

Our land, our future

Marketing

This resource investigates the marketing of New Zealand agricultural products throughout the world.

It investigates:

- past and present marketing and sales of New Zealand agricultural products overseas
- possible future marketing and sales opportunities for New Zealand agricultural products
- current and predicted consumer demand for agricultural products
- the process of marketing products.

Agricultural products – our export history

By 1860 New Zealand was exporting wheat, barley, dairy products and timber to Australia.

Many of the new settlers arriving from Britain were farmers and introduced sheep and cattle to New Zealand.

New Zealand began exporting wool to Britain and in 1882 the “Dunedin”, the first sailing ship to carry refrigerated meat and dairy products, sailed to Britain. By 1920 New Zealand had developed an agriculture based economy that depended on exports of wool, lamb, butter and cheese to Britain.



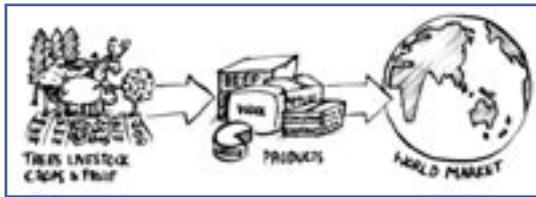
During World War II there was a “bulk purchase” arrangement between NZ and Britain for the export of all surplus meat, wool, tallow and dairy products to Britain.

After World War II Britain remained our most important market for agriculture.

Agreements with Britain in the 1950’s provided NZ with a guaranteed outlet for our agricultural exports. In the 1960s worldwide improvements in agricultural technology, increasing subsidies to overseas farmers and reduced market access led to expanding production and falling world market prices for the food products that New Zealand exported.

In 1973 Britain entered the European Economic Community (now the European Union). This led to a major reduction in access to the British market for our dairy and sheepmeat exports. New Zealand had to develop other overseas markets for its agricultural products.

In many cases this meant developing new products.



It was difficult for New Zealand to compete in the world market because the rules that made trading in industrial goods relatively free and fair mostly did not apply to trading in agricultural products. Many countries supported their domestic agricultural industries by imposing taxes on imported agricultural products.

These factors lowered farmers' income and the New Zealand government responded by providing subsidies to support agricultural production.

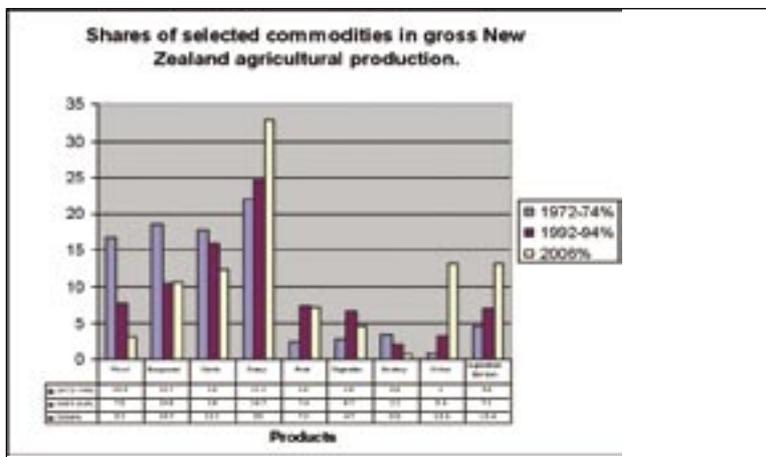
In 1984 around 30% of farmers' income came from government subsidies.

By 1985 the New Zealand economic reform programme had begun and almost all of these subsidies were gone.

New Zealand farmers were entirely dependent for their income on what they could earn from export markets, and remain so today. This situation is almost unique in the developed world.

Marketing New Zealand agricultural products





Around 85% of our agriculture output is exported.

About 63% of New Zealand's merchandise export revenue comes from agriculture.

Effective marketing of our agricultural production is vital because some of our exports have to battle for a share of the market against subsidised competition.

Exports to Asia and Australia have risen while exports to Europe have fallen, as a proportion of total exports.

New Zealand's main trading partners are, in descending order, Australia, United States of America and Japan.

Marketing and Producer Boards play an essential role in the marketing of New Zealand's agricultural products.

To sell our agricultural products overseas, exporters of agricultural products, including marketing and producer boards, are constantly developing new and existing markets and developing new and innovative products.

Farmers are diversifying the products they produce. Production of wool and sheepmeat has fallen dramatically over the last 20 years, while fruit, vegetables, wine and deer are growing in importance. The form of some traditional products has also changed eg butter is now sold as cultured butter, ghee and spreadable butter as well as traditional salted butter.

Processors and exporters are developing markets for highly specialised products called niche markets and niche products for these markets. Examples are Cervena®, high quality wines, spreadable butter and custard in aerosol form.

Selling our agriculture exports in the future

The GATT Uruguay Round, which was signed in December 1993, sought to:

- reduce protectionism in existing trade areas that did not already come within GATT rules, eg agriculture and textiles
- develop rules for new trade areas such as services.

It took seven years to negotiate this agreement.

The agreement constrains or limits the subsidy practices of our overseas competitors and forces countries to reduce tariffs.

GATT has secured market access for New Zealand to a range of markets. We receive higher prices for our agricultural exports as other countries have reduced their export and domestic subsidies.

Our exports benefit from lower tariff barriers in many export markets.

The Asia Pacific Economic Cooperation forum (APEC) also offers new opportunities for New Zealand. APEC has a goal of free and open trade and investment in the Asia-Pacific region by the year 2020. Agricultural products are included in this commitment.

Huge trade benefits to New Zealand could result as APEC countries account for almost 47% of the world's imports of agricultural products.

To take advantage of these new opportunities under GATT and APEC New Zealand farmers and agricultural exporters:

- meet consumer demands for guaranteed quality, service and food safety
- continue to develop new and diverse markets and products
- protect New Zealand's competitive advantages.



