand's food and beverage industries with significant exports to China.

The three New Zealand food and beverage industries selected were chosen due to each having significant exports to China in terms of value, volume, and as a proportion of total industry exports. The three industries selected were Dairy, Red Meat and Kiwifruit.

The research found that across the three industries there are vast differences in approach amongst individual firms but also across each industry. The results of each industry could be linked back to the structure of the industry, as well as the culture of the industry.

Of the three New Zealand industries, the Dairy industry was found to have the strongest coverage over all four Critical Success Factors, and also displays characteristics most in line with the three recommended practice firms. There are factors in this industry which lead towards this, such as the industry being dominated by one large firm which has the resources, scale, and experience to lead the industry. The habits displayed by this firm are most in line with recommended practice firms, and allows the other participants in the industry to find their own place in the industry and follow these practices. The culture of the Dairy industry is built around co-operation, rather than competition, and this was evident when discussing the China export strategies within the Dairy industry compared to other industries.

The Red Meat industry has traditionally been characterised by strong competition and barriers to collaboration within the industry, and this factor was quite evident during the discussions with firms in this industry. Though there are four large firms and a number of smaller firms in the industry which are selling similar products to the same markets, there is a lack of cohesion, industry collaboration and resource sharing, and an inability for branding due to each firm being unable to differentiate from another. The Red Meat industry showed strong understanding of the market, but has made little progress in the Critical Success Factors of selling and distribution channels, promotion of a brand and collaboration since it begun relationships with China over 30 years ago. A number of industry participants acknowledged that the Red Meat industry has in the past been reactive in its approach to the China market, selling product when it's needed and not taking steps to ensure it is a part of the supply chain.

The Kiwifruit industry stood out as displaying strong habits in promotion of a brand and understanding of the market, which has been a result of the industry investing significantly in these two areas and having a focused approach of one product, one brand. The Kiwifruit industry has focused on growing brand value in order to extract a premium for its product in

China, which is consistent with its approach in other markets. This focus is further strengthened due to the structure of the industry being a single desk operator, which allows one firm to be responsible for all marketing, selling and distribution of product, and also allows it to gain scale benefits which are also similar to Dairy. It is fair to say that the focus of the industry on promotion of a brand and understanding the market has left less consideration for other Critical Success Factors such as selling and distribution channels and collaboration. This has been a factor in the industry being caught with fraudulent Chinese import agents, and has also resulted in the industry not being involved in collaboration as much as recommended practice firms.

After comparing each of the three New Zealand industries against each other, as well as against the recommended practice firms, it is quite clear that each industry still has areas to continue to develop.

The Dairy industry must continue to strive to improve across all four Critical Success Factors, as it is the leading industry from his research and therefore the benchmark for other industries. The Dairy industry must also continue to develop the success factors of promotion of a brand, in particular continuing to grow strong individual firm brands as well as consumer brands in the marketplace, and selling and distribution channels, which will allow it to capture greater value from the supply chain.

The Red Meat industry has a strong product offering in the market and has strong and long lasting relationships, however collaboration amongst firms as well as defining their individual firm’s strategic aims within China would lead to more clarity amongst the firms of what space they occupy, and what areas they can collaborate on. Following the Dairy industry in understanding what each firm’s area of the marketplace is would move this industry in the right direction, and allow firms to focus on improving their individual habits. This, as well as sharing resources to promote products and sharing knowledge to maximise the opportunity within the marketplace would strengthen the Red Meat industry’s Critical Success Factors.

The Kiwifruit industry has two key areas of selling and distribution channels and collaboration which should be focused on, and the industry has the opportunity to make strong gains in value through developing its practices within these two Critical Success Factors. This could begin with sharing knowledge with other New Zealand food exporters and looking to promote together, before leveraging these relationships to identify selling and distribution channel opportunities for the industry to move further down the supply chain rather than just selling to wharf.

