

# Immunity, vitamin C and high speed change: selling healthy food to China

NZ is already China's top food importer, but how can we extract more from the relationship?

By **Nicola Shephard**  
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Health and wellbeing is critical to many Chinese people

**S**omething to chew on with your toast: Pic's is now the top selling peanut butter by value on Tmall, China's gargantuan online marketplace run by Alibaba, according to market researcher China Skinny.

China is the Nelson-based company's second biggest export market after Australia, Pic's chief executive Stuart Macintosh confirms.

Pic's pathway into China was not typical for a smaller New Zealand food producer. It eschewed the popular daigou route, whereby individuals or syndicated groups buy goods from another country to send to China, usually by post, getting round import tariffs and making a profit in the process (think infant formula and luxury brands).

Pic's was approached by daigou shoppers but ended up going with an especially persuasive importer five years ago, Shenzhen Qianhai Ebaytown International Ebusiness Ltd (Ebaytown), who remains its sole importer today (other food producers often use distributors or multiple importers).

It was Ebaytown who advised Pic's to set up a flagship store on Tmall four years ago, which established the brand enough to get it into Chinese supermarkets in June 2017. It was a risk, costing around \$40,000-\$50,000, but trust in Ebaytown's steer has paid off.

"As Tmall went from strength to strength, so did we," says Macintosh.



Pic's CEO Stuart Macintosh says strict rules meant removing "100% pure" from the peanut butter label

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Strict rules around health claims on labels and in ads meant Pic's had to remove '100% pure' from its label, but it's the consumer trend for 'natural' and 'healthy' food that the product is riding: a trend on steroids since the Covid pandemic gripped the world.

Macintosh's tips for cracking the Chinese market: choose an importer who already handles New Zealand products and understands the country, and who matches your volume capability – stock shortages and delays undermine e-commerce – and don't assume what works at home will work there.

"In China everything's different to here; online is a great opportunity to trial products."



## Beyond milk

"Wacky stuff" is how China Skinny managing director and expat Mark Tanner describes Pic's sticky success story.

"We don't even grow peanuts but we've got this firm that's importing peanuts, adding value – it's just mixing up peanuts and putting it in a jar – and Chinese love it because it's really trading on that NZ provenance as being healthy and safe and secure," he says from Wellington, where he's a Covid refugee after flying there from his base in Shanghai for Chinese New Year.

"We export so many commodities that we don't add any value to, and that's an example of doing the opposite: importing a commodity, adding value and getting a lot of recognition for it."

China Skinny, which does strategy and branding as well as market research, has been tracking health claims made by products. Since January, 'immunity' and 'vitamin C' have been going through the roof. How are New Zealand food producers poised to take advantage of this health awakening?



China Skinny's Mark Tanner says Kiwi DIY and gut instinct don't cut it in China

Largely thanks to the white stuff, in 2018 New Zealand became the top food supplier to China, cornering 8.76% of the trade and nudging ahead of Australia and the US, according to a report by the China Chamber of Commerce of Import and Export of Foodstuffs, Native Produce and Animal By-Products.

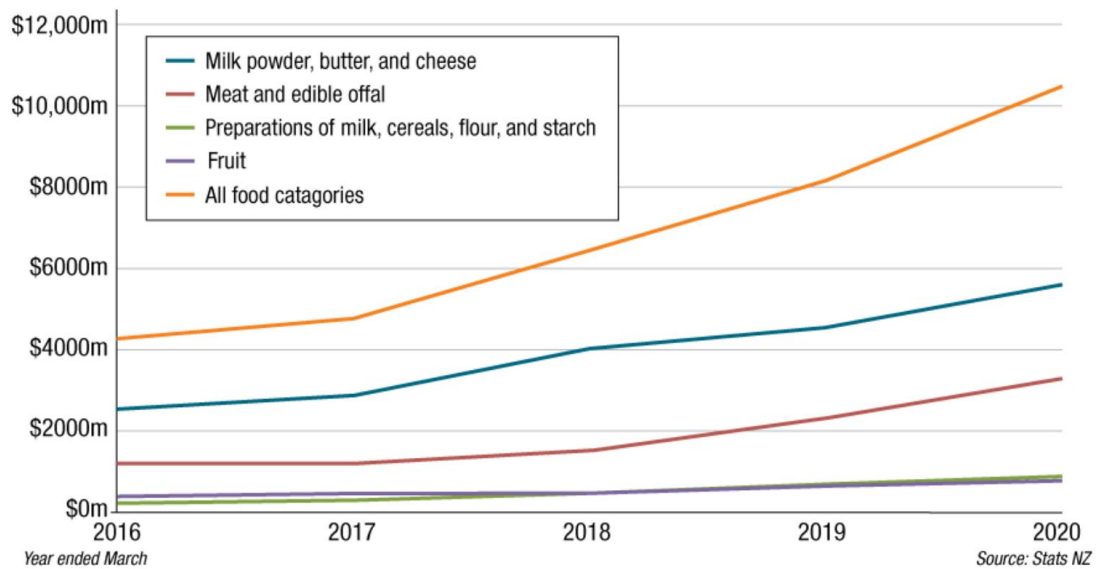
Stats NZ data shows the value of food exports to China across recorded categories more than doubled from \$4.27b in 2016 to \$10.47b in 2020 (year ended March), of which \$2.52b (59%) and \$5.57b (53%) respectively were milk powder, butter and cheese.