Consumer demand

Consumers have power. Through their buying decisions they can influence:

- what crops or stock are grown
- what products are developed
- how products are grown, processed, packaged and distributed.

As producers of agricultural products we must produce products that consumers want, or we will not be able to sell our goods. Over time consumer preferences or demands have changed.

Guaranteed quality

Consumers want guaranteed quality.

Consumers' perceptions about the quality of a product are an important part of their decision to buy the product. The quality of the product they want will depend on the product and the price. For example, people will not pay a high price for a low quality product. People also want consistent quality.

People's perception of product quality will often depend on their knowledge about the product. This is where guarantees, branding and certification become important. Producers and processors of agricultural products need to be able to manage the quality of their product. This requires them to develop production systems that deliver quality products. Many producers and processors develop quality assurance programmes based on ISO9000 standards or other quality regimes to help them supply products with a consistent level of quality.

Because New Zealand is a large geographical distance from markets in Europe, United Kingdom, Asia, America and the Middle East, it has been responsible for technological advances in food preservation and the transportation of products. New Zealand exporters have to maintain the quality of their products from when they are produced to when they arrive on the table of a consumer on the other side of the world. New Zealand now exports food products fresh, frozen, chilled, vacuum packed, controlled atmosphere packaged, freeze dried and fully processed in tins, cartons and glass.



Healthy Living

Many consumers are interested in maintaining their health. Many consumers want meat that is less fatty. In response, New Zealand produces and exports lean meat. Farmers are paid better prices for lean meat, so they breed their stock to produce less fatty meat. Research is carried out into new stock breeds and feeding and management regimes to produce leaner stock. Sales of pork and chicken have increased significantly in New Zealand over the past 10 years. Trim pork was developed to produce a less fatty pork product.

Fast pace lifestyle

Many consumers are now living a fast-paced lifestyle and are interested in conveniently packaged and prepared food. In the western world food products are processed and packaged for consumers who do not want to spend a long time preparing food. This has opened up markets for canned, frozen, microwavable and controlled atmosphere packed foods.

Food that is safe to eat

Consumers want to know that the food they eat is safe to eat. After the Chernobyl nuclear reactor explosion in Eastern Europe many consumers were prepared to pay a premium or a higher price for food products produced away from the affected area. Consumers want to know that the food they are eating does not contain harmful levels of disease-causing organisms and pests and residues.

Processes such as the heating of milk to pasteurise milk were developed to produce a product free of disease-causing organisms. Some horticultural industries put in place special spray programmes to ensure that their crops meet chemical residue requirements while protecting the crops from pests and disease.



Quarantine

Many countries require assurances that the animal or plant products they import are free from pests and diseases that could become established and damage their country's products.

These assurances are provided by the government of the exporting country who either inspect the produce before it is exported or approve the production methods used. The Ministry of Agriculture (MAF) provides these assurances for plant and animal products exported from NZ.

Acceptable chemical residue status

Many countries require products they import to carry certification stating that any chemical residues present in the product are below a minimum specified level. Residues of concern to consumers include pesticide and animal remedies, environmental contaminants and 'naturally' occurring toxins produced by fungi or the product itself.

Organic products

Some consumers prefer to buy food that is grown organically. Some consumers will pay more for products that are grown organically and a growing number of farmers and horticulturists in New Zealand are becoming organic producers.

Some companies pay premium prices to growers supplying produce certified as organically grown. There are now several international organisations which provide assurances to consumers that organic products have been produced correctly.

Not damaging the environment

Some consumers want guarantees that the products they are eating or using were produced in a way that caused minimal or no damage to the natural environment.

Over the last 10 years companies world-wide have marketed products using environmentally friendly images, but have not always had to prove that their products were produced in ways that did not damage the environment. Consumers have become cynical about false environmental claims and are now starting to demand guarantees that products are produced and processed in ways that do not damage the environment.



Fresh produce

Increasingly consumers are demanding fresh produce, particularly in parts of the world where incomes are rising. Some New Zealand produce is airfreighted to overseas countries to ensure it reaches the market in as fresh a condition as possible. These products are sold at a premium price. For example, New Zealand can gain high prices on northern hemisphere markets for fresh produce by supplying produce to the northern hemisphere at a time when the product cannot be produced locally.

Animal welfare issues

Some consumers are demanding to know that the animals that provide their food are well cared for. Animal welfare issues like caged hens affect what products some consumers will buy. Countries exporting agricultural products are increasingly having to prove that the stock raised to produce the product have been treated humanely.

Cultural requirements

Some consumers have cultural requirements about the food they eat or the fibre they use. Some groups of people have cultural practices around the killing or processing of animals or the growing of crops. Muslim people can only eat lamb, chicken and beef if the animals have been slaughtered according to the customs of their culture or religion. Many New Zealand meat processing companies have become accredited to perform the ritual Halal killing so meat can be exported to Muslim countries like Iraq, Iran, Saudi Arabia, Malaysia and Indonesia. Some New Zealand sheep are exported live to the Middle East so they can be killed according to local religious and cultural customs. Many cultures have rituals involved in food preparation for ceremonial occasions.



Persuading the consumer

While consumers can demand and bring about changes in products and the way they are produced, producers of products can influence consumers to buy the products they want to sell.

The producers and marketers of products can persuade consumers to try new products.

They want to persuade consumers to:

- try the product
- return to buy more of the same product.

They want their product to be known by a certain brand or name, have its characteristics recognised by the consumer and be in demand by the market.

Marketing a consumer product

When people are marketing a product they need to consider:



Product

The product needs to be:

- a product consumers need or want
- a product that appeals to consumers
- of the quality and reliability wanted by the consumer
- safe to eat or use
- supplied in sufficient quantity to meet demand
- supplied in good time to meet consumers' needs
- prepared and packaged in the cut, size or way that consumers want.

