



final report

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Developing a high value strategy for red meat based Chinese banquet products (Crazy Dragon)

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Abstract

Crazy Dragon intends to launch a range of “value-added” red meat frozen dumplings into China in 2019. Crazy Dragon is 100% Australian owned and leading frozen dumplings and buns brand owner supply Australian market, predominately in pork, prawn and chicken variants.

Through prior market research, including operations in Australia and both primary and secondary research undertaken in China, a strategy to use Australian red meat for launching into China was identified as key point of difference. Strong progress has been made in the overall completion of the project, with extensive in-country market research, direct communications with buyers, distributors and suppliers and product prototyping to establish cost and value structures. A social media consultant based in Shanghai has been engaged, the external pack design and pricing has been finalised, and discussions around price and quantities continue with the leading online fresh food retailer in China, as well as with Carrefour China and two retail distributors in Shanghai.

In May 2018, the new range of Crazy Dragon dumplings was tested at the SIAL food expo in Shanghai. Overall the feedback was very positive which provides confidence that the product will be well received in the China market.

The outcome of this project identified the initial range specially formulated for the Chinese market of the following four products to be launched in the coming months.

1. Australian Lamb Dumplings 1
2. Australian Lamb Dumplings 2
3. Australian Beef Dumplings 1
4. Australian Beef Dumplings 2

In the first year of production the financial forecast for Crazy Dragon estimates sales revenue of AUD\$2.36 million resulting in 103TN of Australian beef and lamb trim exported to China. The target is to increase this to AUD\$3.54 million in the second year with 155TN of trim being exported supporting the Australian red meat industry and producing a range of “value-added” red meat frozen dumplings.



Executive summary

This co-funded project between Crazy Auntie's Food and MLA Donor Company (MDC) was initiated in 2017, with a view to develop opportunities to export "value added dumplings" containing Australian red meat, directly into China. This initiative is aligned to MLA's 2Morrows Foods Program for developing new products and services for emerging markets and changing consumer lifestyles and life stages to ultimately grow demand for Australian red meat.

The current market access position has China banning the importation of Australian "value added meat" products. An alternate value chain design therefore was required for dumplings to have inclusion of Australian red meat and with it an integrity system to ensure Australian meat origin is delivered and maintained.

This project offers a significant opportunity to generate mass impact in not only growing demand for Australian red meat but in to position Australian beef and lamb in the frozen snacks category with dumplings.

We intend to export Australian ingredients to approved contract manufacturers throughout China. The project will promote the "value added dumplings" as "contains Australian Beef and Lamb", supplying high quality produce to an eager market with a value chain that can deliver integrity of quality and provenance.

There is no doubt that the Chinese love and trust Australian Beef and Lamb, and by using trusted ingredients, there is a good opportunity to sell large quantities in a desirable dumplings format.

The project involved many steps:

1. Creating a team consisting of Government representatives, local manufacturers and working closely with Haines Consulting Group.
2. Developing the product and packaging for the Chinese market
3. Finding the approved Australian supplier
4. Finding the Chinese contract manufacturer for the dumplings
5. Creating a unique story, appealing to the Chinese culture and supporting Australian produce.
6. Developing a strong sales team to promote the products
7. Market research in China
8. Final approval for the model

We are in the final commercialisation stages in readiness for launch of four skus in China during 2019.

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1 Background

This co-funded project between Crazy Auntie's Food and MLA Donor Company (MDC) was initiated in 2017, with a view to develop opportunities to export "value added dumplings" containing Australian red meat, directly into China. This initiative is aligned to MLA's 2Morrows Foods Program for developing new products and services for emerging markets and changing consumer lifestyles and life stages to ultimately grow demand for Australian red meat.

Currently, China has banned importation of Australian "value added meat" products. The project "found" an opening in the system that will generate huge opportunities to the industry, increasing demand by promoting Australian Beef and Lamb as a part of the final dumpling products.

Crazy Dragon conducted market research at SIAL: China, in May 2017 and with the help of Haines Consulting Group, has put together the Export Market Research Report.

The research found that there is a massive demand for Australian imported products and importantly, an opening in the market. Until now the market has been dominated by commodity-items, such as milk and whole cattle and bulk meat primal. The milk has been successful in foodservice and retail. The Beef and Lamb have been successful only in wholesale, to value-adders for foodservice. However, this has changed recently, when companies like Top-cut and JBS have started selling prime-cuts to foodservice distributors.

There is minimal retail and NO value-added meat products. In fact, the factories the team visited had "Western" goods production rooms however the products (sausages, hamburgers, salami) bare little resemblance to the traditional European recipes. China has prohibition on importing value-added meat products. However, Crazy Dragon has identified that Australia does have permission to export and import Lamb and Beef. The animal carcass must be cut and packaged into quantities of 4s and 8s for shipment as a regulatory requirement. There are NO Lamb dumplings and hardly any Beef ones in retail market. The market for Pork dumplings is flooded.

Key findings:

1. For SIAL Crazy Dragon had 2500ea of samples of Lamb and Beef Dumplings, made up for the buyers tasting (cut in half, 5000 samples given out). The overwhelming feedback was positive, and a lot of interest and data being generated.
2. There are NO Lamb dumplings and hardly any Beef ones in retail market. This is a big opportunity for Crazy Dragon Aussie Beef & Lamb.
3. Pricing: Pricing benchmarks the most common 3 products on the Carrefour shelf (Carrefour is one of the biggest chains in China), and the price range fell between 25-45RMB. After many discussions with people in FMCG industry it has been identified that (rather like here in Australia) Crazy Dragon products need to sit somewhere in the middle of the RRP price range, in order to get the biggest uptake of consumer interest.
4. Costing: The cuts of Beef and Lamb we require for our Aussie Beef and Lamb dumplings are readily available in China. Crazy Dragon wants to support Australian trim in the China Market and ensure a value chain design that ensures country of origin.

5. Due to the China's prohibition on importing "value-added meat products" we have partnered with a China-based manufacturer for this market opportunity.
6. Range: 2 x Lamb dumplings and 2 x Beef dumplings. There will be opportunities to add to the range if the supermarkets accept it, e-commerce platforms and consumers by adding hot pot Beef and hot pot Lamb, as well as Beef steam buns and Lamb steam buns - in fact the director of Sichuan 7/11 has asked for Beef buns already!

We intend to export Australian ingredients to approved contract manufacturers in China, and to promote the "value added dumpling" as "contains Australian beef and lamb".

There is no doubt that the Chinese love and trust Australian Beef and Lamb, and by using some trusted ingredients and supply chain partnerships that showcase source of Australian red meat inclusion – there is a good opportunity to sell more and drive value through the frozen category.

The project had involved many steps:

- Creating a team of Government, local manufacturer and working closely with Haines Consulting Group
- Developing the product and packaging for China market
- Finding the approved Australian supplier of raw meat
- Finding the Chinese contract manufacturer for the dumpling
- Creating a story to test the assumptions and value propositions, and a sales team to promote the products to secure market feedback and ultimately a launch plan
- Converting Market research in China into insights and into action
- Final approval for the model with value chain partners

Another outcome from this project has also been developing capability within Crazy Dragon's procurement team as Crazy Dragon's traditional Asian style dumplings and buns feature across eight product lines sold in around 2,500 supermarkets in Australia. However, they did not contain red meat before the collaboration with MDC.

2 Methodology

This project was conducted in line with an academically and industrially aligned Design Led approach; also commonly referred to as Design Led Thinking (DLT), Design Thinking or Innovation Capacity.

Businesses, researchers and product designers have historically recognised that standard approaches to project management, particularly in contexts defined through high innovation, product development and exploration, are not suited to competently administering challenges and changes in operating environments and business needs. When undertaking product innovations and developing a high value strategy seeking to exploit opportunities in international and export markets, diversification of both macro and micro challenges, further eradicate the value of adopting a standardised approach to project management. Consequently, Design Led Thinking has been utilised by practitioners, businesses and researched through academia, as a highly valuable methodology for developing innovative outcomes, whether through product developments, strategic considerations or process improvements.

Design Led Thinking, or what was initially coined as Design Thinking, gained traction and adoption for business purposes at Stanford University in the 1980s and 1990s. Rolf Faste and David Kelley, two proponents that advanced Design Thinking, in an integrated industry and academic setting. Design Led Thinking differs from traditional scientific methods for problem resolution, which are largely characterised through hypothesis testing, as its methodology is designed to achieve practical, creative resolutions of problems, with consideration of emotional content and ambiguous aspects of the problem. This can often be overlooked when utilising scientific approaches. According to a 2014 assessment by the Design Management Institute, companies that utilise Design Thinking – such as Apple and IBM – have outperformed the S&P 500 by 219% over the past ten years. The relevancy of such an approach to an innovative market opportunity; as is present in the case of Crazy Dragon and other value-added red meat producers currently expanding business into China, the UAE and other markets, is evident.

Due to the creative and innovative nature of the Design Led Approach, there exists a large number of frameworks, toolkits, models and methods that have been constructed in order to best guide the strategic process, maximising positive outcomes and innovative solutions for businesses. Intensive and extensive research has been undertaken by Crazy Dragon, in conjunction with Haines Consulting Group, in order to analyse and evaluate various toolkits and methods to measure alignment with this project. From the research and analysis undertaken, it has been evaluated that the majority of Design Led methodologies comprise of the following five stages (or their interpretative equivalents), which encompass a set of micro-stages within each point:

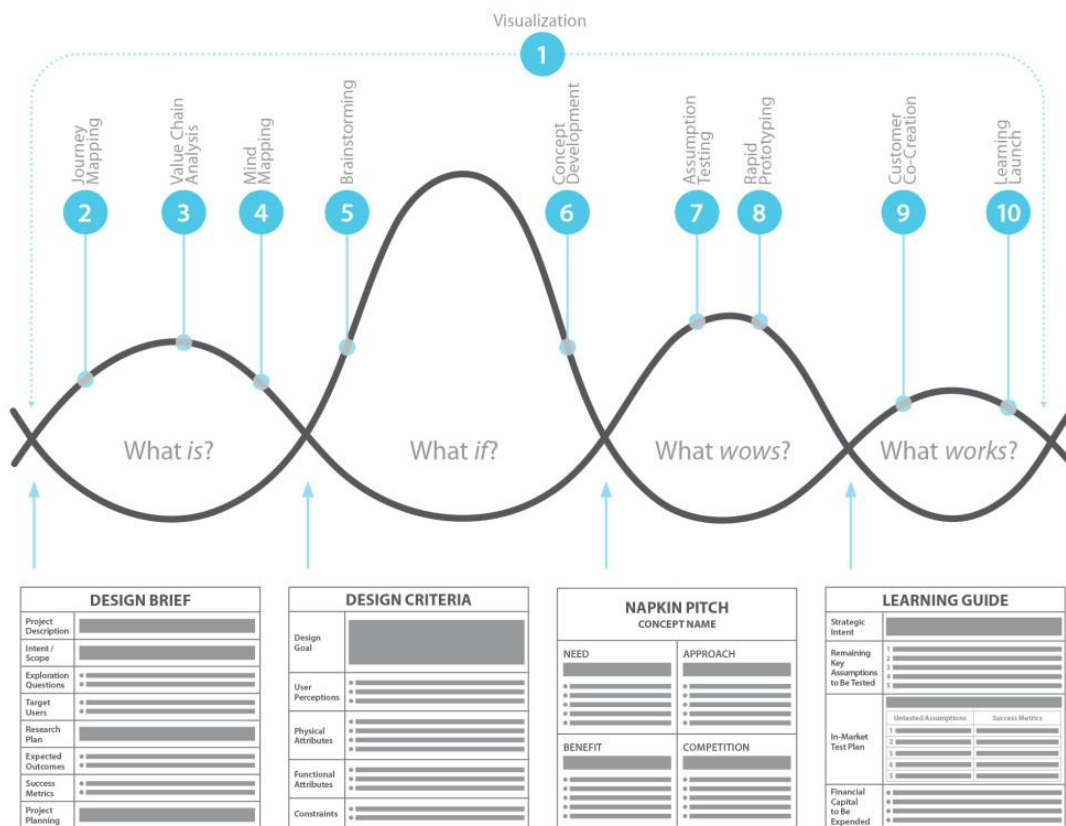
1. *Empathise*: Gain an empathetic understanding of the problem you are trying to solve.
2. *Define*: Put together the information you have created and gathered during the empathise stage.
3. *Ideate*: After growing to understand your users and their needs, designers are ready to start generating ideas.
4. *Prototype*: Produce versions of the product in order to investigate features and real-time solutions to problems.
5. *Test*: Rigorous testing of the product and market strategies using the best solutions identified during the prototyping phase.

Due to the innovative and developmental nature of the process, the methodology is cyclical, both collectively and intra-cyclical between sub-stages where further research, developments or insights are required to find the best workable solution for the problem.

After extensive evaluation of various frameworks, particularly with regards to alignment of project objectives, industry and food processing requirements and expected outcomes, the following Design Led Framework has been selected for use in this project.

This specific Design Led Thinking framework is taken from Jeanne Liedtka and Tim Ogilvie’s Designing for Growth: A Design Thinking Tool Kit for Managers.

