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Understanding International Consumer Demand

Hong Kong Market Report

2023

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This project has been prepared independently by Kantar for Hort Innovation and is funded through the Australian Government's Agricultural Trade and Market Access Cooperation (ATMAC) program with Hort Innovation levy contributions from the almond, apple & pear, avocado, blueberry, cherry, citrus, dried grape, fresh potato, lychee, macadamia, mango, melon, olive, onion, raspberry & blackberry, strawberry, summerfruits, sweet potato, table grape and vegetable industries.

Contents

1. Background and Objectives

The project context, objectives, approach and methodologies

Background

- Addressing the disruptions of COVID-19 on Australia's ability to export, Hort Innovation proactively initiated and invested in several critical projects
- One of these projects, carried out by Deloitte, was designed to assess the opportunities to rapidly diversify and expand in export markets. They identified 13 markets that offer growth potential
- This project builds on these past programmes and is designed to provide an in-depth understanding of consumers in these critical markets

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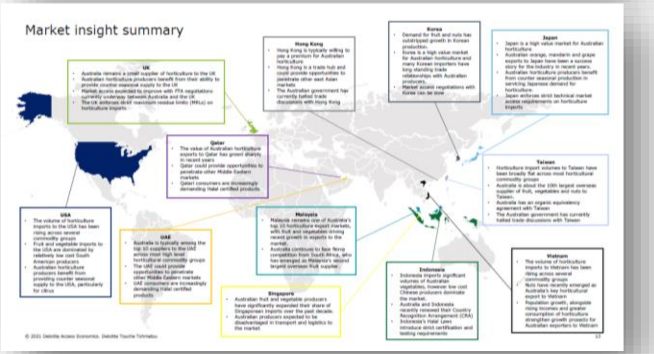
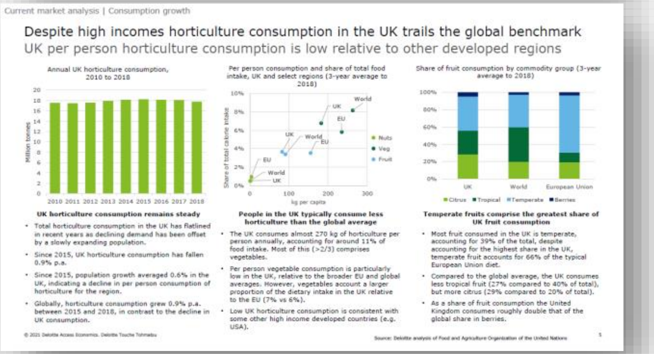
The Deloitte report

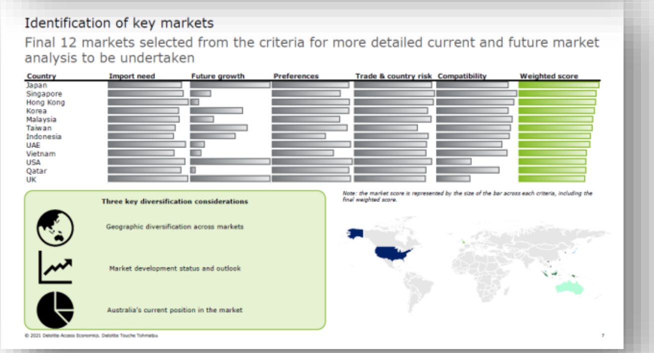
The Summary Market Analysis report identified x12 markets for Australian export and ranked the markets based on import need, future growth, preferences, trade & country risk and compatibility

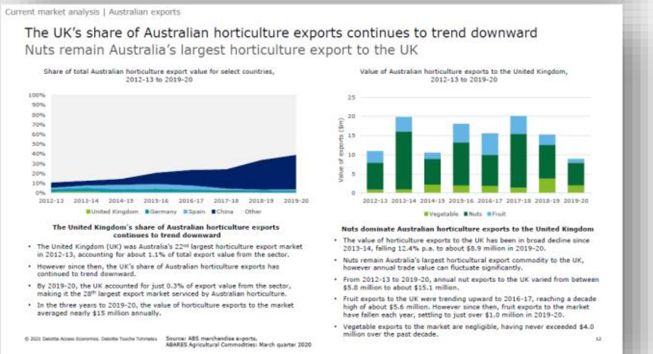
The Market Analysis then dove into each markets' import potential, based on existing market sizes, trajectory and the competitive landscape

This Kantar report builds on this analysis and provides the crucial consumer lens for the x12 markets. Furthermore, India has been included as a 13th additional market.









Central research question:

"How can Australian Horticultural Industries unlock growth by generating consumer demand for different categories across different international markets for today and tomorrow?"

Objectives

- The objective of this study is to provide a consumer-led perspective on the export opportunity of Australian horticulture
- It will unpack consumers attitudes and values, as well as their fresh produce shopping behaviour and how they consume fruits, vegetables and nuts in each of the 13 markets
- It will provide a strategic lens on which markets represents the most attractive opportunity for each of the priority commodities
- Plus, identify commodities that have the strongest right to play within each market
- This is about optimising export & product positioning today and in to the future in order to drive growth against prioritised industries and facilitating the deployment of effective & coordinated trade marketing resources

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Therefore, the focus of this report is understanding the consumer.

We will get under the skin of peoples' attitudes towards food, how they shop for produce and why, when and how they consume fruits, vegetables and nuts.

Through analysing their propensity to spend more on premium, plus their appetite for Australian, we will reveal the strongest commodity consumer export opportunities.

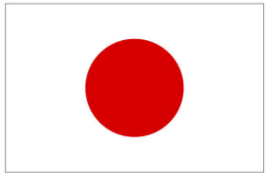
The 13 markets included in the study

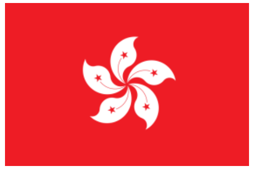

USA


UK

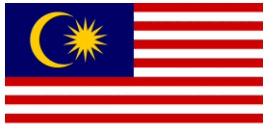

Singapore


India


Japan

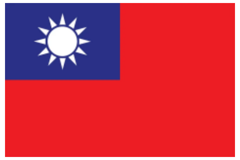

Hong Kong


South Korea


Malaysia


UAE


Qatar


Taiwan


Vietnam


Indonesia

The 20 industries of interest in the study


Almond


Apple & Pear


Avocado


Blueberries


Cherry


Citrus


Dried Grapes


Lychees


Macadamia


Mango


Melons


Olives/Olive Oil


Onion


Potatoes


Raspberries
& Blackberries


Strawberries


Summer fruit


Sweet Potato


Table Grapes


Hard Veg,
Fruiting Veg & Leafy Veg

The approach

1. Audit & Discovery

What we will do
- Project kick off
- Knowledge audit
- Stakeholder alignment

The outcome
Clear understanding of key hypotheses and inputs into later stages of work and alignment on the knowledge gaps

2. Localise & Enrich

What we will do
- In-depth culture, category & consumer understanding
- Expert interviews (x3 per market)

The outcome
In-depth local market understanding of the cultural forces driving & shaping consumer demand in the market today and where it is moving to in the future

3. Develop Growth Plan

What we will do
- Identify & quantify
- Growth opportunities

The outcome
Consumer profiling based on demographics, occasions and needs. Defined & quantified opportunity spaces and clear recommendations on prioritized opportunities

4. Align & Embed

What we will do
- Create & embed roadmap for growth

The outcome
Aligned team trained, engaged and ready to activate clear missions & jobs to be done against prioritized horizons. A unified growth narrative tailored and fit for purpose for key stakeholder groups.

1. Audit and Discovery
Interview programmes methodology

Internal stakeholder interviews

– 30 x 1 hour interviews with key stakeholders identified by Hort Innovation

Knowledge audit

– Thorough review of the existing resources within Hort Innovation to ensure we build on existing body of knowledge rather than repeat it

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2. Localise and enrich
Enriched market understanding

External expert interviews

- 3 x 1 hour interviews per market with local market experts
- Experts were either direct importers of priority commodities or fresh produce retail experts
- The 39 interviews totalled nearly 70 hours of shared knowledge and insight across the 13 markets and 20 industries

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3. Develop Growth Plan
Quantitative research methodology

Local Market Research

- 25-minute online survey conducted in each of the x13 markets
- Demographically national representative sample of N=4,000 per market
- Respondents are medium & high income consumers only
- Survey design included:
    - Category usage across fruit, veg and nuts
    - General attitudes, values and produce shopping behaviours
    - In-depth occasion understanding of their own recent consumption of up to two of the priority commodities consumed frequently
    - Surveyed perceptions of Australia, perceptions of premium and the right for Australia to command a premium

3. Develop Growth Plan
Outputs & reporting structure

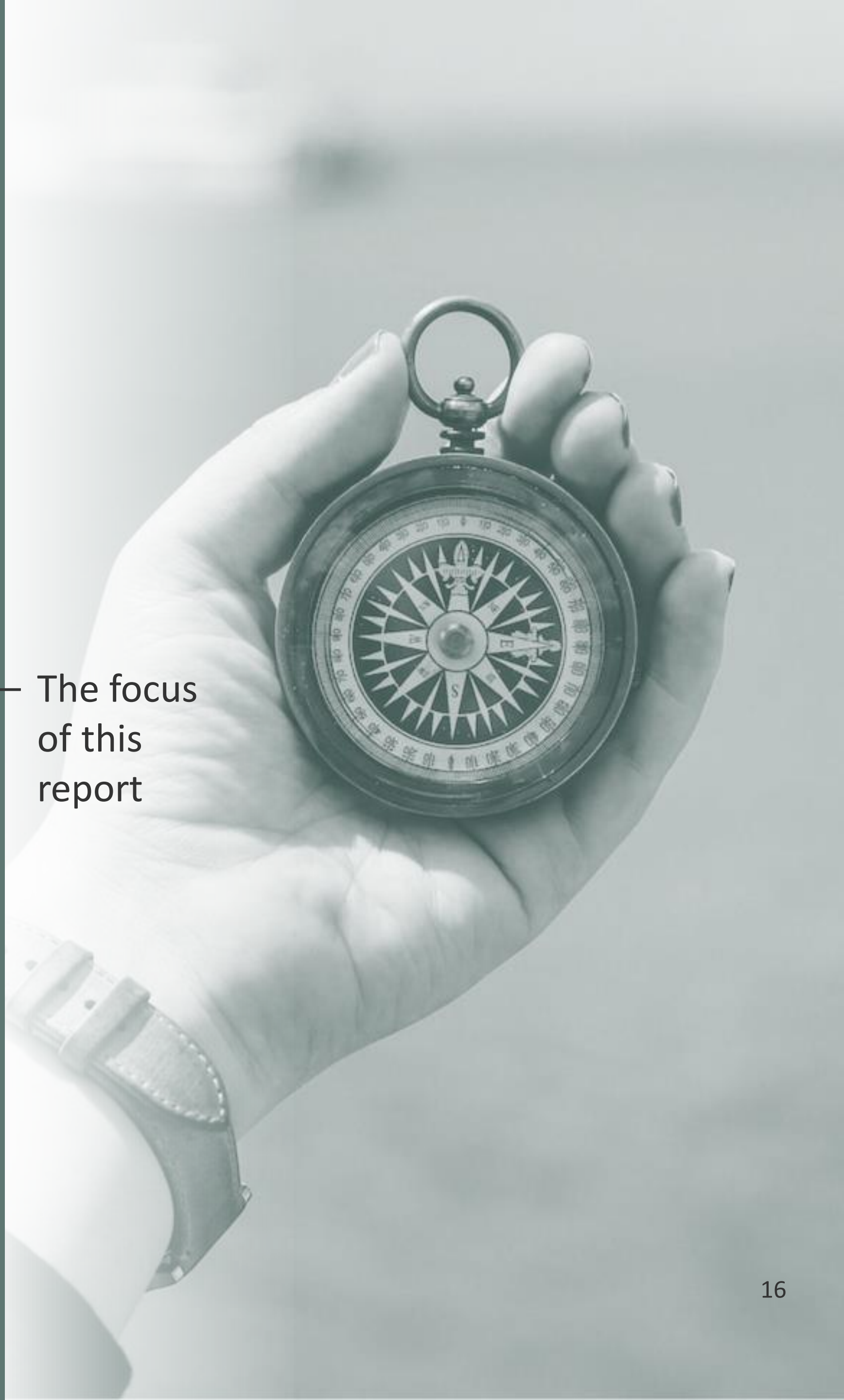
Market reports

- The **x13 market reports** take the lens of the priority country. The purpose is to provide a holistic picture of consumers within that market, including their attitudes, shopping behaviours and horticulture consumption.
- The strategic lens will identify which priority commodities are most attractive and have the greatest appeal for consumers in that market.

Category reports

- The **x3 category reports** will include detailed profiling of each of the priority commodities. The purpose is to provide in depth analysis on how each fruit, vegetable or nut is consumed around the world.
- The strategic lens will provide a perspective on which markets represent the strongest consumer opportunity for export.

The focus of this report



3. Develop Growth Plan
Market report contents

	CHAPTER	CONTENT
1	**Key insights**	Headline report findings
2	**Introduction**	Project context, research question, objectives and methodologies
3	**Market foundations**	Key fresh produce market dynamics, drivers of consumer behaviour and essential 'need to knows' straight from the in-country retail and import experts
4	**The Consumer**	Consumer values and attitudes to food and fresh produce, plus, shopping preferences and typical behaviours
5	**Commodity consumption**	Deep dive into data profiling the priority fruits, vegetables and nuts consumption moments to illuminate how the fresh produce is typically consumed in market
6	**Commodity prioritisation**	Leverage the strategic framework to prioritize commodities based on consumer behaviour and perception
7	**Strategic consumer recommendation**	Recommendations on how to go after growth opportunities, based on consumer needs, triggers & barriers
8	**Appendix**	Commodity groupings & market Demand Space framework

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2. Market foundations

Key fresh produce market dynamics, drivers of consumer behaviour and essential ‘need to knows’ straight from the in-country retail and import experts

Hong Kong expert interviewees

Leo Cheung

Managing Director at P&C International Trading (2003 – present), a trading company that sources fruits from all over the world

40+ years industry experience

Leo is also the Founder at Frutodor Ltd. (2009 – present), the first fresh fruit online store and one of the largest fruit management companies in Hong Kong. In addition, Leo is the Board of Directors/Business Incubator at Good Talent Creation Limited (2017 - present), a one-stop food authenticity verification and knowledge exchange application. Furthermore, Leo is the Co-founder at International Growers Standard Organization (2018 – present). an independent and unbiased platform available to provide members with intelligent reports based on data cultivated from wholesale and retail markets.

Chak sum Sin

Business Development Director at FRECO (2016 – present), the Hong Kong fresh produce provider

10+ years industry experience

FRECO is a fresh produce provider, importing fresh produce from around the world. Previously hed roles at FRECO include Sales and Import Manager (2016 – 2018) and Sales and Marketing Assistant Manager (2014 – 2016). Chak Sum Sin is also the Export Sales Manager at Haiyang Chiang Mai Thai Argi-products Co., Ltd (2016 – present), which supplies consistent quality apples and pears to the international market.

Danny Guo

General Manager - Trade at JWM Asia Hong Kong, where his responsibilities involves the import and selling of fresh produce (2017 – present)

20 years industry experience

JWM Asia Hong Kong sources fresh produce globally, servicing several key Asian retail and wholesale distribution markets. Previous Market Executive at Metspan Hong Kong (2016 – 2017). Metspan delivers service, quality, value and premium brands to markets throughout South East Asia. Also a previous Sales Manager at Aartsenfruit Asia Limited (2016) which distributes and markets a wide variety of top quality fruits and vegetables, which are coming directly from fields worldwide, into the Asian market.

Hong Kong expert interviews: Key observations

An open import market

Hong Kong imports nearly all it's fresh produce. Whilst the majority comes from neighboring China, a huge variety of markets ship and air freight fresh produce there. It's an open market, with few barriers to entry

Macro shifts impact fresh produce consumption

Macro shifts are impacting how people consume fresh produce. Younger generations are swapping in home sharing consumption of fruits, for on the go convenience. They are increasingly purchasing from supermarkets over wet markets. Meanwhile, COVID-19 decimated the restaurant sector, so consumption of fresh produce was driven in home

Presentation matters

Fruits especially are increasingly packaged and marketed to attract consumers. Prepacks are popular and experts report that consumers care more for the aesthetics of the fresh produce versus the origin

A market for gifting

Consumers are open to purchasing premium produce, whether to enjoy exceptional quality, unusual varieties or off-season produce. There's a strong culture of gifting to celebrate holidays and festivals

Off-season premium Aussie produce

The availability of Australian off-season produce makes it an attractive import prospect. Aussie produce has a strong reputation and proven history of quality produce. However, competing on price could remain a challenge

Hong Kong is an open import market

"In terms of administration, Hong Kong is one of the easiest places to export to.

- Chak sum Sin

"Less than 1% of fruits and vegetables are imported.

30% is coming from China and 70% is overseas, meaning not China.

- Leo Cheung

"There's no barrier [to importing to HK]. I think anyone can do it. You can just make a shipment, and then you open up a nice shop, or even a Facebook fan page or WeChat group and then you can start selling produce.

- Leo Cheung

"Hong Kong is one of the most open markets. In terms of documentations or protocol, it's basically nothing. It's good because it's easy to enter, but it's also quite easy to saturate the market.

- Danny Guo

"Hong Kong does not really have own production. It's extremely limited, so it relies on imported fruits and vegetables.

- Danny Guo

Macro shifts – including the rise of younger generations and COVID-19 – are impacting how people consume fresh produce

"The wet markets are still popular… The newer generation are more inclined to go to supermarkets where things are generally maybe more organized, hygienic and you can buy everything in one go.

- Danny Guo

"In Hong Kong right now, at least 70% of the [fresh produce] business is held by the chain retailers and department stores. Only 10% to 30% buy fruit in the wet market.

- Chak sum Sin

"In Hong Kong culture, we have the China sharing culture. So the family usually buys for the whole family. But nowadays the younger generation are buying for themselves. They are looking for more convenient, more handy way to buy fruits.

- Chak sum Sin

"People are eating fresh produce at home, fresh or to cook. With the COVID, lots of restaurant closed down, and so it's definitely hurting the fresh produce, moving volume at the restaurant segment.

- Leo Cheung

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Presentation matters

The big focus [in packaged fruit] will be the brand. They really care less about the country of origin. It might be mentioned in small writing.

- Leo Cheung

Where countries like Australia are going to no plastics, in Hong Kong, you won't believe your eyes what you see here sometimes… One strawberry per packaging!

- Danny Guo

The sticker on the fruit is pretty important. Consumers look at that… Prepacks are getting more and more popular now.

- Danny Guo

In Hong Kong, they don't really care about the environment.

- Chak sum Sin

I see a need for change to prove that claims on products are real. Let's just say, I've seen South African oranges coming into Hong Kong and be rebranded to say Australia. They go to market and sell for the Australian price.

- Leo Cheung

I see a trend for authentication. Producers are trying to implement a kind traceability into their product. So like if you scan it, it provides some insightful information about the origin.