Price

The price needs to be:

- a price consumers are prepared to pay for that type of product
- competitive with similar products on the market
- one that provides adequate financial return for the producers, processors, transporters, wholesalers and retailers of the product.

Place

The product needs to be:

- sold when and where the consumer wants to buy the product.

Some products are sold:

- producer – consumer
- producer – retailer – consumer
- producer – wholesaler – retailer – consumer
- or
- producer – broker – wholesaler – retailer – consumer.

Promotion

The product needs to be promoted:

- to the group of consumers who have the money, need or interest to buy the product
- to show the products unique qualities or special features
- to show the product's advantages over other similar products
- to show the benefits the product provides for those who buy it.

The process of selling our agricultural products

New Zealand agricultural products can be sold overseas as:

- consumer products or products that are packaged for individual consumers under named brands.
- ingredients or products that are sold to be used in the production of other products. Many of our agricultural products are sold overseas as ingredients to companies that are producing food products for consumers.
- food service products or products which are bought by organisations such as restaurants, hotels, hospitals and airlines which will provide them to their customers as part of their service.

New Zealand exports a wide range of agricultural products for consumers to a large number of overseas countries. However we must produce agricultural products that our customers want, or we will not be able to sell our goods.



The key to successful consumer marketing is understanding potential consumers and what will appeal to them. You can't just produce large amounts of a product, send it off to shops and expect it to sell.

Launching a consumer product

The process for launching a consumer product is to:

- research potential market opportunities
- carry out more detailed research into the ones that look promising
- produce a feasibility study.

On the basis of the feasibility study:

- develop a marketing plan that suits the particular market and your business.

The marketing plan will include:

- the particular type of product and any modifications that should be made to it
- production planning
- the supply and distribution outlets
- promotion
- a budget.

Once the product is launched you need to monitor sales, do further market research if necessary and adjust the strategy where necessary.

Market research

You carry out market research to:

- find out what consumers want now and are likely to want in the future
- make sure consumers will like the new product and want to buy it
- determine the potential size of the market by finding out
 - who is likely to buy the product
 - how often they would buy the product and
 - what competition there is for the product or what similar products are being produced and
 - determine if the information, labelling and packaging is understood and liked by the customers
- find out the best way to package and promote the new product so consumers buy it
- find out where to sell the new product so people who want it can buy it
- find out what price people will pay for the product
- find out what kind of promotion and what kinds of messages you should use.

Feasibility study

After the market research you work out if:

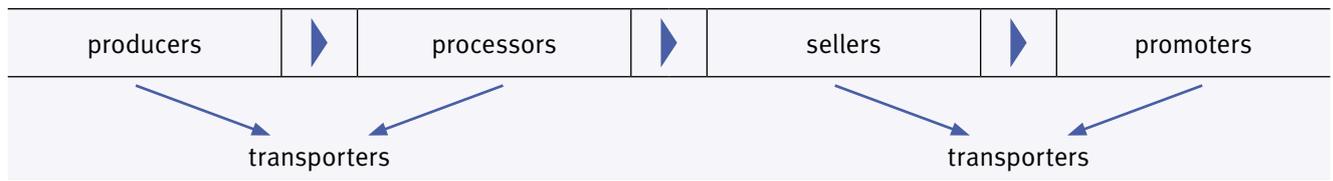
- there is enough demand for the new product to make production financially viable
- the product can be produced, processed, distributed and marketed at a price consumers are prepared to pay
- the product needs to be modified to meet consumers' needs or preferences
- the product can be produced more competitively in New Zealand or in the country it is being sold in.

Production, price, distribution and promotion

If you decide to produce the new product you will:

- set a price for the product and set sales targets
- produce the quantities of the products in the quality and at a cost that suits the market
- organise distribution of the product to the place where the product is to be sold
- organise systems to make sure the quality of the product is maintained from production to when someone buys it
- organise a promotion campaign to tell people about the new product.

This must allow all the people involved in production, processing, marketing and sales chain to get money from the sale of the product.



The people in this chain must be paid for:

- their raw materials
- their costs
- their labour

and receive a profit so they have money to live on.

Monitoring sales and feedback

After you sell your product you then monitor sales and get feedback from the sellers and the consumers.

After feedback you may change:

- the product
- the way of selling it
- your promotion

to make the product more attractive to consumers.

You then carry out further market research to confirm the product is achieving your marketing aims.



Brand name

Brand names need impact and appeal. If you introduce a new type of potato chip you have to give it a name attractive to consumers so that they will remember and associate it with your new product. This is called its brand name. You don't want them to go into the shop and say "you know it's the new one – the one with – you know -I can't remember the name."

Think of types of product, like jam or biscuits.

- Brainstorm the first 20 brand names of those products you can think of.
- Work out:
 - why you remembered them
 - what you know about the product they advertise
 - what appeals to you about the brand name.
- Identify any brand names you don't like and work out why you don't like them.

When New Zealand companies are exporting New Zealand products overseas they often give the brand name a New Zealand flavour. New Zealand kiwifruit are now known overseas as Zespri kiwifruit.

- Find out how a brand name you develop can be protected so that only you can use it.



Which potato chip? Brand loyalty

Conduct a survey amongst your class to find out:

- who eats potato chips
- how many brands of potato chip they can name
- which type of potato chip they eat or buy
- which brand of potato chip they buy and why.



Manufacturers of products want to establish brand loyalty. When you go to the shop to buy potato chips they want you to choose their brand every time.

- Work out what things are important in potato chips to make sure you buy the same brand next time.
- Work out how manufacturers of potato chips persuade you that their brand is the only one to buy.

There are only a certain number of people in New Zealand who buy and eat potato chips. If you were to create the new, ultimate perfection in a potato chip and want to sell it, you will be competing with all the other brands and types of potato chip. You are competing in the same segment of the market. You are persuading those people who want a cheap, tasty and convenient snack food who already like potato chips that your potato chip is the best.

