

# **Marketing Strategies for Profitable Growth**

***Nathan Maxwell-McGinn***



AUSTRALIAN  
SEAFOOD  
COOPERATIVE  
RESEARCH CENTRE

**Project No. 2013/727**



***This project was conducted by the Craig Mostyn Group with support from the Seafood CRC.***

**Copyright, 2013:** The Seafood CRC Company Ltd, the Fisheries Research and Development Corporation and Craig Mostyn Group.

This work is copyright. Except as permitted under the Copyright Act 1968 (Cth), no part of this publication may be reproduced by any process, electronic or otherwise, without the specific written permission of the copyright owners. Neither may information be stored electronically in any form whatsoever without such permission.

*The Australian Seafood CRC is established and supported under the Australian Government's Cooperative Research Centres Program. Other investors in the CRC are the Fisheries Research and Development Corporation, Seafood CRC company members, and supporting participants.*

Office Mark Oliphant Building, Laffer Drive, Bedford Park SA 5042  
Postal Box 26, Mark Oliphant Building, Laffer Drive, Bedford Park SA 5042  
Tollfree 1300 732 213 Phone 08 8201 7650 Facsimile 08 8201 7659  
Website [www.seafoodcrc.com](http://www.seafoodcrc.com) ABN 51 126 074 048

#### **Important Notice**

Although the Australian Seafood CRC has taken all reasonable care in preparing this report, neither the Seafood CRC nor its officers accept any liability from the interpretation or use of the information set out in this document. Information contained in this document is subject to change without notice.



**Australian Government**  
**Fisheries Research and  
Development Corporation**



An Australian Government Initiative



ISBN: 978-0-9756045-5-7

## **NON-TECHNICAL SUMMARY**

**PROJECT NO:** Marketing Strategies for Profitable Growth (Harvard Business School Shanghai).

**PRINCIPAL INVESTIGATOR:** Nathan Maxwell-McGinn

**ADDRESS:** 6 Short Street, Fremantle

## **ABOUT THE PROJECT/ACTIVITY**

### **BACKGROUND AND NEED**

Approached by the Seafood CRC to attend the May 5<sup>th</sup>-8<sup>th</sup> Harvard course titled “*Marketing Strategies for Profitable Growth*” based in Shanghai.

The market in China is changing rapidly with centres of growth moving away from the traditional coastal areas. At the same time Australia’s Lobster and Abalone industries are facing competitive pressures from new sources of “Live” seafood. Adding to this the recent push for better market access to China for Australian seafood will mean exporters will have to adapt the way they do business in China.

### **RESULTS**

Over the course of the four day program participants using the case study method examined the successful marketing practices as well as the mistakes that have derailed companies operating in China and around the globe. The cases were as follows:

**Microfridge: The concept (US)**

**Yesmywine (China)**

**Lenovo: Building a Global Branding (US and China)**

**Shanghai Jahwa: Herborist in Europe (China)**

**Zappos.com 2009: Clothing, Customer Service and Company Culture (US)**

**Singapore Metals (Singapore)**

**Aqualisa Quartz (UK)**

**Alibaba’s Taobao (China)**

**Starbucks: Delivering Customer Service (US)**

Although interesting topics/cases I would have preferred the majority of cases to be more China related. The Chinese perspectives gained through the class interaction was very valuable to learn how they approach individual business situations.

### **Branding in China**

Overall the Chinese high end consumer is still very “brand” orientated and this is geared towards western products that carry with it the symbols of luxury, quality and perceived high value. However there is a movement away from “luxury” for show in the mega rich segment and these are the consumers who are looking for a different experience and can be classed as “connoisseurs”. They travel frequently overseas and experiment with new foods. A recent KPMG survey showed that respondents in Shanghai were in many respects more cynical in their attitudes to luxury and least likely to purchase purely as a status symbol. In contrast the new elite in the second tier cities of China see the ownership and consumption of luxury goods as a way to demonstrate success and social status.

So in the premium market segment there are two differing consumer purchasing drivers.

1) Brand orientated, flashy and status seeking (1<sup>st</sup> and 2<sup>nd</sup> tier cities)

2) More sophisticated consumer, looking for a new experience (Hong Kong, Shanghai & Beijing)

Both represent a current and future customer base, how our product is portrayed will be important to consumption rates in each segment.

For high end diners in Shanghai and Beijing the approach needs to be around education of chefs to prepare and present SRL (Southern Rock Lobster) in new and innovative ways. Fashion brands have used special events to create a culture of luxury in China, this approach provides for sustainable purchasing and interaction with their products. Creating the luxury environment gives Chinese customers an opportunity to develop their tastes in a luxury lifestyle and build emotional connections with brands/products.

As an extension of the above idea partnering with other premium Australian offerings such as wine and abalone to provide the “Luxury Australian Dining Experience” is an obvious choice but would require cross segment co-operation. The increased consumption and knowledge of wine in China represents a very large opportunity to leverage “Australian” quality across two complementary offerings. The Australian wine industry facing competition from France, New Zealand and Chile is also looking at ways to compete and distinguish themselves in this growing segment and may be receptive to partnering here.

Overall the distrust of “Chinese” made goods is very real and especially relevant in food groups. Therefore the major selling point for SRL is the broader “Australian” brand image of a product sourced from a safe and pristine environment. Focusing on quality is not a luxury branding position as people expect quality as the minimum in the premium segment.

Instead I believe the focus should be on the “experience” and the limited number (scarcity) of our resource. In effect they are lucky and one of a small number to be able to enjoy this luxury.