Figure 3 Design Led Thinking Model



Author’s Jeanne Liedtka and Tom Ogilvie state the following about this model:

“The analytics-first mindset works fine for process improvement, but not for innovation. Our over-reliance on analytics denies our human capacity for creativity and results in uninspiring products and services, low growth, and pessimism about the future.

Design thinking is the way out of this trap. Great growth opportunities are indistinguishable from bad ideas at first, and there is no handy source of data to tell you which is which. Only a customer playing with a prototype can answer that.”

This framework was selected due to its customer-centric approach, emphasis on establishing key points of difference and value-added propositions, as well as its logicity and functionality aligning

with the regular processes involved in food production and development. There is a clear emphasis on product offerings – rather than merely services – which correlates with Crazy Dragon’s need to establish product offerings that elicit significant perceived value from consumers. This specific model’s integration of strong customer-driven problem solving applications is also of high importance for this project, where Crazy Dragon are seeking to build a strong brand base in a new export market(s) in which they have not previously operated, with cultural and market differences expected to highly influence design and innovation solutions.

In summary, the key approaches undertaken included:

1. Visualisation
2. Journey Mapping
3. Value Chain Analysis
4. Mind Mapping
5. Brainstorming
6. Concept Development
7. Assumption Testing
8. Rapid Prototyping
9. Customer Co-Creation
10. Learning Launch

3 Project objectives

The following key objectives drove the research in developing a high value strategy for red meat based Chinese banquet products.

- Market analysis – Evaluate market entry/scorecard for target Middle Eastern, UK and Asian markets for Australian made and/or made with Australian red meat ingredients; include review of domestic market in chilled compared to frozen sector and/or channel outside supermarket trading.
- Validate Value Proposition – Investigate and validate via stakeholder and customer development discoveries and analysis of foresight trends and industry/economic/market forces the value proposition for dumplings & buns based on the market analysis. Define what the “problem to solve”/“job to be done” is from targeted product concept, business model and target market analysis.
- Develop proof of concept red meat based products and trial batches to validate voice of customer feedback and seek out criteria for value chain partners.
- Complete scale-up testing on the completed product/service offer (including packaging design, review labelling compliance, marketing mix).
- Present key findings, recommendations, cost benefit analysis and lessons learned in a final report.

4 Results

Key research findings are presented below. These include analysis of the Chinese market and industry forces and trends as the development of the beef and lamb dumpling concept products.

4.1 Market Analysis

Market research has been undertaken prior to commencement of this project, from a wide and varying range of sources including; reports published by Meat & Livestock Australia, Alibaba industry presentations, IBISWorld reports, market research reports from companies such as Nielson and information provided by government agencies. Milestone 2 built upon these prior findings and sought to validate research and insights, whilst the primary market research initiatives undertaken during this period also sought to uncover niche insights that will be of value to Crazy Dragon and other value-added Australian red meat producers when seeking to enter the Chinese market.

Market research findings to date primarily focused on four major elements related to this project; meat processing, frozen food production, supermarkets in China and online shopping in China.

Chinese Market Prominence

Notably, beef imports in China rose 1600% between 2010 and 2015, representing the Chinese market's desire for the red meat and market opportunities for businesses to cater value-added products to the market (MLA). Of China's official beef imports throughout the year of 2015, Australia contributed the largest share at 34% (MLA), with Chinese beef consumption per capita totalling 4.9kg (MLA). In this same year, China was the fourth largest export market for Australian beef both in volume and value terms (MLA). In 2015, Australia was the only country with access to export chilled beef into China (MLA), a major factor that has contributed to Australian red meat producers sustained growth in the Chinese market. From the onset, these figures solidify the importance and interdependence of Australian red meat (particularly beef) producers and manufacturers and the Chinese consumer market (IBIS). However, whilst these figures are extremely favourable and representative of clear market opportunities, the majority of Australian beef and lamb products exported to China are not value-added products – which on the basis provides growth opportunities for businesses that are willing to satisfy emerging demand within this sub-industry.

Meat Production in Australia

Meat production in Australia is a high performing industry in Australia, with annual revenue totalling \$21.1 billion. Despite the industry's relative domestic maturity, the emergence of new export markets facilitated through an increasing number of free or low-tariff trade agreements with a range of countries, particularly within Asia, have facilitated sustained revenue growth for Australian businesses. Beef and veal products account for 70.5% of industry revenue, whilst lamb and mutton products account for 20.1%, a product category that has grown significantly over the past five years. Pig and other animal products account for the remainder of industry revenue.

Almost 60% of industry revenue is generated from export markets (IBIS), signifying Australian red meat producers and manufacturers need to cater export products to foreign market demands, both in terms of product quality and features, as well as catering value-added product developments to local market tastes. Australia's strict food safety and processing laws, coupled with the nation's known excellence in producing high quality meat products, result in Australian meat products being of high demand internationally, with a universally recognised reputation for high quality and

premium products. This presents key market opportunities solidified through research, where more than 80% of people in China surveyed by Nielsen last year said they were willing to pay more for foods without undesirable ingredients, much higher than the global average of 68% (NIELSON).

Frozen Food Production in China

Frozen food production in China is an industry in its growth stages, and has developed rapidly over the past ten years, and is an industry totalling almost \$20 billion of revenue annually – a figure poised to continue high growth. The high growth in this industry has largely been attributed to higher disposable incomes, higher product prices and changing consumption trends caused by the faster pace of modern life in China, where economic development has seen food consumption trends (particularly in major urban cities) draw closer to those evidenced in developed, Western nations. Rural regions of China tend to prefer fresh food over convenience products, however, it is expected that large supermarkets and targeting from food manufacturers will result in shifts of food consumption behaviours in rural areas over the next ten years. Of note, is the dominance of dumpling products in the frozen food industry. Frozen dumplings account for 48% of all frozen food products, frozen glutinous sweet dumplings 28% and frozen glutinous rice dumplings 12% - meaning that all other frozen food products make up only 12% of the industry nationally. Such figures represent both intensive competition for businesses seeking to enter the market, but opportunities for businesses that can provide a clear point of difference and value proposition. Meat and cabbage are the two main frozen dumpling products on the market, with product diversifications and innovations, as well as seasonal production expected to solidify the prominence of frozen dumpling products as the unanimous market leader in the industry. Supermarkets represent 63% of the market for frozen food, with small food and drink retailers accounting for 23%.

Supermarkets in China

The supermarket industry in China is also an industry in its growth stages, with key growth drivers over the past five years being the Chinese government's program to establish a national rural retail network and strong rises in consumer purchasing power, developing into a \$183.8 billion industry. As expected, food accounts for 54.2% of all supermarket revenue, whilst 37.2% of all supermarket establishments are located in East China, where the influence of cities such as Shanghai mean that average income levels are higher than other regions of the country (USDA). With the Chinese government having a preference for larger, domestically owned supermarket chains, policies and subsidies are in place to assist with domestic supermarket chains. However, according to recent surveys, Chinese consumers have low levels of loyalty with supermarkets due to the industry being in a rapid development stage at the detriment to a stable market. The next five to ten years will therefore see large supermarket chains intensively competing with each other to establish high customer loyalty and innovate product and services to meet consumers needs.

Online Shopping in China

The Online Shopping industry in China is expected to generate \$1.23 trillion in 2018, up 20.8% from last year. Over the five years through 2018, industry revenue has been rapidly rising at an annualized rate of 30.5% (IBIS). The high growth is due to extensive development of e-commerce businesses in China, correlated with greater internet and technology uptake in regions outside of major urban areas. The online shopping industry in China is growing at a rate faster than the general economy. This further ties in with broader scale economic development and improved living standards nationally in China, with consumers having more disposable personal income and trusting Chinese e-commerce platforms, such as Alibaba and T-Mall. Chinese consumers view online shopping as more

convenient, and prices are typically lower than they are in stores. 'Other products', in which food and drink based products fall under, make up 15.8% of all online shopping sales in China, whilst people aged 20-29 account for 56.4% of all industry revenue. Alibaba is the major player within the Chinese e-commerce sphere, commanding 71.5% of market share, whilst JD.com ranks second with only 7.2%.

4.2 Key Foresight Trends

Key Forecast Growth Metrics:

- Online shopping in China is forecast to increase at an annualised 20.7% to \$2.5 trillion, five years through to 2022 (United States of America Department of Commerce 2017).

With the improvement of comprehensive services and greater internet penetration throughout the country, the online shipping industry in China is poised for significant growth – albeit at lower annualised levels in comparison to the past five years. In 2016, 63.8% of Chinese internet users had made a purchase online, a figure which is predicted to increase as the already high customer confidence in e-commerce platforms is expected to increase.

- Supermarkets in China are forecast to increase at an annualised 4.5% to \$228.7 billion, five years through to 2022 (IBIS)

Revenue growth is expected to increase steadily, as the number of supermarkets increases and consumer demand continues to expand. With an expected annualised economic growth of 6.5% over the same five-year period, the purchasing power of consumers is expected to rise, boosting disposable income – a key determinant in the success of the industry. Mergers and acquisitions are set to take place over this period, with the industry becoming more competitive, driving inefficient operators out of the market. Continued political stability and government support for the industry, particularly with expanding into rural areas, will aid the growth of the industry.

- Frozen food production in China is forecast to increase at an annualised 25.8% to \$25.8 billion, five years through to 2022.

Due to improvements in the Chinese economy, greater disposable incomes and the increasingly faster pace of modern life – particularly within China's major urban areas – the frozen food industry, as well as the options of frozen food available to consumers, is forecast to grow significantly. Recent times have seen development of cold storage and logistics in China, which will further aid industry growth. It is predicted that frozen food such as dumplings, will no longer be festival food only as consumer behaviours and habits shift to meet lifestyle demands, with customers paying more attention to product quality, safety and nutrition. To complement these consumer shifts, major brands are expected to invest in marketing initiatives to drive increased revenues.

- Meat processing in Australia is forecast to increase at an annualised 2.4% to \$23.7 billion, five years through to 2022-23.

This is considered quite slow growth due to countries with delapidated supply such as the USA set to recover, and per capita meat consumption forecast to remain stagnant. However, it is anticipated that the industry will produce a greater portion of value-added and premium products for export to increase revenue. This ties in with free-trade agreements with China, Japan and South Korea likely to continue to support exports as tariffs are set to decrease over the next five years. This correlates with the basis of this project and Crazy Dragon's intent to establish a brand in China.

Key Food Industry Foresight Trends:

Every year, London-based market research firm Mintel Group's team of global expert analysts identify and analyse key trends that are predicted to impact upon the global food and drink industry in the year ahead. Mintel's Global Food and Drink Trends 2018 identified the following five trends:

- *Full Disclosure*

"In our new post-truth reality, consumers require complete and total transparency from food and drink companies."

With food sourcing and safety becoming globally more important, consumers are demanding greater honesty, transparency and assurances from food manufacturers. This includes disclosures about how, where, when and by whom food and drink is made or grown, harvest and manufactured for consumption. Some countries, such as here in Australia, have already implemented tougher food labelling laws for greater transparency and full disclosure.

- *Self-Fulfilling Practices*

"As more consumers find modern life to be hectic and stressful, flexible and balanced diets will become integral elements of self-care routines."

With the frantic pace of modern life and constant connectivity, more consumers are forecast to focus on 'self-care' and prioritise time and effort to themselves. As such, more customers are looking for products that will contribute to good health and wellbeing, such is the rise of 'superfoods' and other specialty products with unique health and healing benefits. Nutritional, physical and emotional benefits will be key differentiating factors for products.

- *New Sensations*

"Texture is the latest tool to engage the senses and deliver share-worthy experiences."

The sound, feel and satisfaction that food textures provide will be a key trend for food manufacturers in 2018. Texture is the next facet of product design that can be leveraged to provide customers with a holistic and interactive experience and provide key points of difference to create value.

- *Preferential Treatment*

"A new era in personalisation is dawning due to the expansion of online and mobile food shopping."

With the ongoing emergence of new consumer technologies, more and more consumers are utilising new and advanced channels and technologies in order to sample and buy foods. This presents opportunities for business to undertake highly targeted marketing activities, such as customised recommendations and solutions to save customers time and money – providing key benefits for both customers and food producers.

- *Science Fare*

“Technology is being used to engineer solutions for our stretched global food supply.”

With a technology revolution playing out in the food and beverage industry, some forward-thinking companies are already engineering solutions to replace traditional farms and factories with scientifically engineered ingredients and finished products. Whilst this trend is only emerging, there is the potential to design food and drink that is more nutritious or can cater to specific health or dietary needs.

Key Chinese Market Foresight Trends:

The team at Mintel also publish an annual Chinese consumer trends report. A team of experts and analysts identify five key predictions that will influence the Chinese market in 2018, and whilst the findings extend outside the realm of food and food marketing, there still remains a heavy food influence within the predictions.

▪ *Machine Learning & Artificial Intelligence*

Artificial intelligence (AI) products that can help consumers create an improved environment to work, live and shop will appeal to Chinese consumers in 2018. Consumers will generally prefer opt-in choices and are likely to embrace machine learning if it makes their lives easier. As people desire a seamless lifestyle, more aspects of life will be incorporated with machine learning capabilities. Greater personalisation of these products will be available through AI and machine learning in the months and years to come according to Mintel.