- Design the new, ultimate potato chip.
- Work out how to:
 - maintain its quality
 - package it
 - promote it
 - launch itso that people are persuaded to try it, buy it again and it will quickly obtain market share.
- Watch the video *Designer Potato*.
- Describe the research that is being carried out to develop the perfect potato chip.

A new product – spreadable butter

The New Zealand dairy industry has been selling butter in the United Kingdom under the ANCHOR brand for more than 100 years and British consumers perceive it as a high quality product.



However, consumer research showed many British people were buying substitute products because butter was too hard to spread after it was stored in the fridge.

The New Zealand Dairy Board (now Fonterra) used latest technology to develop a butter that would spread when you took it straight from the fridge. They launched it in the United Kingdom in 1991.

Spreadable butter is expensive to produce, however the launch was a success because there are a large number of sufficiently wealthy people in the United Kingdom who are willing to pay a substantial premium for the convenience of a spreadable butter.

The addition of a spreadable butter to the ANCHOR butter range in the United Kingdom created interest and enhanced the image of the whole range of products. The spreadable butter is packaged in handy 250-gram plastic tubs which can be placed directly on the table.



- Develop a promotion strategy to introduce New Zealand spreadable butter into a new English-speaking market. It may be New Zealand or another English speaking country.
- Consider:
 - a new brand name
 - how to package the butter
 - where to sell it
 - how to launch the product
 - an advertising campaign to promote the product in print (magazines and/or newspapers) and television media.
- Consider in your advertising campaign:
 - the aim of your campaign
 - the target audience for your campaign
 - who is going to buy the butter
 - who is going to use the butter
 - the key features of the butter that will persuade your target audience to buy the product
 - a key message or slogan
 - how you would measure the success of your campaign.

Before you write your advertisements:

- Observe current advertisements for butter in print and television media.
- Decide what makes them good or bad advertisements.

Remember good product advertisements:

- grab your attention
 - give you some information
 - make the product and its brand name stay in your mind
 - persuade you to buy or try the product
 - must be truthful.
- Work out what sustainable agricultural issues could be built into the promotion strategy and include these issues in your promotion.

Advertising for the British market

- Watch the four Anchor butter advertisements that have been developed for the United Kingdom in the video section Advertising.
- Describe the characteristics of New Zealand butter and the New Zealand dairy industry that have been promoted in these advertisements.

ENZA apples

The New Zealand Apple and Pear Marketing Board has established a New Zealand identity with its brand name ENZA.

ENZA International exports high quality apples and pears to 60 countries around the world. The Board has promoted brand ENZA through its support of New Zealand yachting. ENZA brand promotion has been associated with three yachting victories:

- Peter Blake winning the Jules Verne Trophy for the fastest sail around the world in 1994.
- Grant Dalton's maxi *New Zealand Endeavour* winning the Whitbread race in 1994.
- Peter Blake's *Black Magic* winning the Americas Cup in 1995.



The publicity surrounding each yachting win was matched with active promotion of ENZA apples in countries associated with the yacht races.

This type of promotion relies on brand loyalty, or consumers developing a preference for one brand of a product and selecting that brand whenever they go to buy the product.

The ENZA publicity persuades Americans to try ENZA apples for the first time. The quality, taste and appearance of the ENZA apple must persuade the American buyer to return to buy more ENZA apples.

- Imagine you are in California and are persuaded by the ENZA promotion attached to the America's Cup to buy and try a New Zealand apple.
- Work out what would turn you into a repeat customer or a regular buyer of ENZA apples.
- Consider the four P's:
 - product
 - price
 - promotion
 - place.
- Work out what growers, packers, transporters, marketers, wholesalers and retailers do to make sure every New Zealand apple sold in America is a quality apple.



Using technology to improve the product

New Zealand food and fibre producers, processors and transporters are constantly developing new technology or refining technology to improve their product.

- Complete the research project that follows to investigate current technological advances in the production and distribution of an agricultural product produced in your area.
- Brainstorm all the agricultural products that you know are produced in your area.
- Select a local agricultural product, developed for an overseas market, that interests you.
- Carry out research to find out:
 - the production – processing - distribution – marketing chain for the product
 - the problems faced by each section of the chain to produce sufficient quantity of a quality product when required
 - the technology each section of the chain uses to produce or treat the product
 - any current research that is occurring to improve the product, its distribution, marketing or sale
 - the sustainable agriculture issues that are addressed in the production, processing, distribution and marketing of the product.

You may need to contact local producers, processors or manufacturers, transporters, or marketers to complete this project.

Cleaner production

Processing companies need to consider the waste products their processing produces and the environmental impact of the disposal of these products. Processing factories must meet the environmental requirements of the Resource Management Act.

Many companies have found that by focussing on the treatment of waste products they have developed new products, improved their production processes and increased their profit margins. This is known as Cleaner Production.

Cleaner production

- Watch the video *Total Production Loops*.
- Describe what happened when dairy companies focussed on cleaner production.
- Describe the 'total production loop'.



Maintaining quality

Every time we purchase a product we expect it to be the same high quality. We will usually stop buying that brand or that product if quality of the product is not maintained.

- Carry out a research project that investigates the procedures or processes that occur to ensure one of the following agricultural export products is of excellent quality when it arrives at its destination.
 - kiwifruit
 - butter
 - cheese
 - chilled cream
 - cut of lamb or beef
 - cut flowers
 - vacuum packaged Cervena®.
- Consider all the points in this production, processing and distribution chain.
producer – processor – transporter – storage – exporter – storage – distributor – retailer – consumer



Try it

There are many more vegetables grown and sold in New Zealand markets than most of us eat regularly.

When Jonah Lomu's mum talked about the wonders of taro she persuaded a number of New Zealanders to try taro for the first time.