In conclusion, this report finds that three of New Zealand’s food and beverage industries involved in this research have shown habits which are consistent with global firms which have achieved sustained success in China. However, each of the three industries have areas to continue to develop across the Critical Success Factors of effective export marketing strategies to ensure they are cementing themselves in the China food and beverage supply chain. Developing these habits will ensure New Zealand’s primary industries maximise the opportunities available to it through one of the most significant global mega trends, the emergence of China as a consumer of sophisticated food and beverage products.

9. References

[1] Coriolis Research. (2014). *What Does Asia Want for Dinner? Emerging Market Opportunities for New Zealand Food and Beverages in East and South East Asia.* Uplifted from www.foodandbeverage.govt.nz on 20 July 2014.

[2] Economist Intelligence Unit China. (January 2014). *Consumer Goods and Retail report.*

[3] AC Nielsen. (2010). *Chinese Takeaway report.*

[4] McKinsey. (2010). *Understanding China's Love for Luxury.*

[5] Economist Intelligence Unit China. (January 2014). *Consumer Goods and Retail report.*

[6] Zhou, Z. Tian, W. Wang, J. Liu, H. Cao, L. (2012). *Food Consumption Trends in China.* Report submitted to the Australian Government Department of Agriculture, Fisheries and Forestry. Uplifted from http://www.agriculture.gov.au/SiteCollectionDocuments/agriculture-food/food/publications/food-consumption-trends-in-china/food-consumption-trends-in-china-v2.pdf on July 2014 on 20 August 2014.

[7] Euromonitor. (2011). *Grocery Retailing in China.*

[8] Magni, M. Poh, F. (2013). Winning the Battle for China's new middle class. *McKinsey Insights and Publications.* Uplifted from http://www.mckinsey.com/insights/consumer_and_retail/ on 30 August 2014.

[9] NZTE Exporter Guide. (2012). *Food and Beverage in China, Market Profile.*

[10] USDA. (2011). *China Retail report.*

[11] NZTE Exporter Guide. (2012). *Food and Beverage in China, Market Profile.*

[12] IDG Retail Analytics. (2011). *China Country presentation.*

[13] Agriculture and Agri-Food Canada. (2010). *The Urban Chinese Consumer – Behaviour, Attitudes and Perceptions Toward Food Products.*

[14] Uplifted from https://www.nzte.govt.nz/en/export/market-research/food-and-beverage/food-and-beverage-market-in-china/ on 13 September 2014

[15] NZTE Exporter Guide. (2012). *Food and Beverage in China, Market Profile.*

[16] NZTE Exporter Guide. (2012). *Food and Beverage in China, Market Profile.*

[17] Uplifted from http://www.asiaperspective.net/chinas-increasing-appetite-imported-food-beverage/ on 10 July 2014

[18] Gibson, F. (2012). *Navigating New Paths in China's Retail Jungle.*

[19] Uplifted from https://www.nzte.govt.nz/en/export/market-research/food-and-beverage/food-and-beverage-market-in-china/ on 13 September 2014

[20] Maine International Trade Centre. (2012). *Food Industry Report China.*

[21] Maine International Trade Centre. (2012). *Food Industry Report China.*

[22] ANZ Research. (December 2012). *The Modernisation of China's Food Industry.*

[23] ANZ Research. (December 2012). *The Modernisation of China's Food Industry.*

[24] Gibson, F. (2014). *Food Safety in China: A Long Correction.*

[25] Coriolis Research. (2014). *What Does Asia Want for Dinner? Emerging Market Opportunities for New Zealand Food and Beverages in East and South East Asia.* Uplifted from www.foodandbeverage.govt.nz on 15 July 2014.

[26] HKTDC Research. (2013*). China's Packaged Food Market: Capitalising on the Rising Demand for Premium Imported Items.* Uplifted from http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/China-s-packaged-food-market-capitalising-on-the-rising-demand-for-premium-imported-items/ on 14 September 2014.

