NEW ZEALAND

MĀNUKA HONEY IN CHINA

Section 6 of Mānuka honey market landscape - 2022

China Overview

China is the world's largest market for general honey, and largest importer of Mānuka honey from New Zealand. However, it is a low-value market in per capita terms.

Our sample of four premium supermarkets showed a market presence from 12 brands. Stores within our sample generally held a low number of brands, but had strong product selections in terms of both price and grade.

Our Taobao analysis showed 15 brands who all had a SKU in the top 130 Mānuka honey products. However, brand dominance was evident with one brand accounting for the majority of sales.

MARKET OVERVIEW
2021-2022

HONEY MARKET SIZE BY VALUE 2022 (USD)

$1,055M

1st globally

HONEY MARKET SIZE PER CAPITA 2022 (USD)

$2.80

111th globally

MĀNUKA IMPORT VALUE FROM NZ 2021 (USD)

$56.5M

2nd globally

TARIFF

0%

RETAIL OVERVIEW
SEPT/OCT 2022

RETAIL VALUE TAOBAO 1 Month average top 130 SKUs (USD)

$1,922,968

NUMBER OF SAMPLE BRANDS

12

NUMBER OF SAMPLE STORES

4

Key takeaways

A few brands dominate the market

Five brands account for 92% of Taobao sales of the top 130 SKUs.

New players in the market will need to ensure their unique selling point is centred on key drivers which relate to the Chinese market.

Premium Supermarkets stock a low number of brands

The four supermarkets within our sample all stocked a low number of brands, but a high number of products.

Supermarkets are loyal to the brands they select, and look more likely to expand their product range, rather than brand range. This means that getting into premium supermarkets will be tough for producers.

E-commerce platforms are the most popular distribution method for vitamins and supplements in China. With consumers mostly viewing Mānuka honey as a health supplement, this distribution method will be challenging but aligns well with the market, so long as entry is supported with strategic branding.

Stores offer a selection of grade levels

Our store sample showed that premium supermarket retailers are stocking Mānuka honey products at a low, medium and high grade.

With retailers providing a range of grade offerings, brands need to consider how their products measure up against products also at the same grade. Brands should look to leverage value-adding claims which align to the market. This will better ensure brands don't need to rely on being the cheapest product within their grade range to attract buyers.

Market levelled in growth in 2021

After experiencing growth in 2020, exports into China remained at the same level in 2021.

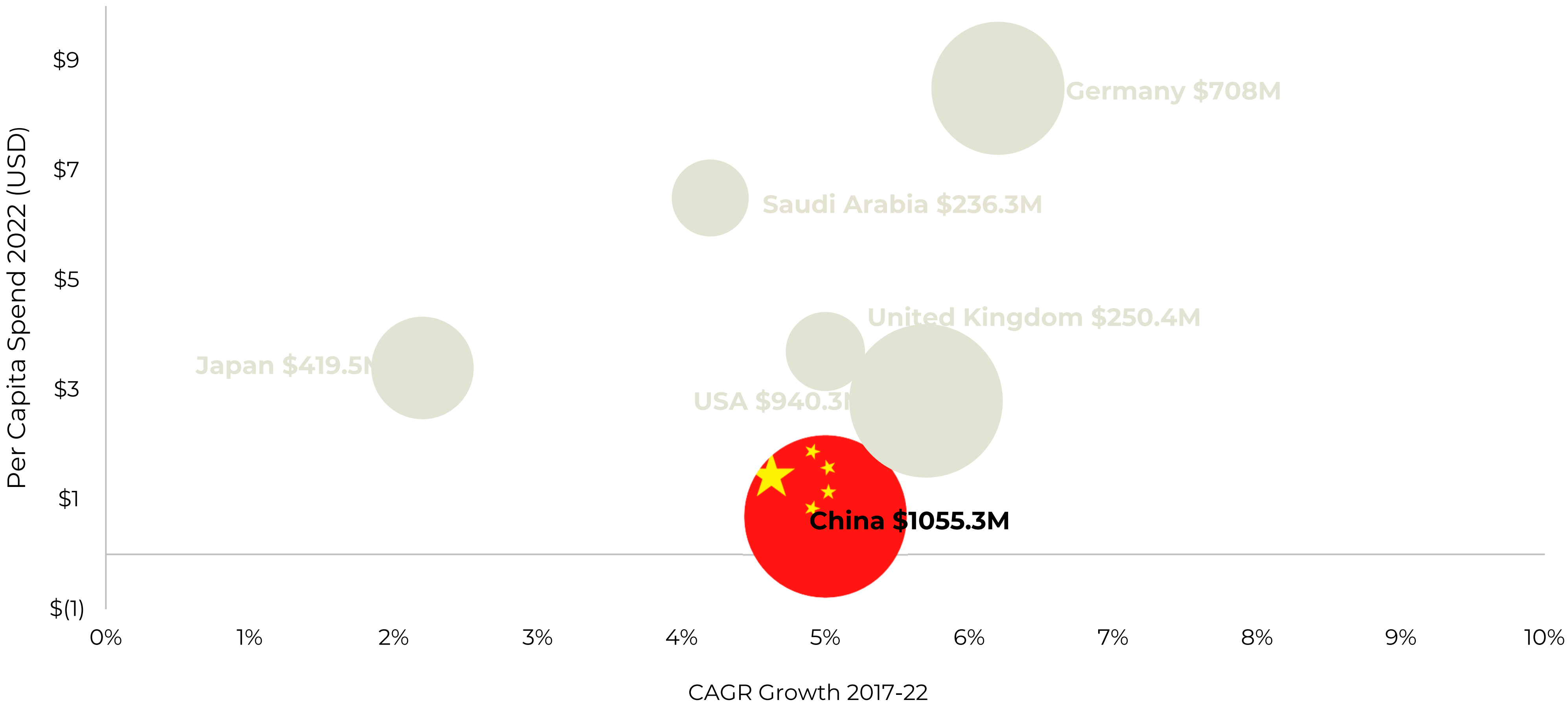
The market may prove challenging to enter due to stagnant demand for NZ Mānuka honey exports and an already high number of products available. There are also already dominant players within the market with availability across Taobao and in-store.

Brands wishing to enter China will need to consider long-term approach to building their brand presence in-market, typically in-market presence and resourcing is required to be successful in this dynamic and fast-changing market.

China is the largest honey market overall and has grown in the last five years, but is lower in per capita spend

HONEY MARKET SIZE, PER CAPITA SPEND, AND GROWTH 2022

Value in USD



Source: Euromonitor (2022) – Market Size: Honey

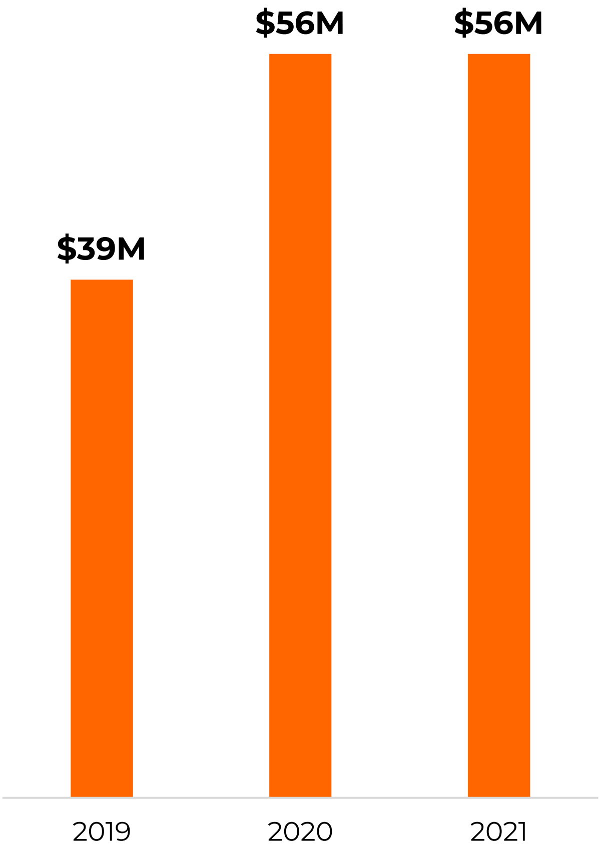
Exports of Mānuka Honey from New Zealand to China grew by 17M USD from 2020

Mānuka honey imports across Monofloral and Multifloral, bulk and in retail grew from 39M USD in 2019 to 56M in 2020.