- Leo Cheung

There’s a market for premium produce, either for personal consumption or gifting

“Hong Kong people are very willing to pay for good premium fruits either for consumption or for gifting.

- Danny Guo

“People wanted to buy high-price fresh produce because of their premium status or because of their origin or because of the product instead of paying cheap money for the low-priced commodity, cheap products.

- Leo Cheung

“10% to 15% premium [markup] is a reasonable range for most of the fruits. When it comes to very premium fruits, then we see 40%, 50%. Blueberries from Australia, people are paying like a double price of other origins per kilo.

- Chak sum Sin

“Day-to-day shopping for vegetables and fruits, is through retail and supermarket. But for anything that is premium, they will go to special stores. Sometimes that includes retail chain supermarket or some small fruit shop in the neighborhood or even some online shop or Facebook page.

- Leo Cheung

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Australian produce feels more premium due to off-season availability and quality, but it could be a challenge to compete on price

"Australian because it's Southern Hemisphere, when it is off-season, when there is Australian produce, the market, it instantly feels more premium

- Leo Cheung

"There is a proven history of quality Australian fruits which raised the bar and makes people like it more now.

- Leo Cheung

"The perception of Australian fruits always has been very good. The presentation and eating quality is better than other origins. Consumers are willing to pay a bit more for that.

But what in the last 1, 2 years, due to the labor shortage in Australia, the cost price becomes so expensive that it's very difficult to compete in the market.

- Danny Guo

"Australia is positioned as a middle upper origin. So people have quite open mind for products coming from this country.

- Chak sum Sin

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3. The Consumer

Consumer values and attitudes to food and fresh produce, plus, shopping preferences and typical behaviours

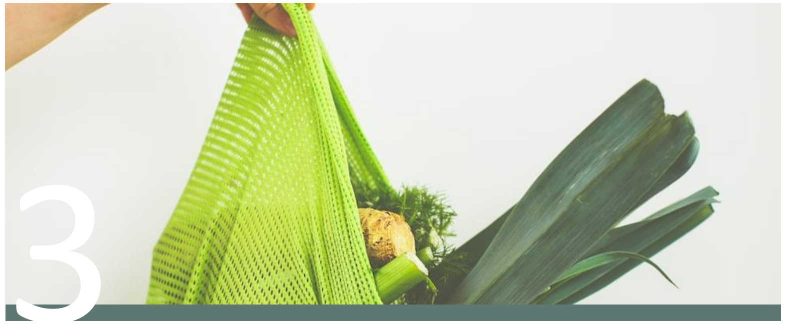
We will unpack 3 key themes to unpack consumers in Hong Kong

Demographics

- Population, life expectancy
- GDP per capita and key wealth metrics
- Age breakdown
- Religious identity and background

Attitudes & values

- Attitudes & values relating to: food & cooking…
- Safety & sustainability
- Premium & value
- Local vs. imported
- Health & wellbeing



Shopping behaviour

- Grocery and fresh produce shopping behaviour
- Shopping preferences, including triggers and barriers
- Imported vs. local shopping behaviour

The population size & consumer wealth in Hong Kong

POPULATION

7.4million

Hong Kong population[1] vs. 25.7m Australians

54% 46%

female/male population split vs. 50/50 globally

85y/o

Life Expectancy[1] vs. 72 y/o globally

-0.9%

Hong Kong population per annum growth (2021)[1] vs. 0.8% globally

WEALTH

$369b

Hong Kong GDP (USD)[1] vs. $1.6t in Australia

$49,800

Hong Kong GDP/Capita (USD)[1] vs. $60k in Australia

Unpacking the Hong Kong survey sample

BACKGROUND

How would you describe your nationality/background?

91.6%

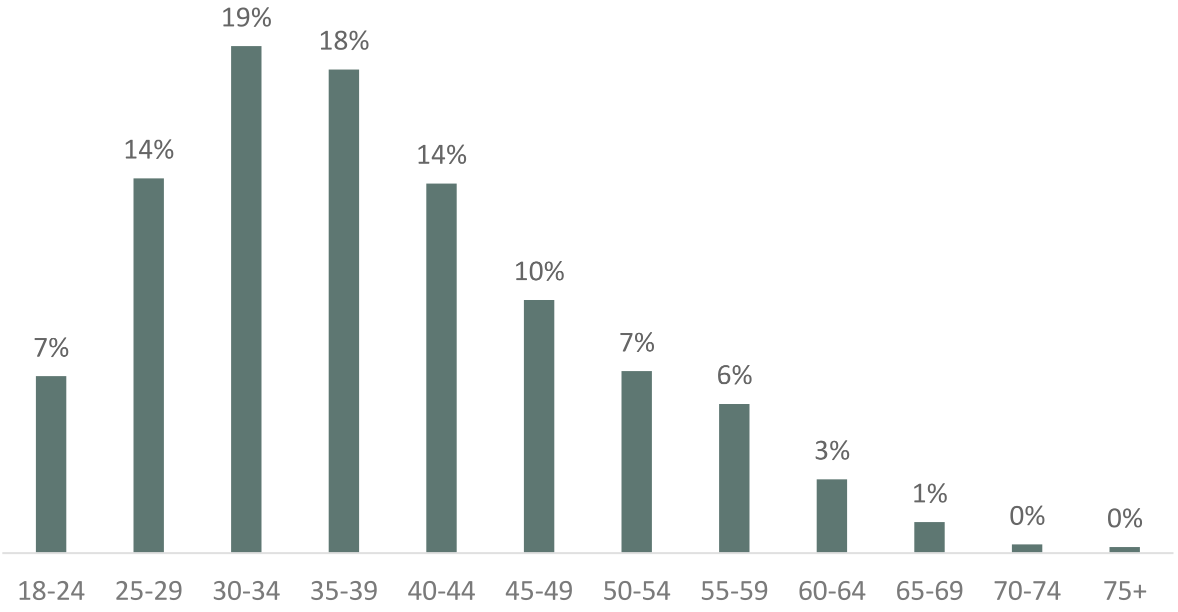
'Chinese' population[1]

8.4%

Non-Chinese people
(by way of self-identification)

AGE

How old are you?



Key attitudes & values of Hong Kong consumers

Food is a passion but they have little time for cooking

69%

Consider food a passion

65%

Have little time for cooking

Can afford to eat out but tend to not pay for premium

76%

Can afford to eat out as often as they like

34%

Often pay extra for premium quality food

Food safety and the environment are concerns

77%

Worry about poor quality, toxic or contaminated food

77%

Tend to buy products that are better for the environment

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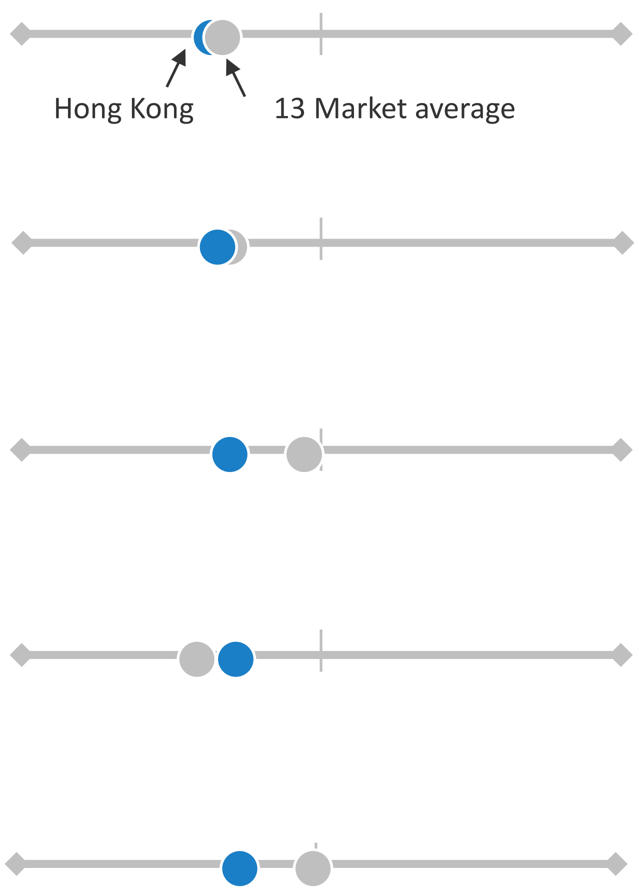
Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 3049

> "I love food, it is one of my passions. I love browsing for ingredients in shops.
>
> I have little time for cooking even though I do enjoy it when I can"

Attitudes & values related to

Food & Cooking

I consider food and dining as a hobby and a passion of mine		I do not have a particularly strong interest in food or eating out
For me, food is a pleasure		For me, food is fuel
I have little time available for cooking		I have lots of time for cooking
I enjoy cooking		I don't like cooking
I prefer shopping in-store		I love the convenience of online shopping and home delivery

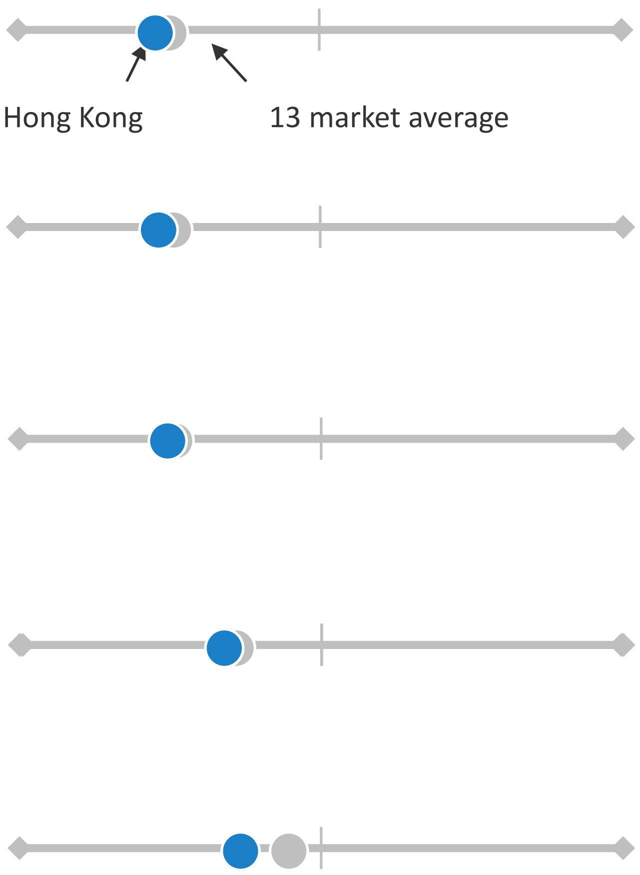


Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 3049

> I do worry about food safety, it is a frequent concern.
>
> I also worry about the impact of climate change and seek to reduce my impact by buying products that are better for the environment

Attitudes & values related to

Safety & Sustainability



I frequently worry about my exposure to poor quality, toxic or contaminated food sources	I do not worry about poor quality, toxic or contaminated foods
I tend to buy products that are better for the environment	I do not buy eco-friendly products
I worry about the impact of climate change	I am not concerned about climate change
I avoid foods that are genetically modified or lab-grown	I would be comfortable consuming genetically modified or lab-grown foods
I avoid using disposable products, even if it is less convenient for me	I buy disposable products because they are more convenient

Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 3049

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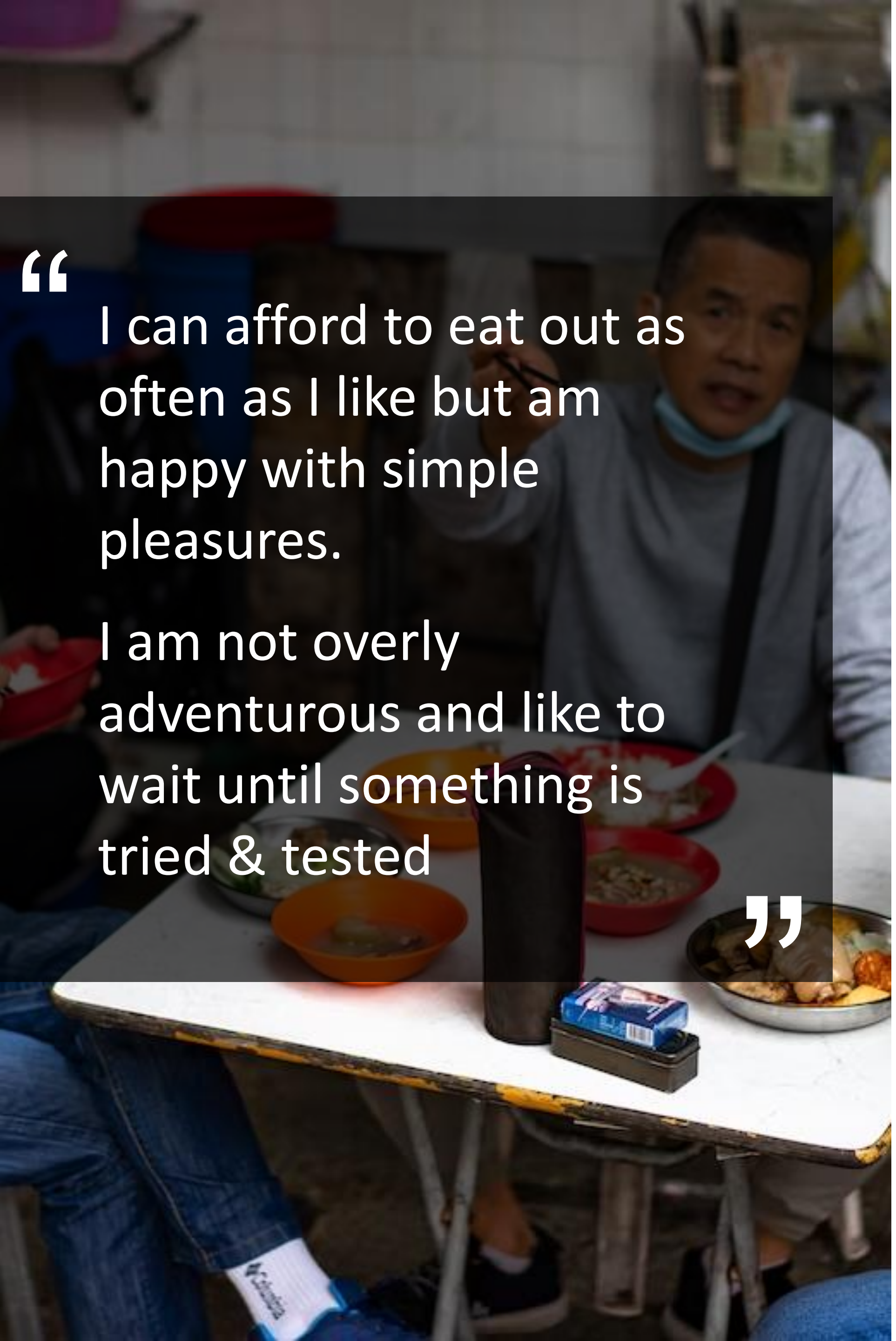
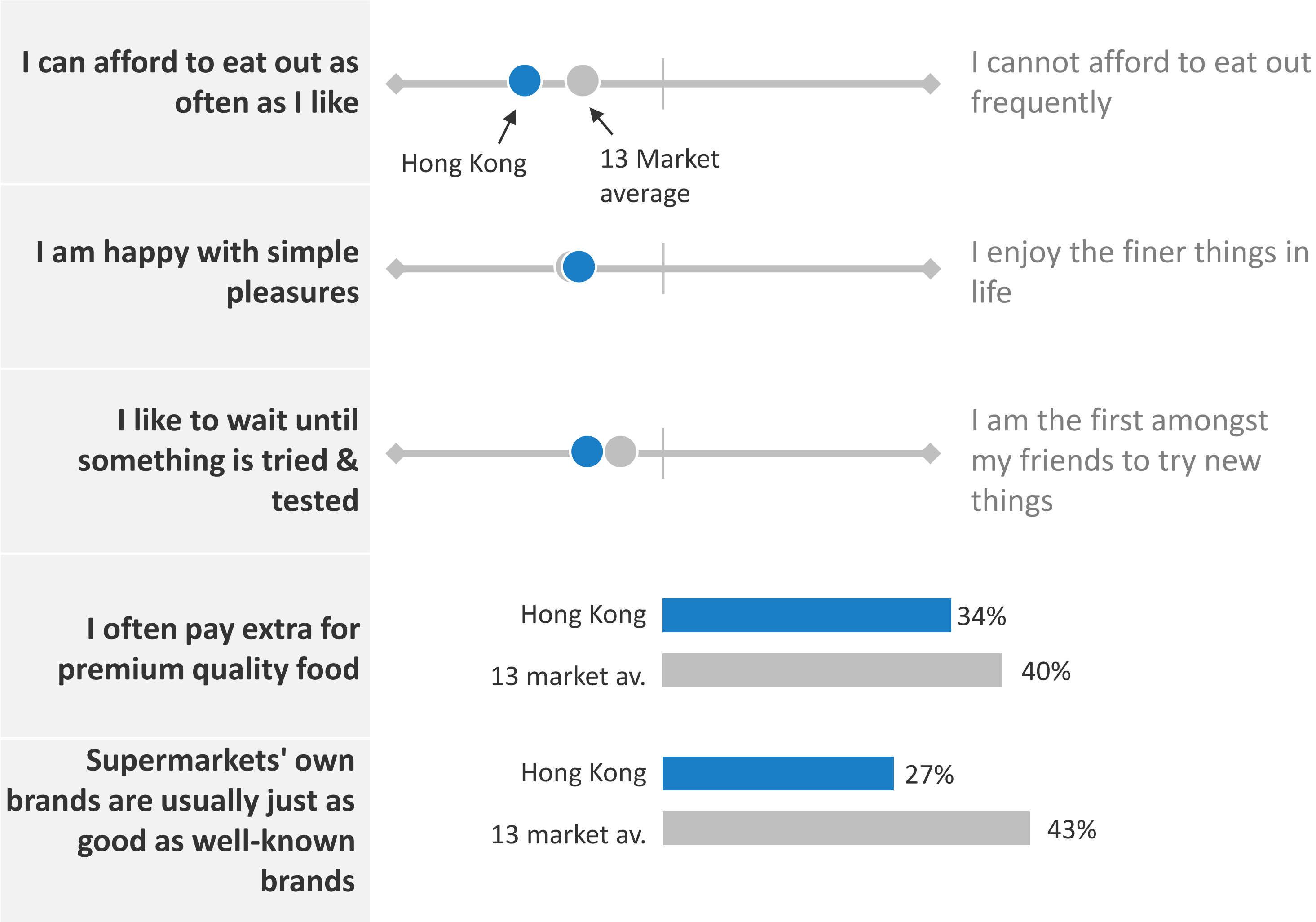


“I can afford to eat out as often as I like but am happy with simple pleasures.