[27] Uplifted from http://www.asiaperspective.net/chinas-increasing-appetite-imported-food-beverage/ on 10 July 2014

[28] Statistics NZ. (December 2013). *Overseas Merchandise Trade: November 2013 – Media Release.*

[29] Statistics NZ. (October 2014). *China-New Zealand Trade, Investment, Migration: Year ended 30 June 2014 – fact sheet.*

[30] NZTE Exporter Guide. (2012). *Food and Beverage in China, Market Profile.*

[31] Uplifted from www.chinafta.govt.nz on 16 September 2014.

[32] Uplifted from www.chinafta.govt.nz on 16 September 2014.

[33] Statistics NZ. (December 2013). *Overseas Merchandise Trade: November 2013 – Media Release.*

[34] KPMG. (2014). *Agribusiness Agenda 2014.*

[35] Promar International. (2008). *Emerging Markets Study prepared for Meat & Wool New Zealand.*

[36] Lim, V. (2013). Tainted Milk: Unravelling China's melamine scandal. *Think Business.* Uplifted from http://thinkbusiness.nus.edu/articles/item/118-tainted-milk-unravelling-china%E2%80%99s-melamine-scandal on 13 September 2014.

[37] Business Desk. (2013). NZ again seeking clarification from China after meat stalled on wharves. *National Business Review.* Uplifted from http://www.nbr.co.nz/article/nz-again-seeking-clarification-china-after-meat-stalled-wharves-checked-and-ready-go-bd-1425 on 13 September 2014.

[38] Metherell, S. (2014) Infant formula compaies to gain registration to export to China named. *National Business Review.* Uplifted from http://www.nbr.co.nz/article/infant-formula-companies-gain-registration-export-china-named-bd-155500 on 13 September 2014.

[39] Rennie, R. (2012). Heat is on Zespri in China. *Farmers Weekly.* Uplifted from https://agrihq.co.nz/article/heat-is-on-zespri-in-china-?p=19 on 13 September 2014.

[40] Daniel, D.R. (1961). Management Information Crisis. *Harvard Business Review 39.* 111-21

[41] Anthony, R.N. Dearden, J. Vancil, R.F. (1972). *Key Economic Variables: Management Control Systems.* Homewood, IL: Irwin.

[42] Rockart, J.F. (1979). Chief Executives define their own data needs. *Harvard Business Review 57.* 81-94.

[43] Leidecker, J. Bruno, A. (1984). Identifying and using Critical Success Factors. *Long Range Planning 17.* 23-32

[44] Ng, H. Kee, D. (2012). Development of intangible factors for SME success in a developing country. *International Journal of Academic Research in Business and Social Sciences 2.* 198-213.

[45] Brotherton, B. Heinhuis, E. Medema, M. Miller, K. (2003). Critical Success Factors in UK and Dutch Hotels. *Journal of Services Research 2.* 47-78.

[46] Auruskeviciene, V. Salciuviene, L. Kazlauskaite, R. Trifanovas, A. (2006). A Comparison Between Recent and Prospective Critical Success Factors. *Managing Global Transitions vol. 4 number 4 winter 2006.* 327-346.

[47] Leidecker, J. Bruno, A. (1984). Identifying and using Critical Success Factors. *Long Range Planning 17.* 23-32

[48] Scott, A.P. Bowden, S. Rowarth, J.S. (2013). Critical Success Factors when going global: New Zealand dairy companies. *Proceedings of the New Zealand Grasslands Association 75.* 61-66.

[49] NZTE. (2012). *Navigating China for New Zealand Businesses.* Uplifted from https://www.nzte.govt.nz/media/894196/navigating-china-2012.pdf on 6 September 2014.

[50] NZTE. (2012). *Navigating China for New Zealand Businesses.* Uplifted from https://www.nzte.govt.nz/media/894196/navigating-china-2012.pdf on 6 September 2014.