▪ *Playful Interactions*

Higher levels of social stress are driving China’s younger generations to seek more informal and playful interactions in the virtual and physical world. According to Mintel research, 63% of 20-24 year olds play online games to relieve stress. Consumers will embrace activities they can do by themselves, without the pressure of relying on people. They are also seeking playful solutions online and offline, that can help them to strengthen relationships with people around them.

▪ *A Balanced Lifestyle*

In 2018, consumers will prioritise better quality products that offer them greater life-enhancing benefits. Products that also offer a better balance with nature and are produced by environmentally ethical brands will be of interest to Chinese consumers. Mintel believes that brands which demonstrate how the ethics behind their product provide benefits to consumers will tap into this growing trend.

▪ *Exploring One’s Sense of Self*

Chinese consumers will become increasingly involved in creative work and choosing flexible working arrangements as well as travelling to unusual places in 2018. As consumers’ product choices are growing, they will choose brands that help them express their individuality in a globally-connected community. According to Mintel, more brands will offer products and services that allow consumers to enhance themselves and particularly the way they express themselves.

▪ *Mobile is the Way Forward*

Chinese consumers are relying on mobile technology to support many aspects of their lives. The speed and convenience offered by technology is behind its main appeal. 87% of Chinese consumers in major cities used mobile payments in 2017, up from 69% in 2016. In the future, virtual reality and augmented reality will enter the mobile space and complement one another. This is expected to create greater work-life efficacy and multi-tasking capability, Mintel says.

Mergence and Takeaways:

From the range of foresight trends analysed above, three key takeaways have been formed that are predicted to influence value-added red meat producers efforts when entering or participating in the Chinese market, and similar markets within Asia and the Middle East:

- *Growth of Digital*

For all businesses entering China (value-added red meat businesses and otherwise), there are clear trends within the Chinese market towards mobile and digital and the integration of new technologies that will benefit consumers experience with digital platforms. This can coincide with food trends placing greater emphasis on the origin, safety and 'story' behind the food – particularly given the strong reputation Australian food and red meat producers hold within China.

- *Product Diversification*

As the Chinese market becomes more diversified and contemporary, this greater emphasis for product diversification and new and interesting combinations – that we have experienced in Australia – will shape the future efforts of food manufacturers not only seeking to enter the Chinese market, but to continuously grow market share.

- *Story of Origin*

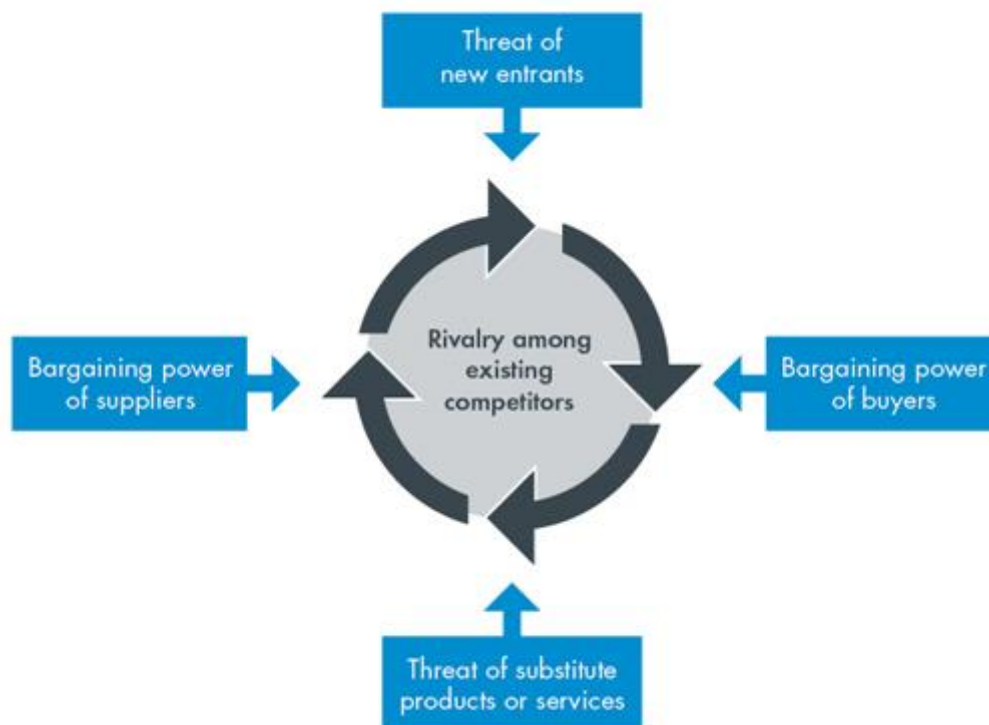
With an emergence and ongoing emphasis on the origin of food, and its relevant safety, quality and differentiating features, value-added red meat producers need to tell the story of their meat and its origin. This shifts value-added red meat producers from marketing not only on functional aspects including food quality and safety, but also attempting to trigger some emotional responses from consumers who not only trust the brand, but resonate with it.

4.3 Industry Competitive Forces

In order to evaluate the Industry Competitive Forces, the application of two fundamental theories and concepts will be applied. Firstly, Porter's Five Forces Analysis will provide an oversight of the Value-Added Beef and Lamb industry competitors in the Chinese landscape, whilst analysis of key success factors will be drawn from this analysis to provide a fundamental and conceptual evaluation of competitive industry factors that will determine the success of Australian value-added beef and lamb producers when exporting to China.

Porter's Five Forces Analysis

Figure 4.1.1(a) Porter's Five Forces Analysis



Overall industry competitiveness for value-added beef and lamb exporters into China has been evaluated as medium, a level of competitiveness that is predicted to remain stable over the medium term.

▪ *Bargaining Power of Suppliers – Low*

The Bargaining Power of Suppliers, also described as the market of inputs, is concerned with the value-based forces relating to key inputs and raw materials, and has been evaluated to be low.

Within the realm of Australian value-added beef and lamb producers, the range and diversity of inputs required for production are relatively low in number in comparison with many other industries, including sub-industries within food and beverage manufacturing. This small scope of suppliers is effective in reducing the overall costs of production for value-added beef and lamb producers, as the total variable costs associated with manufacturing receivables (including but not limited to; sourcing and product testing costs, freight and transportation costs, supplier management costs and abattoir and related meat processing costs)

Industry reports suggest that the total beef manufacturing capacity in Australia totals 2.07 million tonnes annually, and lamb manufacturing capacity totals 506,239 tonnes annually. Whilst it must be noted that within the spheres of beef and lamb manufacturing, particular specialities and level of product quality are highly variable (and value-added producers must therefore spend time and effort evaluating the specific type or cut of beef and lamb products that will be most suitable for their market and product requirements), the objective beef and lamb production capacity indicates a broad competition base for producers that negates high bargaining powers of suppliers that are most commonly derived from product scarcity and associated pricing structures developed from an imbalance in supply and demand.

▪ *Bargaining Power of Buyers – Low to Medium*

The Bargaining Power of Buyers, also described as the market of outputs, is concerned with the customer's ability to place pressures upon the producer's operations.

With specific relation to Australian made producers of value-added beef and lamb products, buyers exert a low to medium level of power. Due to the high demand for Australian beef and lamb products in China, largely due to customer perceptions in China regarding delicious taste and food safety leading all beef and lamb imports, buyers – most notably referring to supermarkets, food distributors or other large scale food retailers – are not exerting high pressures on Australian food products due to their strong desire to stock the products.

However, there still remains some pressures exerted by buyers, predominantly borne out of economic or regulatory requirements. A major power of importers and distributors relates to the export/import licence required for handling Australian beef and lamb exports. As not all distributors have this authority in China, it means that the competitive landscape for buyers is narrowed. Despite this, strong demand for Australian products is still the overriding factor limiting the power of buyers.

▪ *Threat of New Entrants – Medium*

The Threat of New Entrants is concerned with the factors encouraging or discouraging new businesses to compete within the existing industry.

There remains a medium threat level of new entrants entering the value-added red meat industry in China and similar export markets, despite the relative level of preference and protection Australian producers hold within the Chinese market. Other beef and lamb producing nations, including Brazil and the USA, are likely to try and compete with Australian brands in the huge Chinese marketplace, and competition from these nations – as well as a strong shift towards product diversification – is to be expected.

Whilst shifts and changes in consumption habits and product preferences may slowly happen within the Chinese market, the reality is that dumplings and other Chinese banquet products have a strong cultural relevance within the market. Coupled with the strong reputation of Australian beef and lamb exports, providing a product that offers 'the best of both worlds' will severely limit the influence of substitute products in this sphere – yet it is still an ongoing competitive threat to keep a strong eye on.

▪ *Threat of Substitute Products or Services – Low to Medium*

The Threat of Substitute Products or Services is concerned with different or new technologies designed to solve the same fundamental or economic need.

Whilst there remains traditional substitutes for value-added red meat products, notably white meat and pork value-added products which are prominent in Chinese dumplings and food products, the ongoing rise of vegetarianism and even veganism also pertains a relative threat as a substitute product. Coupled with the rise of technology applications in food production and development, there does remain an ongoing threat for the development of substitute products.

However, the cultural significance of Chinese banquet dumpling and bun products should not be underestimated, and this along significantly reduces the threat of substitute products taking large proportions of market share from manufacturers of traditional product offerings. It is more likely that product innovations within the existing food categories and products will innovate the category, rather than a new food product category seeking to cannibalise upon existing products.

▪ *Rivalry Among Existing Competitors – Medium*

Rivalry amongst existing non-Chinese (imported products) competitors in the broader sense remains medium, with nations such as the USA, Brazil and New Zealand all vying for a large market share within the Chinese export market.

In the niche sub-industry of beef and lamb dumplings and buns, not a great deal of competition currently exists from foreign brands – which is an area Crazy Dragon are therefore looking to exploit immediately. The largest foreign made beef and/or lamb dumpling producer retailing in China is Bibigo, a South Korean based company already retailing in China. However, given the strong reputation Australian beef and lamb products hold within the Chinese market, this gives Australian manufacturers wishing to enter this space a premium advantage.

There remains a high competitive threat from Chinese brands who will attempt to source their own Australian beef and lamb to make Chinese branded dumplings, a threat which is discussed in greater depth throughout this report. Australian value-added red meat producers, as well as the red meat producers themselves, must seek to protect Australian brands from Chinese producers attempting to dissolve the competitive advantage of Australian sourced beef and lamb products.

Whilst Porter's Five Forces Analysis effectively manages to digress the challenges and competitive forces influencing market entry, it fails to effectively analyse the defining factors and competitive forces that ultimately determine success or failure within the rivalry of existing competitors. The research and analysis of industry key success factors therefore seeks to further fragment and define the competitive factors that will ensure market success and capitalisation following entrance and launch into the market(s).

Industry Key Success Factors

Prior market research undertaken evaluated industry key or critical success factors amongst a number of directly and indirectly related industries, both in Australia, China and abroad. The identification of these industry key success factors serves as a fundamental guide to the business practices, processes and considerations that must take prominence when strategising entry into the Chinese, or other foreign export markets.

▪ *Effective Product Promotion*

The ability to effectively – both in terms of promotional outcomes and economic considerations – promote products will have a severe impact on a brand’s success, particularly in the Chinese market. Due to the highly competitive nature of the industry, particularly with regards to the sale of frozen dumpling products, businesses need to effectively develop their product promotion skills and strategies in order to differentiate themselves from the competition. This highly integrates with a company’s ability to communicate and promote to audiences on localised platforms. In the case of China, social media platforms such as QQ and WeChat integrate with e-commerce applications and provide consumers and businesses alike with a holistic, end-to-end digital platform. The fragmentation seen in Australia between traditional media, social media and e-commerce platforms does not exist as prominently (if at all) in many foreign markets, and it is important that businesses understand this holistic nature of digital media and strategise their efforts within foreign media channels in order for promotional activities to be successful.

▪ *Access to Key Resources*

Having access to important resources, such as cold storage and logistics, is a major factor in developing a company in this industry. Established and sustainable access to key resources is a critical element at all stages of the supply chain; from the guaranteed supply of key and quality product inputs (largely high quality beef and lamb inputs), to access to logistics and distribution channels inclusive of reefers in the case of chilled and frozen exports. Control over access to key resources securitises production and operations of businesses including output capacities, effectively manages the economies of cost and scale and provides businesses with the opportunity to explore competitive options for all resources that will seek to improve product and service quality whilst simultaneously improving cost structures.

▪ *Undertaking Product Research and Development*

Businesses that undertake product research and development are likely to reduce production costs and develop new products that will seek to capitalise upon emerging market opportunities. It is critical that research is both market-based and internally-based, in order to align organisational objectives and product portfolios to best position the business to leverage off identified market opportunities, both within new and existing markets. With product innovation being a critical determining factor in the long-term success and longevity of a brand, a cycle of continuous product development will constantly seek to make improvements to the current product portfolio, with the potential to effectively balance a portfolio with profit-generating cash cows and reduce the negative impact of ‘dogs’.

