The Red Meat Story Journey

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BY FARMERS.
FOR FARMERS

The following is a recap of the work that has been undertaken to date to develop the Red Meat Story; some of the key findings and outcomes so far; and what the next steps will be.

What is clear from the work we have done so far is that the Red Meat Story is much more than just a brand, story and activation plan. It also includes the development of the New Zealand National Farm Assurance Programme, underpinning environment strategy; consumer and market insights (such as the alternative proteins report); and identification of new pathways to market such as e-commerce platforms like Alibaba's Tmall, or meal kit companies like My Food Bag.

1
Feb – Sept 2016

Defining B+LNZ's role in market development

- Deloitte/ Think place independent review of B+LNZ role

2
Sept 2016 – Feb 2017

Realignment of resources

- Closure of offices in Korea, Tokyo, London and Washington
- Establishment of new market development team

3
Feb 2017 – Feb 2018

Consumer Research and analysis

- Consumer trends
- Where NZ meat sits in key markets
- Value of a brand
- Consumer 'persona' development
- Product attributes research
- Alternative Proteins
- Forming a point of view
- Testing propositions early

4
Nov 2017 – Feb 2018

Development of an origin brand & story

- Creation of brand strategy and story narrative
- Creation of design concepts
- In-market design research to test and validate story
- Refinements

5
Feb 2018 – Apr 2018

Go-to-market Strategy

- Aligned sector support sought
- Market and channel selection
- Activities & resources identified
- Required investment identified
- Scheme rules
- Pathways to market – phase one (KPMG research)

6
Late 2018 onwards

Activation

Underpinning work: Development of New Zealand Farm Assurance Programme and refreshed B+LNZ Environment Strategy

1

Defining B+LNZ’s role in market development

February – September 2016

In 2016 at the B+LNZ Board’s request, Deloitte and Think Place undertook a thorough, independent review of B+LNZ’s market development activities. The review involved all meat companies and a wide range of farmers. They asked three questions:

1. Is there a role for B+LNZ in market development?
2. If yes, what is the role and what type of activity should B+LNZ undertake to support this role while remaining cognisant of the forward funding environment?
3. How should B+LNZ’s market development activity connect with the commercial meat exporting sector and other stakeholders?

The finding was a resounding ‘yes’, there was a role for B+LNZ, but companies and farmers were strongly aligned in wanting B+LNZ to change its activities. The status quo was not acceptable and would result in missed opportunities.

The review recommended future B+LNZ market development work focus on the following three areas:

1. Develop and activate the New Zealand origin brand and story;
2. Research into market trends, customers and consumers;
3. Look into the future to see what opportunities and threats may exist for the New Zealand red meat industry.

2 Resource realignment

September 2016 – February 2017

Following the review B+LNZ went through a five-month process to close down several of our off-shore offices, including London, Tokyo, Seoul, and Washington DC.

Closing these offices allowed B+LNZ to reprioritise funding towards the establishment of a new market development team, based in New Zealand, and to procure expert advice to drive: development of the origin brand and story; customer and consumer insight; and foresight projects such as research into the potential impact of alternative proteins.

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3 Consumer Research and Analysis

February 2017 – February 2018

Over an eight-month period B+LNZ undertook extensive consumer and market analysis that has provided a comprehensive and solid basis for the development of the New Zealand origin brand and activation plan.

Two teams, over three weeks visited multiple cities in eight markets to undertake in-depth consumer and retail research. They conducted 85 focus sessions with consumers and distributors in the market.

This was built upon by significant further research by the B+LNZ market development team, and alternative proteins research by San Francisco based company andedote.

The following is a snapshot of some of the insights that have been generated.

Consumer trends

Research into consumers and customers and the in-depth study into alternative proteins show a real social tension around food has developed in most countries around the world.

There is a growing level of anxiety among consumers driven from food scares, hormones and antibiotics, dog meat substitution, dishonesty, industrial food production, lack of transparency, and animal welfare concerns. The image of industrialised meat production has tarnished all types of food production and among other things is driving an interest in alternative proteins.

