

How failing to market food as 'premium quality' is costing producers dearly

Jason Walls

New Zealand's food producers are losing out on big bucks by not marketing their products as premium quality.

New research from Lincoln University has revealed many overseas consumers are unaware their food comes from New Zealand. This undermines attempts to promote a "premium quality" image for much of the food the country exports.

Lincoln University agribusiness management senior lecturer Dr Nic Lees says as a result of this, producers of New Zealand food are missing out on potentially millions of dollars.



essence charging a higher price for a better product.

He says up to 80% of New Zealand's \$25 billion in food exports are unbranded and, if this were reduced to 70%, a 40% premium would add an extra \$1 billion in gross revenue.

Dr Lees says more needs to be done to market New Zealand foods in a way overseas sellers will receive more value for promoting it as "made in New Zealand."

"When up to 80% of what (New Zealand) exports ends up in front of a consumer with no recognition of New Zealand's origins, it's partly because there is no real value for the retailers to promote it as being from New Zealand, as it doesn't give it any added value."

Despite a gap when it comes to marketing premium grade food, there are a few industries in New Zealand that have been trail-blazing this idea – and have been reaping the rewards.

New Zealand's wine and kiwifruit industries are great examples of how products can be marketed in a

ZESPRI'S EXAMPLE
Lincoln University Agribusiness management senior lecturer Dr Nic Lees says the kiwifruit marketer gets a 40-60% premium over commodity kiwifruit

marketing.

"You're probably going to be spending about 6% of turnover on promotion and marketing. If you're developing a new brand, you're probably going to be spending more than 10%."

Dr Lees says many food producers don't spend anywhere near this amount.

He says in the meat industry, many brands are

trying to move into this branding.

"The difficulty is, in the short term it's probably more efficient and more profitable not to have brands and to just sell commodities."

But the problem with this is that in 10 years, the business would still be selling "just commodities."

"Kiwifruit and wine

after 20 or 30 years have actually broken out of that commodity mode, and the money that was being left on the table, they are now reinvesting in marketing the brand."

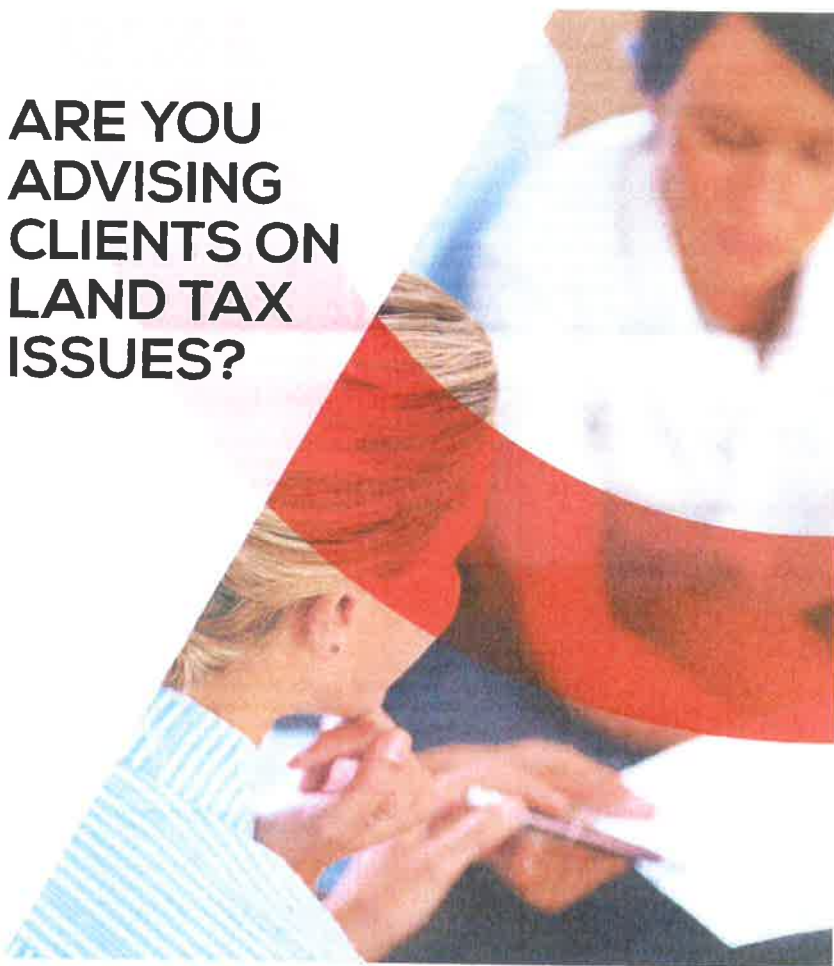
Dr Lees says the government has a role in helping the image of New Zealand's food.

The government puts roughly \$100 million a

year into promoting New Zealand as a tourism destination and the tourism industry is worth upward of \$10 billion a year. But only a fraction of this is spent on promoting New Zealand's food image. Dr Lees says many New Zealand food producers would begin to see much better capital rewards if that happened.

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Dr Lees says New Zealand food producers are 'leaving a lot on the table,' as there is a lot of money to be made by promoting New Zealand food brands overseas as premium

He says at a trade level, New Zealand products – such as beef, lamb and venison – are regarded as some of the best quality in the world. But when it comes to overseas supermarket shelves, there is little to separate New Zealand products from many others.

Dr Lees says New Zealand food producers are "leaving a lot on the table," as there is a lot of money to be made by promoting New Zealand food brands as premium overseas, in

way in which they receive a higher premium.

"Zespri spends roughly \$60 million to maintain and develop its brand and, as a result, received between 40-60% premium over commodity kiwifruit."

Dr Lees says it's a similar story for New Zealand wine, which is seen as a higher grade when marketed overseas.

But to maintain this "premium quality" brand perception, a larger amount of money needs to be spent on overseas