From Boom to Balance

New Headwinds for NZ Brands in China

DAIRY PRESENTATION

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Unexpected Insights

Background

- Two decades of easy growth
  - A booming middle class
  - Rising disposable income
  - Strong contrast between New Zealand's clean, green image and that of China
- But the landscape has changed
  - China reducing reliance on the west
  - NZ reducing reliance on China, but pivots to the US may be backfiring
  - Consumers more cautious and value-conscious
  - Post-Covid recovery sluggish
  - Economic uncertainty looms
  - Official reassurances of support met with scepticism

This research:

From affirmation…

We're from New Zealand!

Awesome, right?!

To curiosity…

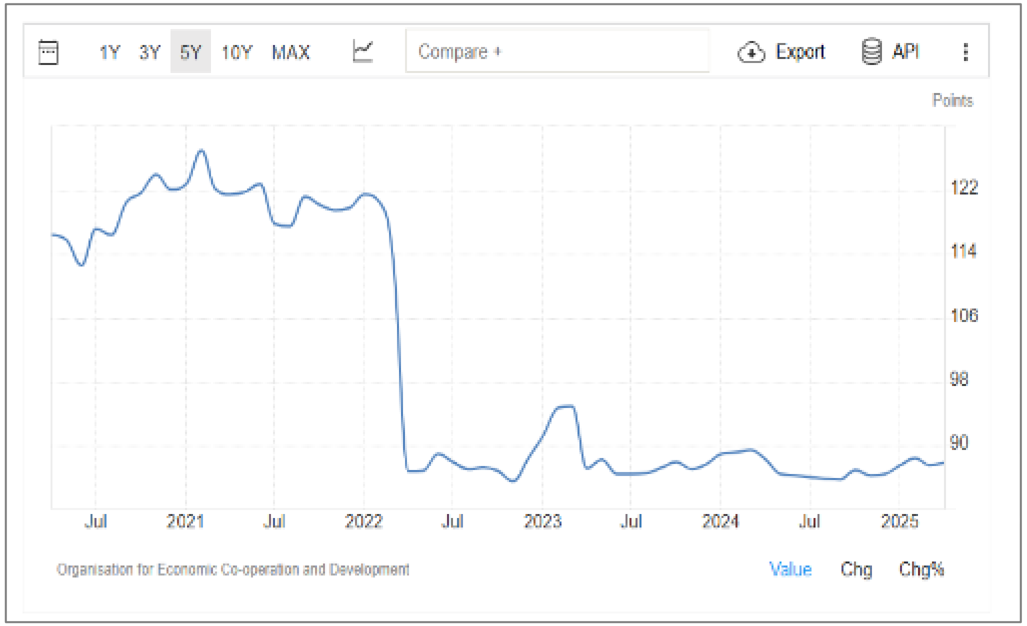
We're from New Zealand!

Is that still enough?

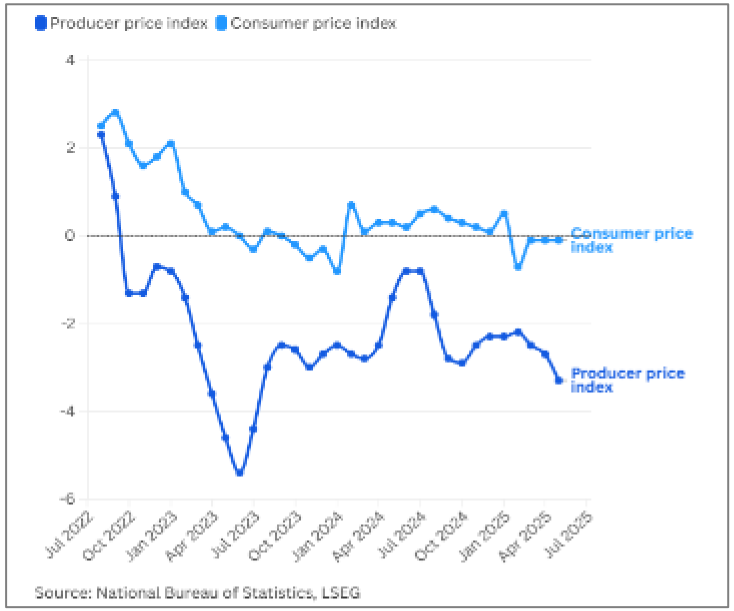
A laundry list of worries is weighing down consumer confidence in China