- Look at a local market or well-stocked supermarket or greengrocer.
- Find a fruit or vegetable you have never eaten or eat rarely.
- Work out what you want to know about it before you buy it and before you eat it.
- Try it.
- Design a promotion for that fruit or vegetable to persuade you and your friends to try it.

Marketers spend a lot of money on promotion campaigns to get you to try a new product, but what the marketers (and the people who produce, process, transport and sell the product) need is for you to buy the product regularly.

- Decide if you will become a regular eater or buyer of the vegetable or fruit you bought.
- Work out what if anything would need to change about the product before you bought it regularly.

New convenience food

You have identified an opportunity to develop a convenience food product for an identified market niche in both the local and international markets. A market niche is a spot or place in the market that your product fills. Your product may be the only product suited to that spot or may compete with other products developed to fill that market niche.

The market niche you have identified is young professionals aged 25-35 without children and who have become health conscious.



While they want food that can be prepared in a limited time they also want to know they are eating quality food that is safe to eat and free of chemical residues.

They are concerned about their vitamin intake and the freshness of the food they eat.

They are prepared to pay a relatively high price for a convenience food that can be prepared easily in the home in under 20 minutes and guarantees nutritional value, freshness and safety.

- Create a new product to fill this market niche.
- Work out how you would:
 - ensure the quality of the product
 - distribute the product
 - set the price for the product
 - maintain the supply of the product
 - promote the product so that as many people as possible try the product and become regular purchasers of the product.
- Identify sustainable agriculture issues and include them in your promotion.

Market niche

Producers of goods, product manufacturers and marketers are always looking for opportunities to develop a new product for a new market, or a new segment of a market (market niche).

The New Zealand Dairy Board (now Fonterra) has targeted Egypt as a country where they can increase sales of dairy products.

- Watch the video clip *Ghee Whiz*.
- Explain why ghee is a major exporting opportunity for the Dairy Board.
- Explain how the Dairy Board plans to become competitive in this market.

The Asian market is seen by many producers, manufacturers and marketers as presenting new opportunities to sell goods.

- Watch the video *Veges For Export* and identify the current research in crops with overseas market potential.

New Zealand dairy researchers produced a cream powder and the Dairy Board investigated markets for this new product.

They are now selling the cream product as a key ingredient for ice cream for Asian markets, particularly Singapore.

- Watch the video clip *Ice Cream for Singapore*.
- Describe the research the Dairy Board was undertaking to make sure the ice cream product developed suits the consumer.

Competitive advantage

In any market situation there is competition between all the similar products on the market.

Producers and marketers are looking for a competitive edge for their product over the other products in the market.

This edge may be in:

- taste
- product design
- ease of use
- ease of purchase
- packaging
- promotion
- convenience.

New Zealand products compete on many overseas markets. New Zealand producers and marketers are looking for competitive advantages for their products. Often they will promote New Zealand as the country of origin as being a competitive advantage. Our sporting achievements and sports stars, and all New Zealanders who achieve world recognition in any area, may help to promote New Zealand and New Zealand products.

New Zealand agricultural producers and marketers use the image many overseas consumers have of New Zealand as a place with a clean natural environment, beautiful scenery and healthy sporting, outgoing people.

Many overseas consumers believe our agricultural products are

- safe to eat
- free of pesticides and residues of animal remedies
- prepared by processes that don't damage the environment and
- produced from animals that are treated humanely.

Companies selling our agricultural products overseas use this image to give them an advantage over competing products from different countries. Many of the New Zealand products sold overseas have names, labels and packaging and use promotions and advertisements that reinforce this image.

As consumers become more interested and better informed about environmental issues we will have to verify or back up these claims.

- Decide how accurate you think people's perception of a clean green image is.
- Decide what you think overseas consumers' perceptions of New Zealand are.
- Work out what we need to do to ensure these perceptions are correct.



The New Zealand brand

Many New Zealand companies sell New Zealand goods on overseas markets. Tradenz and the The New Zealand Tourism Board decided to create a brand image for New Zealand.



This image raises the profile of New Zealand and New Zealand products. The image can be used by exporters of New Zealand goods to guarantee the brand's quality, presentation and distribution. This promotion is a country of origin brand promotion not a promotion for a specific product or brand.

- Watch the video *Taste The New Zealand Way*.
- Describe how New Zealand is portrayed and what images are used to create the New Zealand character.
- Describe the features of New Zealand that have been incorporated into The New Zealand Way logo and slogan.
- Explain what the logo and slogan represent to you.
- Develop other logos and slogans that could represent an image of New Zealand to the rest of the world.
- Decide how you think this promotional video could be used overseas.
- Decide what advantages using The New Zealand Way logo and symbol would have for an exporter of honey.

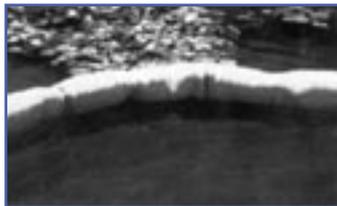
Marketing case studies

The next case studies show current marketing initiatives.

- Read these case studies.
- Select a company or industry based in your local area that produces agricultural products for either the international or domestic market.
- Develop a case study for that company or industry that shows:
 - the identified market or market niche for the product
 - the qualities of the product that provide a competitive edge
 - the way the product is promoted, packaged or sold to make sure it obtains or retains a significant segment of the market
 - future plans for the development of the product or its marketing.

WOOLSPILL™

The Wool Research Organisation of New Zealand is an organisation that researches new wool products. One example of recent research is the development of WOOLSPILL™. WOOLSPILL™ uses New Zealand cross-bred wools rolled into pea sized spheres or soft knops which have the ability to absorb up to 40 times their weight of oil. WOOLSPILL™ is used to fill products like netbooms, pillows and pads. These booms and pillows can be placed in rivers, seas, streams and lakes to mop up oil spills.