I am not overly adventurous and like to wait until something is tried & tested”

Attitudes & values related to

Premium vs. Value



Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 3049

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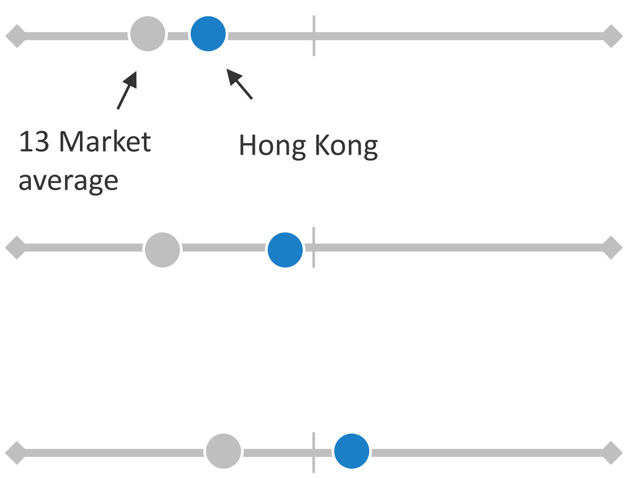
“I generally think that local foods are better quality than imported, and I’d prefer to buy locally grown’ ”

Attitudes & values related to

Local vs. Imported



Local foods are as safe as imported foods	Imported foods are safer than local foods
I prefer to buy locally grown or produced foods	I prefer to buy imported foods
Local foods are generally better quality than imported foods	Imported foods are generally better quality than local foods

Question: Which of these statements appeals to you more?
Source: Kantar HIA International Demand Study 2022
n= 3049

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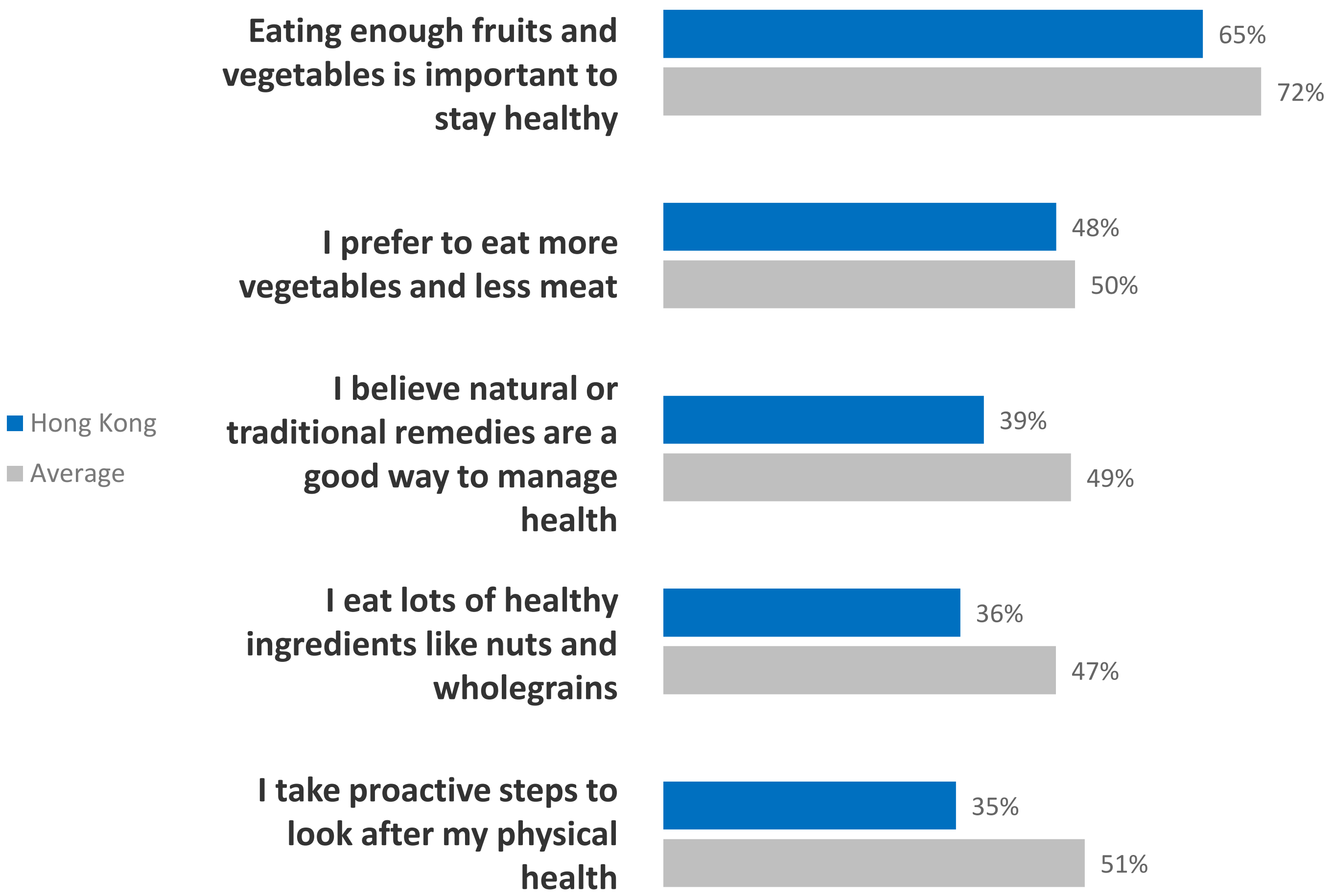
“Eating enough fruits & vegetables is important to me and I prefer to eat more vegetables and less meat

I could be more proactive in looking after my physical health”

Attitudes & values related to

Health & Wellbeing



Question: To what extent do you agree with the following statements?
Source: Kantar HIA International Demand Study 2022
n=3049

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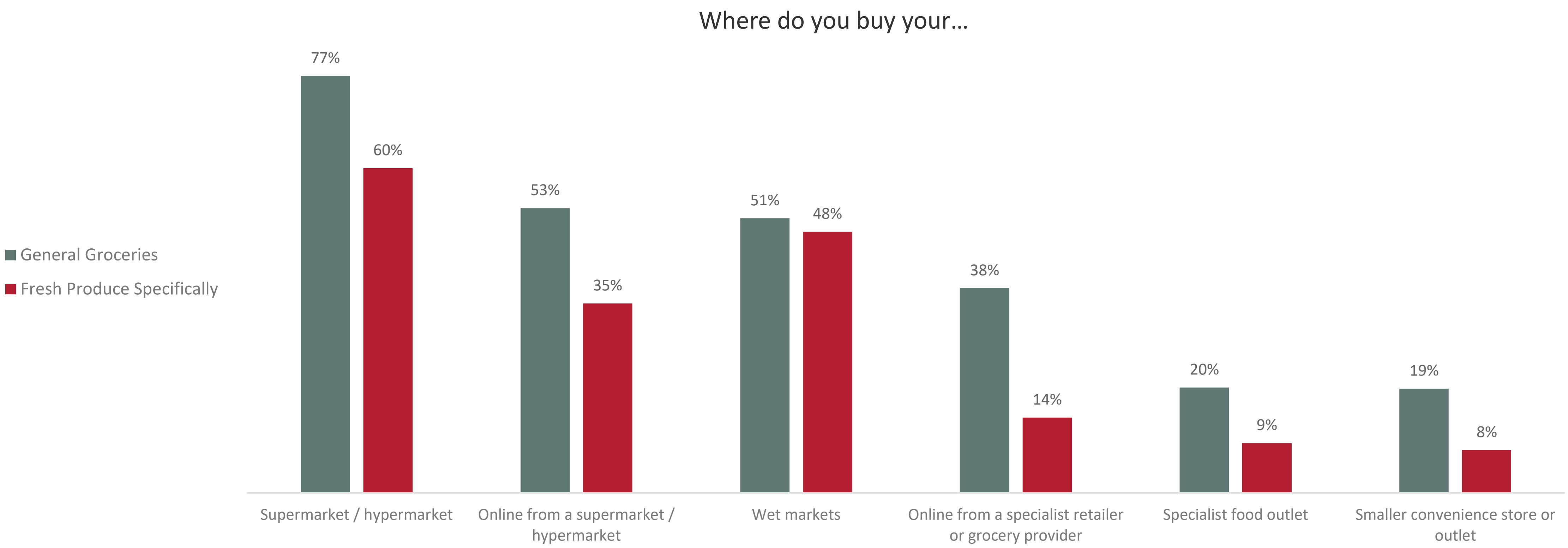
Now we know a little about what motivates consumers we will dive into how they shop

Supermarkets (including online) and wet markets are the predominant channels for purchasing fresh produce

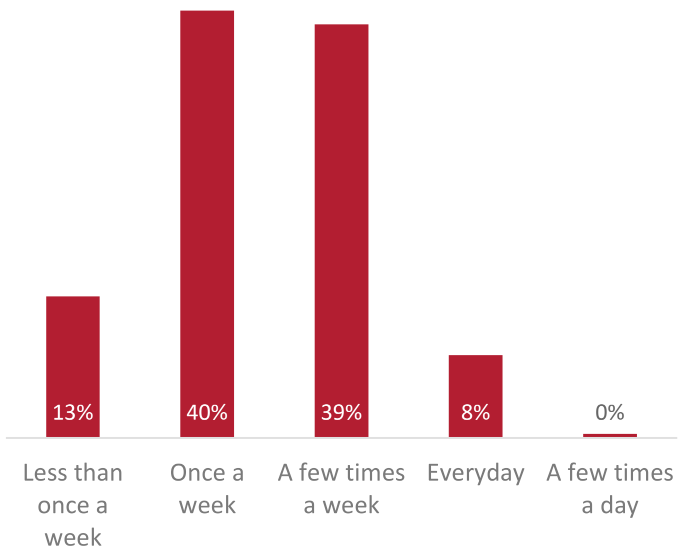


	Supermarket / hypermarket	Online from a supermarket / hypermarket	Wet markets	Online from a specialist retailer or grocery provider	Specialist food outlet	Smaller convenience store or outlet
Examples	*Wellcome, Fusion, Citysuper, DCH Food Mart, USelect, DSGroceries, AEON, APITA, SOGO Supermarket*	*Wellcome, Fusion, Citysuper, DCH Food Mart, USelect, DSGroceries, AEON, APITA, SOGO Supermarket*	*N/A*	*HKTV Mall, Ztore, Neigbuy, BigBigshop, Pandamart*	*N/A*	*7 Eleven, Circle K, Vango*

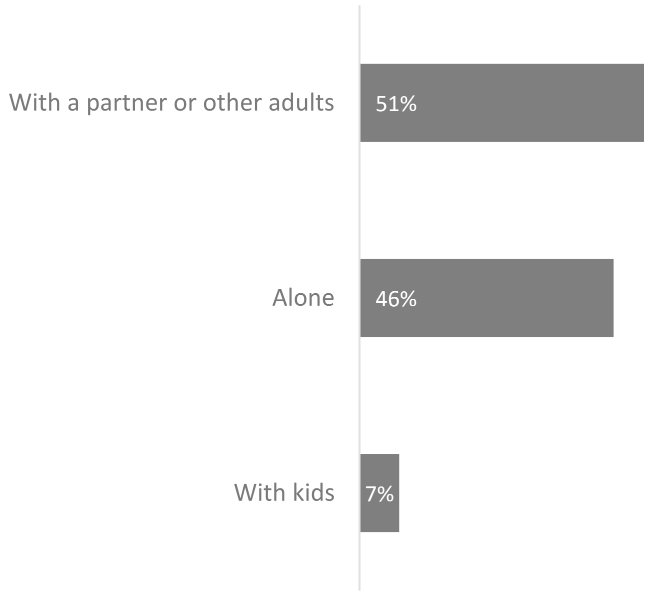
Most people (40%) are shopping once a week but almost half go more frequently.

Adults typically shop with a partner or alone, but where they have under 18's in the household, a third of fresh produce is for them

How often do you shop for fresh produce?



With whom?



How much are the kids having?

35%

Estimated share of fresh produce bought by the household that is eaten by people under the age of 18

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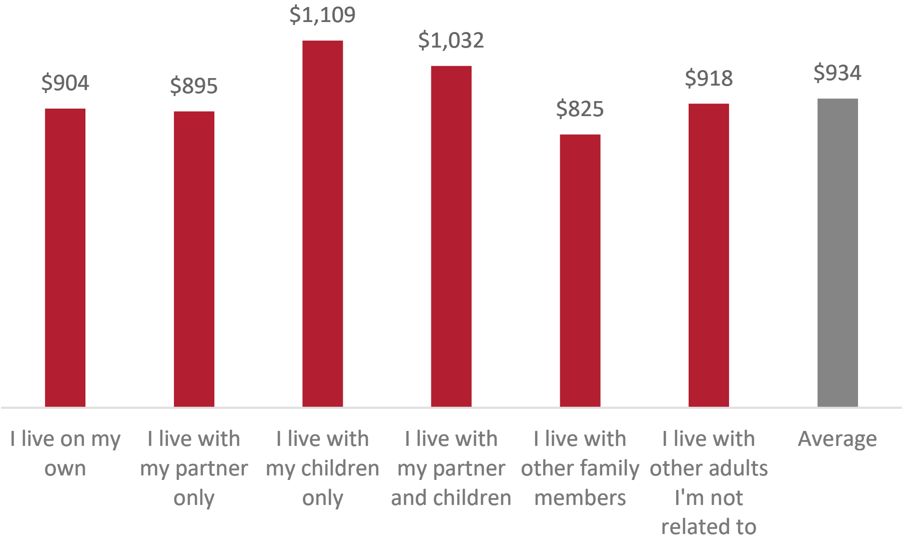
Most households are spending less than $1000 HKD (approx. $190 AUD) on groceries a week, of which about a third is on fresh produce

In a typical week, how much do you spend on groceries (by household structure)?



How much do you spend on fresh produce?

37%

Estimated share of grocery cost spent on fresh produce specifically in a typical week

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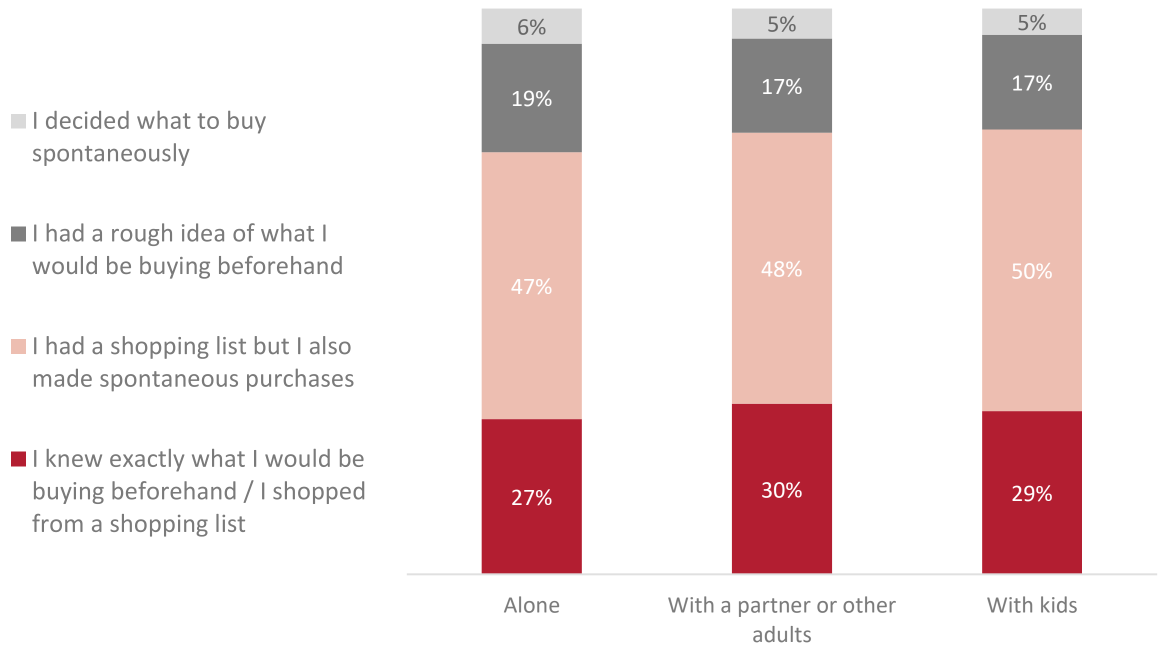
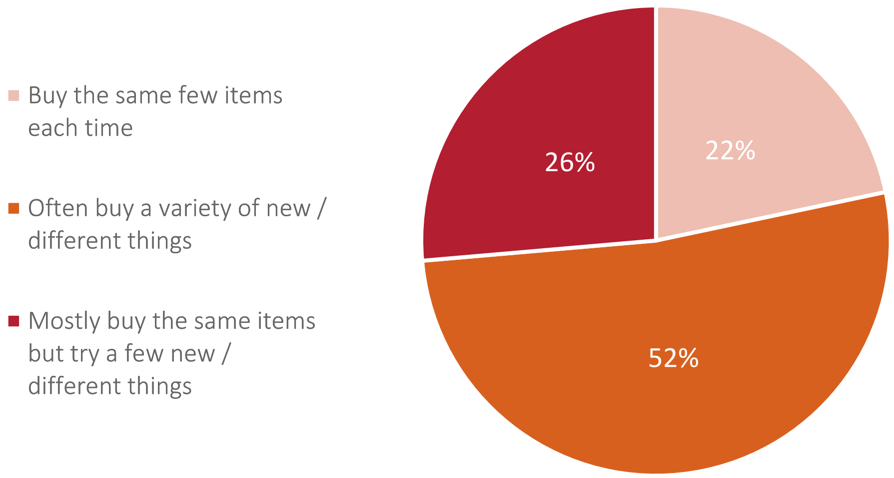
Consumers are typically shopping from a list, regardless of who they are with. **When it comes to fresh produce, the majority buy at least some new things.**

Which would you say describes your shop when shopping…



When shopping for fresh produce do you…



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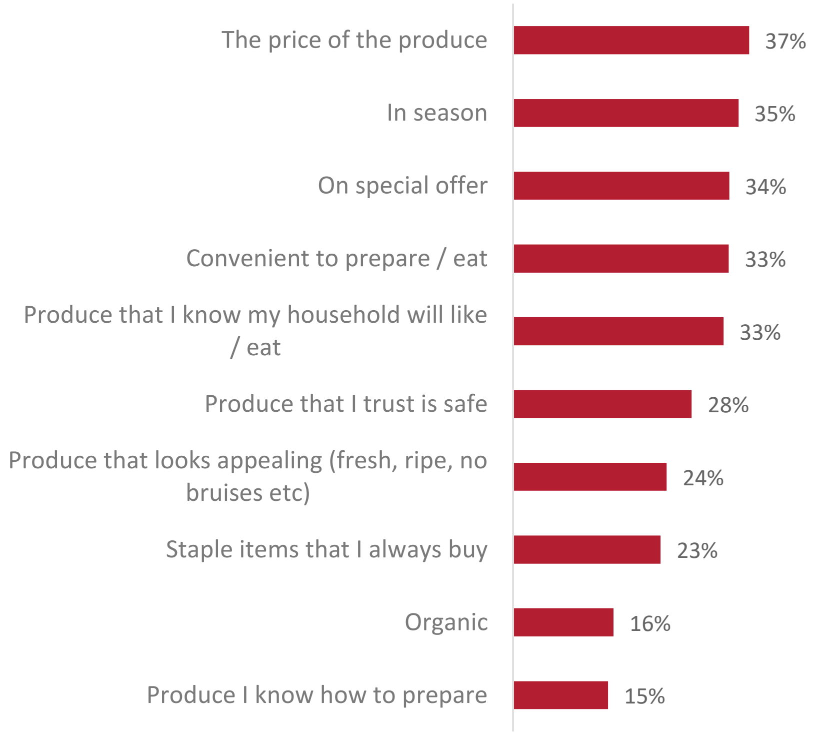
Price is the strongest driver of fresh produce purchase followed by being in season. Convenience and satisfying the household are also important