- ❑ Property prices still falling (down 3-4% YOY)
- ❑ Stagnant incomes (5% growth, half the rate in 2020)
- ❑ Youth unemployment high (16%)
- ❑ Over 60% of households say they're focused on saving
- ❑ Global economic slowdown hits exports
- ❑ Tariff uncertainty

Consumer Confidence



CPI and Producer Price Index



5 YRS

of generally declining consumer prices

3.4% DOWN

Prices YOY for FMCG, personal care & home care

Yes, NZ products *are* premium, but what does this historically prolonged period of stagnation mean for growth of the premium segment for dairy?

About this study

- Online survey April 2025
- 361 respondents – randomly selected, general population, 20 to 64 years old, resident in Shanghai
- Female : male split 179 :182
- 335 claimed buyers of NZ products in past 12 months for self or household

Questionnaire Coverage

- Monthly spending on NZ products
- NZ Products bought in past year
- Expected future change in purchase
- Barriers to (more) purchase

Category Coverage	Label in this report
Fruit & Vegetables	Fruit Veg
Dairy products (milk, cheese, yoghurt, butter, ice-cream etc.)	Dairy
Meat, poultry, fish, seafood	Meat Fish
Snacks, confectionary	Confect
Non-alcoholic drinks, juice, plant-based milk	Drinks
Grape wine, beer, spirits	Alcohol
Vitamins, health food, supplements	Health
Infant formula, baby products	Infant
Personal care, oral care products	Personal
Pet food, pet treats	Pet

Barrier statements	Label in this report
They are too expensive*	Expensive
They are not unique or special	Not special
Similar products made in China are as good or better	China as good
Other imported products are as good or better	Other imports
I don't see them in stores I shop at	Don't see in store
I don't see them on e-commerce platforms I use	Don't see e-comm
Country of origin is not important to me	COO not important
The products are not good enough to justify the higher price*	Price not justified
Currently I'm reducing expenditure generally on groceries*	Cutting back
I don't see them advertised	Don't see adv