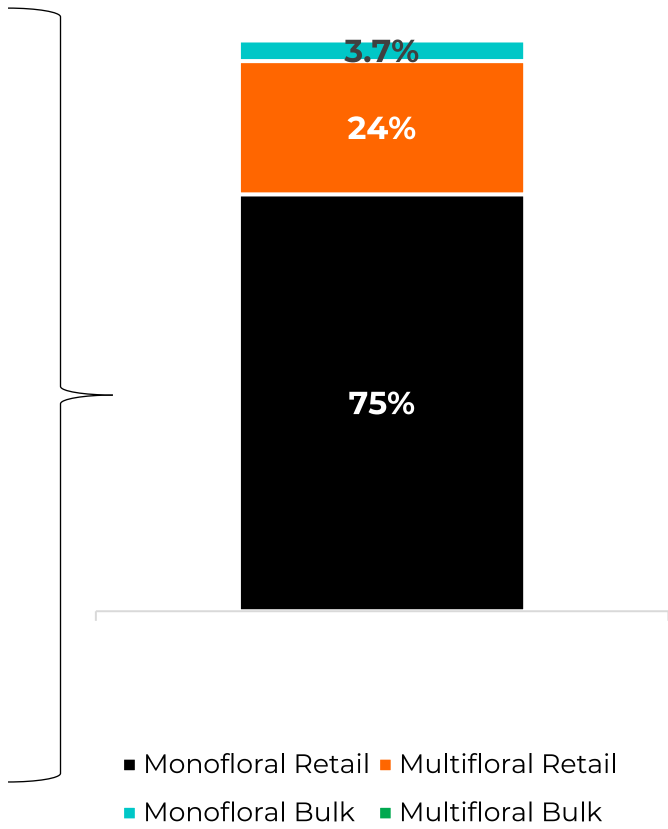
Monofloral Retail Packs make up the majority of imports from New Zealand, at 75% of all Mānuka from New Zealand to China.

Monofloral bulk only makes up 3.7%, while Multifloral bulk and retail make up 24%.

MĀNUKA HONEY VALUE IMPORTS
Value in USD

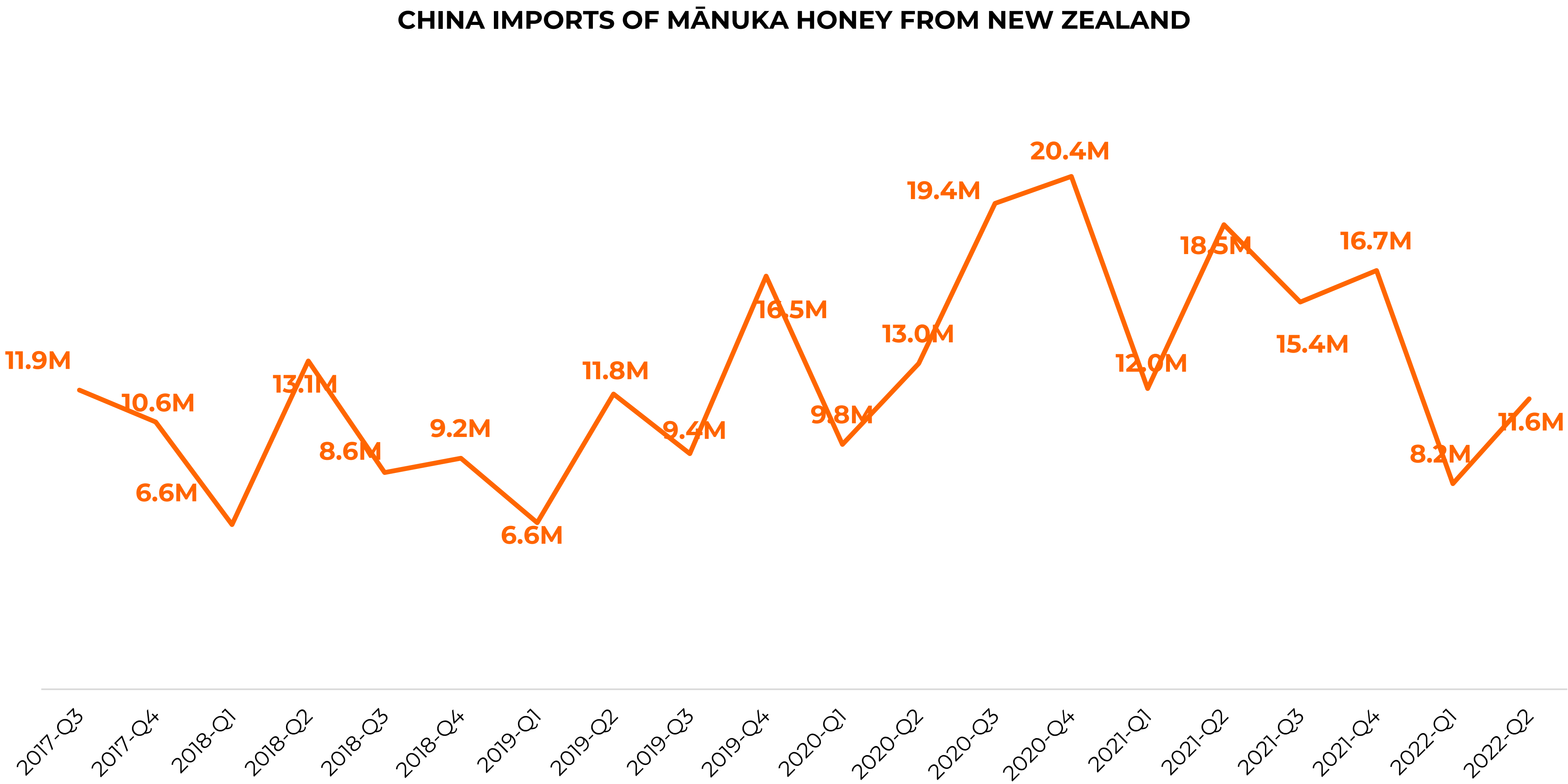


MĀNUKA HONEY IMPORTS BY TYPE 2021



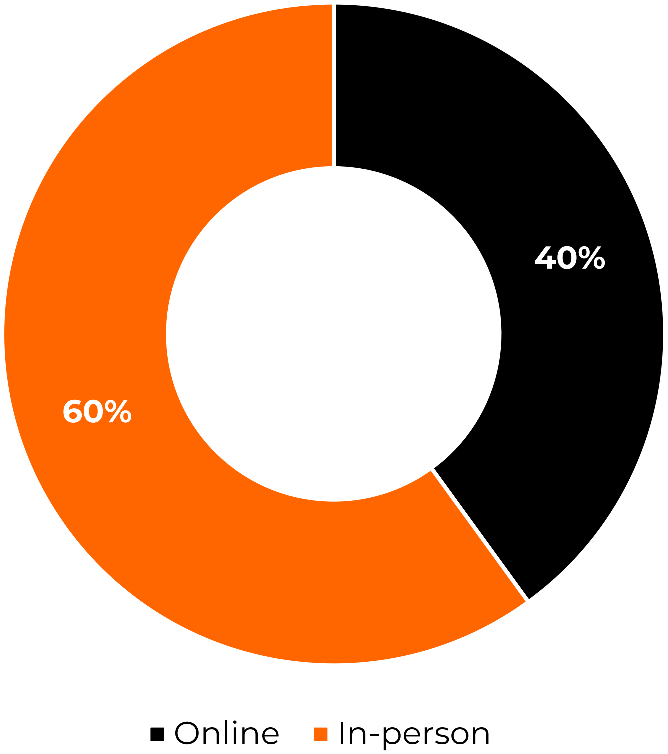
Source – Trademap.org – Export of Mānuka honey trade . HS Codes - '0409000023 '0409000021 '0409000010 '0409000013

Export of Mānuka honey to China declined in Q1 2022



Source – Trademap.org, 2022, HS Codes - '0409000023 '0409000021 '0409000010 '0409000013

Where did you last purchase Mānuka honey?