▪ *Economies of Scale*

Large-scale production and distribution generates cost savings for meat and food processors and manufacturers. Specifically, economies of scale reduce per-unit manufacturing costs due to mass production. Advantages of economies of scale are highly integrated with the implementation of new manufacturing infrastructure and technology, which also seeks to reduce variable product prices and make further reductions to processing times for product outputs.

Through building on prior market research findings, and the research and development initiatives undertaken throughout the course of Milestone 2, two key further success factors have – in the circumstances surrounding Crazy Dragon’s foray into the Chinese market – been identified and

evaluated as critical to the success of this project, and Crazy Dragon's long-term brand sustainability in the export market(s) subject in this report:

▪ *Access to Localised Resources*

Current Chinese import and business laws heavily restrict the operations of foreign owned enterprises operating in the nation. This includes restrictions of import and export of Australian beef and lamb, requiring a licence to be held by a Chinese company (a WOFE is applicable in this situation). Furthermore, access to local industry buyers, manufacturing facilities that have the same high safety requirements as Australian food manufacturing plants and distributors will all have a significant impact on how successful a company can be when attempting to capture the Chinese market.

▪ *Ability to Adapt Sales Processes*

A key difference identified between traditional Australian sales and business development activities, and the sales and development initiatives commonplace in the Chinese market. Whilst Australian sales functions generally follow a more formalised approach, consisting of face-to-face meetings and deals and offers being physically drawn up on paper, the modern-day Chinese sales process takes a more lax and informal approach, with it being common to engage in sales negotiations and buying decisions on social media platforms such as WeChat.

Macro-economic Forces

The macro-economic forces concerned with this project largely relate to broader scale political and social influences, which are digressed below. Naturally, macro-economic forces provide both opportunities and threats for the scope of this project and value-added beef and lamb exports into China. Mitigation strategies are necessary to effectively manage the risks, whilst strategic direction and product/service design should seek to maximise and exploit identified opportunities.

Political/Legal

- In what was once a strict socialist nation, under developing China the government has become much more democratic, with emphasis on industries that will improve the Chinese economy, including e-commerce.
- There is ongoing political risk associated with free trade agreements, trade barriers and/or tariffs. Whilst current conditions make it economical for Australian beef and lamb producers to export to China, changes in the government, or opening up beef and lamb free trade agreements with other nations, could increase competition for Australian producers.
- Food safety requirements, whilst strict in Australia, are not as strong in China – however it is expected that globally there will be a greater push for improved food safety and reporting requirements. It is recommended that all Australian value-added beef and lamb producers follow all Australian food safety standards, even when processing food in China or elsewhere off-shore, in order to ensure the highest food safety standards are being met.

Economic

- China's economy is the world's second largest economy by nominal GDP and the world's largest economy by purchasing parity power, according to the IMF.
- Until 2015, China was the world's fastest-growing major economy with growth rates averaging 10% over 30 years.
- China has free trade agreements with several nations, including ASEAN, Australia, New Zealand, Pakistan, South Korea and Switzerland. These are expected to grow in significance in coming years.
- China lost 6.2% of its farmland between 1997 and 2008 according to a report by the United Nations' Food and Agriculture Organisation and the OECD, with local governments preferring more profitable real estate developments. This places strain on domestic food supply in China, a strong correlation with the exceptional rises on food imports in China over the last decade.

Social

- By 2050, the world's population could be as high as 9.7 billion people. Factoring in changing diets, particularly within developing nations with large populations, and global food output will need to increase by 70% from 2009 levels, according to an FAO estimate.
- China has a strong emphasis on education levels, and claim over 90% literacy rates in the country. A more educated population correlates with stronger knowledge on food safety and health issues.
- By the end of 2015, 56% of China's population lived in urban areas, a dramatic increase from 26% in 1990. The fast-pace of urban life has exerted many lifestyle changes amongst the Chinese population, with a rise in convenience products designed to save time a product of this geographic shift.

Technological

- China is making major investments in agricultural technologies, setting aside US\$3.5 billion to support research on transgenic varieties of rice, wheat, maize and three important domestic animals (pigs, cows and sheep).
- Technological advancements in food processing and manufacturing keep seeking to reduce the variable costs of food production and increase economies of scale. Producers must constantly be seeking ways to evolve operations and processes to ensure they are not being left behind by international competitors.

Environmental

- The Food and Agriculture Organisation of the United Nations claim that of China's 122 million hectares of arable land and permanent crops, 19.4% of this land is contaminated. Such high contamination rates present opportunities for nations and businesses exerting strong food safety mechanisms and processes, to supply China with safe, high quality food products.
- Australian beef and lamb producers are exposed to the ongoing risks of extreme and adverse weather conditions (including drought) that will affect the quality of produce.

4.4 New Product/Service Concept development

Crazy Dragon intend to launch a range of value-added red meat dumpling and pork bun products in China in early 2019.

Through prior market research, including operations in Australia and both primary and secondary research undertaken in China, the following four product SKUs have been identified as the preliminary product ideas:

5. Mongolian Style Australian Lamb Dumplings
6. Australian Lamb and Cumin Dumplings
7. Australian Beef and Mushroom Dumplings
8. Australian Beef and Chilli Dumplings

Figure 4.1.1(b) Preliminary Product Ideas



These products will utilise Australian red-meat (beef and lamb) products within the product design, with value-added initiatives undertaken to further penetrate and promote Australian beef and lamb products in export markets.

Customer Development Discoveries

Initial and direct business-to-business discussions with supermarkets and e-commerce retailers in China have had significant influence on the decision making and design led approach for Crazy Dragon's expansion efforts into the Chinese market. With prior market research providing insights and key metrics on a range of performance and foresight indicators, undertaking direct communication with potential customers themselves – and therefore customer development discoveries – provided Crazy Dragon with a range of insights of both a quantitative and qualitative nature, which will have significant implications moving forward.

An important customer development discovery is dealing with the likely requests, questions and scenarios that precede any fundamental sales-based development with potential Chinese retailers and buyers. The following ten questions are points that throughout this project to date, Crazy Dragon has identified as requiring prior thought and consideration from Australian value-added beef and lamb food producers before engaging in negotiations with potential buyers.

- 1. Can I have exclusivity on the product?*
Chinese companies naturally want to not have too much competition for your product in their territory. Initially you should be careful not to offer exclusivity unless the performance of the company is proven. You may offer exclusivity for one region or platform initially.
- 2. Is your product available in Australia and in what outlets?*
Authentication of products is particularly important in China with new invented “Australian” brands being developed all the time. Having genuine products of long standing credibility is a strong marketing point.
- 3. What marketing support can you provide?*
Australian companies know their products better than their customers. How can you help the Chinese convey the benefits to the consumers? With Social Media these days it is possible to produce low cost blogs, videos and simple marketing material that showcase your products that can be transmitted to large numbers of potential customers.
- 4. When can the products be delivered?*
Sometimes Chinese companies have unrealistic assumptions about how quickly products can be produced and shipped. It is important to be upfront about likely production and delivery times
- 5. What payment terms do you offer?*
It is very important to protect your company when selling to new buyers. Many Australian suppliers now insist on 100% payment before shipping. Chinese manufacturers also commonly insist on these terms when shipping to new customers in Australia.
- 6. Can you provide an authentication certificate?*
Some websites who sell products in China insist that their suppliers in China are authorised by the overseas supplier to sell the foreign company's products. If you are happy for your distributor to on-sell the products you can provide this certificate.

7. *Can you provide all export documents and a certificate of origin?*

Certain products such as dairy require an Australian Certified Health Certificate to enter China. Other products need their ingredient list approved by Chinese Quarantine before export. Under the new Free Trade Agreement Chinese importers will need an approved Australian Certificate of origin to be eligible for lower import duties. It is wise to get your importer to get pre-approval from Chinese Customs for importing the goods to avoid delays at the port of entry.

8. *What is our warranty. Will you refund us if the goods are faulty?*

Be very careful to lay out policy if there is a problem with goods. Customers can claim faults if the market conditions become less favourable. You may need to carry out an independent inspection to verify claims of fault. Independent Chinese companies can provide this service.

9. *What is the use-by-date?*

Chinese customers are very conscious of use-by-dates because it takes time to sell stock and they are paying a premium for shelf life. Some Chinese websites selling food insist that their suppliers only supply goods with at least two thirds of their shelf life left on the product.

10. *What makes your products unique?*

Chinese buyers are very much fixated on famous brands and these can command a premium on price. If your product is not a famous brand what is unique about it that will make it stand out in the intense competition it will face. How do you help your distributor stand out from the crowd?

These key questions posed will all be strategic considerations that Crazy Dragon, and other Australian value-added red meat producers, must effectively address in order to ensure success in the market.

- Early Adopters

Based on in-market research and direct communication with potential buyers such as the head buyer of G, it uncovered insights on the likely early adopters for Australian value-added beef based dumplings and buns in China.

- Price Points

Price points were a fundamental element of Milestone 2 success, with price point considerations acting as a key catalyst for both product and service aspect considerations and innovations.

Preliminary discussions undertaken with an e-commerce retailer, the frozen buyer indicated that they would buy 2 SKUs, with a quantity of four tonnes per month if the buy price was 11c per dumpling.

However, research undertaken on foreign beef dumpling brands in the Chinese market indicates that the indicated price point of 11c per dumpling is likely to be lower than the market price Chinese supermarkets are currently paying, meaning that it is likely to engage in further negotiations that may increase the selling price (to, for example, 13-14c per dumpling).

A Korean beef dumpling manufacturer x product(s) are currently retailing for 50RMB/500 grams, a price of around AU\$10 on current currency conversion rates. From industry figures, Crazy Dragon has been led to believe that a supermarket chain currently buys the product off x at 17RMB/500 grams, or around AU\$3.40 on current conversion rates. With 25 dumplings the standard pack size (25 x 20 gram dumplings = 500gram packet), this would mean that they are currently purchasing products off x at roughly 13.6c per dumpling.

At this stage of overall project development, the price points merely serve as indicators and price floors, rather than price ceilings, when retailing to supermarkets and e-commerce retailers whose buyers are intent on securing good deals with high profit margins. Given the premium quality and market reputation of Australian red meat products, along with a strong marketing and branding campaign, Crazy Dragon and other value-added Australian red meat manufacturers should be attempting to charge pricing reflective of their premium position within the market.

- Key Features

Early market research including preliminary discussions with B2B buyers and consumer market research undertaken through sample products at the FHC China Trade Show in 2017 have identified product changes/key features required in the product design in order to best appeal to the Chinese market.

Crazy Dragon's Australian range of dumpling products consist of 20g dumpling products. Of the 20g product, they generally comprise of 8g of dough, and 12g of meat and filling.

When presenting hand-made samples to potential buyers at the FHC Show in Shanghai, Crazy Dragon received positive feedback from those sampling the product, yet were told that the Chinese market have slightly different preferences with regards to the product features.

- Supply – key partners/activities

- Australian beef and lamb farms with China export certificates: I have narrowed down the top 4 farms and the top 2 abattoirs.

- Chinese meat importers with appropriate and current import license. We have identified 3 and need to establish their strengths and weaknesses.

- Chinese distributors/agents and their data on market entry strategies: I have 3 new distributors which we need to gather data on their actions to gain market entry.

- E-commerce and supermarket buyers: We have already engaged with several and you should have sufficient data from today's meeting, as well as the recorded video interview I conducted with the head frozen buyer from Greenland Group supermarkets.

- Modes of negotiation: e.g. WeChat groups (I have a chat history with 8 members of the team which has a lot of good data). "DingTalk", the new Alibaba version of WeChat (which you need to communicate via if you want to do business with Alibaba).

In turn, below are the key value propositions identified for this opportunity space:

1. Statistics show that Australian beef and lamb is highly regarded by Chinese consumers.
2. We have done many food shows in Shanghai and Hong Kong in 2017 and showcased our dumplings with Australian beef and lamb and the response has been overwhelmingly positive.
3. We believe that your customers will love to buy our Australian beef and Australian lamb dumplings.
4. The price will be very acceptable and your customer will feel like they are getting great value.
5. Crazy Dragon is the #1 supplier of meat dumplings in Australia for more than 15 years.
6. Chinese consumers will trust this.
7. We are the only dumpling manufacturer with a wholly owned Chinese entity that we can trade through with you.
8. We will be ready to launch after Chinese New Year Feb 2018.
9. We have an initial range of 2 x beef dumplings and 2 x lamb dumplings which we would like to present to you, either at your office with your frozen buyer in early November, or if you would like to join us as our guest as FHC Shanghai on 12-14 November we can see you there.
10. We have a strong sales and marketing team in China, who will work with you to support our range.
11. Crazy Dragon will support our claims through QR code marketing on the packets - showing the farms where we source the beef and lamb.
12. Crazy Dragon will support our product launch with targeted promotional and marketing investment.
13. We are a trusted brand for ingredient quality and food safety.
14. We are not trying to teach Chinese how to make dumplings
15. We use the best Chinese and Australian chefs to help us make the best recipes using their intimate knowledge of farms, food technology, and of course traditional recipes.
16. No other company in Australia or China can do this.
17. We source better beef than anyone else in China or Australia, because of our contacts in the farming industry.