NZ products well accepted in urban Shanghai

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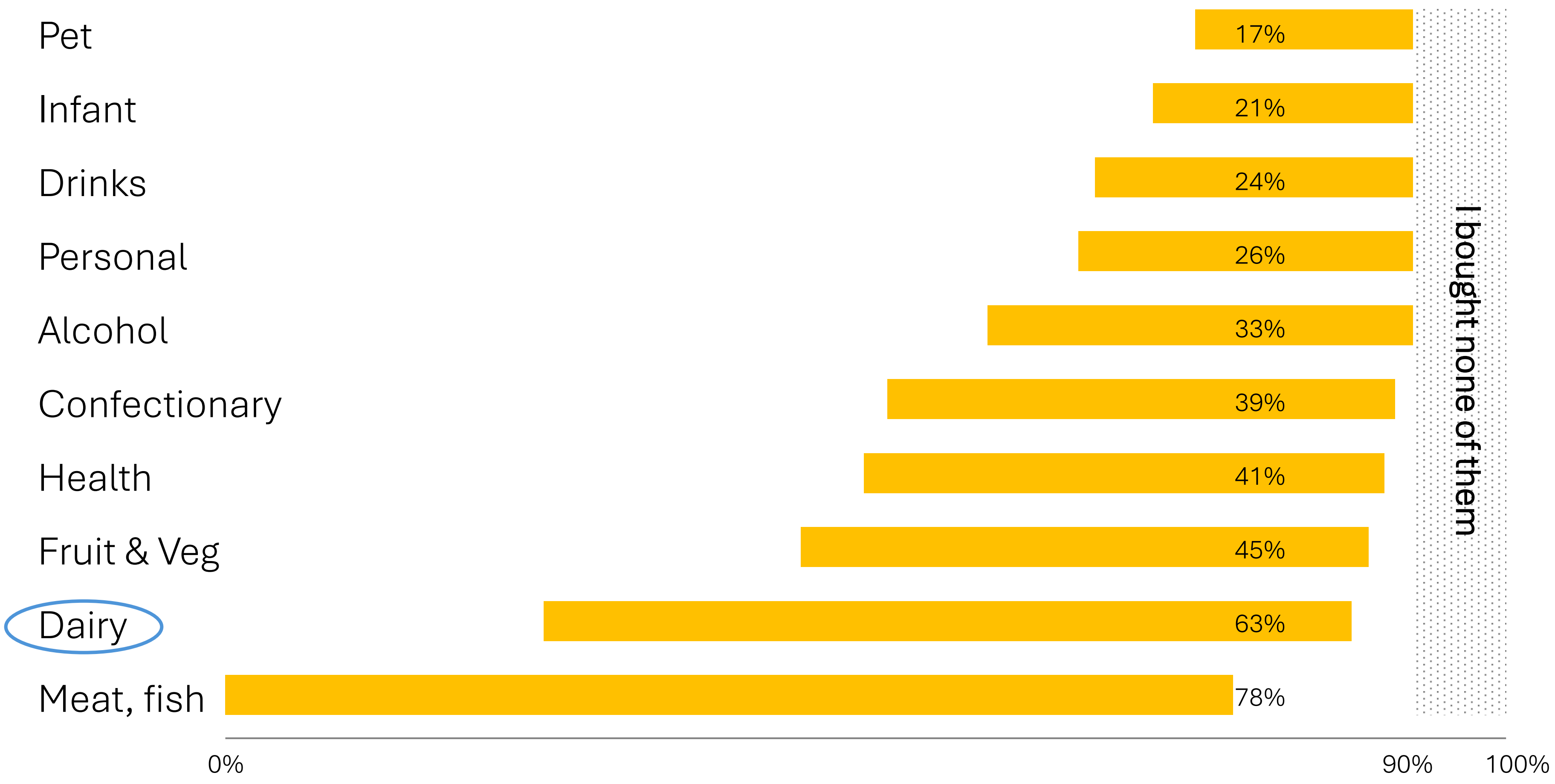
- More than 9-in-10 residents have bought something from NZ in the past year
- Over half expect to spend more on NZ products in the foreseeable future
- Most have bought several categories in the past year; four on average.
- Females spend more on NZ products than males (average 226 Rmb vs. 187 Rmb per month)
- Fruit & Veg skews strongly female; other categories are generally balanced
- Dairy is a strong feature (63% past 2 month).