Wools of New Zealand and the Fernmark



At the end of the 1980s the outlook for the New Zealand wool industry was not optimistic. The number of sheep in New Zealand had declined from a high of 70 million to fewer than 60 million. Farmers were not obtaining a good financial return because:

- subsidies that had been paid to farmers were removed in the 1980s
- sheepmeat prices were low
- it was a time of high inflation and high interest rates
- wool prices at auction were diminishing in real dollar values
- there was only a slow rate of innovation in marketing systems, wool fibre technology and wool products.

The New Zealand Wool Board was in debt. At the beginning of 1991 it had a stockpile of 655,000 bales of wool. The Wool Board had accumulated the stockpile because it had bid against other buyers to keep up the price for growers and not because it was in the business of buying and selling wool itself.

However wool exports still earned New Zealand well over a billion dollars a year. The New Zealand Wool Board was a member of the International Wool Secretariat, the IWS. The IWS developed Woolmark, a trade certification mark to identify quality wool products and differentiate them from products made from synthetics. The Woolmark could be used by any country whose wool products met the minimum Woolmark quality standard. Using the Woolmark made it difficult for New Zealand to establish an identity for products.

The Woolmark rules prevented any country identifying its wool on labelling in association with the Woolmark. Research showed that many people buying wool products with the Woolmark thought the wool was produced in their own country.

In 1991 the Wool Board decided to implement a range of strategies to:

- improve its financial position
- develop new strategies for marketing New Zealand wool on overseas markets
- increase the financial returns for farmers.

The Wool Board:

- stopped intervening in wool auctions
- sold off its stockpile of wool during five years
- asked the government to remove some of its powers to help it to move away from using government regulations to manipulate the wool market.

The Wool Board concentrated on promoting New Zealand wool products on the world market as well as research and product development. New Zealand produces mainly strong crossbred wool that is made into wool carpets.

Research had shown three main customer groups for New Zealand wool carpets. These are:

- buyers who put a priority on colour and design
- buyers who wanted top quality
- buyers who wanted hard wearing carpets, usually for commercial areas such as hotel foyers and airport terminals.

Three brands: decorwool, decorwool prestige and contractwool were developed for these market segments. In 1994 the Wool Board unveiled a new operating identity as Wools of New Zealand and a new symbol for New Zealand wool products – the Fernmark.

The Fernmark



The Fernmark was developed after research with different groups of customers in Germany, Britain and the United States who were asked to identify what they saw as uniquely New Zealand. Sailing yachts, All Blacks, waka, the silver fern, sheep, Milford Sound, the kiwi, kea and Maori art were identified.

Wools of New Zealand decided to develop the Fernmark. The fern was already a New Zealand national symbol with a growing number of New Zealand organisations using a fern in their logo and branding. The fern also highlighted New Zealand's clean and green image.

Wools of New Zealand says, "The package of Fernmark and Wools of New Zealand have been designed to convey particular images to both consumers and wool trade. For consumers it reflects meeting their needs, as well as environmental standards, a clear brand identity, modernity, youth, clean and green, unspoilt and natural, quality and trust. For the wool trade, it represents reliability and consistency, innovation, internationality, contributing to solving environmental concerns and the tailored cutting edge of technology."

Wools of New Zealand works with only a few hundred key processors and manufacturers who use a minimum amount of New Zealand wool and guarantee excellence of product.

Wools of New Zealand has recently developed an accreditation system for the Fernmark, right through from the farm to processing and manufacturing.

The Fernmark was first developed for the carpet and other interior textile markets but its coverage has extended into the remaining forty percent of New Zealand wool which is used for clothing.

There is a marked contrast between the Fernmark strategy for New Zealand wool in Europe, North America and Japan and the style of the first Fernmark promotions in New Zealand and Australia. For the northern hemisphere the image of a clean and natural New Zealand, and beautiful scenery is associated with the style and quality of the products.

For Australians and New Zealanders this landscape is not new or attention grabbing. Promoting the New Zealand landscape may repel Australian buyers. The Australasia promotion therefore emphasises the qualities of wool carpet colour, wearability and warmth.

- Watch the video *Fernmark Promotion*.
- Use the case study and the video to describe the new role of Wools of New Zealand.
- Watch the video advertisement Fernmark Australasia.
- Describe how Fernmark is being used to promote quality New Zealand wools.
- Watch the Australasian advertisement and compare this promotion with the Fernmark promotion developed for Europe.

Chilled New Zealand lamb

Europe, and principally the European Union, is New Zealand's largest sheepmeat market. Currently 52% by volume of our sheepmeat exports go to Europe and earn 70% of our export earnings from sheepmeat.

As a result of the GATT Round, New Zealand secured access for 225,000 tonnes of sheep and goat or about 70% of sheep and goatmeat exports to the European Union. This agreement had no restriction on the volume of chilled sheepmeat New Zealand could supply. The removal of this restriction, on the amount of chilled sheepmeat we can supply to Europe provides new marketing opportunities for sheepmeat.

The technology to chill sheepmeat was developed at the New Zealand Meat Research Institute in Hamilton. Fresh lamb can be held in a modified atmosphere packaging system for up to 16 weeks without any deterioration in quality. The product must be held at the strict temperature of $-1^{\circ}\text{C} \pm 1/2^{\circ}\text{C}$. The use of this technology allows chilled lamb to be transported to Europe by ship.

Selling high quality fresh lamb that consumers are prepared to pay high prices for (up to 60% higher than for frozen lamb) will improve the profitability of the sheepmeat industry. New Zealand chilled lamb can earn up to NZ\$45 per kilo in the United Kingdom and Europe.

The export of chilled lamb from New Zealand however means in some circumstances direct competition for the fresh lamb market with European farmers. To obtain the maximum financial return for the export of chilled lamb to the United Kingdom and Europe:

- the product must be of a consistently high quality
- high standards of processing must be used to ensure top quality product is produced
- the product has to be produced to order and delivered at the required time
- promotion needs to occur to inform potential customers of the differences between the premium priced chilled lamb and frozen lamb and sheepmeat.