[51] Scott, A.P. Bowden, S. Rowarth, J.S. (2013). Critical Success Factors when going global: New Zealand dairy companies. *Proceedings of the New Zealand Grasslands Association 75.* 61-66.

[52] NZTE. (2012). *Navigating China for New Zealand Businesses.* Uplifted from https://www.nzte.govt.nz/media/894196/navigating-china-2012.pdf on 6 September 2014.

[53] Klijn, E. Reuer, J. Buckley, P. Glaister, K. (2010). Combinations of partners' joint venture formation motives. *European Business Review 22.* 576-590.

[54] Bell, D.E. Shelman, M. (2010). Case (Field): Yum! China. *Harvard Business School*, 37 pages. Publication Date: Dec 16, 2010. Prod. #: 511040-PDF-ENG

[55] Uplifted from http://www.nestle.com/ on 3 September 2014.

[56] Uplifted from http://www.nestle.cn/ on 3 September 2014.

[57] Uplifted from http://en.wikipedia.org/wiki/Mondel%C4%93z_International on 4 September 2014.

[58] Kwok, W.V. (2009). How Kraft won in China. Uplifted from http://www.forbes.com/2009/12/08/china-oreo-tang-cmo-network-kraft.html on 13 September 2014.

[59] Uplifted from http://www.dcanz.com/about-nz-dairy-industry/dairying-today on 18 September 2014.

[60] Statistics NZ. (October 2014). *China-New Zealand Trade, Investment, Migration: Year ended 30 June 2014 – fact sheet.*

[61] Uplifted from https://www.nzte.govt.nz/en/invest/statistics/ on 10 September 2014.

[62] Emerson, Rowarth, Scrimgeour. (2014). *New Zealand Agriculture: An Economic Perspective.* Masterton, New Zealand: NZX Publishing.

[63] Emerson, Rowarth, Scrimgeour. (2014). *New Zealand Agriculture: An Economic Perspective.* Masterton, New Zealand: NZX Publishing.

[64] Coriolis Research. (2014). *iFAB 2013 Meat Review.* Uplifted from www.foodandbeverage.govt.nz on July 2014.

[65] Statistics NZ. (October 2014). *China-New Zealand Trade, Investment, Migration: Year ended 30 June 2014 – fact sheet.*

[66] Uplifted from https://www.nzte.govt.nz/en/invest/statistics/ on 10 September 2014.

[67] Emerson, Rowarth, Scrimgeour. (2014). *New Zealand Agriculture: An Economic Perspective.* Masterton, New Zealand: NZX Publishing.

[68] New Zealand Meat Board. (2013). *New Zealand Meat Board Annual Meat and Food report.*

[69] Zespri. (2014). *Zespri's China Strategy – internal strategy document.*

[70] Ministry for Primary Industries. (2014). *Situation and Outlook for Primary Industries (SOPI) 2014.* Uplifted from http://www.mpi.govt.nz/news-resources/publications on 6 September 2014.

[71] Ministry for Primary Industries. (2014). *Situation and Outlook for Primary Industries (SOPI) 2014.* Uplifted from http://www.mpi.govt.nz/news-resources/publications on 6 September 2014.

[72] Ministry for Primary Industries. (2014). *Situation and Outlook for Primary Industries (SOPI) 2014.* Uplifted from http://www.mpi.govt.nz/news-resources/publications on 6 September 2014.

[73] Uplifted from https://www.zespri.com/ on 16 September 2014.

[74] Promar International. (2008). *Emerging Markets Study prepared for Meat & Wool New Zealand.*

[75] Bell, D.E. Shelman, M. (2010). Case (Field): Yum! China. *Harvard Business School*, 37 pages. Publication Date: Dec 16, 2010. Prod. #: 511040-PDF-ENG

[76] Nestle Case Study

[77] Bell, D.E. Shelman, M. (2010). Case (Field): Yum! China. *Harvard Business School*, 37 pages. Publication Date: Dec 16, 2010. Prod. #: 511040-PDF-ENG

[78] Kwok, W.V. (2009). How Kraft won in China. Uplifted from http://www.forbes.com/2009/12/08/china-oreo-tang-cmo-network-kraft.html on 13 September 2014.