CATEGORIES OF NZ PRODUCT PURCHASED IN PAST 12 MONTHS

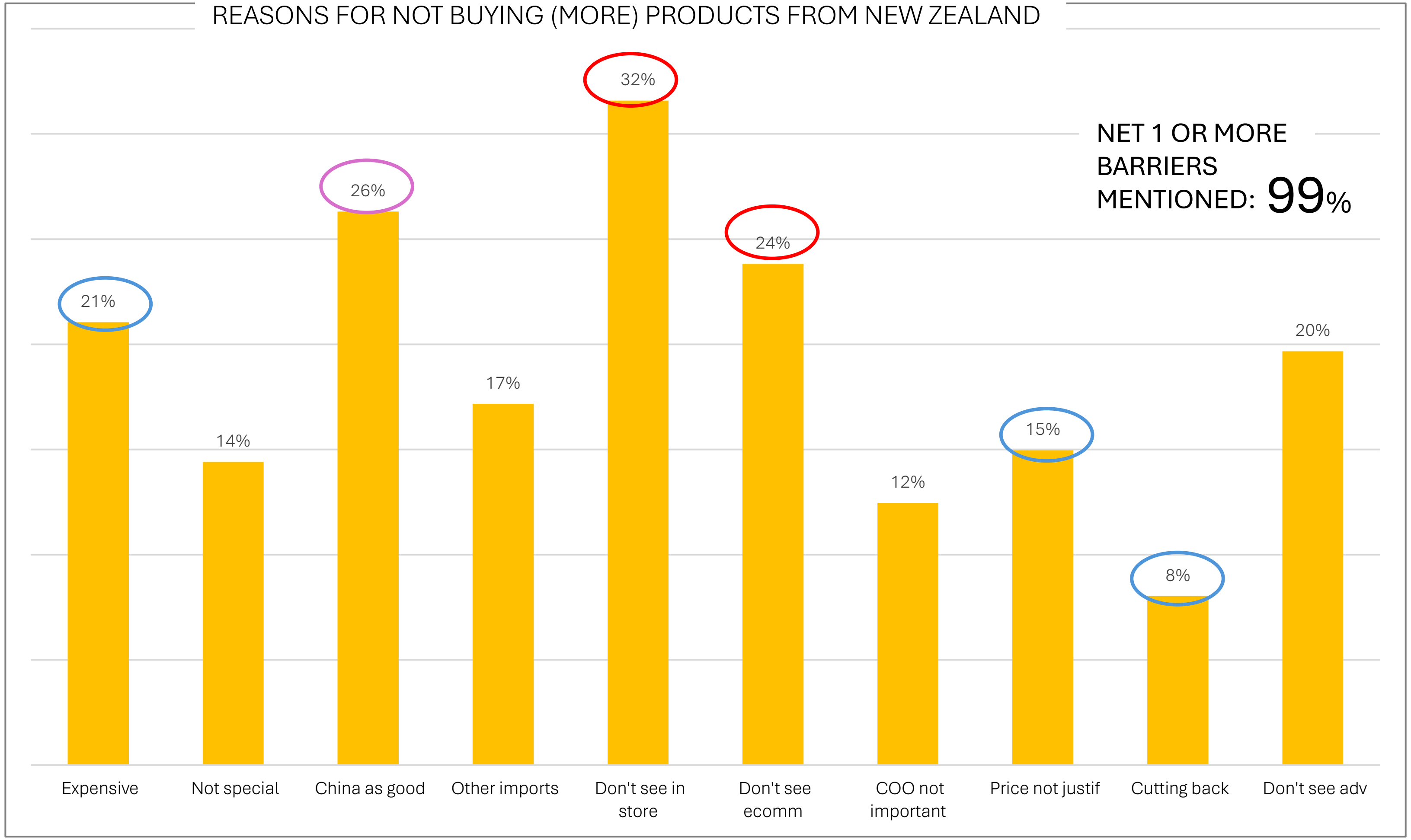


Base: All

Perceptual barriers are widespread

Only 1% of people have no issue with buying NZ products

- Nearly half (47% net) mention lack of visibility in stores or on e-comm.
- Price-related reasons (expensive, not justified, cutting back) 37% net.
- Perhaps encouraged by 'Made in China 2025' perceived parity/superiority of China products is evident.