4.5 Business Model design

Preliminary B2B discussions with partners on where/how to test the new product concept and business model for integrated supply chain for Australian made products and/or off shore processing using Australian ingredients was a key part of the research.

- *Supply*

The major input and/or supply required for the development of red-meat value-added dumplings and buns for the Chinese market refers to the need for high quality beef and lamb trim. Crazy Dragon have determined that establishing a strong relationship, whereby exclusive access to high quality beef and lamb products (at least in the face of Chinese brands attempting to source the same beef and lamb used in order to create their own competing products) will be a major source of competitive advantage and Crazy Dragon's value proposition.

With regards to supply, Crazy Dragon intend to sign an exclusivity agreement with the beef and lamb manufacturer, in order to protect the brand against Chinese dumpling manufacturers going directly to the farms in order to source Australian beef and lamb and compete with Australian value-added red meat producers within the Chinese marketplace.

The following beef and lamb farms have been shortlisted by Crazy Dragon, with the intention to visit each farm in person to learn more about the history of the farm, the cuts and quality of the beef and lamb products and willingness to cooperate with Crazy Dragon in order to produce key marketing and advertising content.

The following preliminary discussions were had with Lachlan Chadwick from the Australian Beef Group regarding pricing and use of the product for recipe development and samples.

*“Raw imported value = (AUD meat price *1.13 *1.086 *exchange rate to RMB) + 4RMB importing fee*

*AS AN EXAMPLE; If CIF value = AUD6.50; your cost delivered to Chinese factory will be 45.5RMB (= (6.5*1.13*1.086*5.2)+4).*

Processing cost from trimming to mince will be on top of this valuation; I will have a trial cost for you on Thursday when we catch up.

If you base the 85CL at 6.50AUD CIF I am comfortable that it should remain at approximately that level until April (no firm commitment). We currently have shipments going between 6.10AUD and 6.75AUD depending on volume for your indication. I will come back to you for the price of lamb trim; cannot give an indication at this stage I am sorry as I am not in this market daily. “

- *Export/Import*

Production & Processing

Prior business operations limited purely to domestic market supply have obviously seen no need to consider whether off-shore processing would be sustainable strategic business function. However, due restrictions around the import and export of beef and lamb products to China combined with a range of operational considerations (economic and otherwise), red meat processing considerations pose a key strategic decision for the business.

Crazy Dragon are still investigating whether it will be more economically viable and strategically sustainable to process the value-added beef and lamb products within in China to undertake processing. One major advantage that factories in China possess is their advanced manufacturing capabilities, in terms of machinery, technology and infrastructure, that can make dumpling products at a lower variable cost.

Crazy Dragon is benchmarking production facilities on the following criteria:

1. HACCP Standard
2. Production capacity
3. MOQ requirements. Do they match the market requirements for our value-added beef and lamb products?
4. Capital equipment – what products can they make? This data in particular will be useful for the car-study as we are developing as a part of the project a list of willing partner-factories in FMCG and will document their capabilities, so that MLA can make use of the data to help other Australian value-added find easy pathways to joint-venture partners in China, in circumstances where is it impossible to export processes meat from Australia because of COQ quarantine restrictions.
5. Price competitiveness
6. Reliability

Preliminary discussions have been had with a number of factories in the Shanghai region, where processing can be undertaken. Milestone 3 will further build upon these discussions.

- *Retail & E-Commerce*

Of further note is the changes modern technology have had upon B2B discussions with a range of businesses based in China. Whilst traditional business practice would be to visit each business in person and conduct a formalised business meeting or lunch, the influence of modern Chinese technologies – particularly social media technologies such as WeChat – have changed the way in which it is optimal to conduct business with Chinese partners.

When attempting to deal with Chinese partners, as well as creating marketing and branding content to communicate to businesses and consumers alike, the need for an established and skill English-Mandarin translator should not be underestimated. If you are marketing a new concept in China, there is innovation required in the content. For example, selling beef and lamb products requires some technical information that will be incorporated into the marketing content. Communicating

why our meat products are so special will need to be translated into terms the Chinese can clearly and easily understand, remembering that cross-culturally there are not always logical translations for a range of words and descriptions.

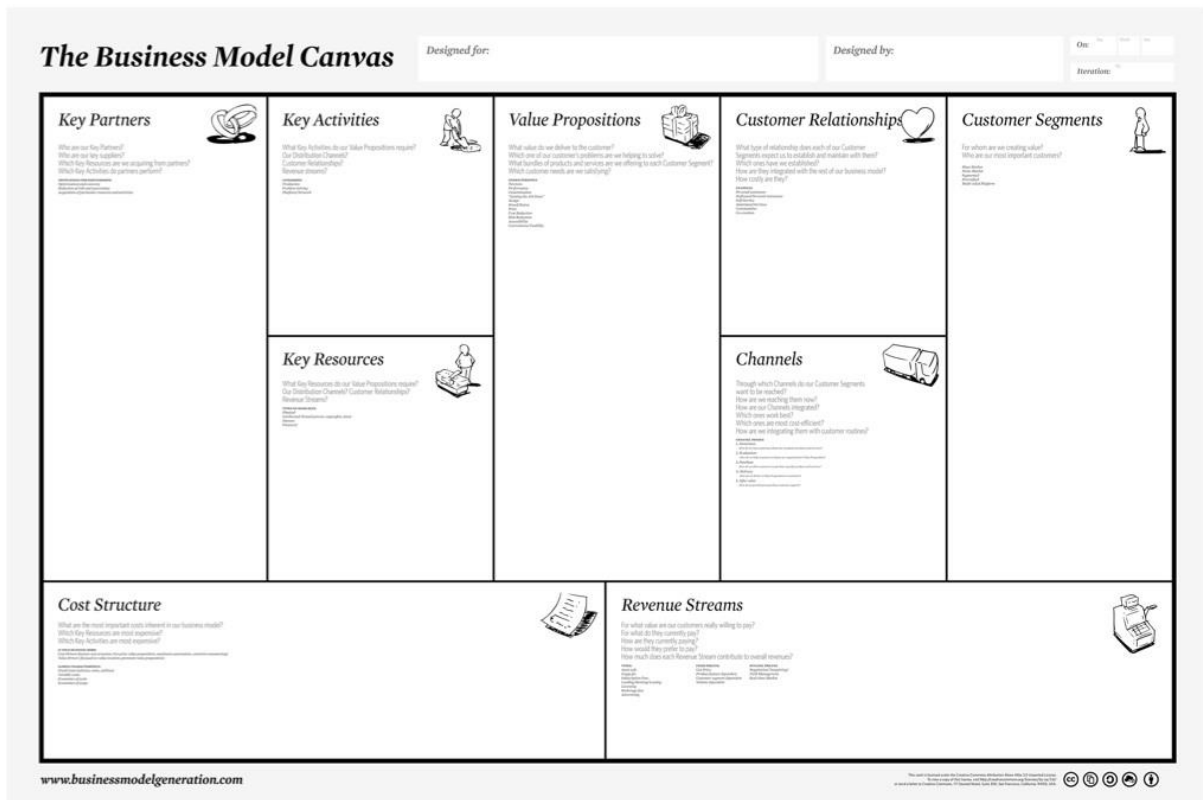
Modes of Negotiation/Communication

Understanding that the modern Chinese ways of communicating and negotiating – even in B2B discussions – has rapidly changed is the first step in establishing positive partner relations. Currently, Juy is in a WeChat group (a Chinese social media platform) with eight members from a buying team, in which information and articles are constantly being shared and discussions being had about the market, products and opportunities that exist. ‘DingTalk’, the new Alibaba version of WeChat, is also necessary if you want to communicate and undertake negotiations with AliBaba. Below are some screenshots of a WeChat discussion with buyers, an example of modern relationship building exercises and a source of valuable insights.

4.6.1 Business Model Canvas too

The Business Model Canvas is a strategic management template for developing innovative new business models and value-added propositions. By describing nine essential components of a business model and design, the model encourages consideration of how all elements of a business will fit together in order to achieve maximum value for the firm.

Figure - Business Model Canvas



A business model canvas tool was used to capture the value proposition for the four products and the value chain for transforming Australian meat in-market into dumplings. Below captures the key details related to “desirability (product-market fit), feasibility (technical know how to make the dumplings and protect Australian meat input, and the commercial viability”.

Key Partners: Macca’s meat, Chinese Contract Manufacturer, Chinese Importer / distributor

Key Activities: Market Research, NPD for the Chinese market, finding the best reliable Chinese contract manufacturer

Value Proposition – First innovative new product - Australian beef and lamb dumplings

Customer Relationship - retailers and wholesalers

Channels – How do we reach our customers – digital marketing, web site, promotion etc

Customer Segment – creating a new market in China for Australian value added red meat

Cost Structure – Cost of goods (especially the Australian meat), cost of contract manufacturer, cost of logistics and sales

Revenue Stream - competitive price for the Chinese market

It is expected that Crazy Dragon will sell 240,000 packets of dumplings in the first year of operations in China, and 360,000 packets in the second year.

With regards to Crazy Dragon’s value-added beef and lamb dumplings and buns, and entrance into the Chinese and other related export markets, the business model canvas works as a foundational testing basis for the currently proposed business activities.

Key Partners

Crazy Dragon must work with key partners at (up to) four different stages of the supply and manufacturing chain, whilst Crazy Dragon will seek to work with additional partners that will seek to add expertise and value to overall operations not only for Crazy Dragon, but for other Australian industry partners.

▪ *Import/Export*

- Partnering with an importer/exporter that has the necessary licenses to clear Australian beef and lamb in China is critical to the success of any value-added red meat producer that is looking to sell products in China.

▪ *Processing/Manufacturing*

- Crazy Dragon must partner with a manufacturer or facility that possess the required machinery and infrastructure to develop their products, as well as having the necessary safety standards in place to ensure food safety is of the highest order.

▪ *Retailing/E-Commerce*

- Early B2B discussions have developed with one key partner assisting entering the Chinese retail sphere. However, discussions with other retailers including, and an unwillingness to sign an exclusivity contract with any Chinese retailer in order to facilitate future growth

Furthermore, Crazy Dragon will seek to work with other key partners in order to extract maximum value for their products, undertake and absorb market research findings and consolidate knowledge amongst Australian industry members in order to best strategise collective marketing and market entrance initiatives.

▪ *Other Partners*

- In the past, Crazy Dragon has worked with Food Innovation Australia Limited (FIAL). FIAL is a government funded, industry-led, not-for-profit organisation focused on growing the share of Australian food in the global marketplace. Crazy Dragon intends to work with FIAL into the future, as the organisation offers knowledge sharing and capability building initiatives designed exclusive for Australian food and agriculture businesses.
- This project, undertaken with Meat & Livestock Australia (MLA), works as the foundational stages of building a long-term relationship with the organisation. MLA strives to be the recognised leader in delivering world-class research, development and marketing outcomes that benefit Australian cattle, sheep and goat producers. Partnering with MLA also provides key opportunities for research and development, training and education and beef and lamb marketing.

Key Activities

Crazy Dragon's key activities will be centred around the production, supply, marketing and selling of Australian beef and lamb dumpling and bun products in China. All activities of the value and supply chain will need to be strategised in order to achieve the best possible outcomes for the organisation.

Key Resources

Crazy Dragon will be seeking competitive advantages through effective utilisation of the following key resources:

▪ *Australian Beef and Lamb*

By gaining access to high quality Australian beef and lamb products, and where possible, signing exclusivity agreements along with the production of marketing material, this will be the cornerstone, key resource that Crazy Dragon will be building their brand around. The value of Australian beef and lamb in the eyes of Chinese consumers should not be underestimated.

▪ *Knowledge*

Through industry relationships, meetings and cooperation's with buyers and by undertaking direct market research, Crazy Dragon should be in a position to possess superior market knowledge when compared with other international dumpling brands competing in the Chinese market. Knowing exactly what consumers want, and the best way to market towards them, will be a source of competitive advantage that Crazy Dragon – and other Australian value-added red meat producers – can exploit in order to achieve maximum return on investment.

- *Relationships*

Building key relationships with all value chain partners, including beef and lamb suppliers, importers and distributors and buyers, will leverage the role of Crazy Dragon in serving the Chinese market.

Value Propositions

A critical element of this project is not only how Australian red-meat producers will instil value-added initiatives, but also how they can be protected and maintained as a competitive advantage in the Chinese marketplace, characterised by intensive competition from both local and international competitors who will seek to replicate (or directly source) the same value propositions to compete economically. This was elaborated on previously in the report, when posed with the question “What is stopping Chinese brands from sourcing the same Australian beef and lamb and creating the products themselves?”. The value propositions are therefore summarised below:

- *Exclusivity to High Quality Australian Beef and Lamb*

This is the key value proposition on which Australian retailers, inclusive of Crazy Dragon, must vigorously seek to establish and protect. By signing an exclusivity contract with a well-respected and high-quality Australian beef and lamb producer, this immediately creates a competitive advantage for Crazy Dragon as the value of the product, derived from the authentic Australian beef and lamb quality, is impossible for brands to source and replicate. Much like IP, this element is critical to the value proposition.