"Something I hear a lot - which I never thought I'd hear growing up - is Australians telling me how well us Kiwis do in China," says Tanner. "As a country we do remarkably well; there's still obviously an awful lot more we could be doing."

Like more value-add; more branding; better harnessing popular sales platforms such as social media-based commerce via WeChat; and creating more China-specific products.

Take milk. China Skinny analysis shows almost all 1L UHT milk sold online in China is foreign brands, whereas Chinese brands dominate the 250ml, 400ml space, because they know that most Chinese consumers drink milk in much smaller portions than Westerners and worry about deterioration once the carton is opened, and so prefer smaller sizes. Chinese labels also know how to do segmentation: they market milk to support brain development and sleep in infants, protein-boosted milk for millennial gym-goers, milk for bone strength in older consumers.

## New Zealand's trade with China



Tanner: "It's getting much more targeted. In China, most brands in a category have significantly more SKUs than they get in another market. Most Chinese consumers want to feel a little loved, they want to understand this product is for them not a generic product for 1.4 billion others."

**Target, target, target**

Well before Covid, Plant & Food senior scientist Denise Conroy had been seeking to understand how Chinese consumers with health concerns think about food in relations to health, and how they shop.

Over four years, as part of a research stream for national science challenge High Value Nutrition (HVN), she has undertaken at-home interviews and surveys with middle-to-high income people in Shanghai concerned about metabolic syndrome (e.g. type 2 diabetes and obesity), gut health or immunity, which correspond to HVN's focus areas.



Plant & Food senior scientist Denise Conroy says smaller food producers are missing out by not understanding their target market

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One finding was that age differences are pronounced in China because of recent history: “people in our older groups have living memory, or at least through their parents, of people starving to death, so their attitudes to food were different to people who’d grown up in extreme abundance,” Conroy says.

This played out at home when grandparents who look after children while the parents work view chubbiness as insurance against future scarcity, while parents worry about child obesity. Younger people were more likely to take medication than try to make lifestyle changes to manage a condition. They also flocked to try the latest western food or beverage trend, or Chinese twist on it.

Health conscious consumers talked about the “triple high” – high blood pressure, lipids and sugar, which are monitored in annual health tests. But they tended to believe that a food can have only one health benefit, not multiple – “saying this will lower your blood pressure is fine, but saying this will lower your blood pressure and cholesterol, they don’t believe that”. Same goes for other health claims, such as immunity and digestion.

Healthy food formulated and packaged in ways that fit into busy urban lives was valued. The government was stepping up its health messaging around rising levels and earlier onset of metabolic disease, but adults with full-time jobs, children, older parents at home and a four-hour daily commute struggled to find convenient healthy food that fitted their lifestyle.

There was a trend towards an increased focus on individuals having to take agency for their wellness – in part, so they can look after their families – and a proliferation of gyms in the past five years.

But sound nutrition advice was scarce – people tend to get diet tips from beauticians at day spas and physical trainers at gyms, who are “really under-educated” (beauticians favoured extreme purging), and from their social networks. Conroy and her team also interviewed hospital doctors. Most Chinese people don’t have GPs, and hospital visits are generally limited to 3-5 minutes or 10 minutes with a specialist. “Philosophical differences, lack of training and the time limit made it impossible for them to give advice on nutrition other than please try not to eat too much and eat healthy foods,” she says.

That’s why labels and marketing need to spell out health claims (within the rules). “If something has got ‘prebiotic’ on it, what use is that what does it mean?” Also, consumers were distrustful of long shelf-lives because they assumed the product contained preservatives even if it didn’t.

Social media was a major source of information around food (and everything else), trusted as an extension of people’s real social networks, against a backdrop of widespread distrust in the food system, health system, regional and local (but not central) government, media and advertising.

Conroy believes New Zealand SMEs in particular are yet to fully tap the opportunity afforded by NZ’s reputation in China as a corruption-free food system generating premium products because they don’t fully understand their target market(s). “You [need to] get in there and try as hard as you can to lose your Western filter and just absorb what is going on; it’s not better and worst, it’s just different. So understand the differences and then respond to them,” she says.

“I talk to businesses all the time who are so passionate about their product, they know it inside out but they don’t know who the target market is and they can’t understand why everyone doesn’t want their product.”



### Dynamic change, slow burn

NZTE runs an annual China digital marketing conference; this year's virtual version drew over 350 attendees.