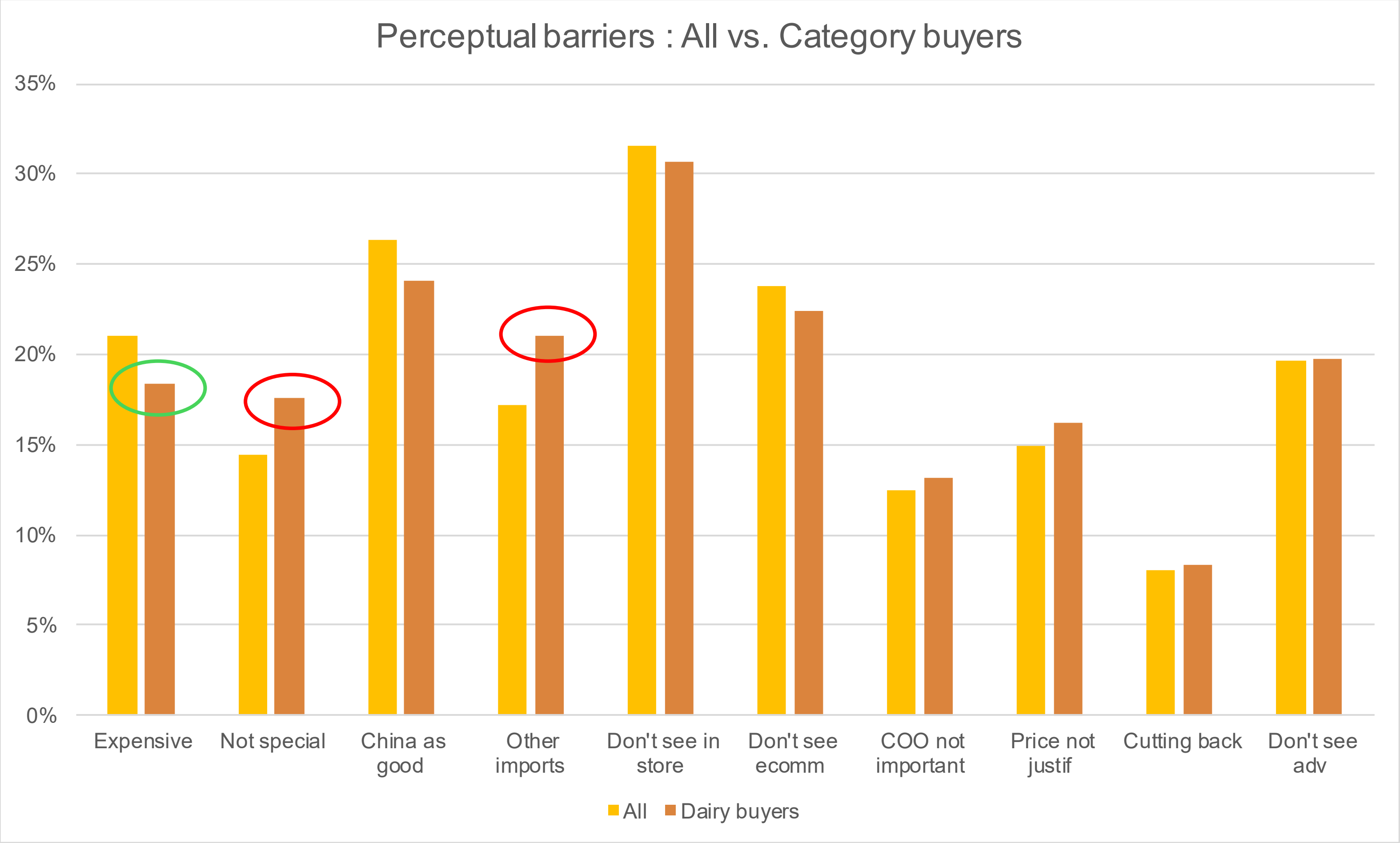


Base: All

Are dairy buyers much different?