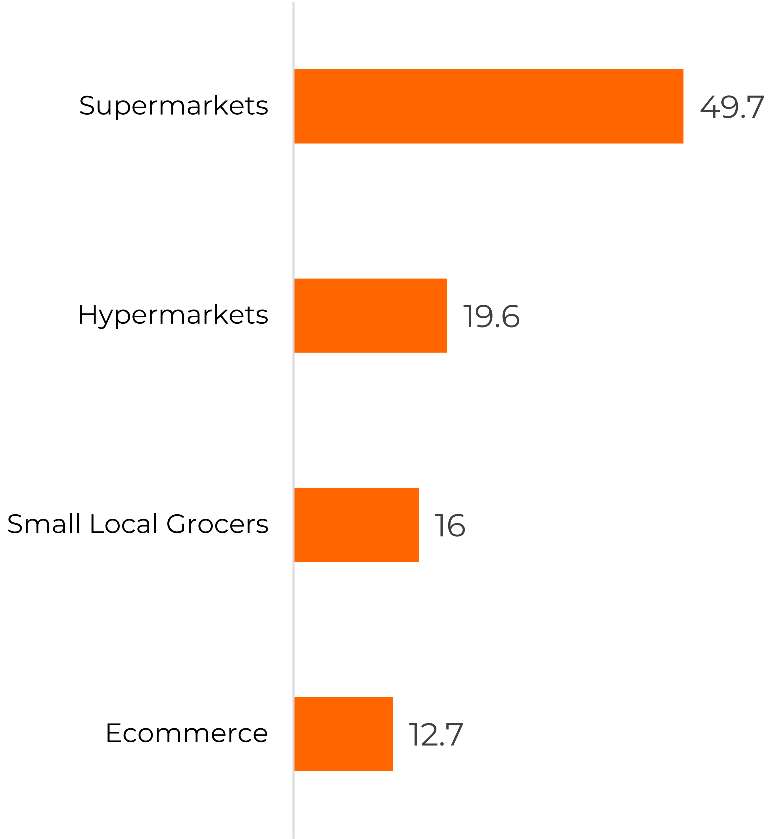


40% of respondents made their Mānuka purchase online

The majority of respondents still purchased Mānuka honey in-person. This may be attributed to Mānuka honey being available in popular supermarkets and pharmacies.

Source: Kantar & NZTE Consumer Survey, April 2021

RETAIL CHANNEL DISTRIBUTION – SWEET SPREADS (%)



Sweet spreads definition:
This is the aggregation of jams and preserves, honey, chocolate spread, and nut and seed-based spreads.

Supermarkets are the key retail channel for sweet spreads* in China, followed by hypermarkets

Ecommerce accounts for 12.7% of sales in 2022. In-person purchases are still prevalent. This may be contributed to Mānuka honey being available in popular supermarkets, pharmacies and health stores.

While pharmacy is not featured here product results across key outlets and NZTE in-market team insight indicates that pharmacy and health stores are important channels.

*It needs to be considered that this category covers ALL sweet spreads, including peanut butter.

Source – NZTE survey, sample Nov 2022, sample size 203

RETAIL CHANNEL DISTRIBUTION – VITAMINS AND DIETARY SUPPLEMENTS (%)

Ecommerce is the main channel for vitamins and dietary supplement sales in China, followed by direct selling

Pharmacies are the next most prominent channel.

Given the Mānuka honey consumer purchases with the same mentality as when choosing vitamins and dietary supplements, it's good to understand performance in this category.

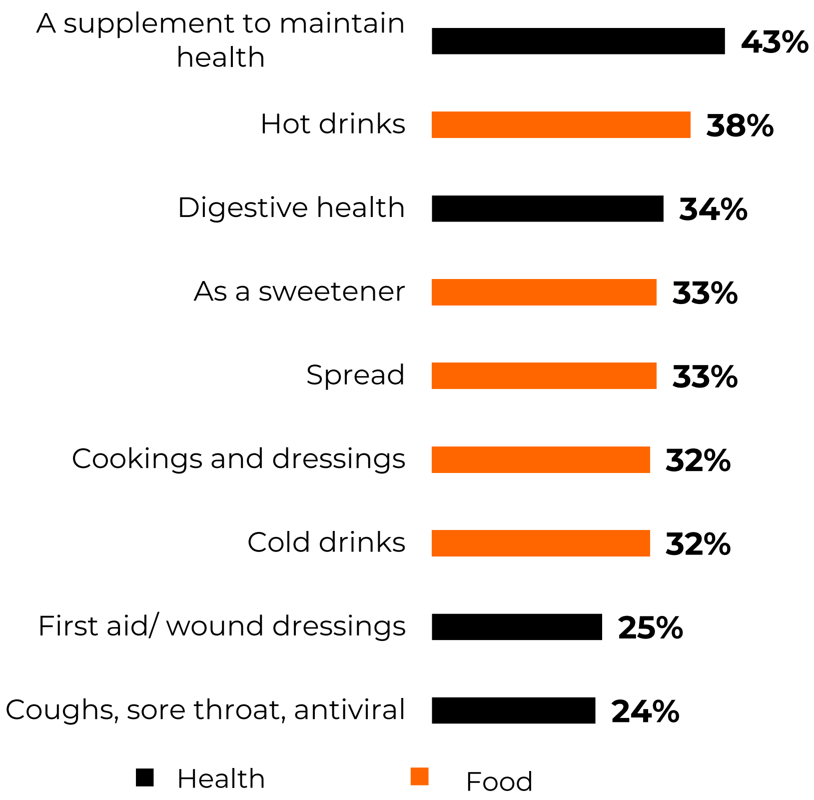
Vitamins and Dietary Supplements definition:
It is the aggregation of Dietary Supplements, Vitamins, Paediatric Vitamins and Dietary Supplements, and Tonics.

Source – NZTE survey, sample Nov 2022, sample size 203

Consumer Insights

The following slides are taken from our consumer survey, looking at the primary uses, purchase drivers and online vs offline purchases.

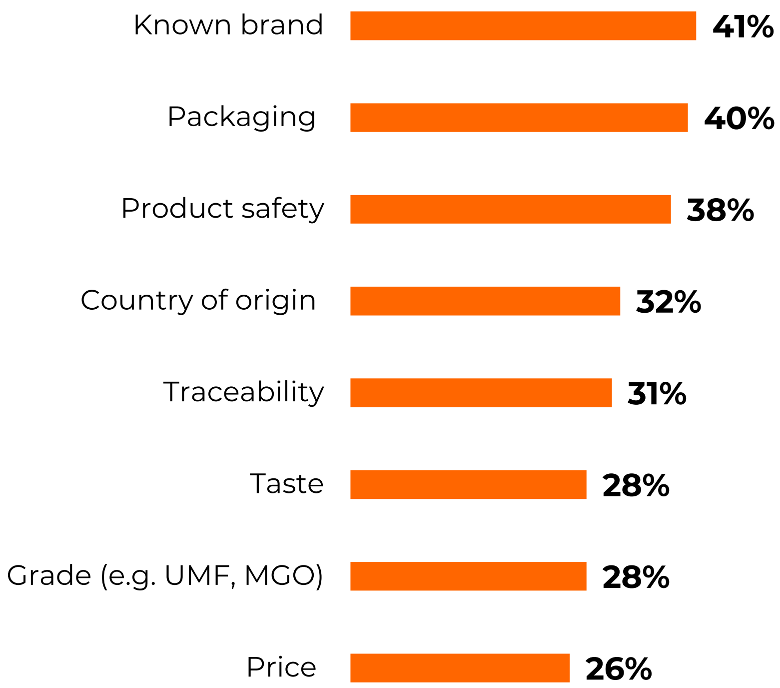
What is your primary purpose for using Mānuka honey?



A supplement to maintain health is the primary purpose for respondents when purchasing Mānuka honey in China

Source – NZTE survey, sample Nov 2022, sample size 204

What do you rank as the top feature for Mānuka honey?