[79] Beard, C. (2011). Finding Export Success in Asia: The Success Factors for Tackling the China and India Export Markets. *NZ Business 25.3.* p68.

[80] NZTE. (2012). *Navigating China for New Zealand Businesses.* Uplifted from https://www.nzte.govt.nz/media/894196/navigating-china-2012.pdf on 6 September 2014.

[81] Budd, J. Knizek, C. Tevelson, R. (2012). The demand-driven supply chain: making it work and delivering results. Boston Consulting Group 2012. 14p

[82] Promar International. (2008). *Emerging Markets Study prepared for Meat & Wool New Zealand.*

[83] Bell, D.E. Shelman, M. (2010). Case (Field): Yum! China. *Harvard Business School*, 37 pages. Publication Date: Dec 16, 2010. Prod. #: 511040-PDF-ENG

[84] Nestle Case Study

[85] Kwok, W.V. (2009). How Kraft won in China. Uplifted from http://www.forbes.com/2009/12/08/china-oreo-tang-cmo-network-kraft.html on 13 September 2014.

[86] NZTE. (2009). *Playing to our strengths: Creating Value for Kiwi Firms.*

[87] Bell, D.E. Shelman, M. (2010). Case (Field): Yum! China. *Harvard Business School*, 37 pages. Publication Date: Dec 16, 2010. Prod. #: 511040-PDF-ENG

[88] Clements, S. Jain, T. Jose, S. Koellmann, B. (2013). Smart Cookie: How Kraft won over consumers in China and India. Uplifted from http://businesstoday.intoday.in/ on 8 September 2014.

[89] Beard, C. (2011). Finding Export Success in Asia: The Success Factors for Tackling the China and India Export Markets. *NZ Business 25.3.* p68.

[90] Bell, D.E. Shelman, M. (2010). Case (Field): Yum! China. *Harvard Business School*, 37 pages. Publication Date: Dec 16, 2010. Prod. #: 511040-PDF-ENG

[91] Uplifted from http://www.nestle.com/csv/case-studies/allcasestudies/csv-initiatives-china on 16 September 2014.

[92] Uplifted from http://www.nestle.cn/ on 3 September 2014.

[93] Uplifted from https://www.nzte.govt.nz/en/news-and-media/companies-collaborate-in-china/ on 5 October 2014.

[94] Uplifted from http://www.fonterra.com/global/en/hub+sites/news+and+media/ on 23 September 2014.

[95] Uplifted from http://en.wikipedia.org/wiki/Olam_International on 28 September 2014.

[Interview set 1] Interviews with Senior Management representatives from Fonterra Co-operative Group, Synlait Milk, Open Country Dairy, Westland Milk Products, Dairy Goat Co-operative.

[Interview set 2] Interviews with Senior Management representatives from Silver Fern Farms Co-operative Group, Alliance Co-operative Group, Anzco Foods, AFFCO Holdings, Greenlea Premier Meats.

[Interview set 3] Interviews with Senior Management representatives from Zespri Group.

[Chart 1] Uplifted from ANZ Research. (December 2012). *The Modernisation of China's Food Industry.*

[Chart 2] Uplifted from ANZ Research. (December 2012). *The Modernisation of China's Food Industry.*

[Chart 3] Uplifted from ANZ Research. (December 2012). *The Modernisation of China's Food Industry.*

[Chart 4] Uplifted from Gibson, F. (2014). *Food Safety in China: A Long Correction.*

[Chart 5] Uplifted from ANZ Research. (December 2012). *The Modernisation of China's Food Industry.*

[Chart 6] Uplifted from NZTE Exporter Guide. (2012). *Food and Beverage in China, Market Profile.*