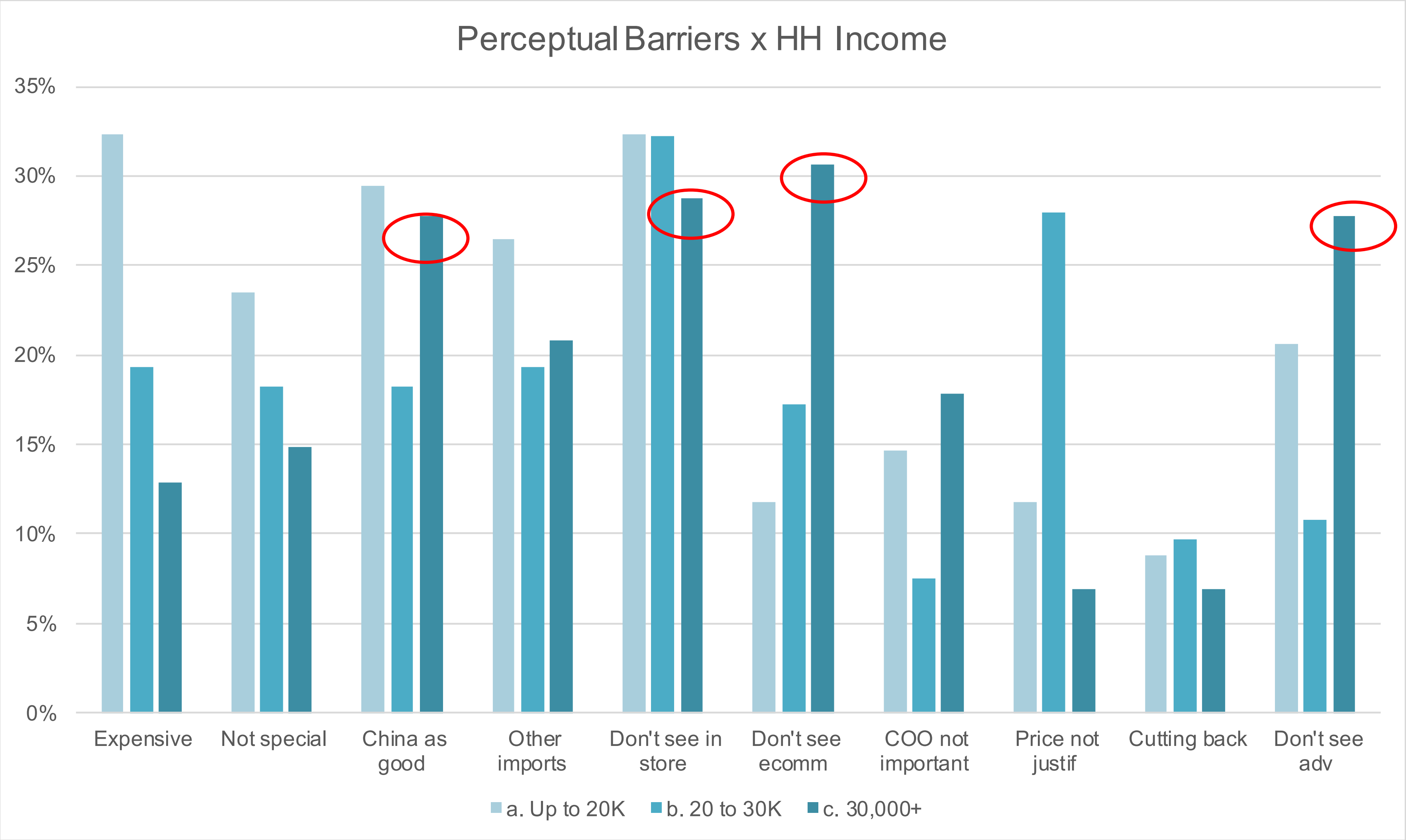
Not really. NZ dairy is widely bought; perceptions of buyers broadly mirror those of people generally.

- Although a bit less price sensitive, buyers of NZ dairy products are also more inclined to perceive:
- NZ brands as lacking special benefits
- Imports from other countries are as good or better.



High income consumers of dairy are especially reliant on brand visibility

- In-store prominence matters equally to all income groups.
- Consumers most able to afford premium-priced dairy are especially sensitive to advertising and visibility in e-commerce
- They also have strong perceptions of China product parity



Respondents: Bought NZ dairy products in past 12 months (N=228)

Growth through penetration or volume?