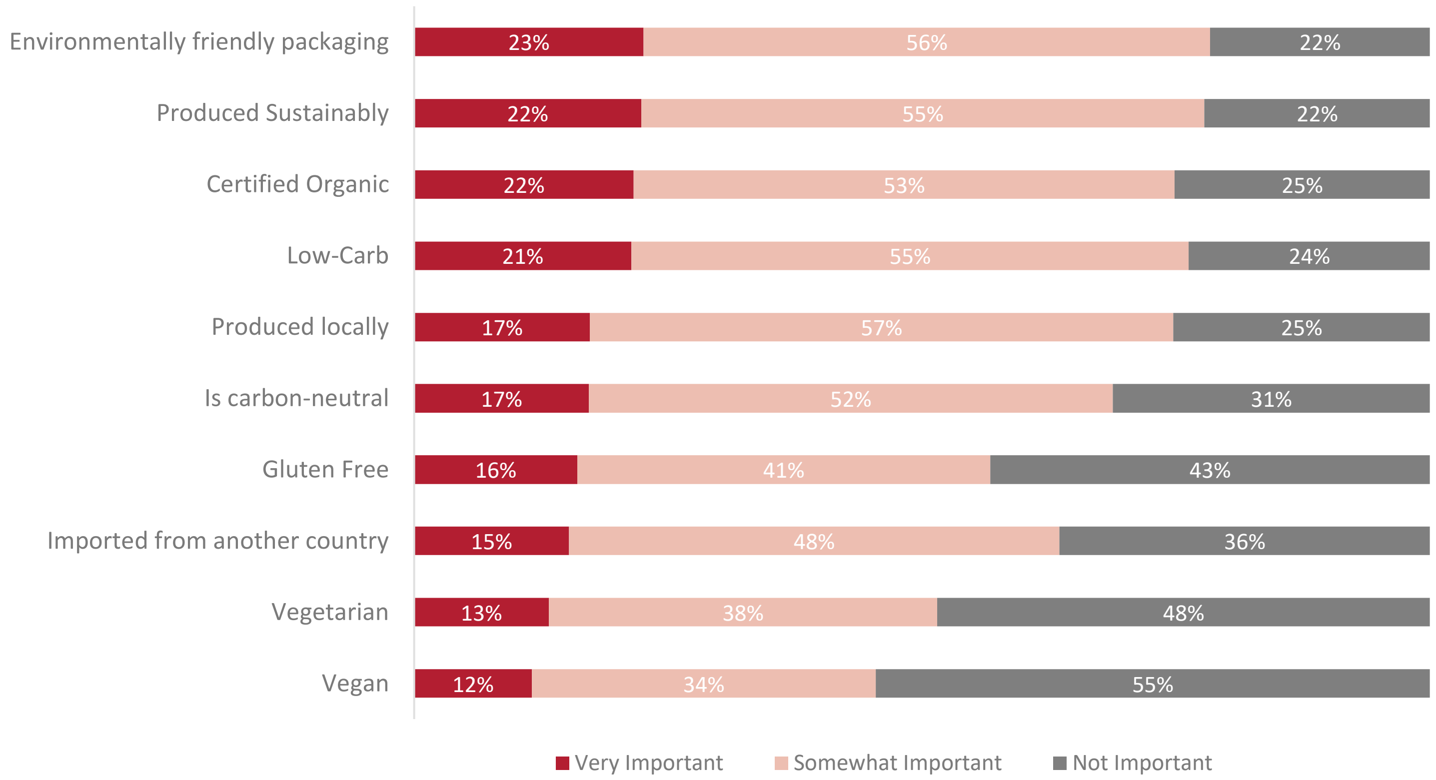
When shopping for fresh produce what determines your choice?



What would encourage you to purchase fresh produce you wouldn't normally buy?

‘Eco’ factors are important for people when purchasing groceries. Environmentally friendly packaging, sustainable and certified organic are the top ranked factors

How important are the following when purchasing groceries?



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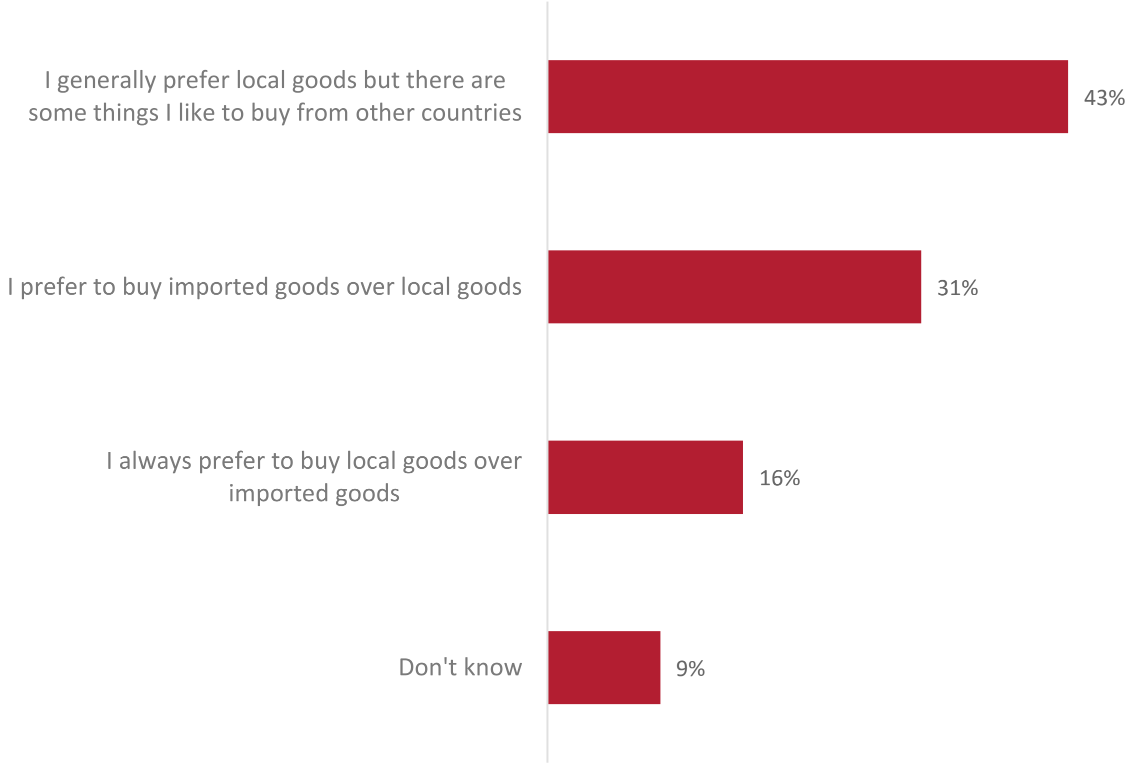
Just under half of Hong Kong consumers claim to have a preference for local goods, but only 16% always prefer to buy local.
Fresh fruits are the most popular choice of imported produce

Preferences for Import vs Local



What food products are you most likely to choose an imported option?

Key consumer take-aways

Hong Kong consumers love food, there's a strong culture of eating out frequently

There's a little environmental concern in Hong Kong, but consumers are equally as worried about food safety – it remains an issue for people in this market

Unsurprisingly supermarket dominate grocery purchases

However, online accounts for a significant proportion of both general and grocery shopping, alongside wet markets

Consumers in Hong Kong are more adventurous with how they shop

A high proportion of consumers shop with a list, but also make spontaneous purchases and half often buy a variety of new and different things

Price and seasonality are the main purchase drivers

Followed by 'on special offer' and 'convenience'. People do also claim to be influenced by environmentally friendly packaging

Generally, consumers prefer to buy local goods

However, they claim that there are some things they'd rather imported. Fresh fruits are the most likely choice (over other commodities, meat or fish)

4. Commodity Consumption

Deep dive into data profiling the priority fruits, vegetables and nuts consumption moments to illuminate how the fresh produce is typically consumed in market

Key Findings Commodity Consumption

	FRUITS	NUTS & SEEDS	VEGETABLES
How often	97% penetration	94% penetration	94% penetration
When	At dinner, or as a snack	Most often as a snack (69%)	Most often at dinner (56%)
How	Fresh on its own	As part of a snack	As an ingredient in cooking
Where	At home	At home	At home
Who with	With spouse/partner, parents or family group, children or alone	Alone, with spouse/partner or parents or family group	With spouse/partner, parents or family group, children or alone

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Source: Kantar HIA International Demand Study 2022
Penetration = Includes everyone who consumed commodity (ie excluding 'never')

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The 13 fruits of interest


Apple & Pear


Blueberries


Cherry


Citrus


Lychees


Mango


Melons


Raspberries
& Blackberries

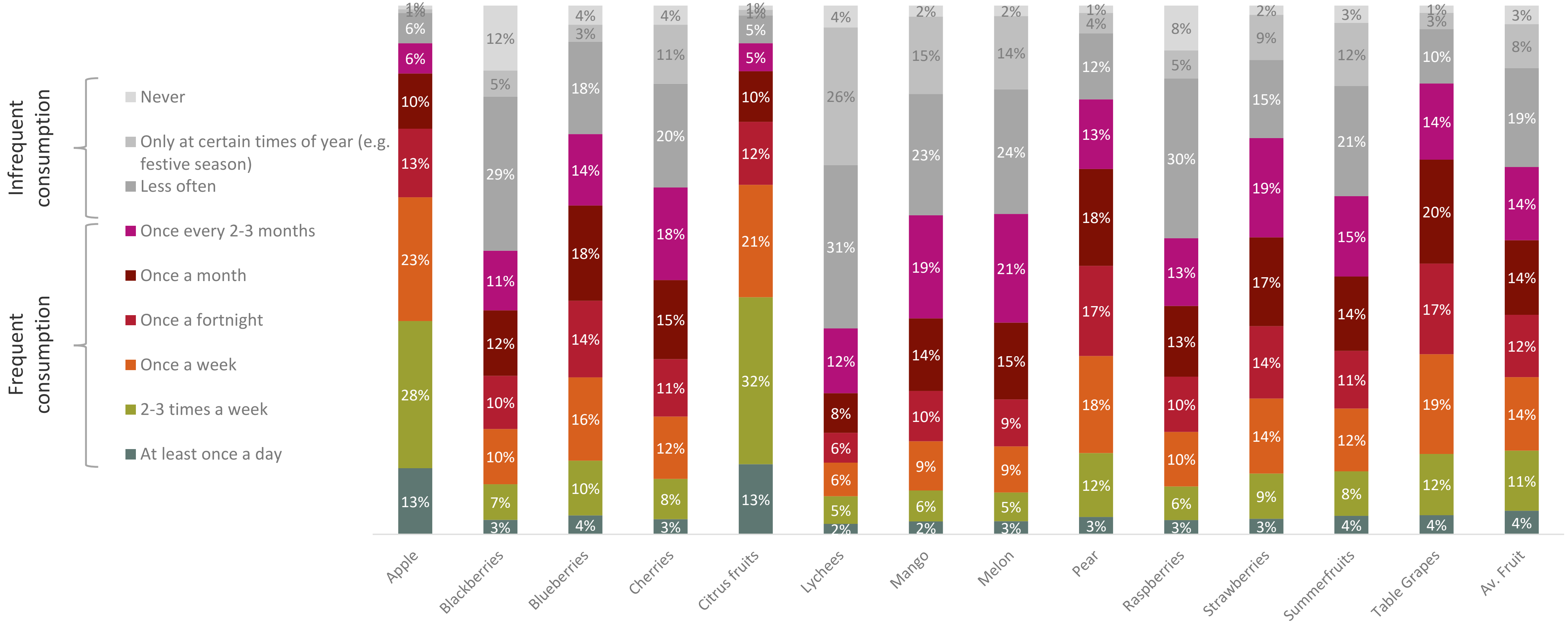

Strawberries


Summer fruit


Table Grapes

Apples, citrus fruits, pears and table grapes and are frequently eaten in Hong Kong. Other fruits are highly penetrated but consumed less frequently

How often do you consume each commodity?



Source: Kantar HIA International Demand Study 2022
N=3073

KANTAR

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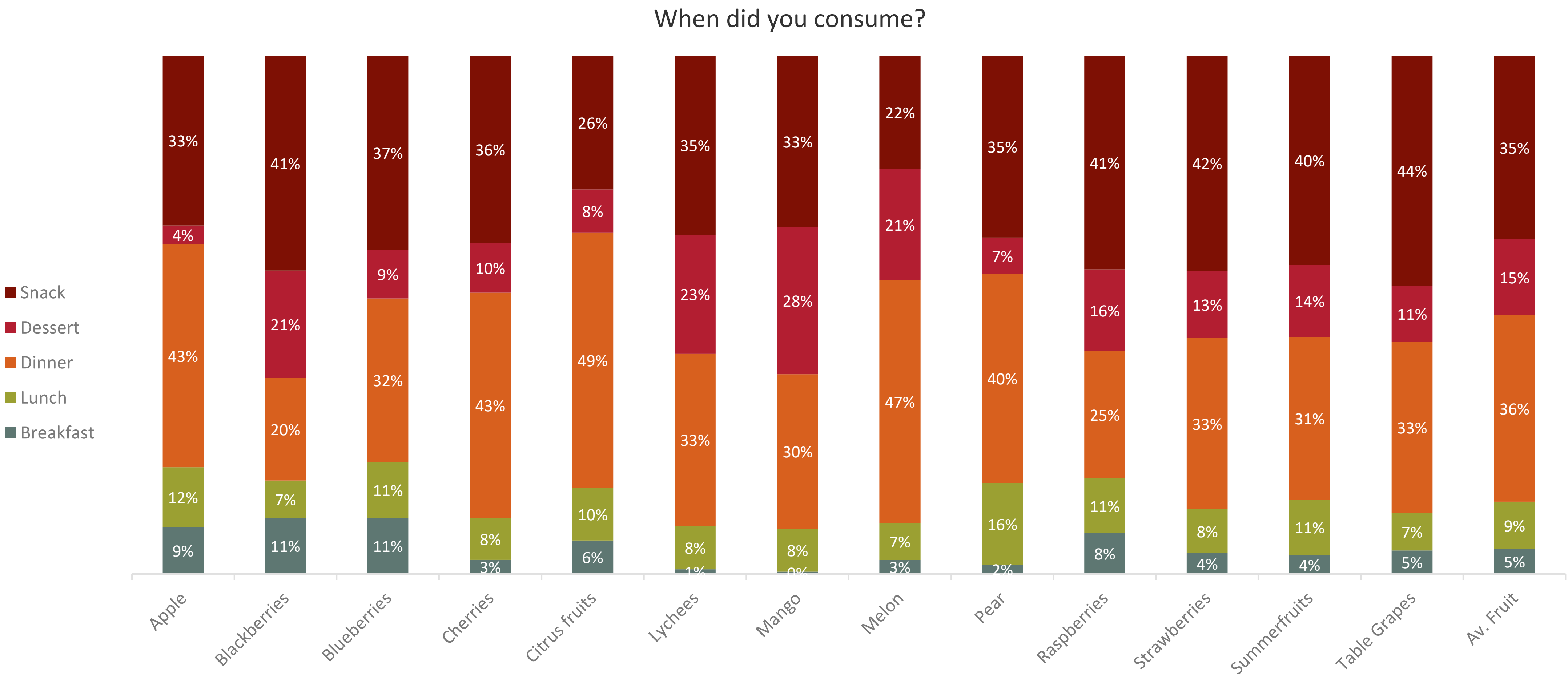
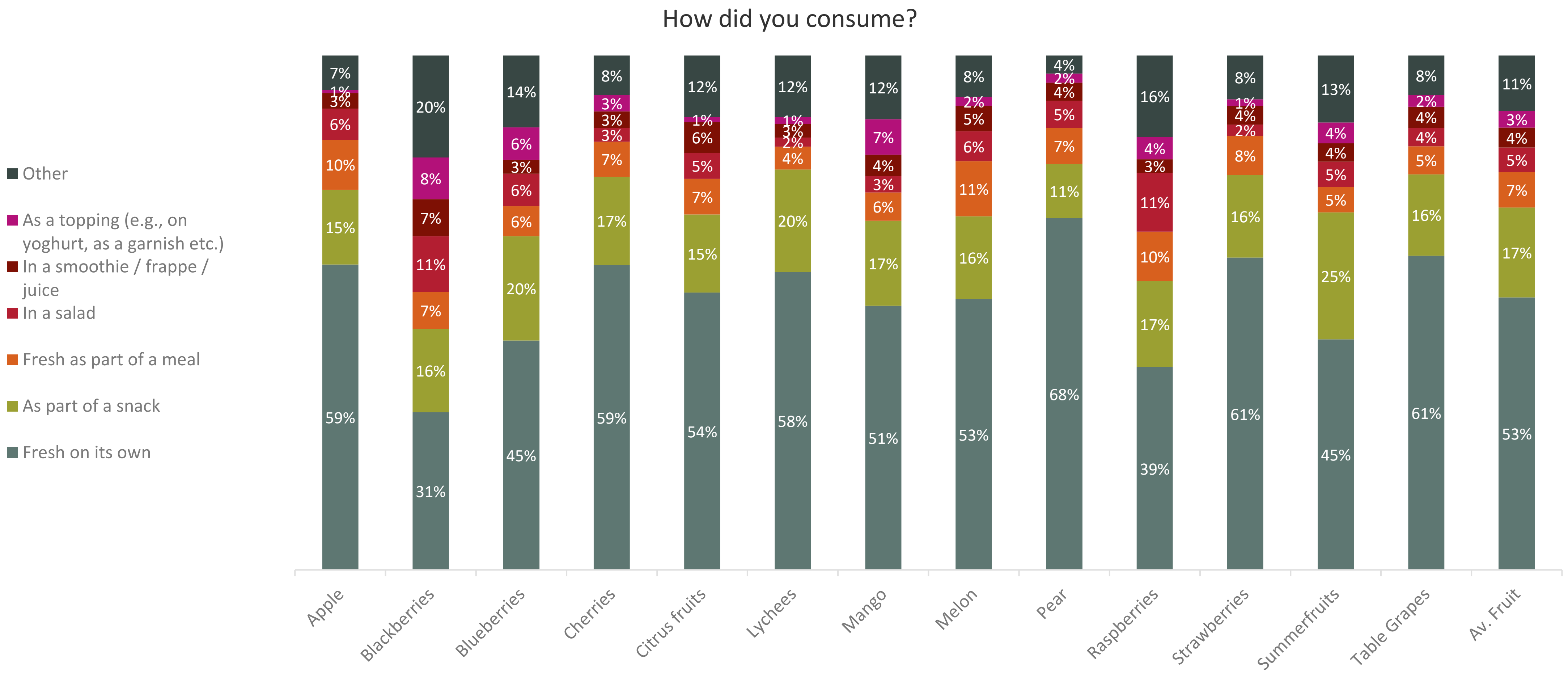
Fruit consumption is highest at dinner or as a snack