There are also significant new trends emerging in the younger generation of consumers that are expected to have an impact over the next few years as their purchasing power increases.

The new generations (Millennials and Generation Z) have significantly different eating preferences which are expected to reshape the food industry

92m U.S. Millennials

61m U.S. Gen X

77m U.S. Boomers

400m Millennials in China (⅓ of the population)

- U.S. Census Bureau

"As Millennial spending power increases so will their spending on food by $50 billion per year through 2020, making this a crucial time for food brands to adapt." Forbes

Some consumer insights

While 7.3 million Americans are vegetarian, an additional 22.8 million are **flexitarian**, reflecting a desire for a healthier, lower meat lifestyle, while retaining some level of meat in their diet.

Mintel (2016, U.S.) cites a significant increase in sales of **meat alternatives**, particularly among consumers in the 18 to 24 age bracket.

The most health-centric are Generation Z - consumers under age 20 - with **41%** saying they would willingly pay a premium for "healthier" products. That compares with **32%** of Millennials (ages 21 to 34) and about **21%** of Baby Boomers (about 50 to mid-60s).
Global, Nielsen Global Health and Wellness Survey

Millennials value new experiences over possessions

They are driving the experience economy and shifting where money is being spent, from possessions to experiences.

Millennials have a more holistic view of health

They define health as a daily commitment to eating right and exercising.

Sustainability matters to Millennials and affects what they buy

Sustainability is increasingly an important factor in purchasing decisions, rather than an after thought.

There is still a strong future for New Zealand red meat

The research demonstrated, that despite these challenges, there is still a strong future for the New Zealand red meat sector. Our research reveals an untapped demand for naturally raised, grass-fed, hormone-free and antibiotic-free red meat with consumers prepared to pay a premium for such products.

This is reflected in the USA market where retails sales for fresh, grass-fed beef reached US$272 million in 2016, up from $17 million in 2012.

New Zealand farming naturally fits in this category, but we are currently lacking formal accreditation systems to be able to use these claims in some markets.

We are also seeing strong demand in other markets and opportunities for premiumisation of New Zealand red meat such as in China and the Middle East.

Awareness of New Zealand red meat and our place in the market

Our research found that while New Zealand as a country has a good image, there is very little specific consumer knowledge about how New Zealand sheep and beef are raised.

Our competitors, especially Australia have a consistently higher premium image than New Zealand in beef and while New Zealand has a relatively strong premium image in lamb, this varies by market and familiarity.

Country of Origin Branding

Our research found that there is significant value that could be extracted from building a strong country of origin brand and story.

Country/place of origin is a primary navigation tool for consumers and retailers. Consumers use country of origin as a short cut for assurance of food safety, taste and expected enjoyment.

Other red meat producing countries have strong country of origin branding such as Ireland, Wales and Australia. New Zealand is currently one of the few major red meat exporters that does not to have a national origin brand that is used internationally.