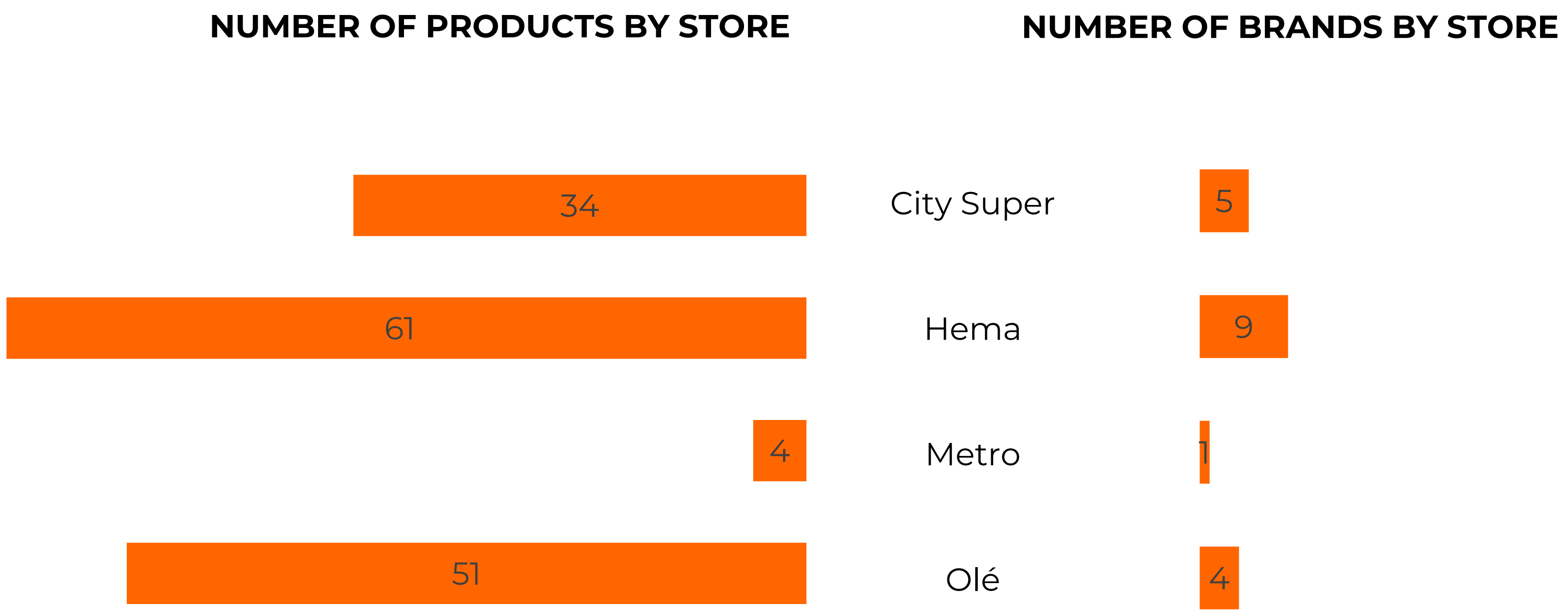


41% of respondents say known brand is the most important feature for Mānuka honey. This is closely followed by packaging

Source – NZTE survey, sample Nov 2022, sample size 204

The following slides look at the online distribution of Mānuka honey in China within premium supermarkets

Premium supermarkets tend to stock a low number of brands, but with a high product count



Premium supermarkets are brand loyal, meaning that they don't stock a high number of brands. However those brands they do stock supply a number of products. This means it might be difficult for new entrants to get into premium supermarkets.

Brands will need to consider how they can differentiate themselves, and provide a new value which is desirable to retailers and consumers, in order to be stocked.

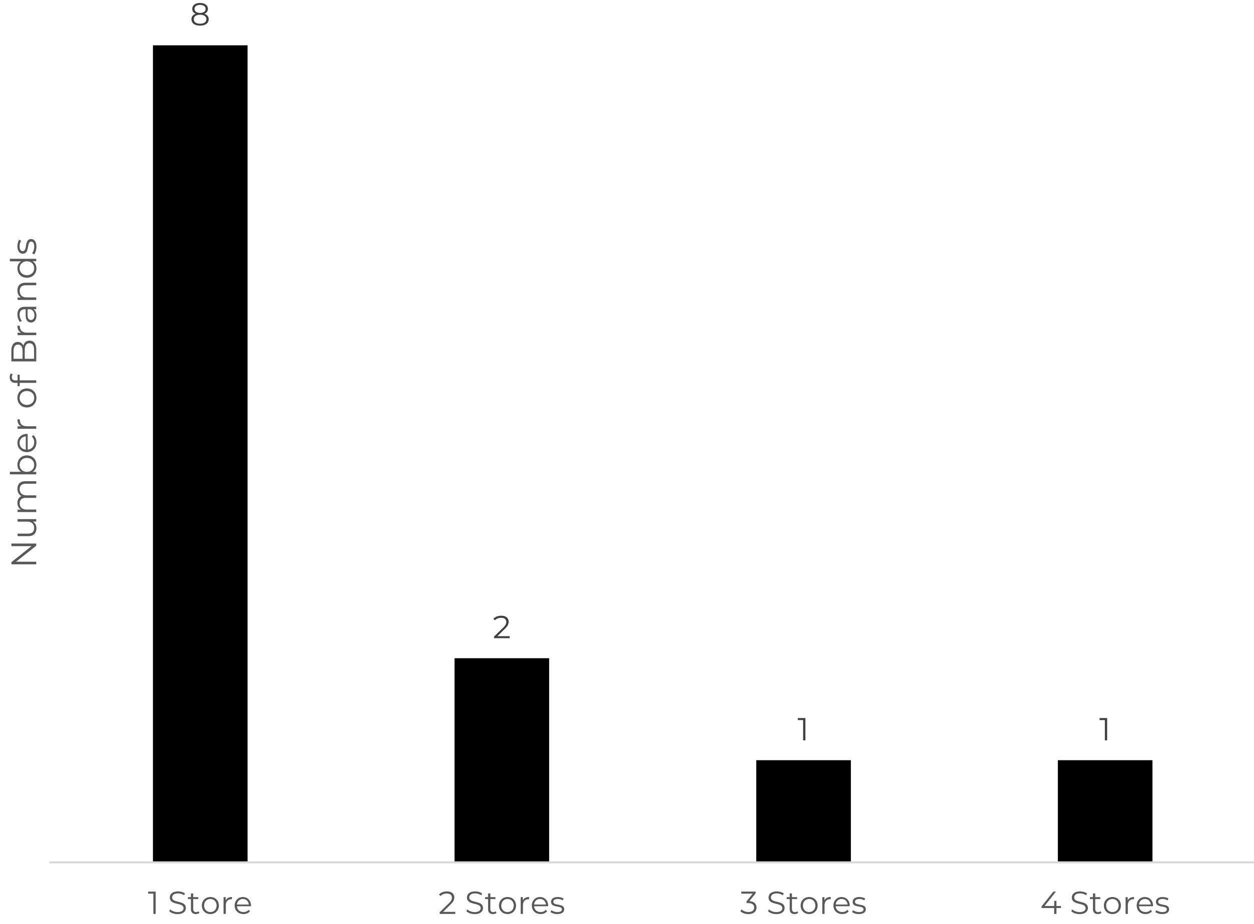
Source: Online distribution channels sourced October/November 2022 by NZTE

67% of brands were only available in one store

Only two brands were stocked in more than two stores.

- 'Brand A' had the greatest brand presence across our sample stores, with availability at all four stores analyzed. 'Brand A' was also the only brand stocked at Metro.
- Most brands were only available in one premium supermarket.
- Gaining space in multiple premium supermarkets is challenging in China. However, brands should place some focus on ensuring their offering is desirable to retailers, as supermarket retail is popular in China.