Progressive Meats

In 1987 Progressive Meats Limited of Hastings developed a small scale plant to produce chilled sheepmeat for export to Europe. Since then the company has gained a reputation as a top performer in the meat industry, offering buyers a consistently high quality product and providing good returns for suppliers.

Progressive Meats must supply chilled lamb to British and European markets all year round. Their products for export must be of high quality. Progressive Meats meet these requirements by:

- providing incentives for suppliers to provide lambs for slaughter and processing all year round so the plant can be used to capacity all the year and supply of product to the market is guaranteed
- offering incentives to meet quality standards at each step in the marketing chain
suppliers – transporters – processors – exporters
- obtaining ISO 9000 accreditation so its procedures for ensuring a quality product meet the International Standards Organisation standard for quality assurance.

Progressive Meats enters into contracts with farmers to supply lambs that meet strict specifications for weight and condition with pelts that meet strict specifications for wool length, cleanliness and quality. Farmers must deliver orders for stock on time and in full.

In return farmers receive bonuses for good performance and premium prices for orders that meet or exceed all specifications. Reports are given on the stock they supplied, with suggestions on how to improve stock to qualify for bonuses and incentives.

Progressive Meats' plant works to maximum efficiency and to quality standards producing high quality products to meet the requirements of specific contracts from overseas buyers. The product is produced to order and to buyers' specifications, and is delivered on time.



Only Organic

Only Organic is a New Zealand-based food manufacturing company that started manufacturing a range of certified organic baby foods in 1994.

An entrepreneur had investigated the local and international potential to sell organic baby foods. A University of Canterbury student carried out a feasibility study and market research.

Market research showed:

- organic food production is one of the most rapidly expanding sectors of agricultural world trade
- parents are worried about the foods their baby might eat – they want to know the baby foods they feed their children are safe and free of chemical residues and harmful food additives
- the potential market segment locally and overseas was believed to be big enough to warrant the development of a factory
- there are sufficient crops grown locally to supply the ingredients for the baby foods.

These results were considered sufficiently promising to begin experimentation with suitable products. The products were developed with locally produced ingredients and used no fillers, no added salt or sugar and no artificial colourings or flavourings. Trials were carried out, recipes finalised, shelf life testing completed and processes refined to keep the products sterile. Potential consumers indicated the best size of containers to package the products and a range of 12 fully certified organic baby foods was developed. Labels and packaging for the products were developed that reflected New Zealand's clean green image and the company launched the product on the New Zealand market with the following strategy:

- A New Zealand distributor with a nationwide network was chosen to sell the range of baby foods to supermarkets.
- The company persuaded major super market chains to stock the products.
- Stock at a reduced price was offered for an initial set period of time to promote the products.
- Instore demonstrations were carried out in larger stores to demonstrate the range of products.
- Advertising was placed in 'Baby' magazines to target potential buyers.

The products were also launched in Australia and the potential to develop products suited to Asian markets is now being explored.

The company, established by four people in 1993, now employs more than 20 people and has over 15% market share of the New Zealand wet baby food market.



Watties – selling our organic agricultural products

There is an expanding world wide market for organically grown agricultural products.

Research shows that consumers' reasons for buying organically produced food are:

- environmental
- improved flavour or colour
- animal welfare issues
- health
- awareness of and support for conservation issues.

Market studies show the organic trend is continuing to grow and that environmental concerns are a strong market force that determines how food is grown. People in some markets are prepared to pay a premium for products certified organic from the grower through to the processor and to the supermarket.

Wattie Frozen Foods is the principal processor and marketer of export organic products in New Zealand. They have made a major commitment to the production of organic produce in New Zealand. Watties have organic processing plants in Hornby, Feilding, Gisborne and Hastings that process organic produce grown on contract to them by organic growers. The organic products are sold to Japan and USA.

When Watties establish a market they must guarantee a long term supply of high quality product that is certified organic. Watties has opportunities to export organic products to other overseas markets but cannot widen its markets because of the shortage of raw product. Growers in New Zealand are being encouraged to change the way they farm to become certified as organic growers.

At present the major organic crops grown are peas, whole beans, sweet corn and carrots and the organic growers can receive premiums or higher prices than non-organic growers of the same crop.

- Watch the video *Commercial Organics*.
- Explain the incentives for growers to grow organic crops.
- Describe some of the problems organic growers can face.
- Create a profile of the type of grower Watties would like to become an organic grower.



Cervena® marketing the deer industry

Commercial deer farming was established in New Zealand in the 1970s. The industry has grown dramatically and in the year to December 2005 earned \$262 million in export receipts. Venison is the major export from deer and New Zealand is now the number one worldwide source of farm raised venison. 28,023 tonnes of venison was exported in the year to December 2005, which earned \$214 million.

Deer velvet is another export product from deer. Antlers grow on stags each year. Before they are fully grown and hardened, they are removed. The soft covering found on the antlers is known as velvet. It is sold in Asia and used in traditional oriental medicines. In the year to December 2005, velvet exports earned \$20 million, deer hide and leather exports were worth \$19 million, live exports earned \$120 thousand and co-products exported were \$8 million.

In 1983 the New Zealand Game Industry Board (NZGIB) was established by an Act of Parliament. It is responsible for “the orderly marketing of products derived from deer.” The NZGIB does not own or sell deer products but it works with producers, processors and exporters of deer products to develop international marketing strategies. The Cervena® Company Limited is a subsidiary of the New Zealand Game Industry Board. It was established in 1992 to develop and implement a branding strategy for New Zealand farmed venison.



Develop a brand and brand name

In 1990-91 the NZGIB decided to implement a major marketing strategy to differentiate New Zealand venison from its competitors and create demand for a growing production base.