NZ

B+LNZ investment in marketing 2016-17

$4.4m

TRUE AUSSIE BEEF&LAMB

MLA investment in marketing 2016-17

$64m

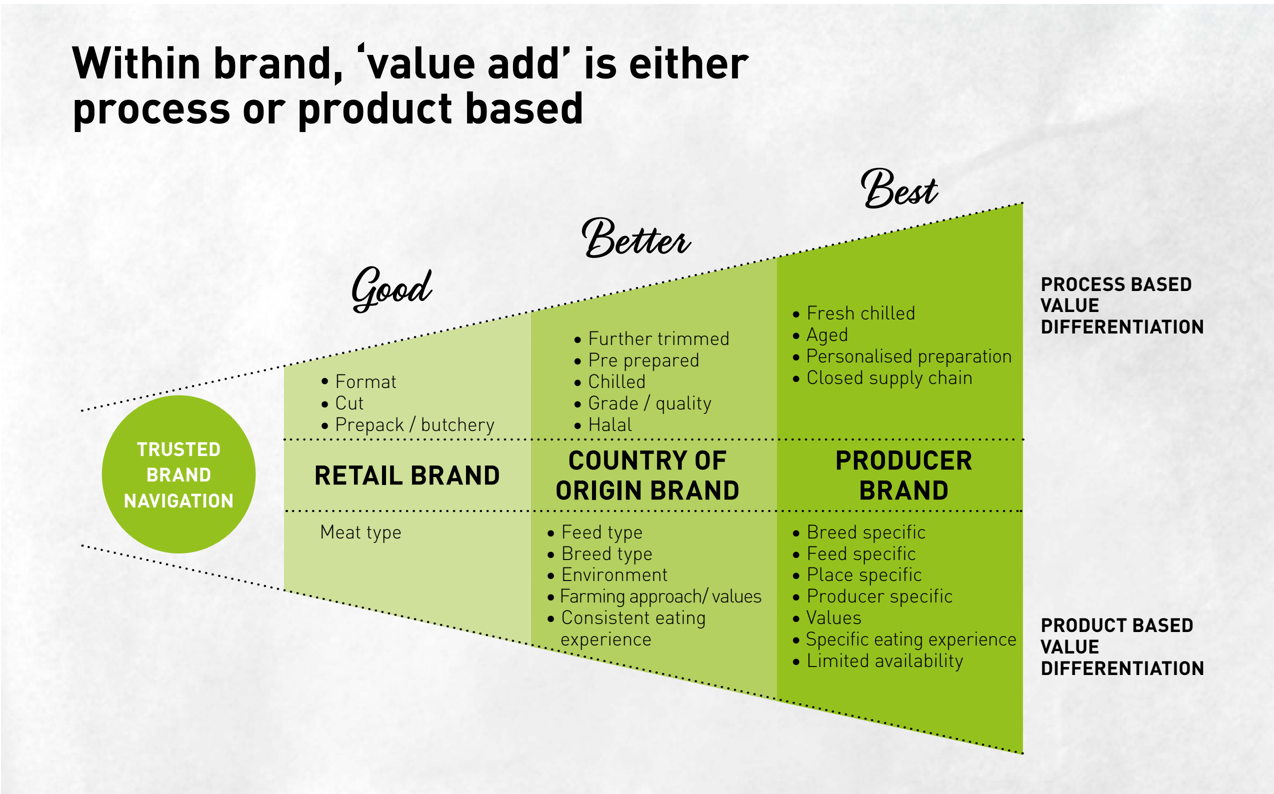
Origin Green IRELAND

WELSH LAMB CIG OEN CYMRU

Our research also showed that a country of origin brand easily and naturally sits alongside specific company brands.

The following graph shows the way value and premiums are often built starting with the retail brand such as Wholefoods); more value is extracted from a country of origin brand (eg True Aussie beef); and the highest premiums extracted from building on these two bases with the specific producer brand (eg Atkins Ranch).

A producer brand is often considered by consumers within the context of the country or place it is from.



Personas

Summarising the extensive consumer and market analysis carried out over the last 12 months, broadly speaking, we have identified six consumer segments which we have called personas. As we shift towards activating the origin brand it is important we have a clear view of which consumers have the strongest alignment to New Zealand's value proposition and target those consumers. By doing a really good job influencing one segment we expect a halo effect to other segments.

The persona segmentation will also be used to underpin other market initiatives which can include digital targeting, product innovation and tracking the effectiveness of activities.

The following is a summary of the personas:

Engaged Aspirants

This segment likes to learn about new cultures and try new things in general – though they also like to stick to things they find they like. Conservative home cooks with an eye on today's food concerns, they have a pragmatic way of bringing them to life. They like to engage with a range of media to indulge their interest in food.

Passive Aspirants

Passive Aspirants enjoy spending time with friends and family, and are inclined to live by the saying 'everything in moderation'. This segment also has an eye on today's food concerns but they're not as confident in the kitchen and are more inclined to want a degree of planning and convenience in the kitchen.