NUMBER OF STORES SAMPLE BRANDS ARE SOLD



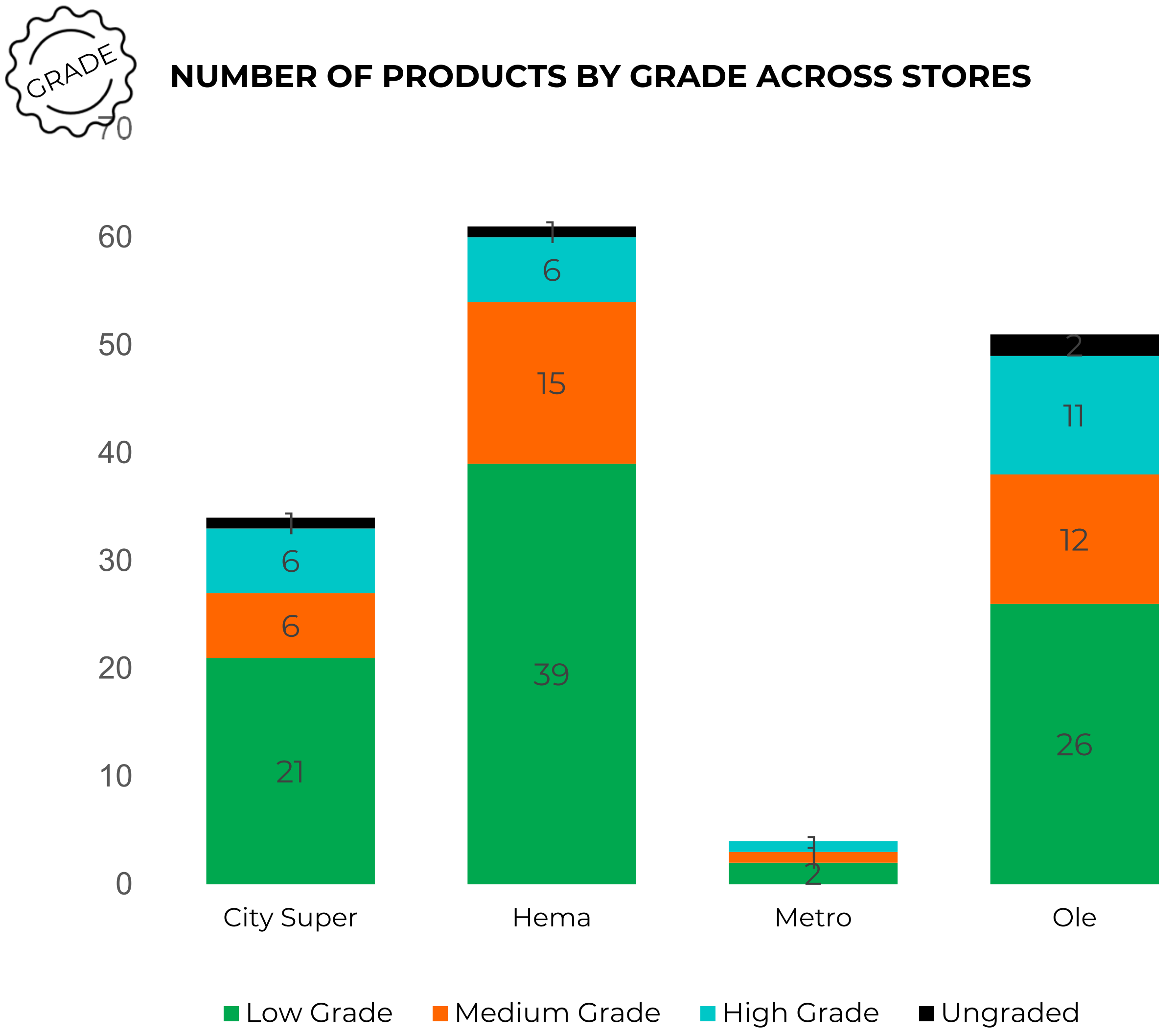
Source: Online distribution channels sourced October/November 2022 by NZTE

All stores provide a range of grade options, even if their total product range is small

Every store had at least one low, medium and high-grade option.

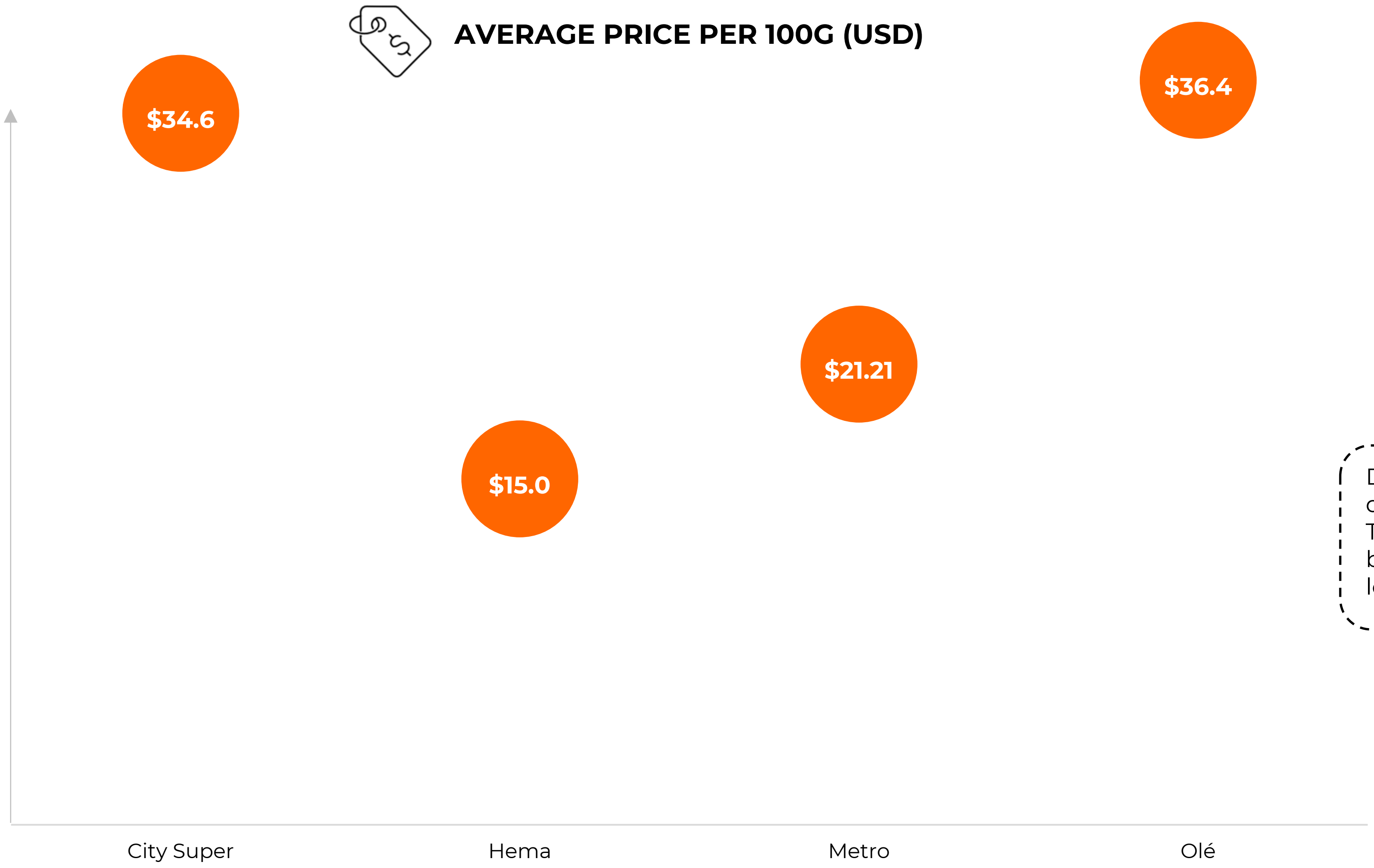
- Low grade honey is the most populous at all four stores.
- Except for Metro, the premium supermarkets offer multiple options within each graded category (excl ungraded products).