Source: Kantar HIA International Demand Study 2022
N=2443

Fruits are generally consumed fresh on their own or less frequently as part of a snack



KANTAR

Source: Kantar HIA International Demand Study 2022
N=2443

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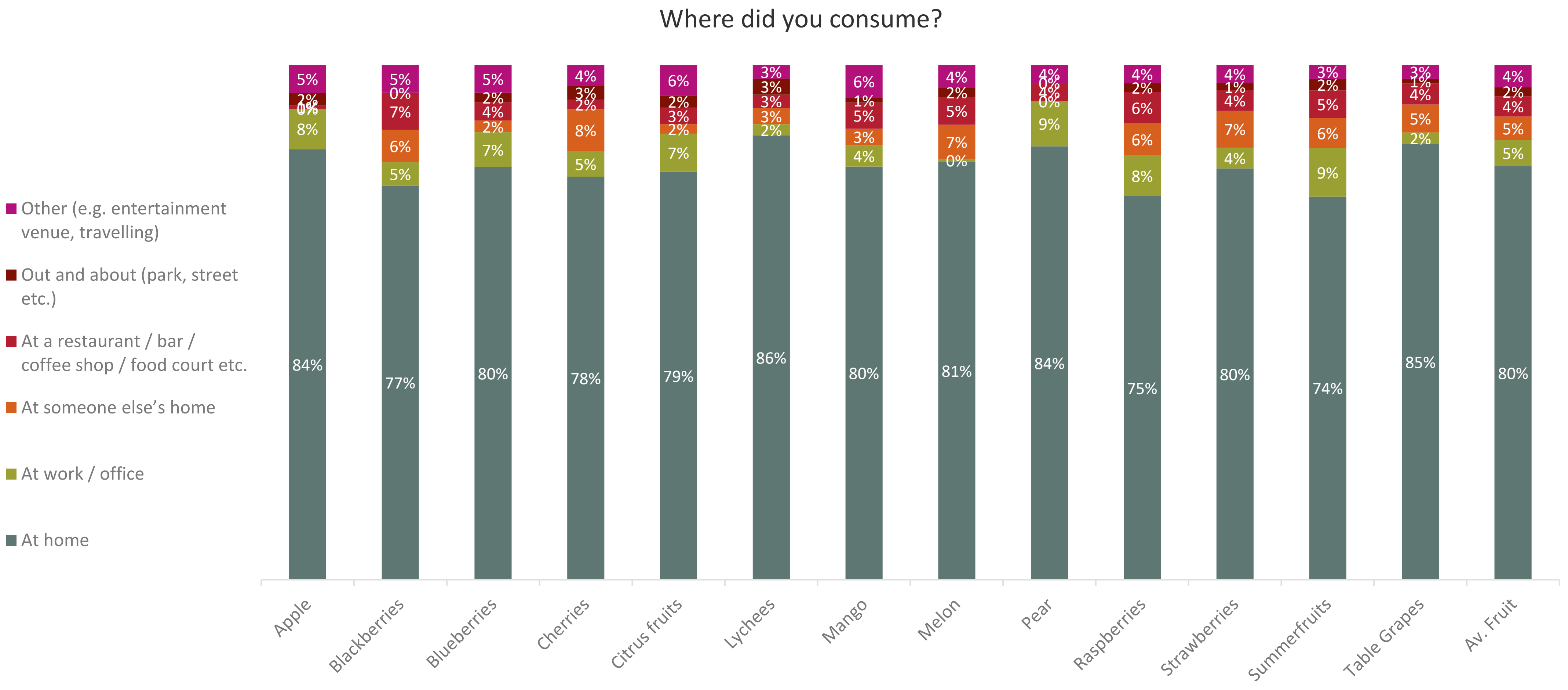
Fruit in Hong Kong is mostly consumed in the home



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Source: Kantar HIA International Demand Study 2022
N=2443

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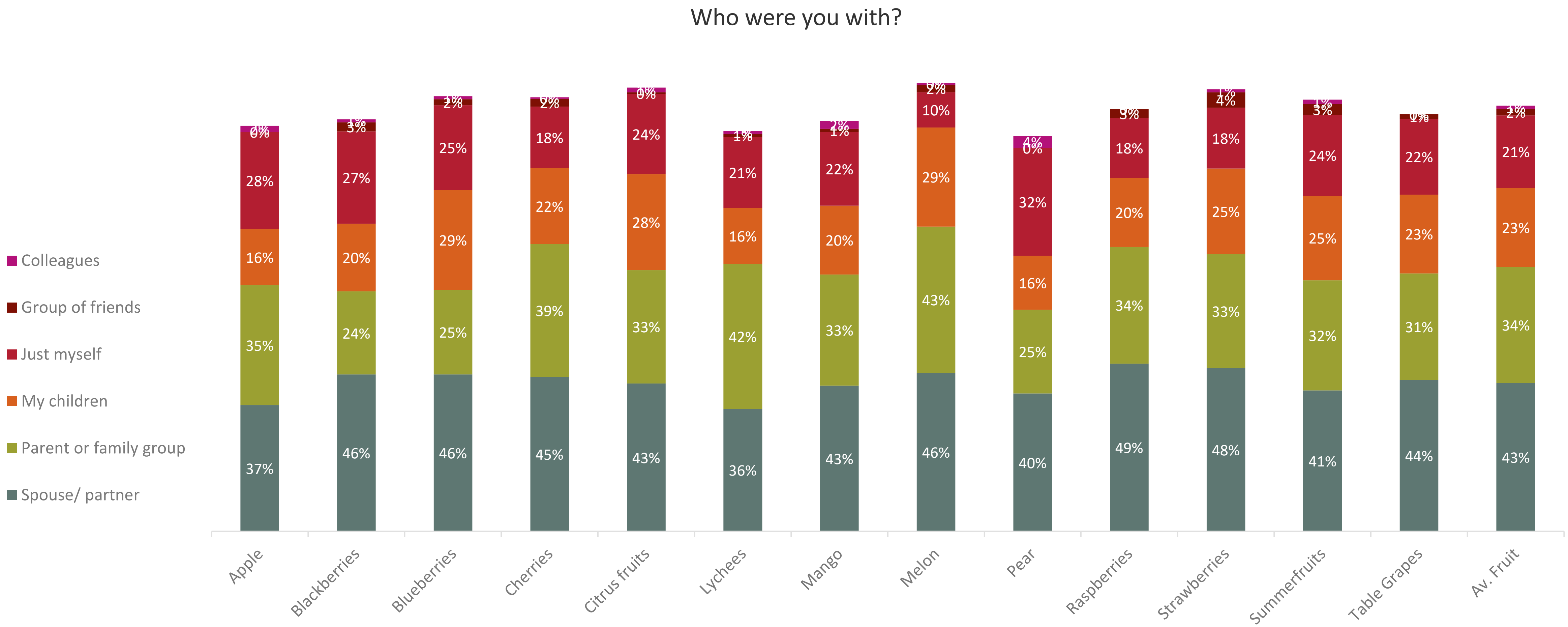
Fruit is generally consumed with spouse / partner, parents or family group, children or alone



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Source: Kantar HIA International Demand Study 2022
N=2443

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The 3 nuts & dried fruits of interest

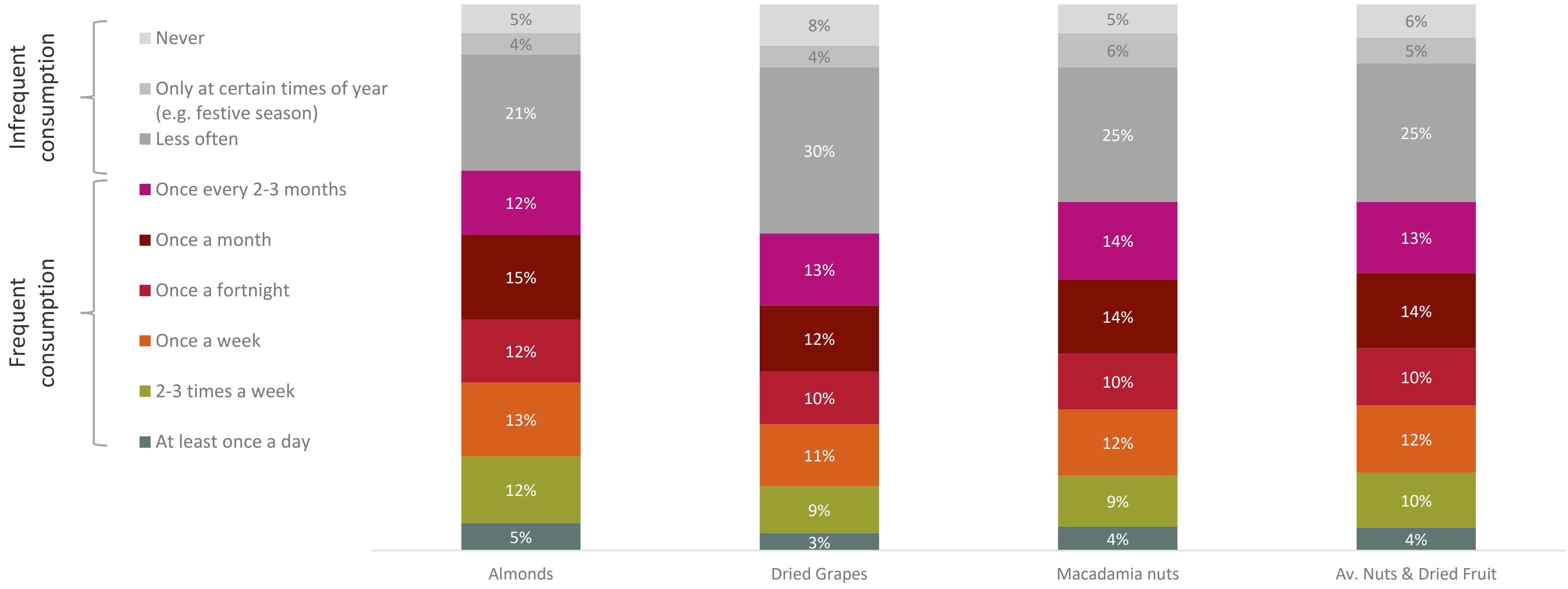
Almond

Macadamia

Dried Grapes

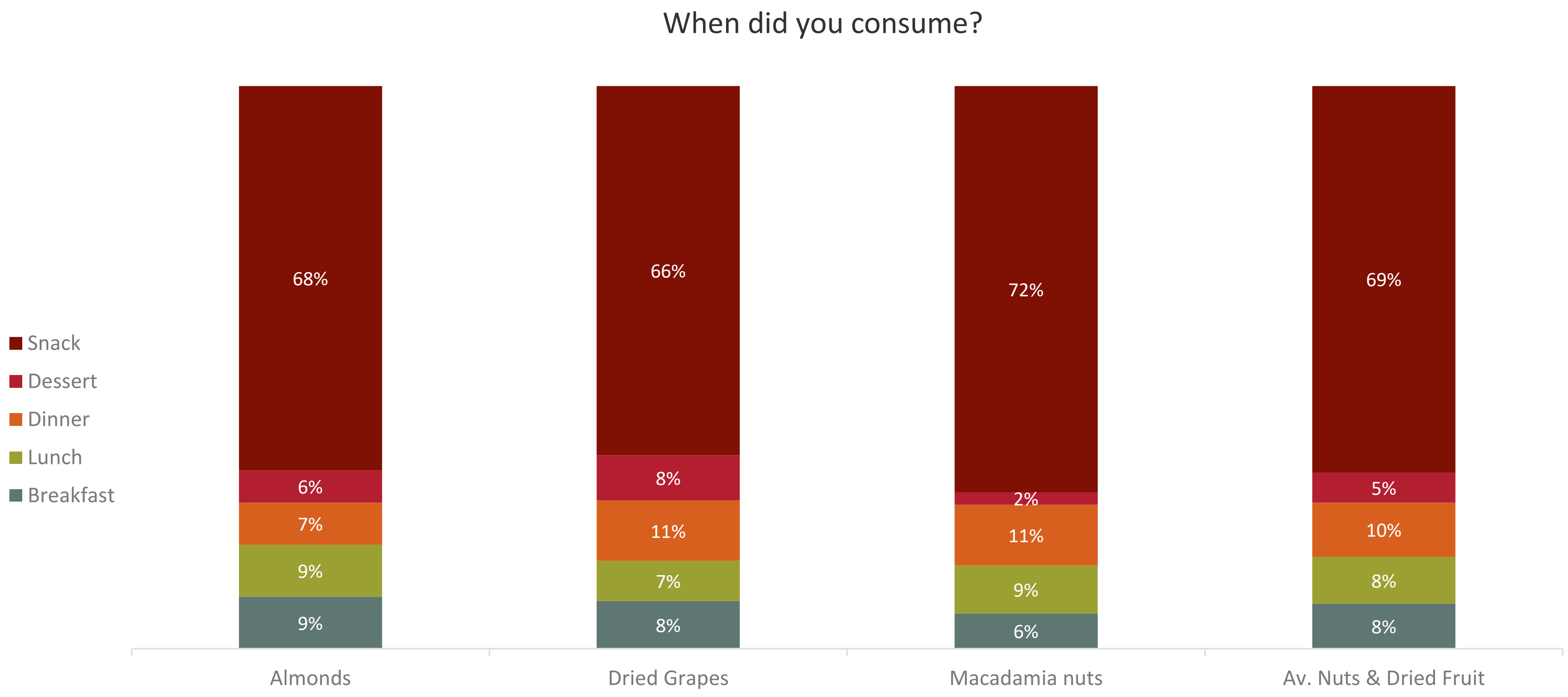
Nuts and dried grapes are highly penetrated with around two-thirds consuming regularly

How often do you consume each commodity?



Source: Kantar HIA International Demand Study 2022
N=3073

Nuts and dried grapes are predominantly snack foods in Hong Kong



KANTAR

Source: Kantar HIA International Demand Study 2022
N=674

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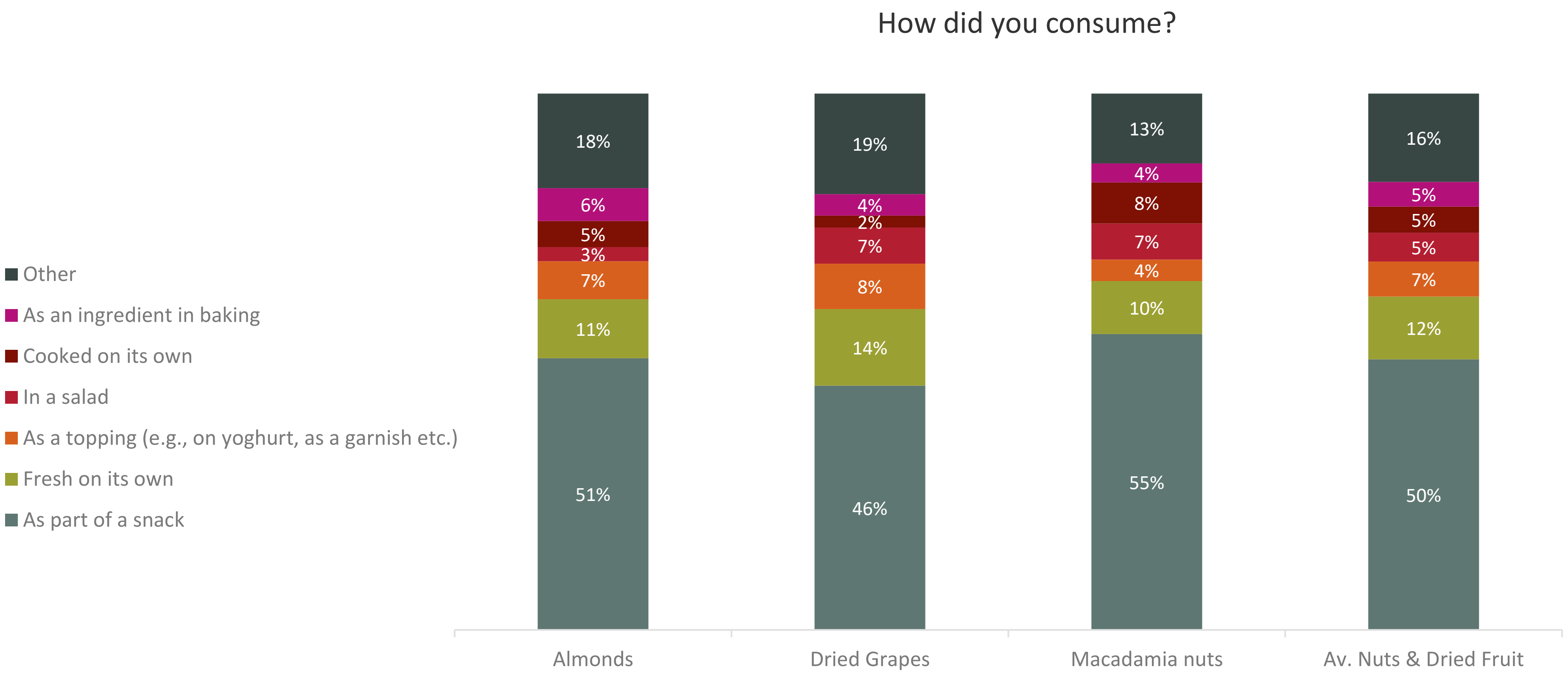
Nuts and dried grapes are typically consumed as part of a snack