Conscious Foodies

Environmental sustainability is a general concern for this segment; they are health conscious and tend to look beyond price as an indicator of quality. Confident home cooks – often complimented by others on their cooking – these segment members have an eye for quality, natural produce that is locally and sustainably produced – health and nutrition are valued over price.

Cruisey Consumers

Cruisey Consumers like to try new things, but also like to stick with things they find they like. They're simply happy with what's on offer, even if it's new – today's food concerns don't register highly and they're easily pleased; they are a little more price sensitive given they don't place a huge amount of value on factors like organics, husbandry or country of origin.

Convenience Seekers

This segment is very much about knowing what they like and sticking to it, but less open to trying new things. Buying ready-made meals is a smart choice for these segment members, who are not so confident in the kitchen. They enjoy the convenience of packaged meals but also believe that meal decisions are key to good health.

Confident Carnivores

Confident Carnivores like trying new things and they don't really see that their general lifestyle choices impact the environment. Confident Carnivores are familiar with a broader range of meats, and this is reflected both in their preference and their weekly consumption. Confident self-assured cooks, they like to show off and project their skills.

4 The New Zealand Origin Brand

November 2017 – February 2018

Work on the development of an origin brand is virtually completed and is being tested with consumers, processing companies and customers in the market. The objective was to create a powerful brand that acts as a compelling creative propellant for consumers to try our meat.

It probably comes as no surprise but the brand is based strongly on New Zealand's unique environment and natural grass based farming systems. While this may seem obvious to many in New Zealand, as our research showed, there is very little awareness among consumers globally of New Zealand's natural food production systems in nearly all our overseas markets.

We have tested the brand in a number of markets and compared it to other country of origin brands such as Australia's.

Our research shows that our brand is more attractive and relatable to consumers than True Aussie and they would be willing to pay more for red meat products that carry our brand.

In parallel with the work on the brand, RMPP launched the New Zealand Farm Assurance Programme (NZFAP) which is now being implemented by nearly all of the processing companies. The NZFAP provides the assurance to consumers that our red meat is produced to the highest food quality and ethical standards.

B+LNZ are also working on an environment strategy that will provide further assurances to consumers about New Zealand sheep and beef farmers commitment to preserving our unique environment.

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Go-to-Market Strategy

February 2018 – April 2018

No matter how good the brand is, the most important thing is how it is used in the market.

We are currently in the final stages of designing a go-to-market strategy. This has involved the identification of target markets; channels; objectives required; resources/collateral; activities; budget; scheme rules; and expected benefits from participating.

We used a framework developed by McKinsey to evaluate potential markets taking into account overall market attractiveness and the ability to have an impact in that market. We are using Damien McLoughlin, a key person involved in the establishment of the Irish Origin Green brand, to test the strategy and discuss it with processing companies.

The activation plan is still being consulted on, but is likely to propose we focus on 2-3 key markets to begin with and then build out from there over-time.

In parallel we have also engaged KPMG to conduct an assessment aimed at optimising the pathways to market for New Zealand sheep and beef farmers. This work has fed into the development of the go-to market strategy, but it is also looking at potential new pathways to market in the future such as e-commerce platforms like Alibaba's Tmall.

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Next steps – Activation

Late 2018 onwards

We are hoping to have reached agreement on the go-to-market strategy within the next two months, at which point we will share both the brand mark; story; and Go-to-Market Strategy with farmers.

Following that agreement, it will likely be late this year when the brand is actually launched in these target markets.

Conclusion

New Zealand's red meat story is more than a brand. It is about ensuring we understand what is important to our consumers; that we protect our natural food production systems; and are doing more to ensure consumers globally recognise New Zealand farmers are in the natural food business.

To support this B+LNZ will be continuing to work on the Farm Assurance Programme; undertaking on-going in-depth analysis of the consumer and markets; and looking to the future to identify new opportunities and challenges.

All of these things are mutually reinforcing and each component is absolutely necessary to ensure the success of our ultimate objective of raising the value of New Zealand's sheep and beef exports.

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