One of the key messages learned at Harvard about “Luxury Brands” is the brand leads the consumer not the other way around. In this case our product collectively is the brand and the SRL industry has not positioned itself to have control over this. However I believe it can defend and expand its premium position in China with a generic branding proposition that is identifiable and overtime clearly separates SRL from other species misrepresented as Australian.

### **Market Opportunity**

I believe the largest opportunity for SRL exists in the development of new markets within China. Many of the consumers here have had limited or no access to SRL, interestingly however they have knowledge of Australia lobster despite being unable to distinguish it from other species. Many of the worlds large fashion brands were the first to establish in the primary cities in China, they are now well established in secondary cities as this represents the targeting of the newly “Brand Conscious” rich.

Realising potential in China will require individual companies to take a lead role here, however for long term development a unified and generic branded approach under an industry peak body guided by exporters would be recommended. Education of product handling and storage should form part of any approach. Evidence of the changing market in China was supported from my recent discussions with two Shanghai importers who are now sending between 50-90% of their products to surrounding cities within a 1hr flight.

Other industries such as the “Boston” lobster industry are now actively involved in 2<sup>nd</sup> tier cities of China. The low value of the cargo and the species ability to travel long distances is supporting their push into new markets within China. The benefits for the SRL industry are 1) Infrastructure and tanking investments 2) Increased logistics and “live” handling awareness 3) A growing seafood consumer base.

For importers to promote seafood in 2<sup>nd</sup> tier cities I believe they need a low price and volume to establish the market. SRL is not in a position to offer this and the high price would create too much risk for the importer. Low priced and volume species can assist SRL by establishing the “live” trade in these new cities and SRL can gain the benefits by positioning itself as the premium brand and use the infrastructure developed already.

## **INDUSTRY IMPACT**

### **PROJECT OUTCOMES (THAT INITIATED CHANGE IN INDUSTRY)**

This project is built around expanding the knowledge base of our main market and understanding what opportunities and threats exist in China with the eventual transition to direct trade. Industry must start planning for this change and work towards diversifying into emerging markets in China. Further work in a supplementary study needs to be undertaken on the Chinese market to rank 2<sup>nd</sup> tier cities on the following criteria:

1. Population demographics
2. Size of middle class
3. Size of emerging new elite class
4. Provincial GDP figures
5. Growth forecasts
6. Logistic networks (internal and external)
7. High end seafood consumption per kg
8. Barriers to trade
9. Key government officials / departments
10. Main food / seafood importers
11. Customs clearance procedures
12. Main source of imported "Live" seafood

Once each city is assessed and ranked according to the set criteria this information should be distributed to the industry for individual companies to make informed decisions around their own marketing strategy and risk management.

The work proposed by Southern Rocklobster Limited on generic branding supports my view on protecting and expanding our premium position.

### **WHAT BARRIERS ARE THERE FOR CHANGES TO OCCUR?**

- Lack of industry co-ordination
- Inability to work across industries (wine, beef, abalone)
- Gap in Industry leadership
- Lack of funding or funds spent in wrong areas
- Lack of Government support (Australia)

### **WHAT IS THE LIKELIHOOD THAT THESE CHANGES WILL OCCUR?**

The market is changing and it is extremely unlikely that Australia and China will not have some form of agreement in place in the near future. Proactive companies will adopt their own internal market diversification projects but the changes need to occur at a peak body level to benefit the wider industry.

## **COMMUNICATION OF PROJECT/EXTENSION ACTIVITIES**

### **WHAT IS THE OUTPUT THAT NEEDS TO BE COMMUNICATED?**

Industry needs to work together to develop new areas of China, business co-investment supported by both government and industry bodies is required. The scarcity rent of our product combined with the potential size of the Chinese market means any growth in China will take away pressure on the informal trade routes (the cause of market volatility and pricing peaks and troughs). This leveling out effect will mean higher and more stable pricing as the limited supply we have is demanded in other regions of China.

The success of our combined efforts will benefit the entire industry in the long run.

### **WHO IS/ARE THE TARGET AUDIENCE/S?**

Exporters  
Marketers  
Fisherman  
Industry councils  
Government Departments  
Government Ministers

### **WHAT ARE THE KEY MESSAGES?**

1. We are a long way from reaching market potential in China
2. Alternative markets outside of China should not be the primary focus of Government/Industry funding
3. SRL needs to be branded to differentiate against other lobster
4. Our country of origin can be leveraged greater "Australian Image"
5. We need to work across industries both in-market and on the FTA process
6. SRL Industry needs to work together

## **LESSONS LEARNED AND RECOMMENDED IMPROVEMENTS**

### **WHAT IS YOUR FEEDBACK?**

Course format and style was very engaging as a student, however some of the content was not applicable to our industry at this time. The course was comprehensive in that it covered pricing, advertising, market segmentation, brand awareness, social media and competitive analysis. Social media was of particular interest in China as they have a diverse range of options when compared with western markets. Its application to our industry whilst not applicable currently it should not be discounted. I have omitted my findings and thoughts on this area as it will not be relevant in the near future.

In regards to regular industry attendance, there may be other courses at Harvard or with another institution that may provide greater benefits to the attendee/industry. This however will need to be assessed based on ongoing branding in China and the stage that the industry is in at that time.

Many thanks to the Seafood CRC and in particular Jayne Gallagher for her support. Also the Craig Mostyn Group for co-funding the trip.

Nathan Maxwell-McGinn