- *The Story*

Through integrated marketing and communication strategies, including creating marketing content directly with the farm in which high-quality beef and lamb is sourced, the story and hedonistic appeal of the brand will be key to the value proposition. With the high reputation Australian beef and lamb holds within the Chinese market, creating content (including websites, videos and other promotional material) that builds upon this reputation will further enhance the value perception of Crazy Dragon products in the eyes of Chinese consumers.

- *Food Safety & Quality*

Food safety and quality must also be highlighted within packaging and other marketing material. With concerns regarding locally produced food prominent within the Chinese market, highlighting the food safety certifications Crazy Dragon and Australian value-added red meat producers hold will build stronger value for the brand, as consumers know they can trust the product.

- *Product Innovation*

With shifts and changes in Chinese society translating into differing food purchase and consumption behaviours, Crazy Dragon will be staying ahead of the game by introducing new and innovative products (such as traditional dumplings with Australian beef and lamb) that will appeal to consumers and provide first mover advantages. This reputation for exciting new foods seeks to build the value of the brand overall.

Customer Relationships

Customer relationships will primarily be established through highly integrated and targeted digital marketing strategies. This includes hiring a local Chinese company to provide insights and marketing assistance when establishing Chinese and localised social media platforms – which exert high levels of influence over the target market.

Brand loyalty will be rewarded, with the possibility of providing discounts, coupons or vouchers via social media platforms currently being discussed in conjunction with Crazy Dragon’s Chinese launch strategy.

Channels

In terms of product distribution, two main channels will exist:

- Bricks and Mortar (Supermarket) distribution channel
- E-Commerce channel

Customer Segments

As the primary target market exhibits largely homogenous characteristics, customer segments will be defined by buying motivations – leading Crazy Dragon to develop differing marketing strategies designed to best appeal to customers based on buying triggers (rather than demographic or lifestyle differences).

- *Convenience Customer*

The convenience customer are customers whose primary buying motivator is product convenience. Leading busy urban lifestyles, many consumers do not have the same time each evening to prepare meals from scratch. Crazy Dragon’s products offer a viable solution for those time-poor consumers, and marketing efforts should position the brand as a quick and easy dinner solution.

- *Product Quality & Safety Customer*

With many Chinese customers not trusting local brands (and Australian food brands exerting a high level of consumer confidence in China), many customers will find the apparent food quality and safety Crazy Dragon (and other Australian value-added red meat producers) as the primary buying motivator. Marketing and branding material should therefore incorporate how the product, from supply to supermarket shelves, is cared for and trustworthy, in order to influence these consumers.

- *Contemporary Customer*

The 'contemporary customer' has lifestyle considerations as the primary buying motivator. These customers are very prominent in the wealthy, urban areas of China such as Shanghai. Whilst convenience and food quality and safety will also influence this customer, the primary buying motivators will be hedonistic and lifestyle aspirations ('by buying this high quality, Australian beef dumpling I am displaying by modernism and international lifestyle'). Marketing efforts should present Crazy Dragon products as the best on the market and build upon the Australian reputation for having the best food products available on the market.

Cost Structure

Final product recipes and input prices are yet to be confirmed. However, the cost structure will be inclusive of the following:

- Beef and lamb trim costs
- Other product costs (dough, herbs and spices)
- Import/export and logistics costs to China
- Product manufacturing costs
- Packaging costs
- Any further distribution costs
- Minimum profit margin

The minimum profit margin should be large enough to cover:

- Overhead costs including business registration, wages and rent
- Licensing and IP costs
- Marketing costs
- Any other costs incurred in business operations

Revenue Streams

Crazy Dragon will be seeking revenue streams in China from two types of retailers:

- *Bricks and Mortar (Supermarkets)*

Negotiations will continue to be had with supermarket chains in China, in order to get Crazy Dragon products stocked.

- *E-Commerce Retailers*

The e-commerce channels have thus far been more receptive to the Crazy Dragon product range, with firm commitment already had from one e-commerce platform.

In order to extract maximum value from both revenue streams it is critical that Crazy Dragon differentiates its product offerings in order to best appeal to each channel.

5 Key Outcomes

5.1 Journey Mapping Target customer profiling

Stage 2 of our selected Design Led Thinking Model involves Journey Mapping the full cycle of customer interactions with the brand and/or products. Whilst the Customer Journey Mapping technique needs to be developed from the point of view of the customer, it is important to understand how the customer’s thoughts, feelings and touchpoints integrate and align with internal organisational structures, service delivery modes, metrics and key value-added criteria designed to best position Crazy Dragon within the market.

Journey Map

Stages	AWARENESS	RESEARCH	DECISION	POST-PURCHASE
Doing				
Thinking				
Feeling				
Experience				

Stages	AWARENESS
Doing	<p>Word of Mouth: hearing about Crazy Dragon products from a friend or family member</p> <p>Smartphone: seeing Crazy Dragon products on a smartphone, such as on We Chat and other social media platforms</p> <p>Computer: seeing Crazy Dragon products on a laptop or desktop computer, potentially on an e-commerce website or social media</p> <p>In-Store: seeing Crazy Dragon products in a bricks and mortar supermarket store, on the shelves</p>
Thinking	<ul style="list-style-type: none"> ▪ What is so special about this product? ▪ Is the beef and lamb product superior to the other alternatives? ▪ How can I confirm this product is legitimate and made of high quality Australian meat? ▪ What is the story behind the brand? ▪ Does this product taste and cook as well as I am expecting?
Feeling	<ul style="list-style-type: none"> ▪ I’m excited to learn more about Australian meat dumplings ▪ I don’t want to make the wrong choice ▪ What if I can’t afford this? ▪ Will I be able to feel comfortable and trust the product with Australian beef and lamb inside?
Experience	<ul style="list-style-type: none"> ▪ It has been exciting to discover this new product. ▪ Branding and packaging is clear – has made the experience easy and enjoyable. ▪ Packaging contains QR codes, making the next step of learning about the products and brand easy and convenient.

Stages	RESEARCH
<i>Doing</i>	<p>Social Media: Given the prominence of social media platforms culturally in China, many consumers will take to social media platforms to research more on the brand and its products.</p> <p>QR Codes: The integration of QR codes, that can directly link customers to marketing material regarding Crazy Dragon and its story will be critical for customers to undertake more research on the brand in a way that is channelled effectively.</p> <p>Website: The Crazy Dragon website must be adapted to be .cn or Chinese friendly in order for customers to undertake research.</p> <p>Price Research: Given the frugality of Chinese consumers, it is likely that they will undertake price comparisons and research on the product by utilising the websites and e-commerce platforms of different retailers.</p> <p>Word of Mouth: Customers will ask their friends and family if they have tried the product.</p>
<i>Thinking</i>	<ul style="list-style-type: none"> ▪ Does the reputation for high quality and excellence translate into a great tasting product? ▪ Is the product as convenient to cook as the Chinese brands I am familiar with? ▪ What assurances can I be given about food quality and safety, and the origin of the food? ▪ Beef and lamb in a dumpling, an interesting alternative to pork and vegetables.
<i>Feeling</i>	<ul style="list-style-type: none"> ▪ Amazement at the quality of Australian red meat and imagery surrounding the healthy lifestyle of the animals ▪ Excitement at the product and its origins ▪ Still a slight sense of scepticism; how does this all translate into value for myself and ensure I am making the right purchase decision? ▪ This product matches my lifestyle; quick and urban but with uniquely beneficial properties
<i>Experience</i>	<ul style="list-style-type: none"> ▪ Videos and other marketing material are convenient, and tell the story in an easy to understand and relatable way ▪ Learning; about the Australian beef and lamb industry and its reputation for excellence as a whole ▪ Satisfying the senses; sound, video, audio and integrated marketing designed to make the research process as holistically enjoyable for all of the senses as possible

Stages	DECISION
<i>Doing</i>	<p>Mobile Shopping: with the large majority of e-commerce purchases made in China made via a smartphone, it is likely that the consumer is shopping (often via social media platforms) for products using their phone.</p> <p>In-Store: whilst the Chinese awareness to decision process may happen quickly (and consumers may undertake research via their phones whilst in-store), it is paramount that all instore marketing and packaging elements are designed to achieve hedonistic appeal for consumers.</p> <p>Family & Friends: consulting with family and friends, and utilising people from all influences in the buying and decision-making process may sway a purchase decision (either positively or negatively).</p>
<i>Thinking</i>	<ul style="list-style-type: none"> ▪ How will the product’s strong reputation translate into taste and integrate

	<p>with my lifestyle?</p> <ul style="list-style-type: none"> ▪ I have paid a premium price for this product, I hope it translates into product quality ▪ This product appears to be superior to the local Chinese products on the market
<i>Feeling</i>	<ul style="list-style-type: none"> ▪ Excitement, and wanting to try out the new product ▪ Slight concern; will beef and lamb taste nice in a dumpling when I am used to white meat and vegetables? ▪ “I have made a good lifestyle decision, and this product matches my fast-paced lifestyle as well as my desire for high quality and safe food products”
<i>Experience</i>	<ul style="list-style-type: none"> ▪ Online e-commerce platforms, many integrated within social media, make the decision and purchase process as instantaneous and easy as possible ▪ What can be done on purchase to benefit the experience? Does the QR code link to a new video? More marketing material? Positive affirmation of some variety? ▪ The food safety standards and clear origin labelling make the decision less risky in the eyes of consumers, who are guaranteed high quality, safe products

<i>Stages</i>	POST PURCHASE
<i>Doing</i>	<p>Eating: most thoughts and feelings about the brand and product will occur directly after first eating or sampling the product.</p> <p>Social Media: following consumption of the product, it is likely that the consumer will once again visit the brand’s social media platforms such as WeChat in order to find out more information.</p> <p>Word of Mouth: it is likely that consumption of the product will take place with family or friends, and any thoughts or feelings about the dumplings will be immediately conveyed via word of mouth.</p>
<i>Thinking</i>	<ul style="list-style-type: none"> ▪ What other Australian red meat products are available on the market? ▪ What is the most convenient channel to buy this product in the future? ▪ How can I learn more about where the product comes from?
<i>Feeling</i>	<ul style="list-style-type: none"> ▪ Enjoyment in tasting the Australian beef and lamb dumplings ▪ Feelings of authenticity, in terms of the traditional Chinese recipes combined with genuine, high quality Australian red meat ▪ Satisfaction in the product and overall experience
<i>Experience</i>	<ul style="list-style-type: none"> ▪ Taste and flavour sensations integrated with the high quality Australian beef and lamb ▪ The convenience and ease of material available at all stages throughout the buying process, with integrated social media and QR codes ▪ Favourable perceptions of Australian products, particularly value-added red meat

5.2 Value Chain Analysis

Support Activities	Firm Infrastructure		<ul style="list-style-type: none"> ▪ Application of WOFE within China for structural advantages ▪ Outsourcing of localised marketing ▪ Transfer pricing product commodities between Australian and Chinese business 			MARGIN
	Human Resource Management		<ul style="list-style-type: none"> ▪ Strong current team of employees with adequate experience and passion for the brand ▪ Strong relationships with business consultants, industry bodies and already forged strong relationships with buyers and customers ▪ Strategic staff onboarding and training program designed for ease of integration 			
	Technology Development		<ul style="list-style-type: none"> ▪ Culture of product innovation and R&D, with new product combinations constantly being tested and developed ▪ Application of processing plants with state of the art dumpling machines, designed for efficiency and to achieve economies of scale ▪ Strong emphasis on digital branding integration within the Chinese market 			
	Procurement		<ul style="list-style-type: none"> ▪ Supplier management protocols already in place to protect business and needs of suppliers ▪ Subcontracting and outsourcing expert skills and advice where necessary in order to manage costs 			
Primary Activities	Inbound Logistics	Operations	Outbound Logistics	Marketing & Sales	Service	
<ul style="list-style-type: none"> ▪ High integration with suppliers of beef and lamb ▪ Best quality beef and lamb sourced ▪ Effective shipping team delivering and clearing stock from Chinese ports 	<ul style="list-style-type: none"> ▪ Use of state of the art dumpling machines ▪ Packaging designed to achieve results ▪ Product recipes and innovations designed to cater for market needs and tastes ▪ Strong team of employees to manage expenses 	<ul style="list-style-type: none"> ▪ Order handling undertaken by experienced team ▪ Strong liaison with retailers and e-commerce platforms to organise best delivery methods ▪ On-site cold storage facility to maintain product quality 	<ul style="list-style-type: none"> ▪ Expert Chinese social media marketing integration ▪ QR code integration within packaging and marketing platforms ▪ Authentic Australian value added marketing 	<ul style="list-style-type: none"> ▪ Emphasis on strong relationship management with buyers ▪ Willingness to work with retailers in establishing new lines of products in the future 		