NUMBER OF PRODUCTS BY GRADE ACROSS STORES



Source: Online distribution channels sourced October/November 2022 by NZTE

City Super and Olé have higher average pricing than Hema and Metro



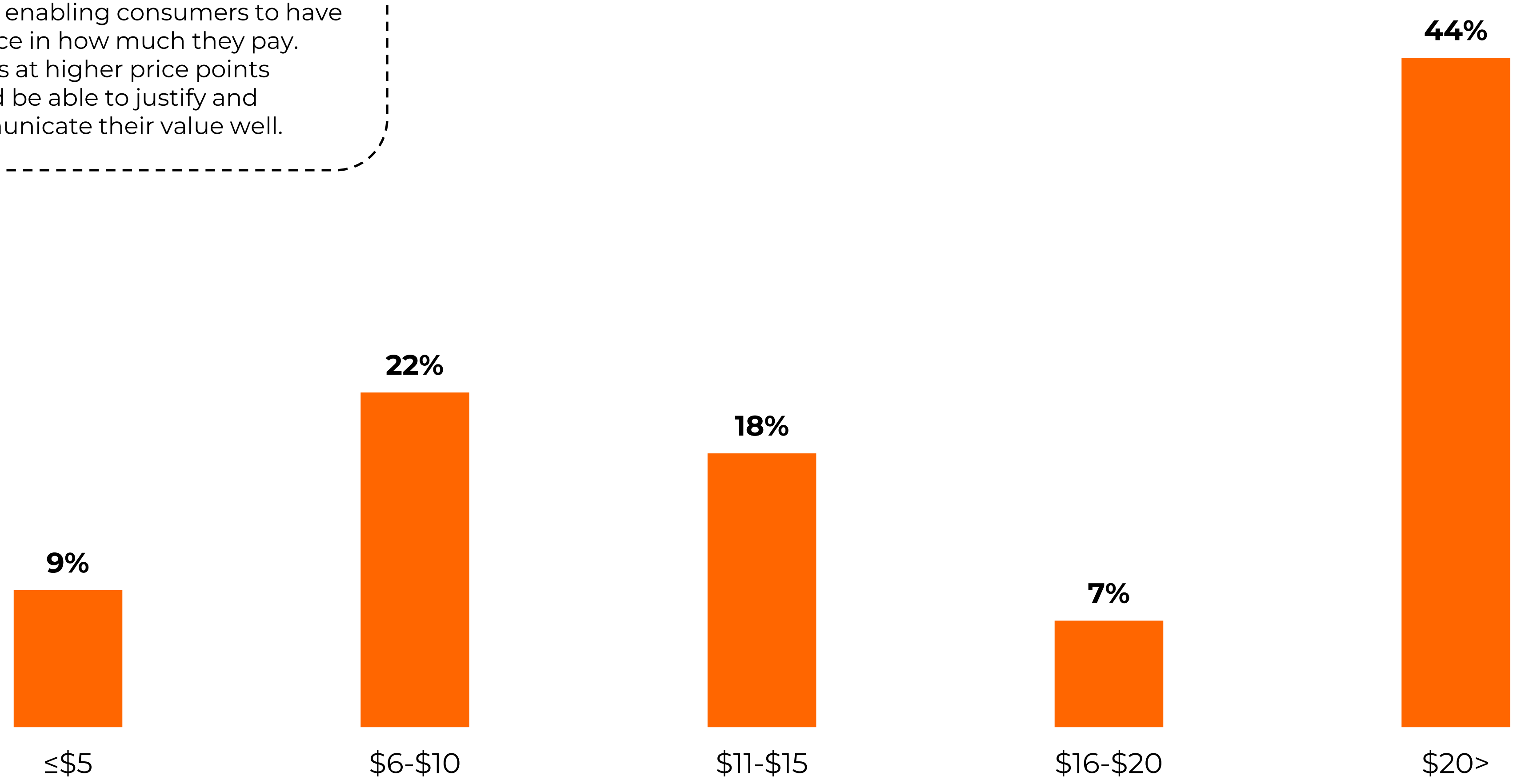
Different supermarkets have different pricing strategies. This will be important for brands to consider when looking at potential retailers.

Source: Online distribution channels sourced October/November 2022 by NZTE

44% of Mānuka in premium supermarkets is priced over $20USD/100g

Mānuka honey is typically an expensive product in China. However, stores are stocking a range of products at different price points enabling consumers to have a choice in how much they pay. Brands at higher price points should be able to justify and communicate their value well.

PRICE RANGE PER 100G (USD)



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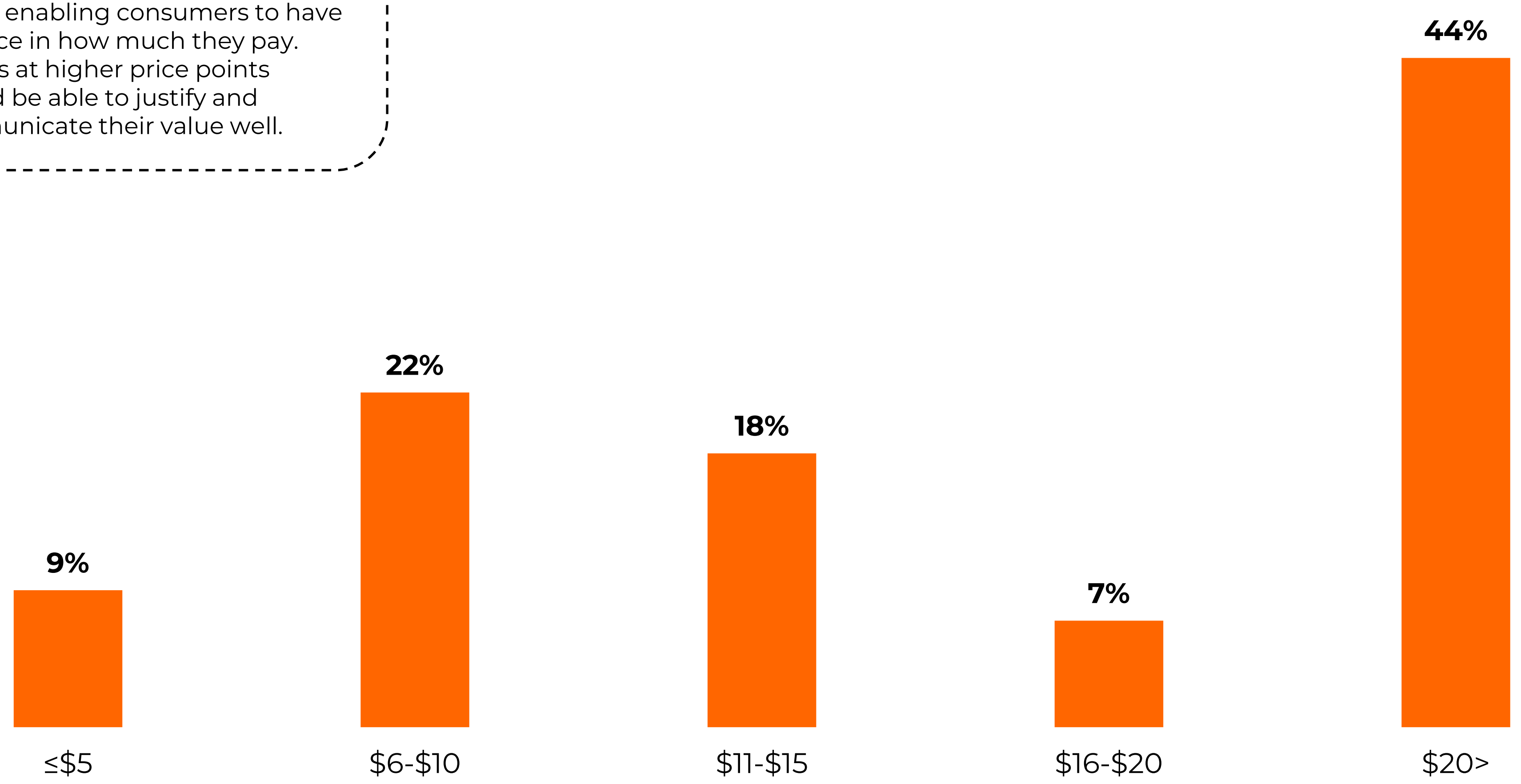


Source: Online distribution channels sourced October/November 2022 by NZTE

The following slides look at the top 130 Mānuka honey SKUs sold on Taobao

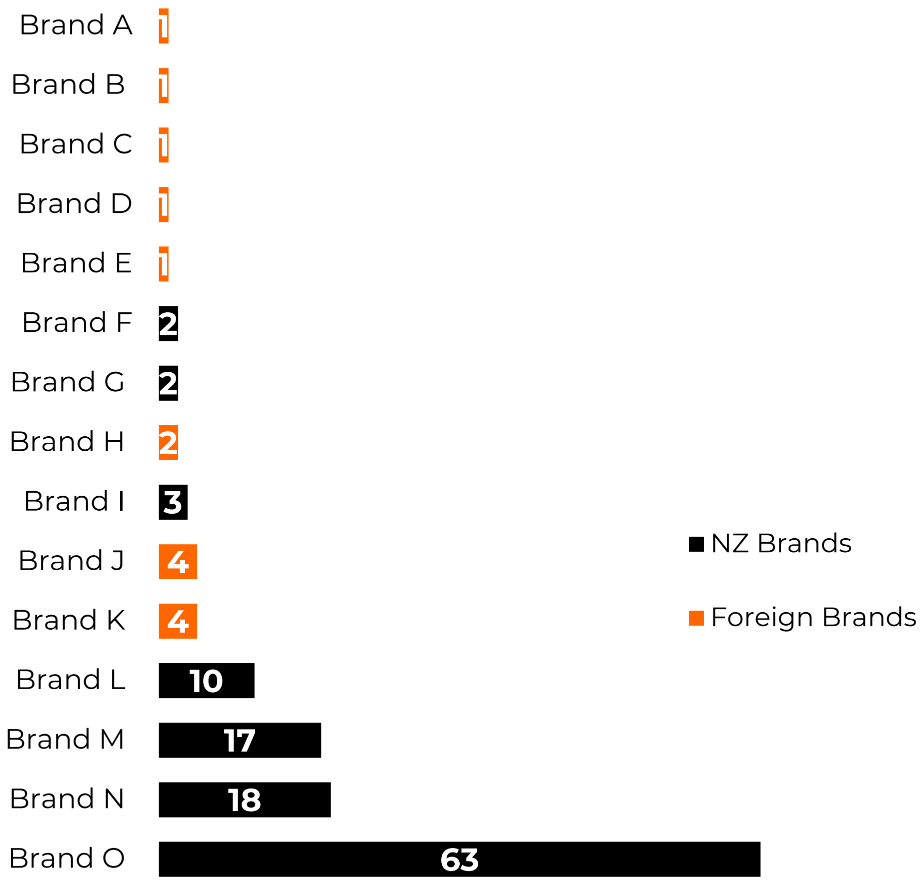
Brand O has 48% of products in the top 130 SKUs

MĀNUKA HONEY BRANDS WITH A TOP 130 SKU

15

New Zealand brands are prominent in the top 130 SKUs on Taobao, showing good credibility of NZ products. However, with a high number of New Zealand products on offer a new NZ entrant won't be able to solely rely on NZ provenance claims to stand out in market.