It depends, in part, on a brand's market maturity and its goals

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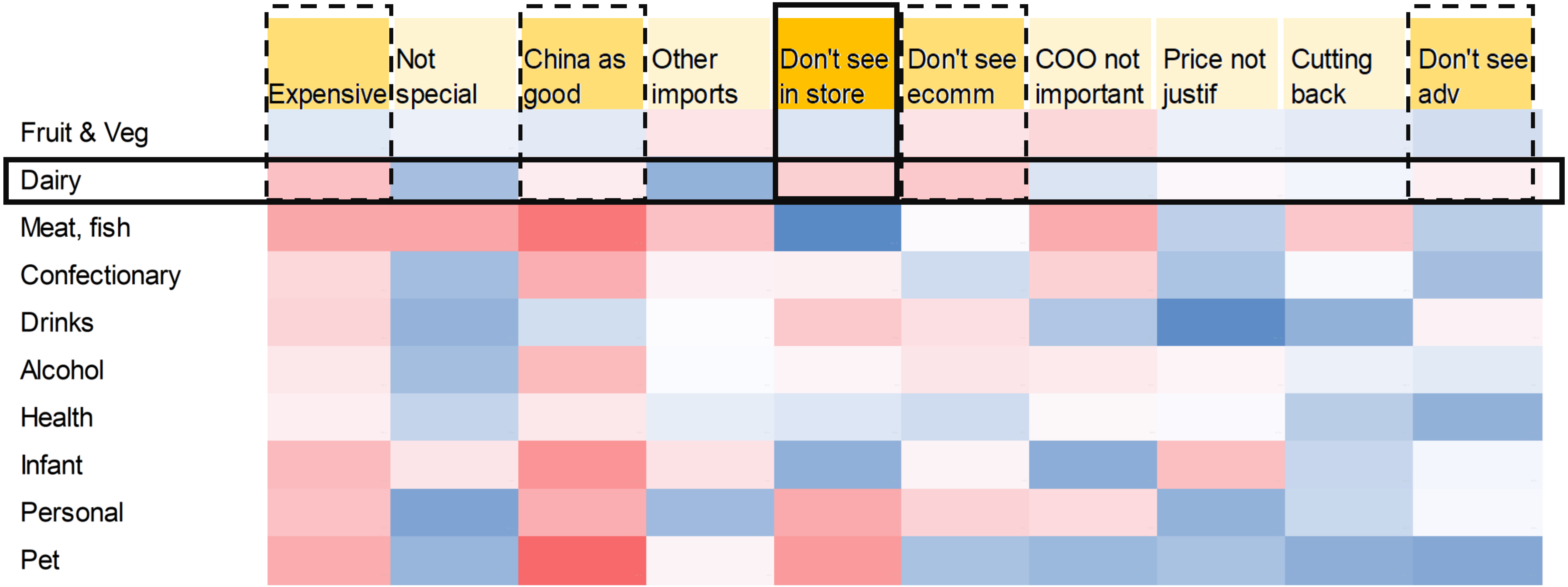
- Perceptions of China parity are likely to affect all dairy brands
- But overall, dairy is less fraught than categories such as pet care or meat/fish.

- Key issues for dairy:
  - Brands seeking **PENETRATION** (eg. new entrant or new city) are more vulnerable. The most prevalent barriers are shaded red
  - Less dominant perceptual barriers confront players wanting **VOLUME**, but they still need to work on perceived uniqueness vs. other foreign players (blue)



Orange: Overall prevalence of the perceptual barrier (see previous chart)

Red: more of a barrier to *trial* Blue: more of a barrier to *usage* . The deeper the colour, the more polarity (white means no difference)

What are the implications for dairy?

(apart from managing stakeholder expectations)

BUILDING PENETRATION

- In store *visibility*
  - Get higher on the shelf
  - Go beyond the ‘Imported’ zone
  - Optimize / localize packaging & on-pack cues
  - Signage, sampling, POS materials
- E-commerce *visibility*
  - Work on SEO
  - Eliminate or minimize non-Chinese keywords
  - Participate in platform events
  - Create a proper flagship store
- Price point / affordability
  - Utilize coupons
- Build awareness in and integrate with external channels (WeChat, Red Book, Douyin)
  - Media habits
  - Messaging

BUILDING VOLUME

- “Clean & green” is table stakes
  - NZ dairy brands may be homogenizing themselves by over-using this equity
  - Even China has made inroads on it
  - Be mentally available beyond nationality
- Reframe your ***benefit differentiation*** esp. versus other imports
  - Be tangible (be functional!)
  - Be emotional
  - If relevant, tailor by usage occasion (likely means more messaging)
- Identify emergent needs / trends and…
- Innovate into them
  - New formats & subcategories where ***new*** benefits can be used to create ***new*** stories that link to New Zealand provenance

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Q & A