Source: Kantar HIA International Demand Study 2022
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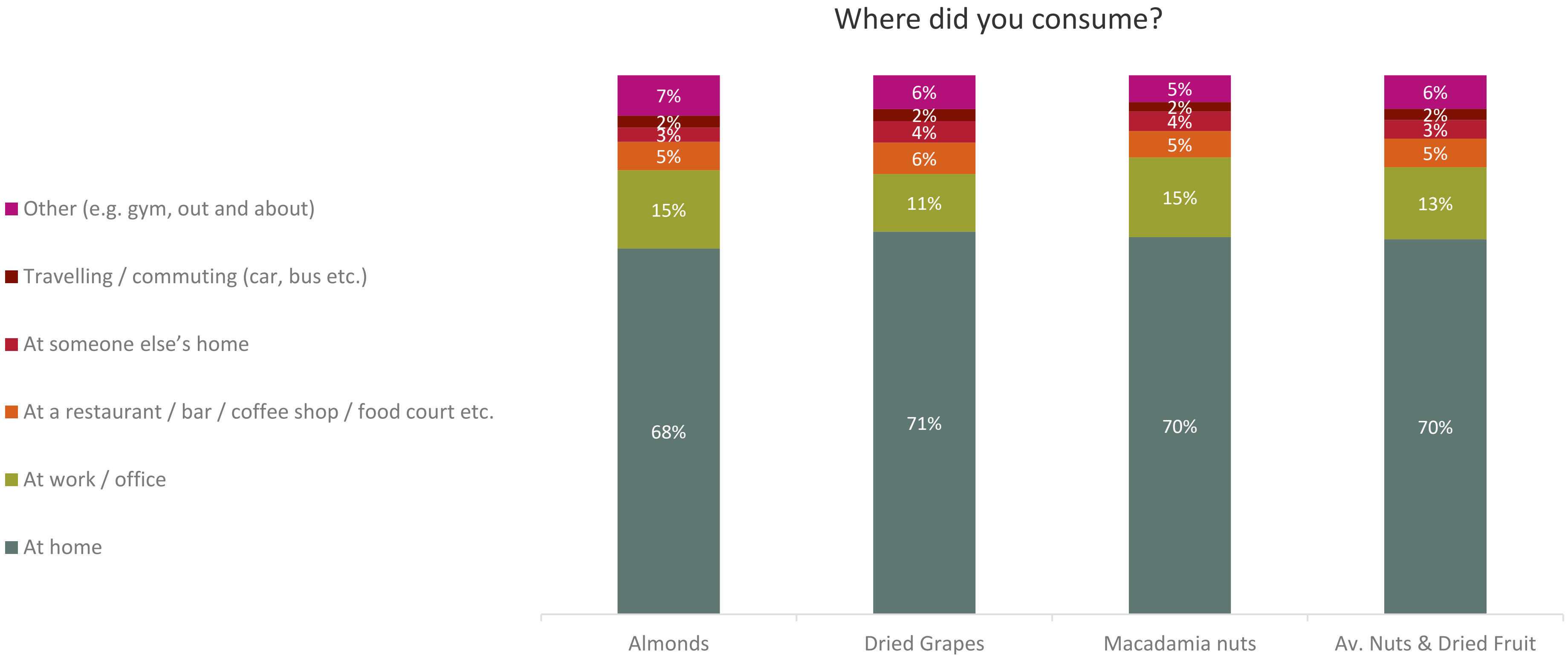
Three quarters of consumption of nuts and dried fruits is in the home with work / office the second most frequent location



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Source: Kantar HIA International Demand Study 2022
N=674

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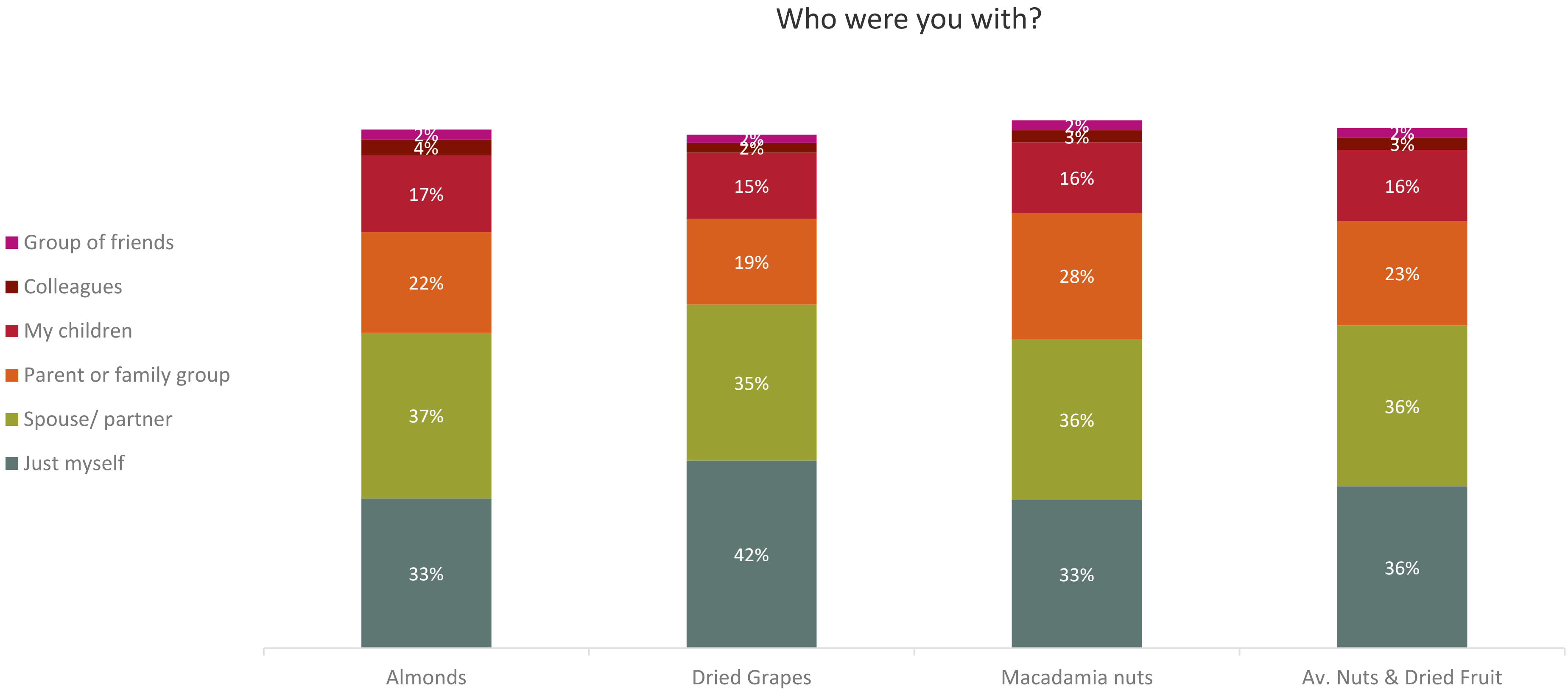
In Hong Kong, people eat nuts and dried grapes alone or with their spouse / partner



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Source: Kantar HIA International Demand Study 2022
N=674

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The 6 vegetable groups of interest

While avocados and olives are technically fruits, this report aims to provide a consumer lens and in the minds of consumers, these commodities are considered vegetables.

They are widely consumed with savoury foods and the substitute set is vegetables, hence they are included here.

Avocado

Olives/Olive Oil

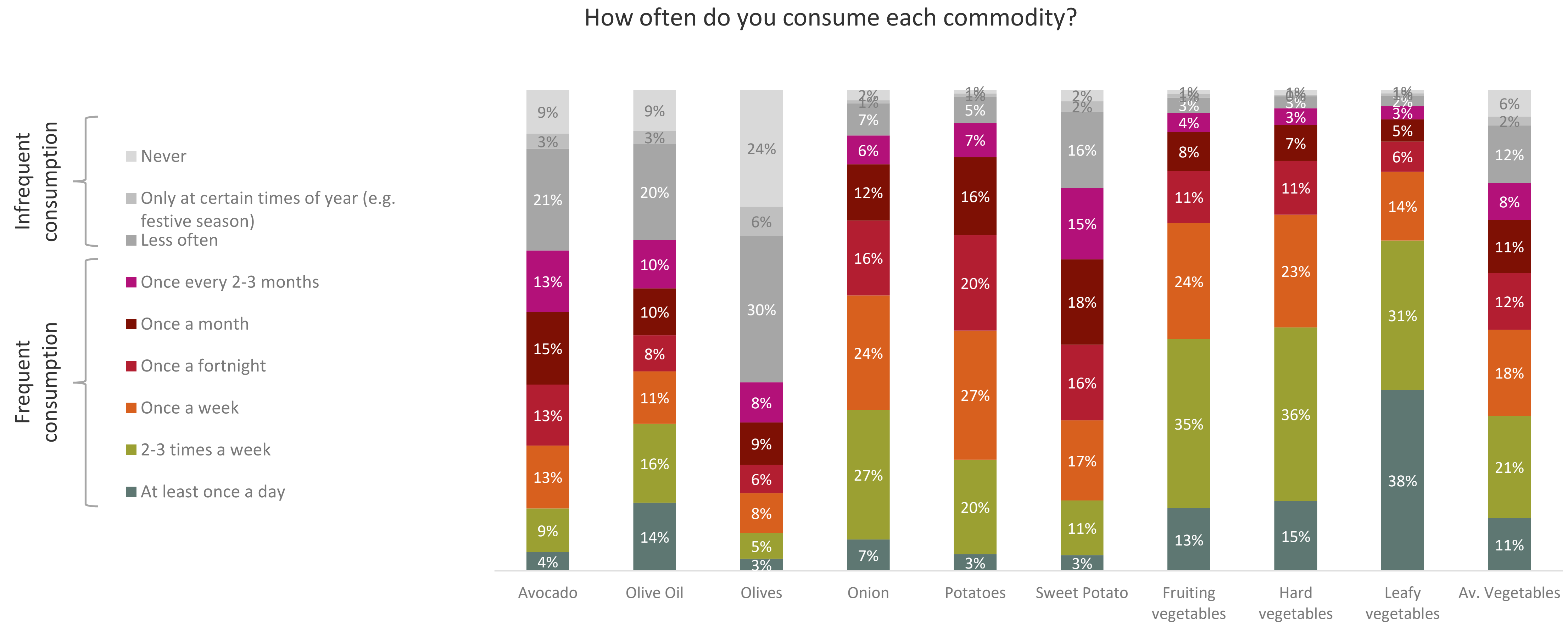
Onion

Potatoes

Sweet Potato

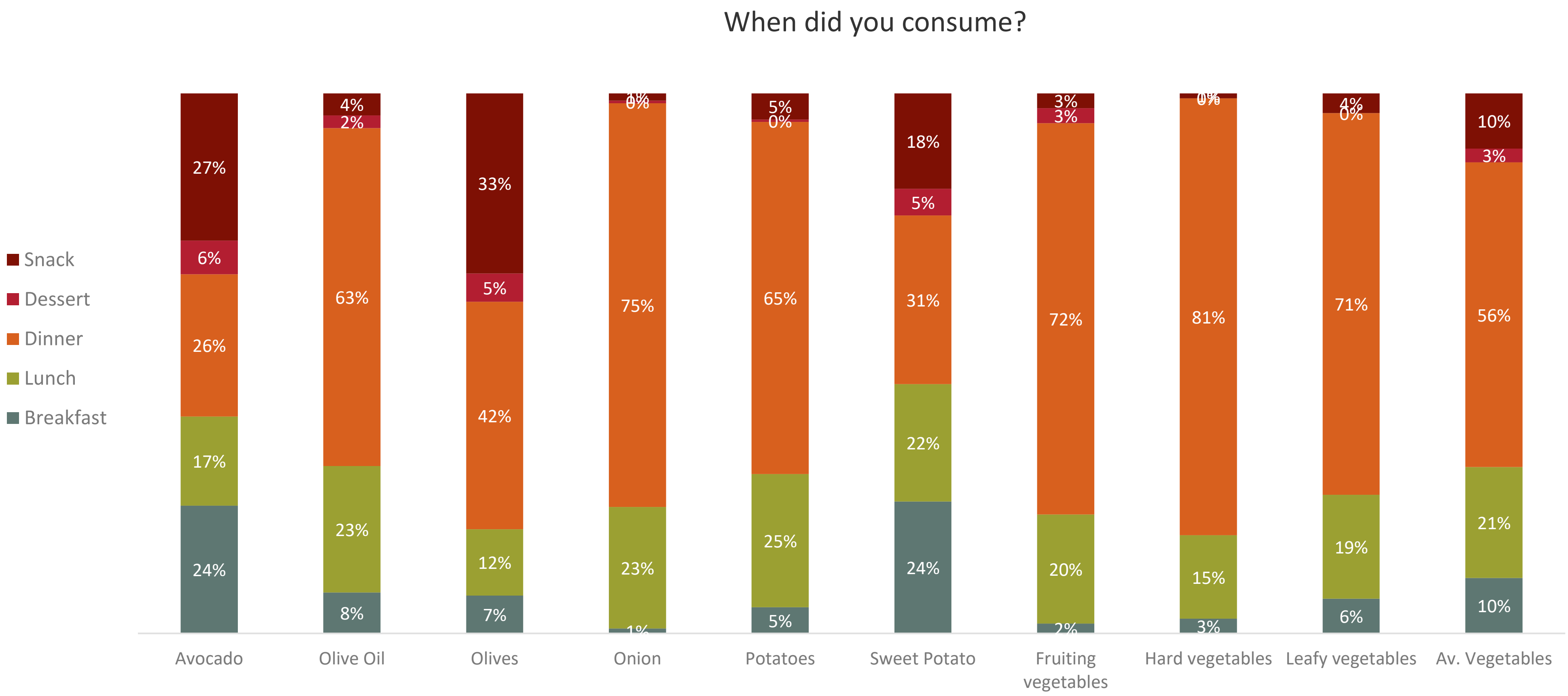
Hard Veg,
Fruiting Veg & Leafy Veg

All vegetables are highly penetrated though olives are consumed less frequently in Hong Kong



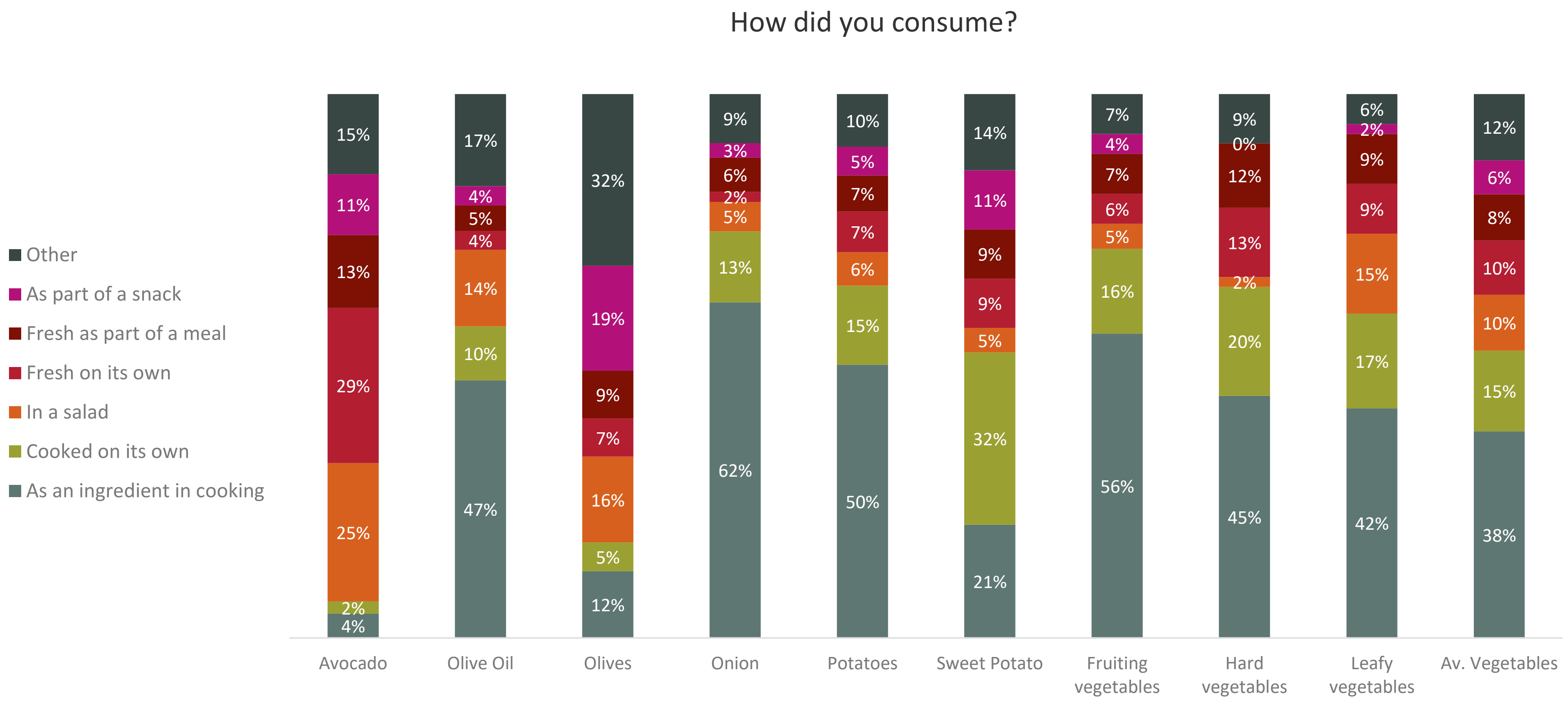
Source: Kantar HIA International Demand Study 2022
N=3073

Most vegetables are consumed at meals, mainly at dinner, followed by lunch. Avocado and Olives are more likely to be a snack



Source: Kantar HIA International Demand Study 2022
N=1450

Vegetables have different uses though most commonly as an ingredient in cooking or cooked on their own



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Source: Kantar HIA International Demand Study 2022
N=1450

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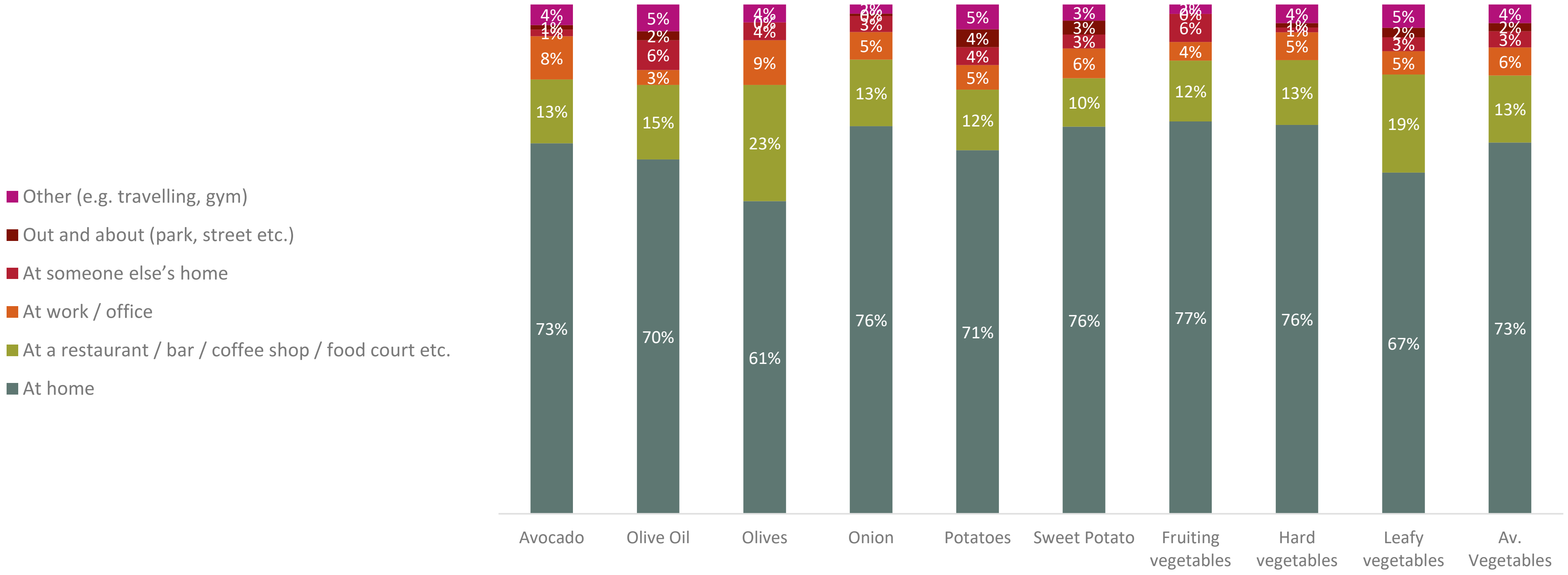
Vegetables are typically consumed at home