The traditional markets (eg Europe, especially Germany) have a long standing usage of traditionally hunted venison. These markets buy large volumes of venison at competitive prices. Because these markets took nearly ninety percent of New Zealand venison exports, the NZGIB needed to spread the risk to make the industry less vulnerable to fluctuations in demand or price in the market.

Therefore, the NZGIB looked to develop new markets (eg USA and Japan) where venison is a new and exciting product. Even though relatively low volumes are purchased, customers are prepared to pay high prices. In the new markets the NZGIB is able to brand the product as Cervena® to:

- create New Zealand venison as a unique product
- make it identifiable on the market
- build customer loyalty to New Zealand venison
- build a reputation on a premium quality product available year round produced in a quality environment.

The long term goal is to have a mixture of new and traditional markets so that the risk is spread more evenly and the industry can sustain its growth.

New Zealand now exports in to Europe (eg, Germany, Switzerland, France) Scandinavia, Australia, Japan and the United States of America. In the traditional markets, the emphasis for differentiating New Zealand farmed venison over hunted venison is on its quality, hygiene and consistency.

After extensive international consultation the name Cervena® was developed and registered in 42 countries. It was derived from Cervidae (the Latin word for deer), “ven” for venison and “a” to indicate A grade premium quality. It is pronounced Sir-venn-ah.

Maintaining quality

Five export marketing companies in New Zealand are entitled to use the name Cervena®. These companies must meet strict quality and marketing criteria, and pay a franchise fee. There is a total emphasis on quality from pasture to plate. Venison processors must have ISO9002 accreditation for processing.

The Deer Farmers Quality Assurance programme’s mission statement is “to continue developing a profitable deer industry which uses sustainable quality products to meet customer requirements.” The deer farmers have made a commitment to sustainable agriculture practices and producing a quality product from a quality environment.

Marketing image

Cervena® trades on New Zealand’s clean green image and states that New Zealand venison is raised free range in the wide open clean pastures of New Zealand. It states our venison is hormone and steroid free and not raised in artificial, indoor conditions. Cervena® has a nutritional profile matching skinless poultry and salmon.

Research has shown a number of emerging market niches where New Zealand venison offers significant marketing advantages:

- Younger consumers who prefer lighter eating styles and frequently eat out in restaurants
- Households with high discretionary income who seek premium quality, healthy, convenient, quick food year round.

A variety of marketing programmes are used to communicate the advantages of New Zealand farm raised venison to chefs and consumers worldwide. Deer Industry New Zealand is working closely with exporters and their in market partners to maximize the coverage of this message.

Promotion of Cervena®

The promoters of Cervena® have targeted their promotions to leading chefs throughout New Zealand and USA. Venison is often served in quality restaurants. Cervena® chef training programmes are run in New Zealand, Australia and USA.



Cervena® packaging. Chilled Cervena® in gold-striped packaging and frozen in silver-striped packaging.

Restaurants and chefs are being persuaded to place venison on their menu, in response to growing customer demand. The chefs are asking for Cervena® by name because they are guaranteed quality meat. Factors which have contributed to the success of Cervena® marketing strategies are:

- the use of a registered brand name
- the assurance of proven quality product and quality systems and
- effective campaigns that promote Cervena® as unique to clearly defined target markets.

The venison industry now sees itself well placed to:

- increase sales to European, American and Asian markets
- specialise in producing special cuts of venison to restaurants
- add value to their existing products
- move into new markets
- trade on the proven quality and year round availability of Cervena®.
- Watch the video *Cervena® Natural Tender Venison*.
- Describe how New Zealand, the deer industry and Cervena® are promoted.
- Explain how the quality of the Cervena® name is maintained.
- Explain how the meat has been prepared and packaged to suit chefs' needs.



Marketing the agricultural industry

Marketing an agricultural product to another country requires extensive organisation, planning and investment. This is because:

- New Zealand is a long way from export markets
- most agricultural goods are perishable, so need to be handled carefully at every stage
- there is plenty of competition in agricultural markets
- access to many markets is still limited
- many of the buyers, such as supermarket chains, are large and powerful
- an ability to work with different cultures and speak other languages is required, as well as an understanding of other countries' laws and commercial rules (eg tax, advertising, company structures) and
- continual research, development, promotion and customer servicing are needed.
- Select one agricultural industry from the following list that interests you:
 - The New Zealand Meat Industry
 - The New Zealand Apple and Pear Industry
 - The New Zealand Dairy Industry
 - The New Zealand Kiwifruit Industry
 - The New Zealand Poultry Industry.
- Complete a research project on how this industry operates. Include:
 - the value and importance of the industry to the New Zealand economy
 - the present structure of the industry
 - a brief history of the industry
 - the principal export markets for the industry
 - the marketing strategies used to promote the New Zealand products
 - the key groups of people in the industry and their roles

- how the industry markets its product
- the role of the relevant producer and/or marketing board
- the problems, challenges and opportunities the industry currently faces
- strategies in place or planned to maintain or enhance New Zealand's position in the world market for the product
- current research or marketing initiatives.



Producing and marketing agricultural products in the 21st century

To sell our agricultural products in the 21st Century we need to produce the right products produced by the right processes, promoted to those who want to buy them and sold at an acceptable and competitive price.

New technological advances will continue to improve new products and the processes we use to process and transport agricultural products.

In the 21st century consumers are going to continue to become more knowledgeable about products and are going to require proven assurances about the quality of the product and the sustainability of the processes used to produce the product.

We must:

- carry out market research to find out current consumer demands and what products consumers want
- conduct research and development to produce these new products
- produce and process these new products using sustainable agriculture practices that do not damage the environment
- produce, process, transport, distribute and market these products at competitive prices
- promote these products to buyers
- ensure quality and supply of products so that consumers return to purchase more of the product
- continually improve existing products and introduce new products
- continue to invest in research and development to ensure that we will be producing the right products, using the right processes in the future.



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