The digital landscape in China is complex, wickedly dynamic and shot through with fakes: from e-commerce stars like Alibaba setting up bricks-and-mortar stores whose location and stock are finely targeted using online customer data, where customers can scan items they want to buy, order and eat a meal while the items are packed and then collect their shopping as they leave or have it delivered home; to social commerce via "mini-apps" on the WeChat platform; to livestreamed endorsements by China's equivalent of influencers (where rules around health claims are much murkier).

Exporters can also now take a calculated gamble, says Tanner, on e-commerce newcomer Pinduoduo, which has broken up the Tmall-JD.com duopoly and is much less expensive to join than Alibaba, but may cheapen a brand because it's known as a cheap platform.

"You're getting changes so rapidly in China that it's difficult for a lot of Western businesses who are in a much more stagnant market to appreciate and adapt to," says Tanner.

In conjunction with China Skinny, NZTE released a report in May that showed natural health was one of the best-performing categories since the coronavirus outbreak and was likely to fare better than most categories in the new normal.

According to Chinese e-commerce giant JD.com, a major competitor to Tmall, during the opening of its 18-day June shopping extravaganza, the 618 festival, turnover of imported health supplements increased 175% year-on-year; the probiotics category by 345% and the vitamin/mineral category by 175%.

Rising demand and awareness around health is already seeing new opportunist brands enter the market, creating an increasingly crowded marketplace and reinforcing the need for New Zealand companies to keep their brands active and up-to-date, and to get health claims scientifically validated.

Free online resources include NZTE's newly launched "myNZTE" platform, and MPI's China Health Food Regulations and Caution against export of product with misleading information and claims. NZTE also has business development managers in China, market access specialists and can offer market research support to exporters.

Anagenix, which develops and validates ingredients for the functional food and nutraceutical markets out of New Zealand bioactives, is hopeful its lung health supplement ingredient BerriQi will make headway in this environment. BerriQi is derived from boysenberries and apples, which Plant & Food research has shown reduces lung inflammation in a mouse model. Clinical trials on the product in China, in collaboration with Collaboration with HVN and the Malaghan Institute, have been put on hold until borders re-open.

Anagenix has distributors in China who on-sell bulk ingredients into several Chinese brands. Ceo Chris Johnson says the company has been in China for three years but finding the right partners is a challenge and requires patience, as relationship-building is much more important than in Western export markets.

"America will read it on a brochure or see it on a website/video, and away they go, but Asia will want to come down and experience the story. The story means a lot to people in China and the credibility of NZ means an awful lot. The reputation doesn't get you across the line, but it helps you get up the line. At the end of the day science and price are equally important; they struggle sometimes to see value, that takes a lot longer to sell."

Anagenix has traded strongly through the pandemic with its immunity products going gangbusters, Johnson says. "The big brands are even more focused on finding a differentiated product with a differentiated story."

### Seeking possibility

The big food exporters invest significant resource into building their Chinese stories.

Zespri's brand refresh pulled together insights from its market research in China (and elsewhere) with findings from its scientific research programme, which has involved HVN and Plant & Food among other partners, to come up with the tagline "Make your healthy irresistible".

Zespri chief growth officer Jiunn Shih says it has resonated well its target audience in China, which it dubs "possibility seekers" – higher-income females and mothers between the ages of 25 and 45, who are quality-conscious, driven by enjoyment and unwilling to compromise on taste for health.



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Zespri's Jiunn Shih says influencers and partners need to share the brand's values.



Zespri advertises with major Chinese online TV platforms like iQiyi and Youku and mobile apps, and has been partnering with top e-commerce platforms for 'branded takeovers', where brands temporarily take over another site or platform – like a virtual newspaper wraparound ad. Zespri works with renowned Chinese volleyballer Zhu Ting, whose post on how she “makes her healthy irresistible” drew more than 110 million views on social media channel Weibo in just 24 hours.

To differentiate health claims, it has positioned Zespri Green Kiwifruit around 'everyday balance' (focused on fibre), partnering with a popular yoga studio chain; while SunGold promises a 'vitality boost', which emphasises its vitamin C content. Zespri has also partnered with China's top professional health platform, Ding Xiang.

“It's...imperative to reach your key audience through the right channels and partner with brand ambassadors who fit your brand ethos and drive a positive association for your brand beyond amplifying your message through their network of followers,” says Shih.

Obviously, the Covid world brings new challenges as well as opportunities, and not just related to supply chain disruption. A rising fear in China about imported food being infected with Covid-19, despite assurances by authorities there is no evidence this can happen, led to salmon disappearing from stores and restaurants early June after reports that traces of the virus were found on a chopping board used to cut imported salmon.

The following week, China suspended imports of poultry from US meat giant Tyson Foods after a coronavirus outbreak was reported in its Arkansas factory.

Tanner: “It's a challenge but also an opportunity; we're incredibly clean and we really need to be reinforcing that without kicking others while they're down.”

By **Nicola Shepherd**

Journalist

Contact the Writer: [nicola@nbr.co.nz](mailto:nicola@nbr.co.nz)

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