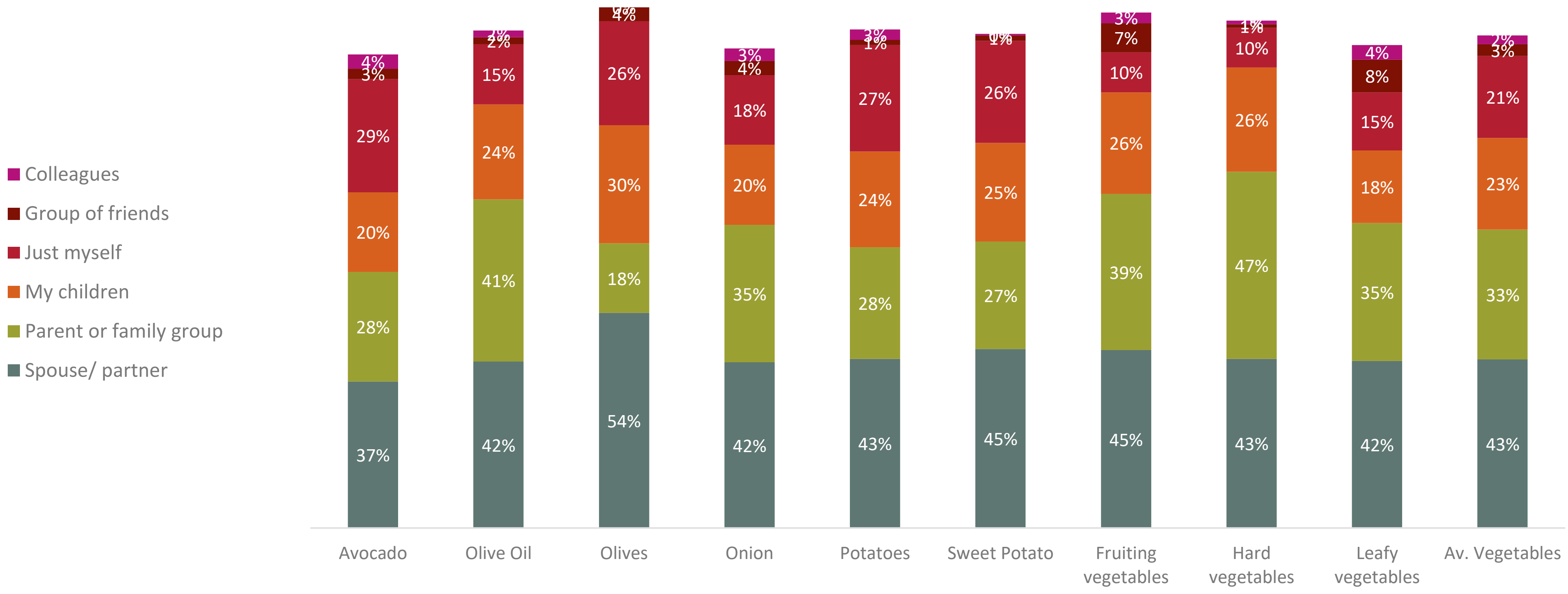
Where did you consume?



Source: Kantar HIA International Demand Study 2022
N=1450

Vegetable consumption is primarily with spouse / partner, parents of family groups, children or alone

Who were you with?



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Source: Kantar HIA International Demand Study 2022
N=1450

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5. Commodity prioritisation

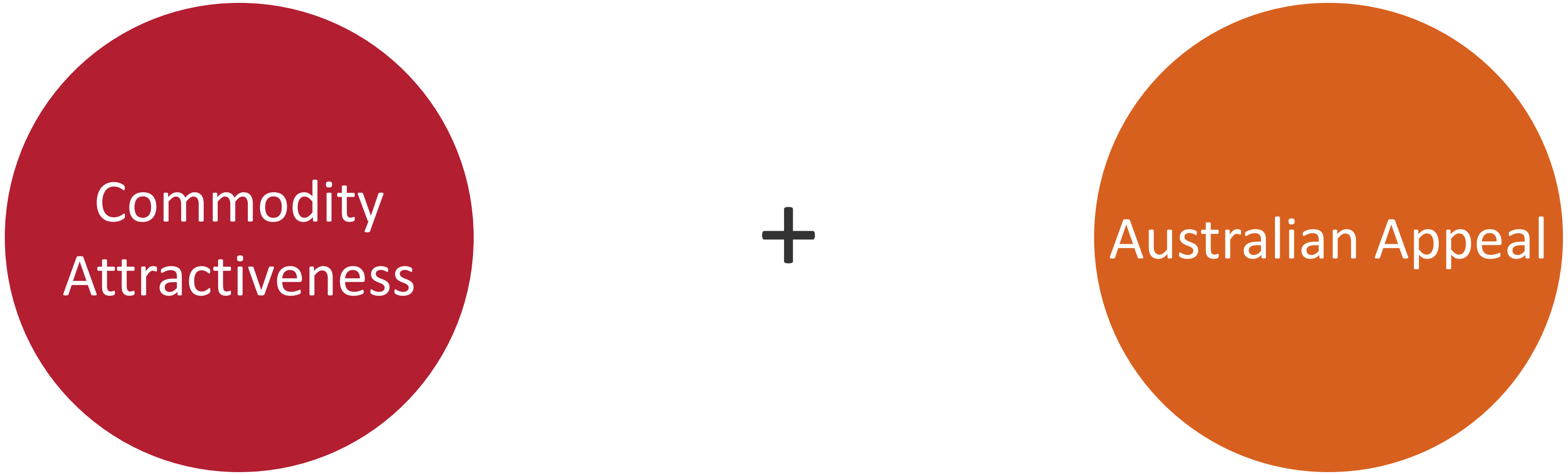
Leverage the strategic framework to prioritize commodities based on consumer behaviour and perception.

The strategic objective:

To determine – from a consumer perspective only – which commodities represent the strongest growth opportunities for Australian exports based on commodity usage, Australian appeal & the ability to command a premium

This analysis provides the consumer lens and is not intended to cover the totality of factors that influence the attractiveness and addressability of a market (e.g., supply chain, regulatory environment etc.).

The aim is to identify the most attractive Australian export commodities for Hong Kong consumers and **there are two key axis on which we will evaluate each commodity to determine the priorities.**



How attractive is the consumer opportunity for a commodity?

How appealing is Australian or premium produce?

Commodity Attractiveness and Australian Appeal are each determined by two factors. Each factor carries a different weight reflecting their relative importance

Commodity Attractiveness

\+

Australian Appeal

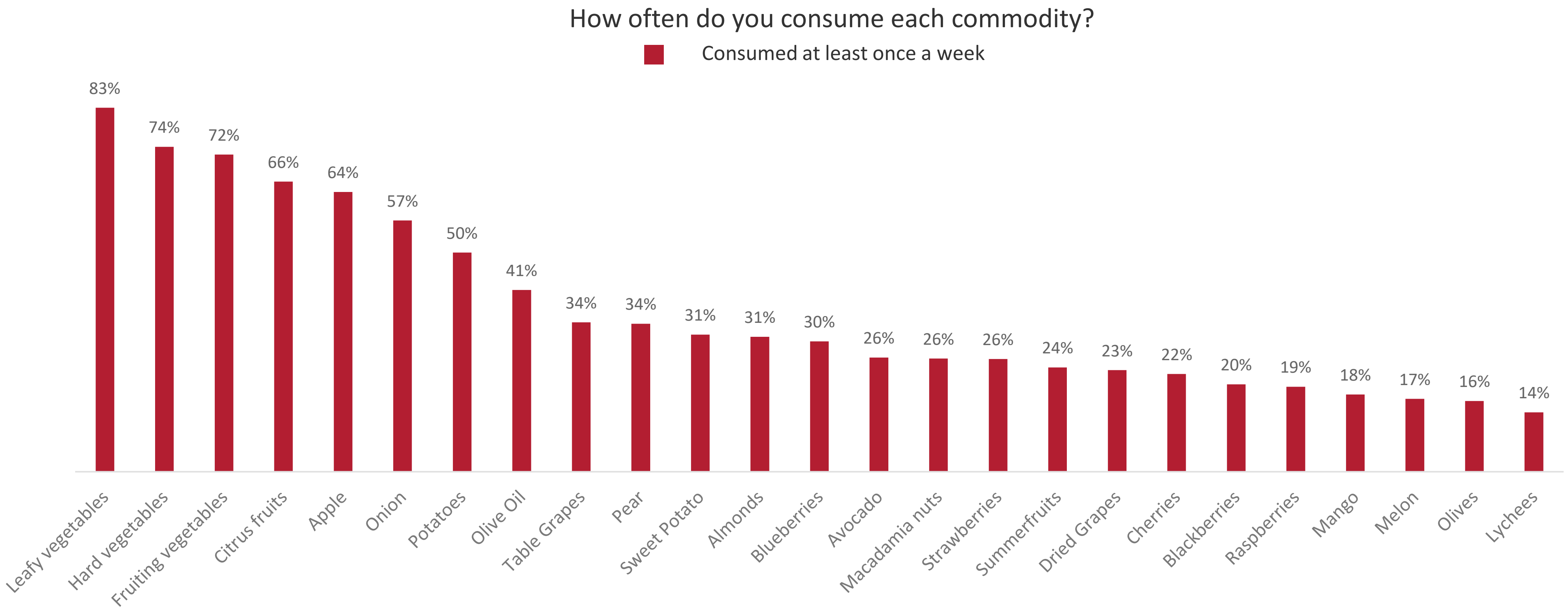
Penetration (consumed at least once a week)	Likelihood to pay at least 1.5x premium	Likelihood to purchase Australian	Ability to command a premium
30%	70%	40%	60%

Commodity Attractiveness determines the size of the potential opportunity for a particular commodity

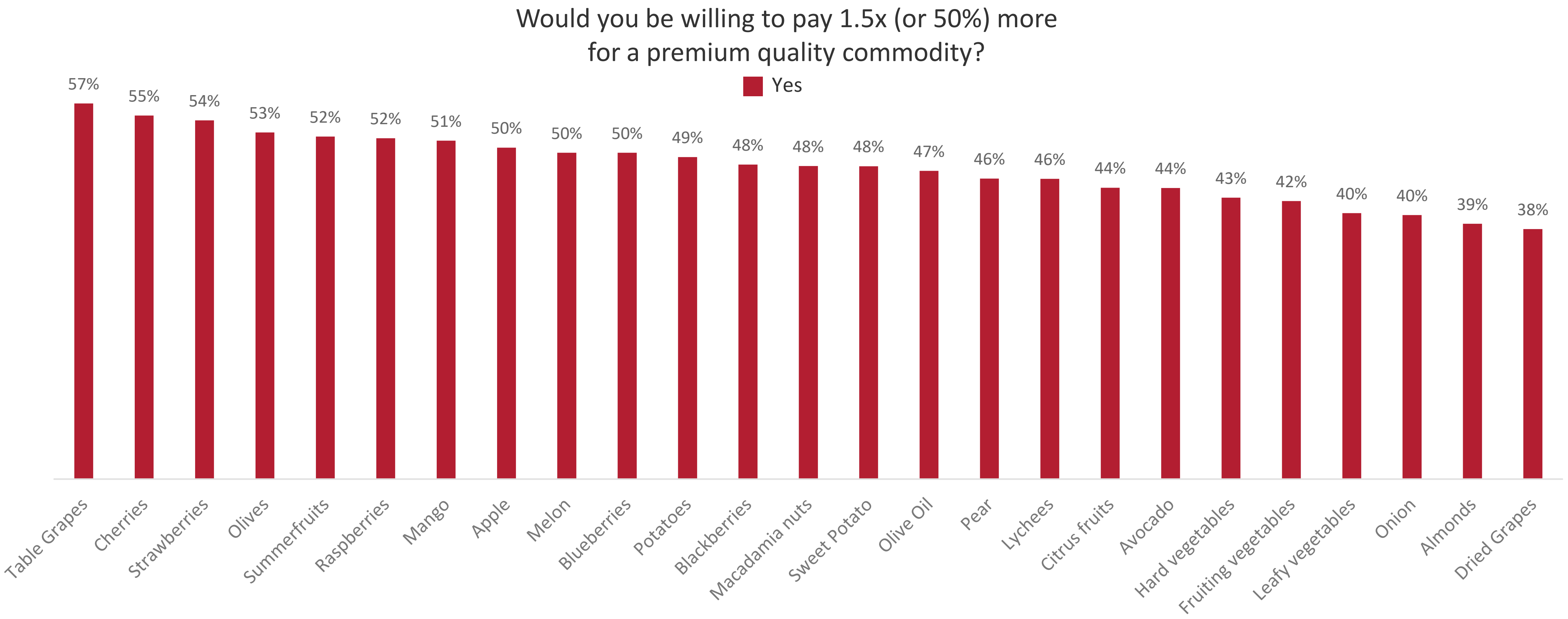
nmodity Attractiver

Metric	Question	What this gives us
Penetration Once a week or more	*How often do you consume each commodity?*	Existing commodity penetration that represents an indicative size of the opportunity
Likelihood to pay premium 50%, or 1.5x, more	*Would you be willing to pay more for a premium quality commodity?*	The commodities for which consumers are willing to pay more & are an attractive opportunity

Vegetables, including potatoes & onions as well as olive oil, apples and citrus fruits are consumed frequently



Hong Kong consumers are willing to pay a premium for the full range of commodities, especially table grapes, cherries and strawberries



Australian Appeal provides an indication of the potential to realise the export opportunity based on how likely consumers are to purchase Australian or pay a premium for quality

Australian Appeal

Metric	Question	What this gives us
Likelihood to buy Australian	*Which would you be most likely to buy imported from Australia?*	The commodities for which Australian origin is appealing
Ability to command a premium	*How willing would you be to pay more for a premium quality commodity?*	The commodities for which there is untapped premium opportunity

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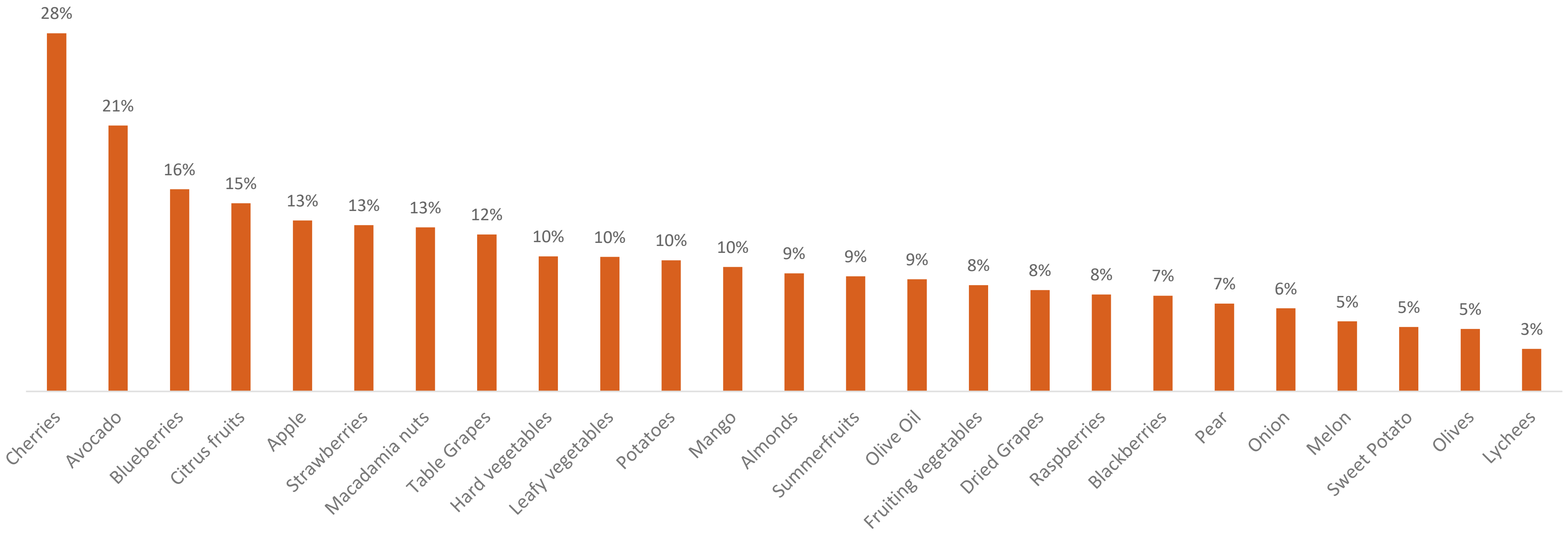
Cherries and avocados have strong Australian appeal for Hong Kong consumers, followed by blueberries and citrus fruits

Which of the following would you be
most likely to buy imported from Australia?