BRANDS WITH 3+ PRODUCTS IN THE TOP 130 SKUs

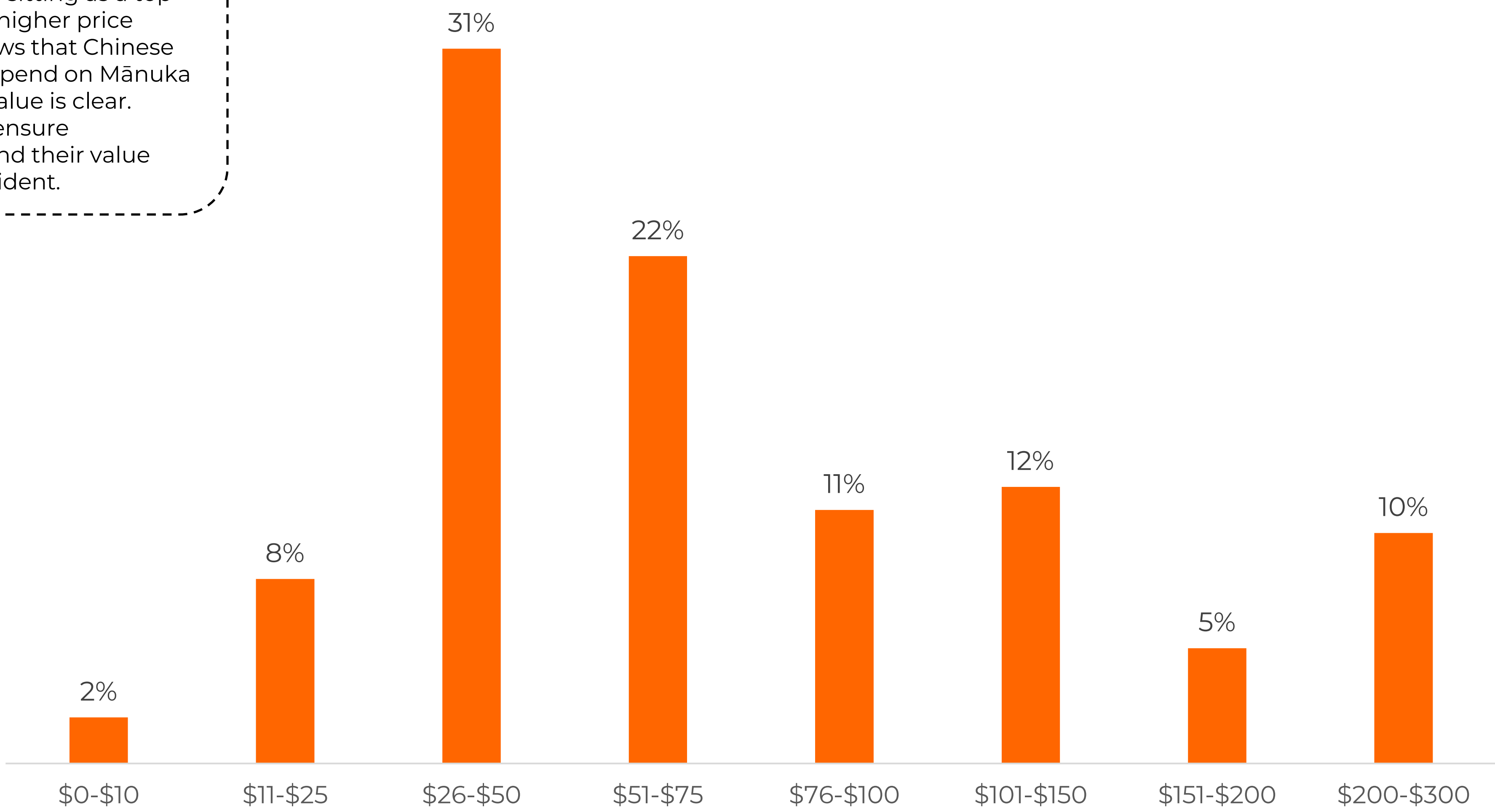


Source: Taobao October/November 2022

The top 130 Mānuka honey SKUs on Taobao sit at a range of different price points

Products are still sitting as a top 130 SKU even at higher price points*. This shows that Chinese consumers will spend on Mānuka products if the value is clear. Brands need to ensure messaging around their value proposition is evident.

PRICE RANGE OF TOP 130 SKUS



Source: Taobao October/November 2022

*Unit price = per order rather than by 100g/size

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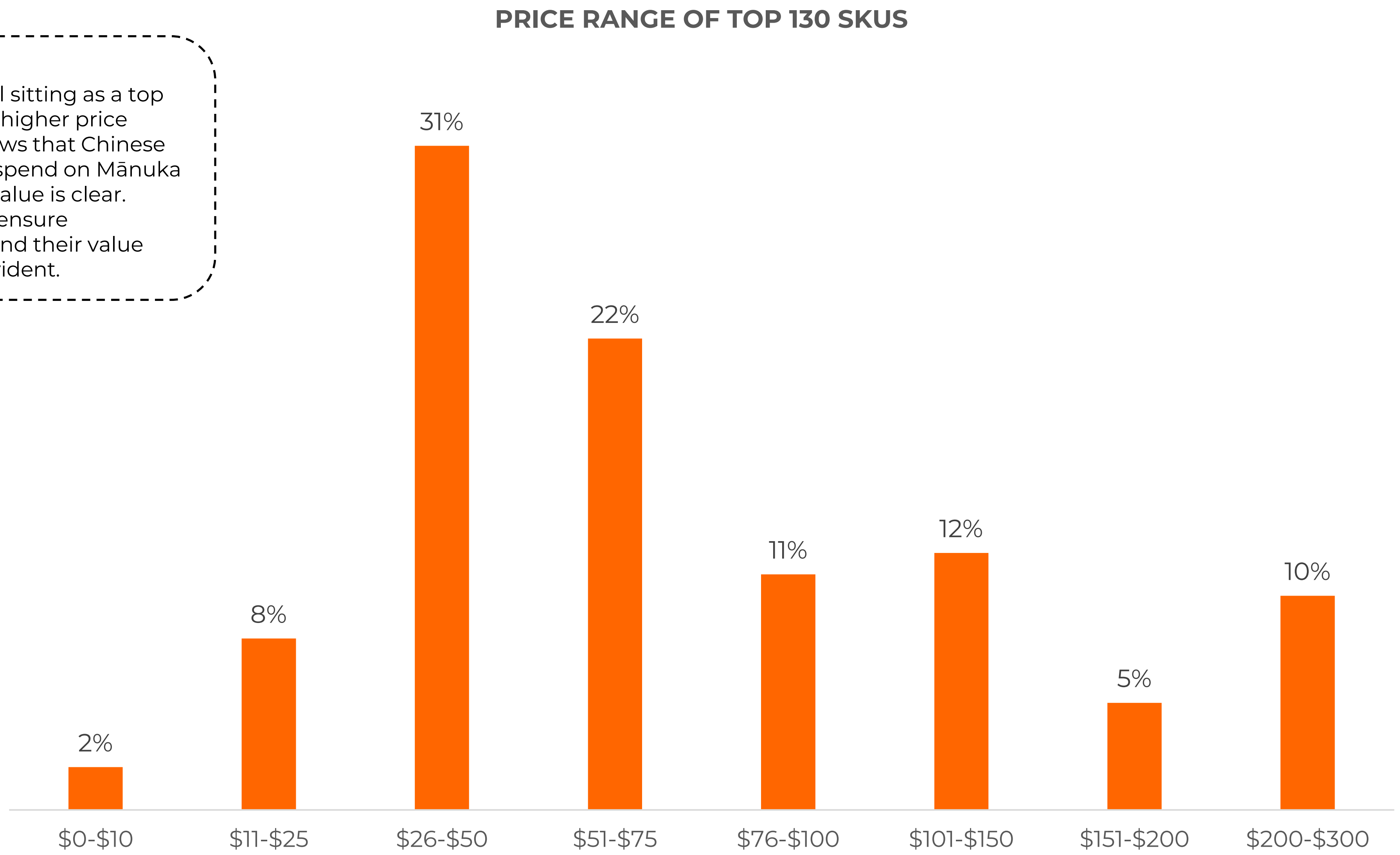