5.3 Product Design Brief

CRAZY DRAGON: DESIGN BRIEF	
<i>Project Description</i>	<p>This project seeks to develop a high value strategy for red meat based Chinese banquet products, in China and other export markets, utilising learnings and findings from Crazy Dragon’s venture(s). Through the application of a Design Led Thinking approach, this project seeks to systematically design an integrated, market-orientated strategy through primary project management techniques that duly provide key insights and an environment conducive to innovative problem solving. The outcomes from this project will provide Australian value-added red meat producers and manufacturers key strategic considerations when engaging in business development initiatives in foreign export markets, borne out of industrial experience.</p>
<i>Scope</i>	<p>The scope of this project incorporates the development of Crazy Dragon’s beef and lamb, dumpling and bun products from ideation to market launch in the Chinese market, and will incorporate any business development, research, marketing or other operational activities that take place before the project deadline.</p>
<i>Exploration Questions</i>	<p>Exploration questions are designed to trigger thought processes that will aid the development of effective market solutions, given the findings and activities performed to date. The exploration questions for this project have been categorised under four distinct areas.</p> <ul style="list-style-type: none"> ▪ <i>Meat Supply Questions</i> <p>How can we ensure our beef and lamb supply is of a premium quality, that Chinese customers will desire?</p> <p>Does the farm have a brand and/or story that will resonate with Chinese consumers, and how can we partner to leverage off the uniquely Australian story?</p> <p>What can be done to ensure exclusivity to meat supply (in the face of Chinese customers attempting to directly source our meat) to ensure our value proposition is protected?</p>

	<ul style="list-style-type: none">▪ <i>Customer & Marketing Orientated Questions</i><p>To what extent is emotional and hedonistic appeal relevant to Chinese consumers when purchasing value-added red meat products, and what are the emotional triggers?</p><p>How do the buying and customer decision making processes differ in the Chinese market?</p><p>Which communication channels resonate best with our target market in China and how can we best utilise them?</p><p>What unique, Australian selling and value propositions can we market in order to extract maximum value from the market?</p>▪ <i>Product & Manufacturing Orientated Questions</i><p>What product adaptations and/or innovations are required to best cater towards local market tastes and preferences?</p><p>Is it more suitable to process the products in Australia or in China, in order to reach organisational objectives?</p><p>Moving forward, what can we do to ensure we stay ahead of food and product trends in order to achieve first mover advantages with regards to portfolio diversification?</p>▪ <i>Distribution Orientated Questions</i><p>Which distribution channels provide key market entry advantages for Crazy Dragon when seeking to establish market share in China?</p><p>Are there growth and marketing opportunities for Crazy Dragon and other Australian value-added red meat manufacturers by partnering with specific retailers?</p><p>How can our product portfolio be designed in order to extract maximum value from different retail channels?</p>
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<p>Target Users</p>	<p>The target users (inclusive of primary users and buyers to establish the project holistically), can be segmented into the following two user sets:</p> <p><i>Retailers</i></p> <p>Target retailers (both bricks and mortar supermarkets and e-commerce retailers), must have a strong presence in the South-East of China (ideally based in Shanghai), with an established brand and reputation for high quality, fresh and premium foods.</p> <p><i>End Consumers</i></p> <p>80% of the consumer target market are female, aged between 25 to 45, living in Shanghai or 500km south and west of Shanghai. The target consumer is an urban woman, living a busy life who seeks high quality products as a point of difference and is always connected digitally.</p>
<p>Research Plan</p>	<p>Following Milestone 1 and Milestone 2, which incorporated large elements of secondary and prior market research, ongoing research efforts moving forward will be primary in nature and undertaken in conjunction with ongoing efforts to have the products in store by Q4 of the 2017/18 financial year.</p>
<p>Expected Outcomes</p>	<p>From this project, Crazy Dragon expect to sell a minimum of 2 SKUs, with volume of 4 tonnes per month (per SKU), within 3 months of launching their products in the Chinese marketplace.</p> <p>Within 12 months, Crazy Dragon expect to sell a minimum of 4 SKUs, with a volume of 8 tonnes per month (per SKU).</p> <p>Overall, this project is designed to establish Crazy Dragon in the Chinese market.</p>
<p>Success Metrics</p>	<p>Success metrics for this project are built around Crazy Dragon’s ability to successfully capture market share within the Chinese dumpling and bun markets:</p> <ul style="list-style-type: none"> - Number of SKUs - Chinese social media engagement - Net profit margin per dumpling - Total sales quantity - Customer satisfaction -

<p>Project Planning</p>	<p>Over the coming period, Crazy Dragon plan to:</p> <ul style="list-style-type: none"> - Perfect the recipes for product development - Control all supply and value chain costings - Undertaken marketing efforts, in association with beef and lamb farm - Further negotiate with Chinese retailers - Establish direct marketing and social media channels designed to communicate the Crazy Dragon brand effectively
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Proposed product range (stage 1):

1. Australian Beef and Chilli Dumplings
2. Australian Beef and Mushroom Dumplings
3. Mongolian Style Australian Lamb Dumplings
4. Australian Lamb and Cumin Dumplings

These products will utilise Australian red meat (beef and lamb) as the key ingredient in the dumpling. Crazy Dragon found that Chinese consumers like less meat content in their dumplings compared with Australian consumers. Therefore, the quantity of meat included in each dumpling will be reduced from 4 grams to 3 grams. The product will be produced in 24 x 18g flow wrapped flat trays with flow wrapping.

The product concept

The Chinese consumer will purchase Crazy Dragon dumplings as they are made with 100% imported Australian beef and lamb, which is highly regarded as 'safe' and high quality in China. Many Chinese customers do not trust local brands and Australian food brands exerting a high level of consumer confidence in China.

Our findings have identified that it will be important to build the story around the Crazy Dragon brand in China by linking the product back to the farm in Australia where the beef or lamb comes from. This will encourage consumers to trust the authenticity of the meat content of the dumplings. It will also make it very difficult for a competitor to replicate the product in China. This is the key value proposition, which must vigorously seek to establish and protect. By signing an exclusivity contract with well-respected and high-quality Australian beef and lamb producers, this immediately creates a competitive advantage for Crazy Dragon as the value of the product, derived from the authentic Australian beef and lamb quality, is impossible for brands to source and replicate. Much like IP, this element is critical to the value proposition.

Market feedback on concept product

The key message from the market research conducted by Crazy Dragon in China was that packaging must clearly convey to consumers, in Chinese language, that the meat contained in the dumplings comes from Australia. Artwork has been already prepared incorporating this information (see

Appendices). QR codes will be incorporated on the packaging to link the product to a video of the paddock where the beef or lamb, that is contained in the product, originates.

Walter Li, a food retail procurement veteran in China, discussed this important requirement during an interview with Juy Hepner from Crazy Dragon. A recording of this interview can be found here [<https://youtu.be/Dolhsahr2VI>].

Preliminary marketing mix plan

<i>Product</i>	<i>Dumplings x 4 SKUs containing ‘safe’ Australian beef or lamb, packed in</i>
<i>Price</i>	<i>The product will be competitively priced to capture a larger share of the middle class market, rather than high pricing to capture a share of a niche segment.)See Appendix 7.1 for product pricing).</i>
<i>Promotion</i>	<i>Digital marketing with a strong focus on social media. The source of red meat (specific farm in Australia) is an important story to promote</i>
<i>Place</i>	<i>Higher end supermarkets and online retailers</i>
<i>People</i>	<i>Primary target market is the middle class consumer who is willing pay more for a brand of dumpling containing ‘safe’ meat that they can trust</i>

Location and partner for market testing

Crazy Dragon has selected a key manufacturing company as their preferred manufacturing partner. The Group, based in Shanghai, have recently opened a state of the art noodle production facility (see Figure 4.1) which currently services their own chain of 1,700 noodle and dumpling retail outlets in East China, as well as 200 foodservice clients including hospitals, schools, factories and fast food chains.

The manufacturer has recommended that Crazy Dragon dumplings should be packed in 24 x 18g (432g) flat trays with flow wrapping. Samples (5,000 units of each flavour of dumpling) will distributed at the SIAL China Food Expo in Shanghai 16-18 May 2018, where relationships with distributors and retailers will be established.

Figure 4.1 factory in Shanghai



5.4 Scale-up and Marketing mix development

During April 2018, a number of productive meetings were held with the proposed contract manufacturer in Shanghai. As a result, the new Crazy Dragon dumpling recipes have been refined and finalised (see Appendices), packaging specifications have been finalised and final pricing was received at the end of May. Unfortunately the pricing from the manufacture came back with was too high, so negotiations continue.

The external pack design and pricing has also been finalised with a packaging manufacturer in China and the first order will be placed with the Chinese manufacturer when pricing has been finalised with the manufacturer. See below for an example of the packaging that has been developed for Crazy Dragon dumplings in China.



The new range of Crazy Dragon dumplings was tested for the first time in the China market at the SIAL food expo in Shanghai, 16-18 May. Overall the feedback was very positive which provides confidence that the product will be well received in the China market. Approximately twenty relevant enquiries were received, and they will be followed up when pricing has been discussed with the manufacture.

The ensuing pages describes the marketing mix.

Mongolian Lamb dumplings



A number of key marketing milestones have been achieved, including videos filmed at Macka’s farm in Newcastle NSW, the source of the beef for the new Crazy Dragon beef dumplings, social media program development and product-market fit testing at the SIAL Shanghai expo 15-17 May.

Product	<i>Dumplings x 4 SKUs containing ‘safe’, high quality Australian beef or lamb, packed in 24 x 18g trays wrapped in plastic bags.</i>
Price	<i>The product will be competitively priced to capture a larger share of the middle class market, rather than high pricing to capture a share of a niche segment. More details about pricing will be included in the final report, when the supply price has been finalized with the proposed contract manufacturer.</i>
Promotion	<i>Digital marketing with a strong focus on social media. The source of red meat (specific farm in Australia) is an important story to promote, with the use of QR codes on product packaging linking the red meat component of the dumpling back to the Australian farm where it was sourced.</i>
Place	<i>High end supermarkets eg. Carrefour and online retailers eg. Miss Fresh.</i>
People	<i>Primary target market is the middle class consumer in China who is willing pay more for a brand of dumpling containing ‘safe’ meat that they can trust. More details about the target market will be included in the final report.</i>

Social media program development

Crazy Dragon has engaged Redfern Associates, based in Shanghai, to manage their social media program in China to build brand awareness and to better engage their target audiences through WeChat and Weibo.



It is essential to have a QR code on food packaging in China as the demand for information about the origin and safety of a product, especially those containing meat products. In this case, the QR code (see product label below, top left hand corner) will link to a video of the farm where the meat comes from and the Chinese version of the Crazy Dragon website.



Videos filmed at Macka's farm in Newcastle

Crazy Dragon filmed a number of videos at Macka's beef property in Newcastle on 5 April. The videos produced (see below) will appear on the Crazy Dragon website (Chinese version), in the Crazy Dragon 'mini program' on WeChat and on TV at the Crazy Dragon stand at SIAL Shanghai expo in May 2018. The Mandarin version will be available for consumers to view when they scan the QR code on the Crazy Dragon beef dumpling packs.

Juy & Macka - short version -

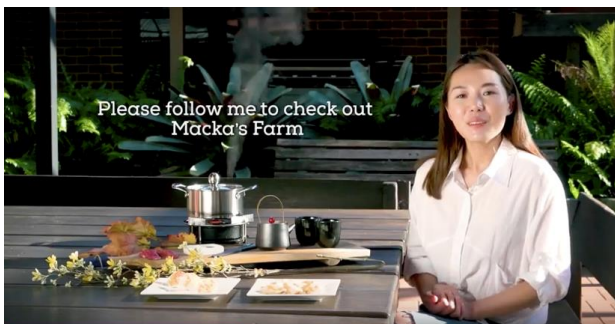
https://www.youtube.com/watch?v=v_LT1VooZLQ&feature=youtu.be



Juy & Macka - long version https://www.youtube.com/watch?v=p-pxx3vb8_w&feature=youtu.be



Mandarin version - <https://www.youtube.com/watch?v=B-c-71bmxHA&feature=youtu.be>



Key messaging for the new range of beef and lamb dumplings was tested in the Chinese market at SIAL Shanghai expo on 16-18 May. Overall the feedback was very positive which provides confidence that the product will be well received in the China market. Approximately twenty relevant enquiries were received at the expo. These people will be contacted with pricing as soon as the pricing has been finalised with the manufacture. The Victorian Government has offered their assistance to expedite the negotiations.

During April 2018, a number of productive meetings were held with the contract manufacturer in Shanghai. As a result, the new Crazy Dragon dumpling recipes have been refined and finalised, packaging specifications have been finalised and final pricing was received at the end of May. Unfortunately the pricing came back with was too high, so negotiations continue. The external pack design has also been finalised and the first order will be placed with the Chinese manufacturer as soon as the supply price has been finalised.

The new range of Crazy Dragon dumplings was tested for the first time in the China market at the SIAL food expo in Shanghai, 16-18 May. Overall the feedback was very positive which provides confidence that the product will be well received in the China market.