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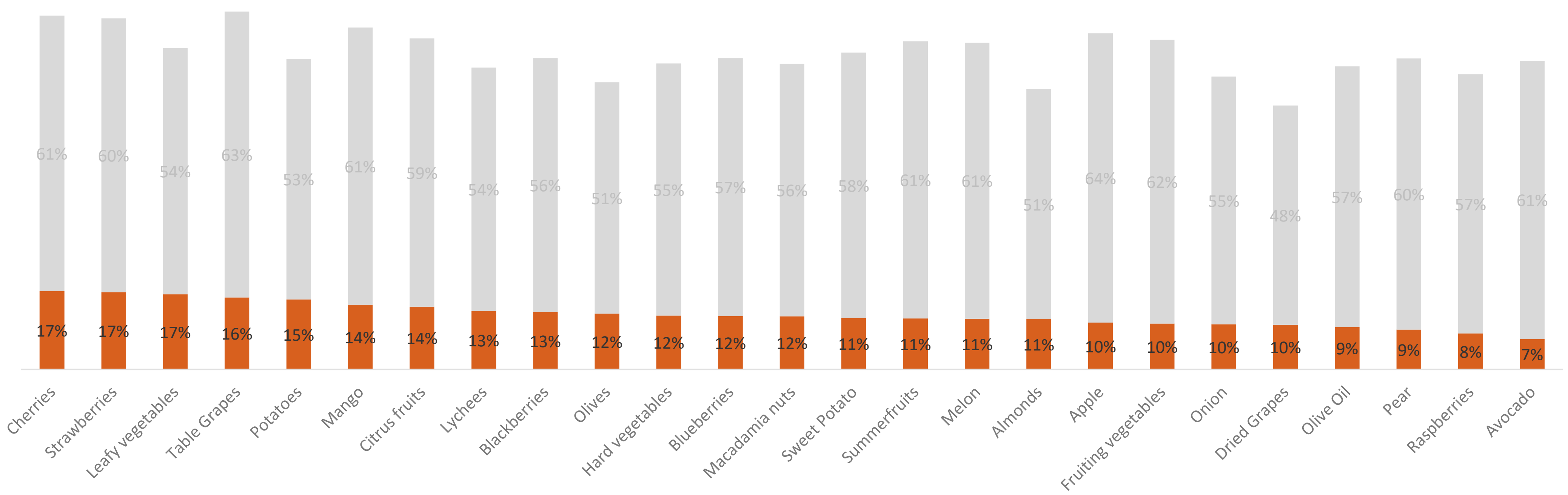
Cherries, strawberries and leafy vegetables are the strongest ranking for likelihood to pay more for a premium commodity. Beyond that, consumers are somewhat likely to pay a premium across the full range of commodities



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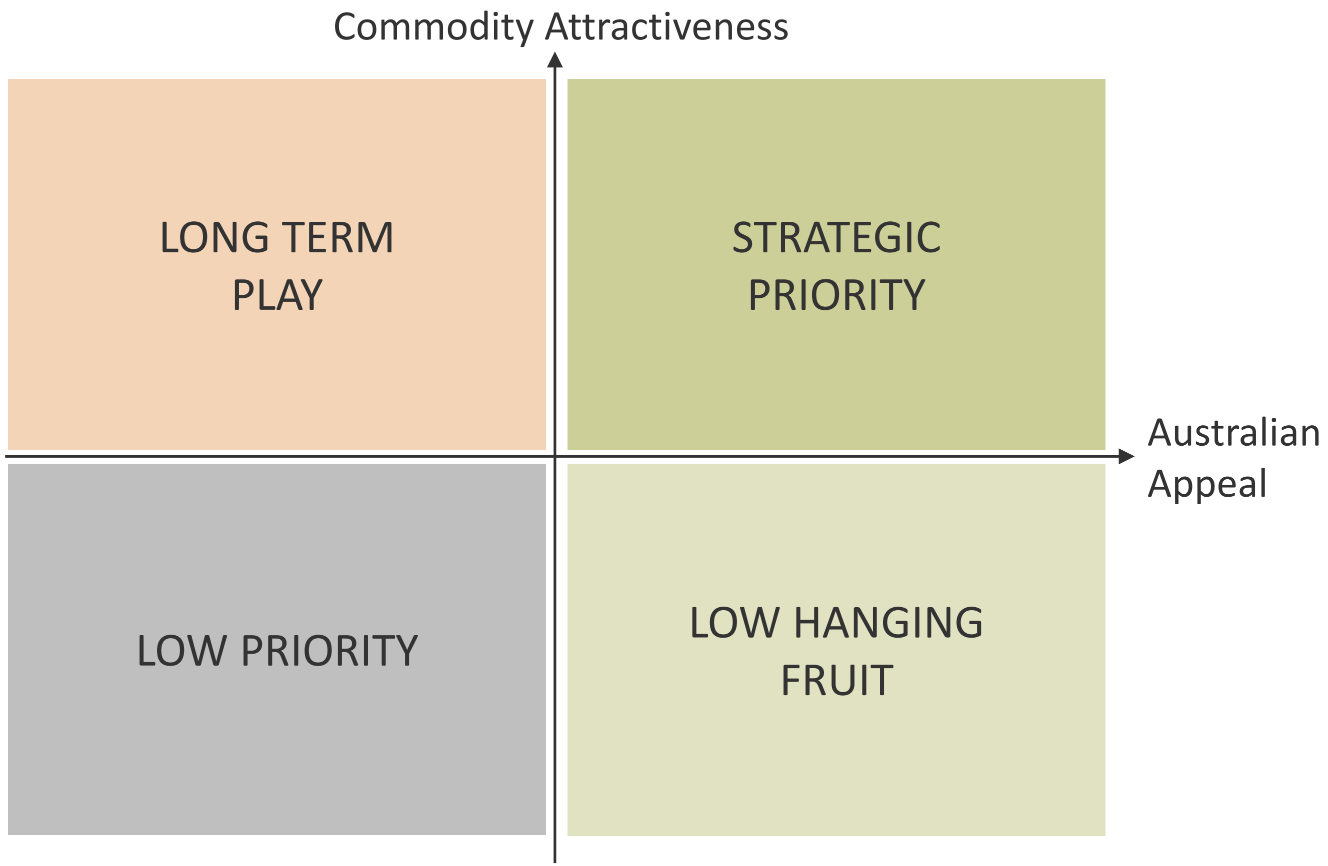
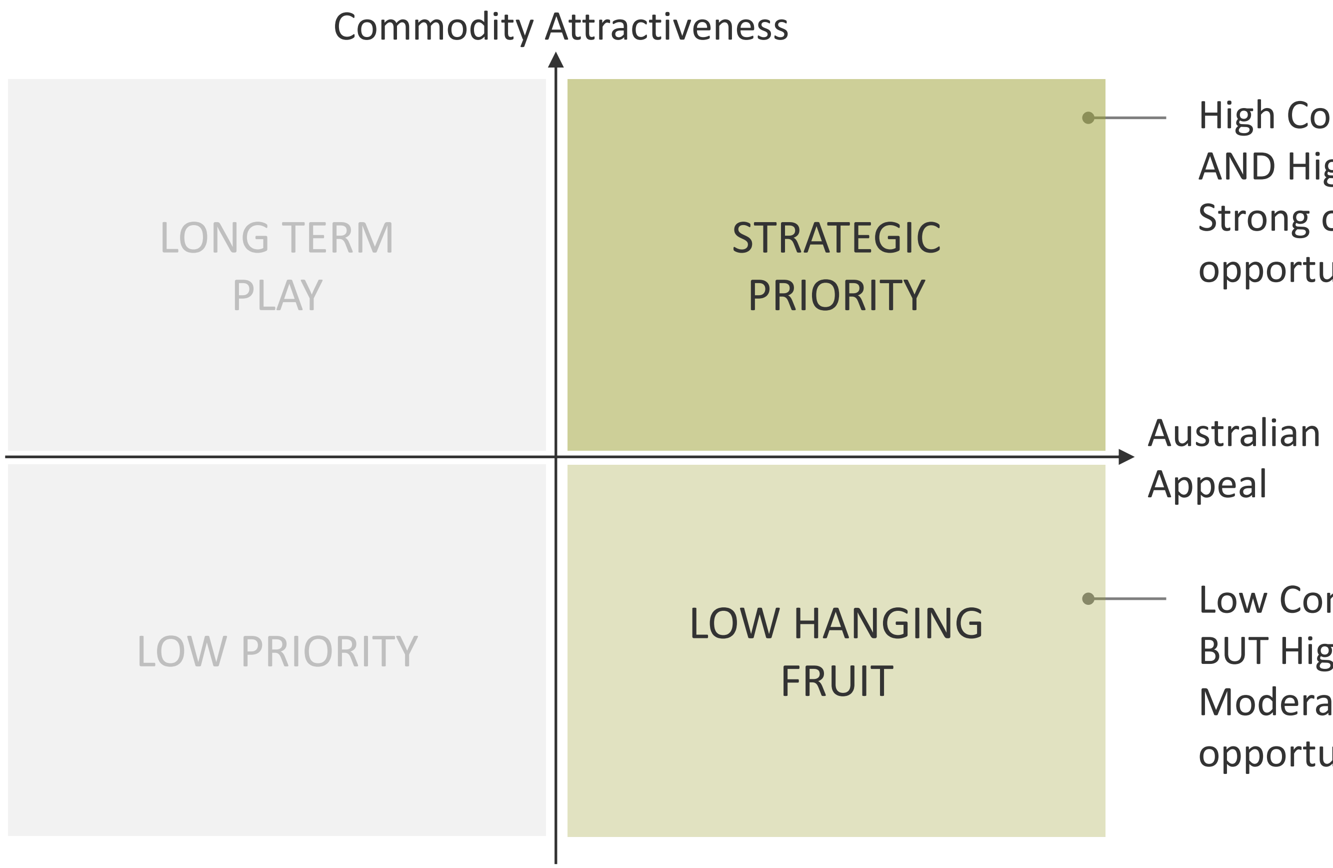
We bring this data together into a prioritisation matrix

The matrix will enable us to determine which commodities represent a strong consumer opportunity for Australian export

We plot each commodity’s metrics on a strategic matrix to identify priority opportunities based on consumer preference and behaviour



Commodities on the right-hand side of the matrix represent more attractive consumer opportunities for export and investment is more likely to generate a return



High Commodity Attractiveness AND High Australian Appeal
Strong overall consumer export opportunity

Low Commodity Attractiveness BUT High Australian Appeal
Moderate/Low consumer export opportunity but easier to realise

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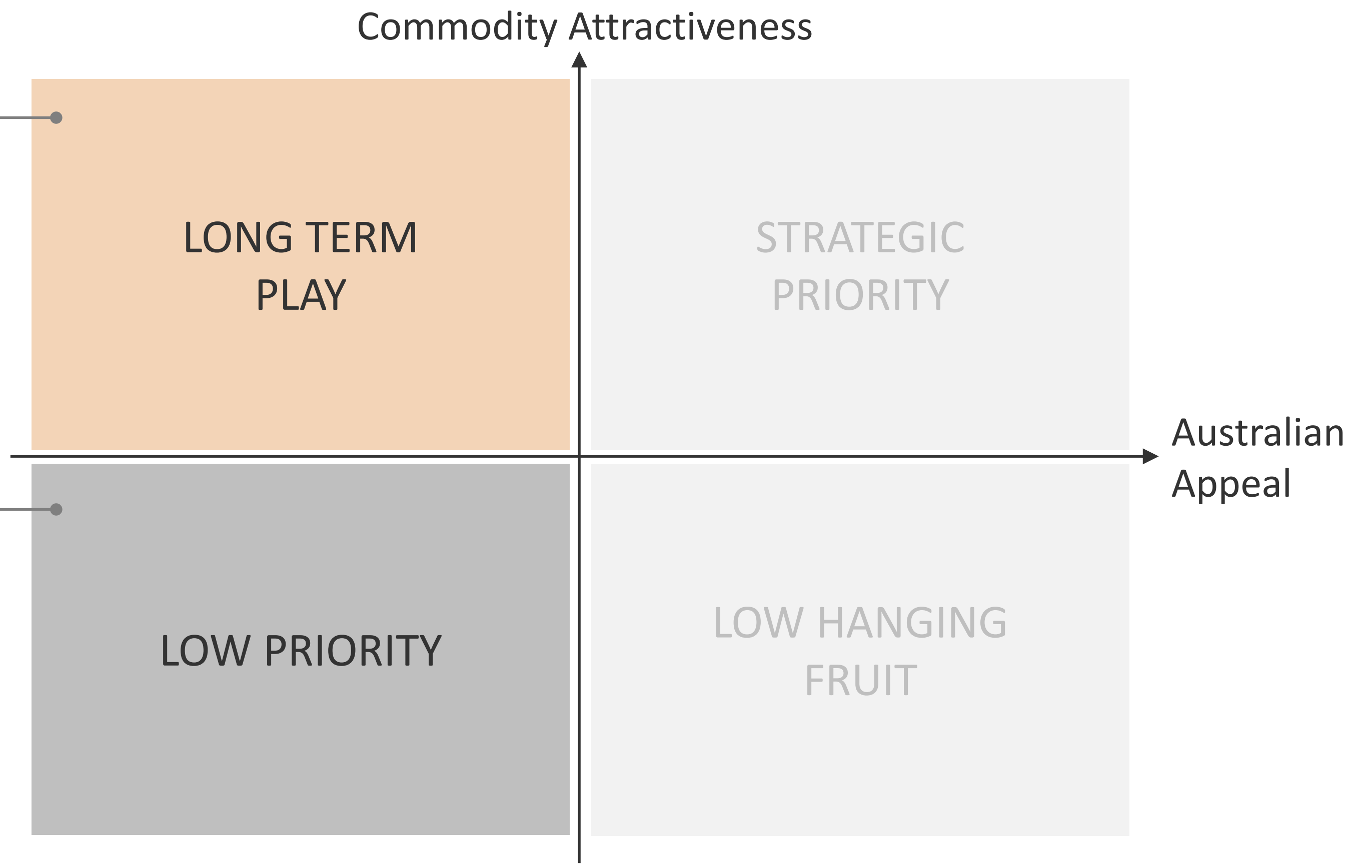
By contrast, commodities on the left-hand side of the matrix may require more investment with a longer term pay-off or minimal to no returns

High Commodity Attractiveness
BUT Low Australian Appeal
Moderate consumer export opportunity and potentially more investment to realise

Low Commodity Attractiveness
AND Low Australian Appeal
Low consumer export opportunity and any investment may not generate a return



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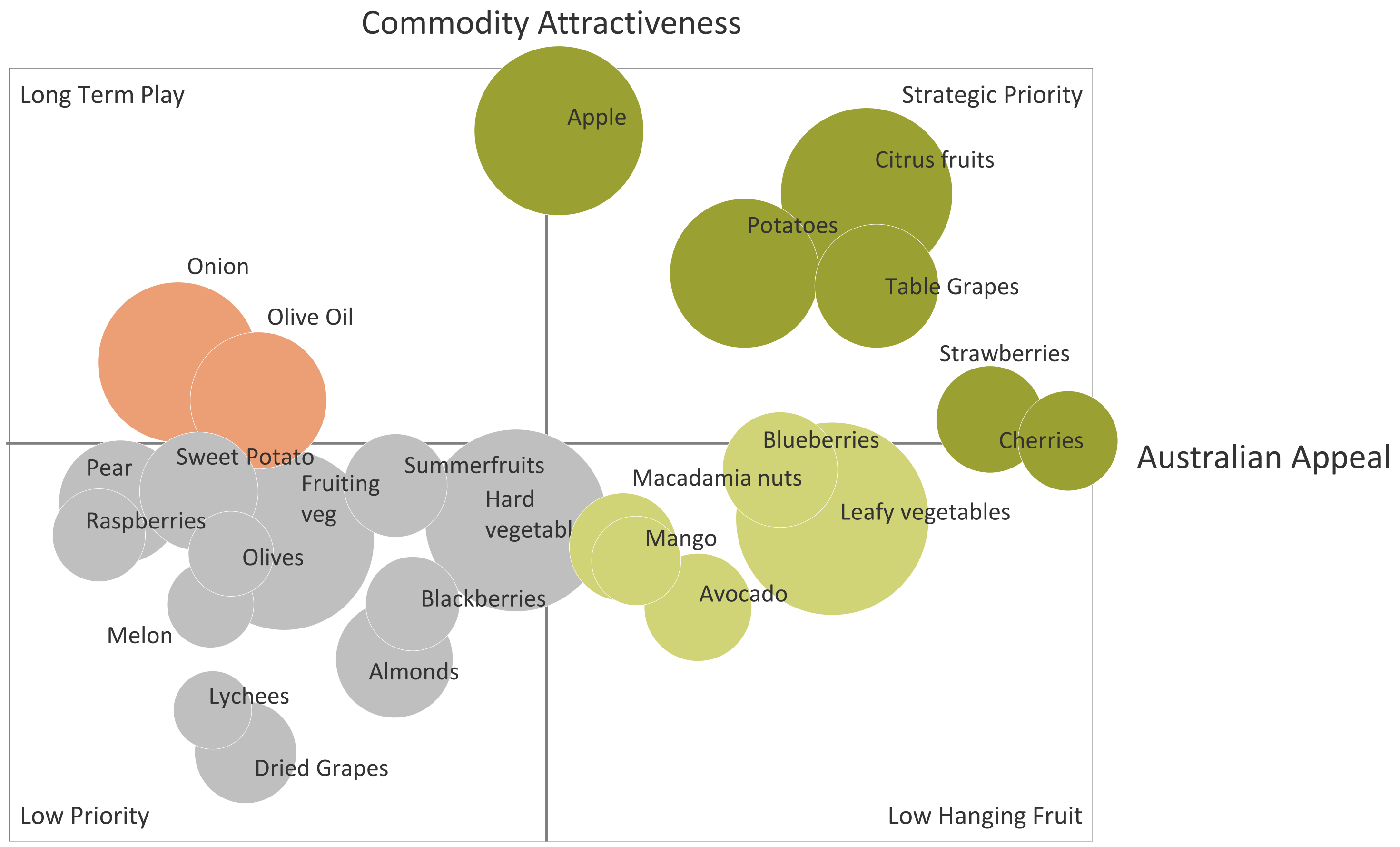
We have identified 6 strategic priority commodities that represent the most attractive and appealing export opportunity, based on consumer preference and behaviour



Strategic priority

Low hanging fruit

Long term play

Low priority

Size of the bubble = penetration

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Hong Kong: Summary of Strategic Priorities

	 Citrus fruit	 Potatoes	 Table Grapes	 Apple	 Strawberries	 Cherries
STRATEGIC IMPLICATIONS	Citrus fruits emerge as a strong consumer opportunity given the strong penetration and high Australian appeal in Hong Kong	Potatoes, although a moderate premium commodity, have high penetration and moderate Australian appeal	Table grapes are a strong premium opportunity for Australian export to Hong Kong – they're ranked #1 on willingness to pay 1.5x more	Apples are boosted by their wide consumption, but addressability is challenging vs. other lower hanging fruit opportunities	By contrast, Strawberries are a highly addressable export opportunity given Australian appeal and premium quality, but the market is smaller	Similarly, Cherries are the commodity with the highest Australian appeal and a strong premium appeal, despite lower penetration
ATTRACTIVENESS	• The most highly penetrated fruit (two thirds consume weekly) • Moderate willingness to pay 1.5x more	• High penetration of potatoes • Moderate willingness to pay 1.5x more	• High penetration • Very high (#1 ranking) willingness to pay 1.5x more for premium	• High penetration • Moderate willingness to pay 1.5x more	• Moderate penetration • Very high (#3 ranking) willingness to pay 1.5x more for premium	• Med-low penetration (22% consume weekly) • Very high (#2 ranking) willingness to pay 1.5x more for premium
ADDRESSABILITY	• High Australian appeal • Moderate premium quality appeal	• Moderate Australian appeal • Moderate premium quality appeal	• Moderate Australian appeal • Moderate premium quality appeal	• Moderate Australian appeal • Moderate premium quality appeal	• Moderate Australian appeal • Moderate premium quality appeal	• Very high likelihood to buy Australian imported (#1 ranking, 1 in 3 very likely)

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6. Appendix A

The following groups of fruits, vegetables and nuts are included in the study

Fruits

Apple & Pear

Blueberries

Cherry

Citrus
(e.g. orange, lemon, lime, grapefruit)

Lychees

Mango

Melons

Raspberries & Blackberries

Strawberries

Summer fruit
(e.g. apricots, nectarines, peaches, plums)

Table Grapes

Nuts & dried fruits

Almond

Macadamia

Dried Grapes
(e.g. raisins, sultanas)

Vegetables

Potatoes

Sweet Potato

Avocado

Olives/Olive Oil

Onion

Hard Veg
(e.g. carrots, sweet corn, pumpkin, cauliflower, cabbage, beetroot)

Fruiting Veg
(e.g. tomatoes, capsicum, cucumbers, zucchini, eggplant)

Leafy Veg
(e.g. salad greens, broccoli/broccolini, fresh herbs, lettuce, leafy Asian greens, spinach, silverbeet, kale

While avocados and olives are technically fruits, this report aims to provide a consumer lens and in the minds of consumers, these commodities are considered vegetables. The substitute set is vegetables, hence they are included here.