Source: Taobao October/November 2022

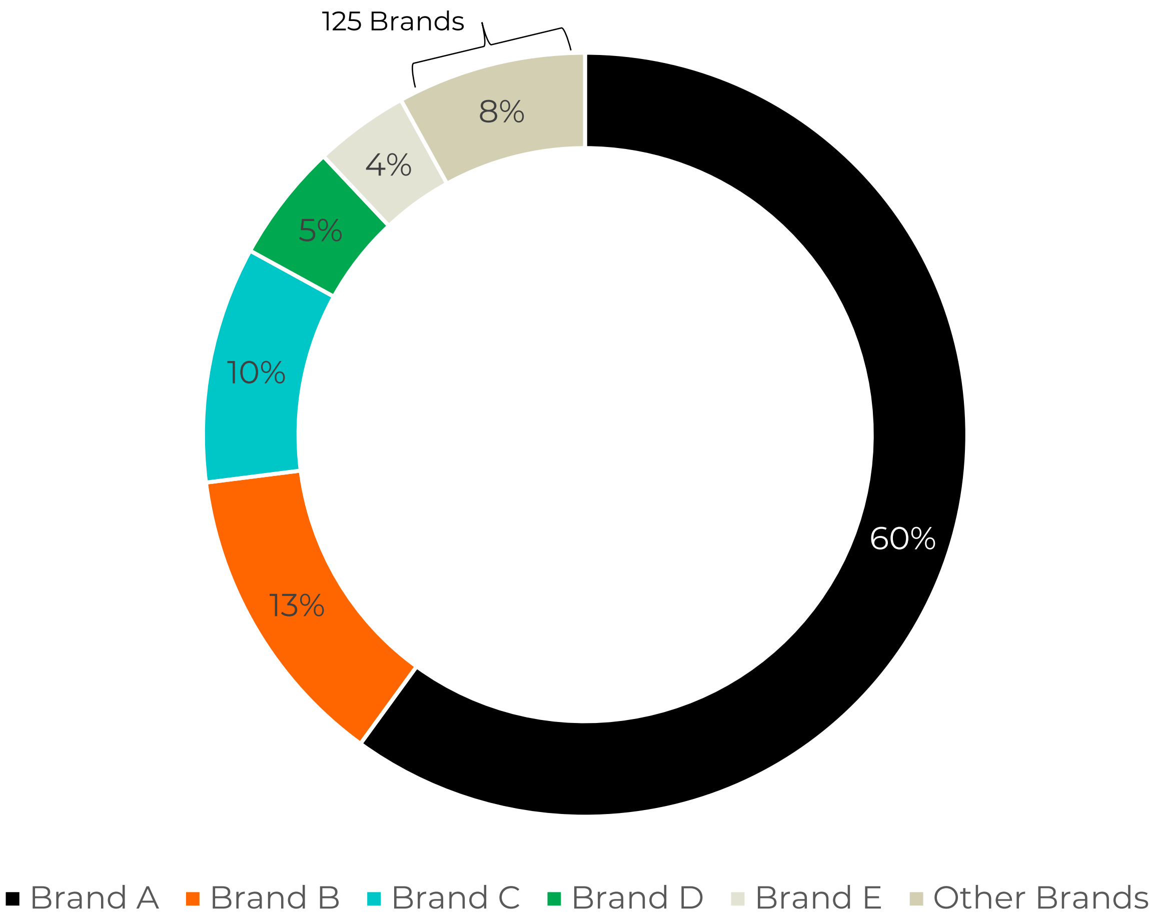
*Unit price = per order rather than by 100g/size

One brand dominates the Mānuka category

60% of the Mānuka category revenue is held by one brand.

- There is significant dominance within the top 130 SKUs with 5 brands accounting for 92% of the sales revenue, and the remaining 10 brands only accounting for 8%.
- With significant dominance from major players, new brands may struggle to attract customers on Taobao. New entrants will need to ensure their brand offering is unique and appealing

BRAND SHARES BY PRODUCT VALUE

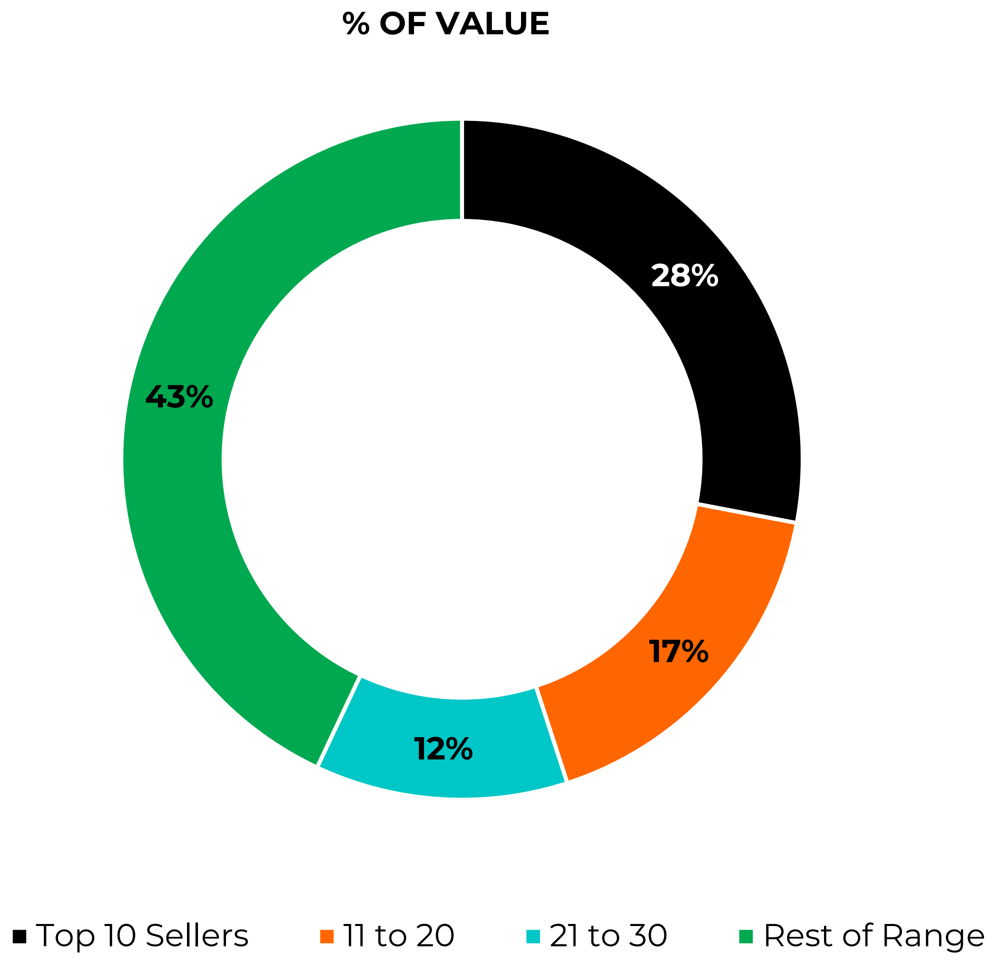


Source: Taobao October/November 2022

The top 30 products account for most of the Taobao sales value

The top 10 products sold make up 28% of the sales value of the top 130 SKUs

- 6 of the top ten products come from one brand.
- All products in the top 11-20 products are from the same brand.
- The top 30-130 best selling products account for 43% of the top 130 products sales value.



Source: Taobao October/November 2022