Below lists the project investment made to date:

Product spend summary		2017/18
	One off investment	
Planning and project direct admin costs	Project Market Analysis & Reporting/Cost Benefit Analysis	██████
Planning and project direct admin costs	Partner selection consultancy incl. translation services	██████
Planning and project direct admin costs	Internal Project cost and wages	██████
Planning and project direct admin costs	MLA Donor Company the Project Administration Fee	██████
NPD Recipe	Recipe development	██████
NPD Packaging	Packaging design	██████
Expo market research	SIAL Shanghai expo	██████
Expo market research	Samples (red meat & dumplings)	██████
Expo market research	Airfares - Melbourne-Shanghai return x 4	██████
Expo market research	Accommodation - 20 Nights @ \$250	██████
Advertising and promotion	Product launch and samples	██████
Advertising and promotion	Videos	██████
Trial manufacturing contract manufacturer	Dumplings - manufactured incl red meat	██████
		\$250,760

Estimated profit loss 2019-2020

Indicative COST BENEFIT ANALYSIS:

In the first year of production the financial forecast for Crazy Dragon estimates sales revenue of AUD\$2.36 million with a demand pull of 103 Tonnes of Australian beef and lamb trim exported to China. The meat component represents ~20% of the final dumpling weight and a dumping 20g (8g meat filling/12 g dough). A unit is 500g with 25 dumplings per pack = 100g meat input, sales price of \$0.21 per dumpling.

It is expected that Crazy Dragon will sell 240,000 packets of dumplings in the first year of operations in China, and 360,000 packets in the second year.

The target is to increase this to AUD\$3.54 million in the second year with 155 Tonnes of raw meat (90CL equivalent) being exported supporting the Australian red meat industry and producing a range of “value-added” red meat frozen dumplings.

To secure supply, it is projected a \$0.10/kg premium will be paid to raw meat suppliers. Therefore, in effect a \$4.80/kg input red meat is transformed into \$10.56/kg finished dumpling product with the meat filling essentially valued at \$52.80/kg (i.e. greater than 10 x fold value add).

6 Conclusions & Recommendations

Crazy Dragon have developed a business model to use Australian red meat for dumplings sold into China. The approach to design and deliver this research project was very commercial in focus. Some of the key successes occurred during April 2018 when Juy Hepner had several very productive meetings with his contract manufacturer in Shanghai. As a result of these meetings, both recipes and packaging specifications have been finalised and final pricing was received in late 2018.

Juy Hepner has also finalised the design of the external packaging and has engaged the services of a local (China) social media consultant. Discussions around price and quantities continue with leading online retailer in China, as well as with Carrefour China and two retail distributors in Shanghai.

The new range of Crazy Dragon dumplings was tested at the SIAL food expo in Shanghai, 16-18 May 2018. Samples were available for potential customers to taste. Overall the feedback was very positive which provides confidence that the product will be well received in the China market and this will be presented in detail in the final report.

There was a one off investment for tastings and market research during the expo:

- Stand at SIAL Shanghai expo \$9,500
- Cost of samples \$10,000
- Packaging for samples (MOQ 60,000 units) \$12,000

Value is important to Chinese consumers and they spend a lot of time searching for the best deals. We have looked at the pricing for all the dumplings in the market and they generally sit between 25-45RMB per pack. We believe that the Beef and Lamb will become very successful as consumers no longer just want pork and prawn dumplings – especially with Australian Beef and Lamb being highly sought after.

The price for our dumplings will be very acceptable and customers will feel like they are getting exceptional value. We will aim to have a recommended retail price for under 50RMB for a 500G pack. This will include a good margin for the retailer.

Crazy Dragon have partnered with Macka's Australian Angus Beef, a fifth generation producer of Angus Cattle. The Black Angus Beef is grown on farms close to Newcastle in NSW, and famous for top quality, great tasting Beef with a healthier fat content.

Robert Mackenzie, owner of Macka's Australian Angus Beef, was a part of the professional dedicated team that contribute to the success of the project. Angus cattle continue to win gold medals in various prestigious Beef tasting competitions and importantly is Quality Assurance processed to Australian meat standards at an export-accredited establishment.

The research undertaken through the partnership, revealed valuable insights around food safety and quality concerns in China, and the growth of the frozen food sector. This was particularly true for the entertainment and snacking category.

Key call outs and actions for Crazy Dragon to execute include:

- * we will support our claims through QR code marketing on the packets and applicable social media platforms - showing the farms exactly where we source the Beef and Lamb.

- * we will support investment in the product launch with targeted promotional and marketing investments.

- * Crazy Dragon source higher quality and significantly better Beef than anyone else in China or Australia, because of our contacts in the farming industry.

- * Crazy Dragon is the most trusted frozen dumpling brand in Australia.

- * Chinese consumers will trust the high quality of our meat and the food safety of our dumplings.

- * Recommendation on the next step is for Haines Consulting Group to introduce Crazy Dragon and Macka's Meats to Aglive. Aglive has developed a world first technology that is a unique method for digital supply chain food traceability. Aglive's tracking system of produce achieves end-to-end supply chain traceability and transparency. This enables users to prove the provenance of the product as well as a tool to combat food fraud and protect Australian Exporters. The platform's unique and innovative technology is a tool to market and develop consumer trust. Aglive provides traceability, biosecurity, food safety and livestock management through evidence-based data, in real-time and on-demand. Aglive's revolutionary technology will allow Crazy Dragon to validate with certainty, where each food item was grown, handled, processed, stored and inspected. They can track every

intricate stage of the journey to the final destination being their consumers, ensuring quality and providence.

7 Key messages

This research project enable concepts to be developed and a new value chain to be designed. However, it is only the beginning. We believe that exporting Australian Beef and Lamb “ingredients” to an approved contract manufacturer of “value added product” is the “soft” solution to the current barrier by China.

Australia will be able to source top quality Beef and Lamb from approved farms, sell directly to Chinese approved contract manufacturers, that will create a product “Made in China” with a symbol/logo which reads, “Contains Australian Beef / Lamb”.

There must be a system to control the traceability of the Australian Beef and Lamb, and certainly – we need to control the final product (top quality and value for money). Traceability is critical and Aglive’s technology can prove the provenance and combat potential food fraud.

Leveraging Australian red meat’s reputation of “clean, green and safe”, Crazy Dragon’s product promotion strategy will focus on its unique point of difference – the provenance story behind the Beef and Lamb.

This partnership has helped Crazy Dragon understand the opportunity for “value-added Beef and Lamb” products in China, explore disruptive business models, identifying the right distribution and processing partners, as well as develop a unique point of difference for their overall product.

The latest Australian Government report shows that Australian Beef and Lamb are highly regarded by Chinese consumers. Sales of Australian Beef and Lamb to China are growing at a staggering rate of more than 21% annually.

In the last 3 years the reputation of our Beef and Lamb has also grown substantially. It is now common for restaurants to highlight the fact that they are using Australian Beef or Lamb, with the menu in some cases saying “Australian Beef”, rather than just “Beef”.

Dumplings are one of the greatest gifts that China has given to the world. In Australia we understand that China has a 3000 year long tradition of cooking the world’s greatest recipes - and invented the dumpling, so we take the responsibility of working within the tradition seriously. To ensure complete respect and integrity, we work with the best Chinese and Australian chefs to match specific types of Beef and Lamb to compliment the other ingredients in the best Chinese recipes. We adapt the recipe and find the finest Beef and Lamb to combine with them. Crazy Dragon is the number one supplier of meat dumplings in Australia for more than 15 years.

8 Appendix – Product labels and GANNT chart

8.1 Beef and Celery Dumpling

Ingredients and content

配料及含量

Product name : **CRAZY DRAGON BEEF AND CELERY DUMPLING**

产品名称：可睿智龙牛肉芹菜饺子

Ingredients: : Australian beef, celery, carrot, spring onion, soy sauce, sichuan pepper, hoisin sauce, white pepper (TBC)

配料: 澳洲牛肉, 芹菜, 胡萝卜, 葱, 酱油, 花椒、海鲜酱, 白胡椒粉 (请修正)

Material that may cause allergy:

致敏物质信息

Filling content:

馅含量: %

Production date

生产日期:

Shelf life

保质期

Food category :

产品类别：速冻面米生制品

Storage conditions

储存条件

Product standard code:

产品标准代号:

CAUTION:

注意事项

- 必须充分加热后方可食用 (Eat after thorough heating and cooking)

- 请按储存条件保存，尽早食用，以免饺子变质 (store as per storage conditions, eat asap to avoid the dumpling going bad)
- 烹调前无需解冻 (No defrosting is needed before cooking)

Manufacturer Info

生产商信息

This product is authorized for production by Crazy Dragon Aunt Food Co Ltd Australia

本产品由澳大利亚可睿智阿姨食品有限公司委托生产

Manufacturer:

生产商:

地址

邮编

食品生产许可证编号

Nutrition Fact

Item 项目	Every 100g (每 100 克) (g)	营养素参考值(nutrition reference %)
ENERGY		
能量		
PROTEIN		
蛋白质		
FAT		
脂肪		
CARBOHYDRATE		
碳水化合物		
SODIUM		
钠		

消费者服务热线

CONSUMER HOT LINE (If any) Barcode 条码 :

8.2 Lamb and Cumin Dumpling

Ingredients and content

配料及含量

Product name : **CRAZY DRAGON LAMB AND CUMIN DUMPLING**

产品名称 : 可睿智龙孜然羊肉饺子

Ingredients: : Australian lamb、brown onion、cabbage、rice wine shaoxing、salt、cumin powder and garlic (TBC)

配料: 澳洲羊肉, 洋葱、卷心菜、绍兴黄酒、盐、孜然粉、大蒜 (请修正)

Material that may cause allergy:

致敏物质信息

Filling content:

馅含量: %

Production date

生产日期 :

Shelf life

保质期

Food category :

产品类别 : 速冻面米生制品

Storage conditions

储存条件

Product standard code:

产品标准代号 :

CAUTION:

注意事项

- 必须充分加热后方可食用 (Eat after thorough heating and cooking)
- 请按储存条件保存, 尽早食用, 以免饺子变质 (to store as per storage conditions, eat asap to avoid the dumpling going bad)
- 烹调前无需解冻 (No defrosting is needed before cooking)

Manufacturer Info

生产商信息

This product is authorized for production by Crazy Dragon Aunt Food Co Ltd Australia

本产品由澳大利亚可睿智阿姨食品有限公司委托生产

Manufacturer:

生产商:

地址

邮编

食品生产许可证编号

Nutrition Fact

Item 项目	Every 100g (每 100 克) (g)	营养素参考值(nutrition reference %)
ENERGY		
能量		
PROTEIN		
蛋白质		
FAT		
脂肪		
CARBOHYDRATE		
碳水化合物		
SODIUM		
钠		

消费者服务热线

CONSUMER HOT LINE (if any)

Barcode

条码 :

8.3 Beef and Mushroom Dumpling

Ingredients and content

配料及含量

Product name : **CRAZY DRAGON BEEF AND MUSHROOM DUMPLING**

产品名称：可睿智龙香菇牛肉饺子

Ingredients : Australian beef, mushrooms, brown onions, soy sauce, oyster sauce, sesame oil, sugar, salt, (TBC)

配料:澳洲牛肉、蘑菇、洋葱、酱油、蚝油、芝麻油、糖、盐(请修正)

Material that may cause allergy:

致敏物质信息

Filling content:

馅含量: %

Production date

生产日期：

Shelf life

保质期

Food category :

产品类别：速冻面米生制品

Storage conditions

储存条件

Product standard code:

产品标准代号：

CAUTION:

注意事项

- 必须充分加热后方可食用 (Eat after thorough heating and cooking)
- 请按储存条件保存，尽早食用，以免饺子变质 (store as per storage conditions, eat asap to avoid the dumpling going bad)
- 烹调前无需解冻 (No defrosting is needed before cooking)

Manufacturer Info

生产商信息

This product is authorized for production by Crazy Dragon Aunt Food Co Ltd Australia

本产品由澳大利亚可睿智阿姨食品有限公司委托生产

Manufacturer:

生产商:

地址

邮编

食品生产许可证编号

Nutrition Fact

Item 项目	Every 100g (每 100 克) (g)	营养素参考值(nutrition reference %)
ENERGY		
能量		
PROTEIN		
蛋白质		
FAT		
脂肪		
CARBOHYDRATE		
碳水化合物		
SODIUM		
钠		

消费者服务热线

CONSUMER HOT LINE (if any)

Barcode

条码 :

8.4 Lamb and Black Bean Sauce Dumpling

Ingredients and content

配料及含量

Product name : **CRAZY DRAGON LAMB AND BLACK BEAN SAUCE DUMPLING**

产品名称 : 可睿智龙豉香羊肉饺子

Ingredients : Australian lamb mince, brown onion, cabbage, soy sauce, blackbean sauce, rice wine shaoxing, garlic ginger, Chinese 5 spice (TBC)

配料:澳洲羊肉, 洋葱、卷心菜、酱油、豆豉、绍兴黄酒、大蒜、生姜, 五香粉 (请修正)

Material that may cause allergies:

致敏物质信息

Filling content:

馅含量: %

Production date

生产日期 :

Shelf life

保质期

Food category :

产品类别 : 速冻面米生制品

Storage conditions

储存条件

Product standard code:

产品标准代号 :

CAUTION:

注意事项

- 必须充分加热后方可食用 (Eat after thorough heating and cooking)
- 请按储存条件保存, 尽早食用, 以免饺子变质 (store as per storage conditions, eat asap to avoid the dumpling going bad)
- 烹调前无需解冻 (No defrosting is needed before cooking)

Manufacturer Info

生产商信息

This product is authorized for production by Crazy Dragon Aunt Food Co Ltd Australia

本产品由澳大利亚可睿智阿姨食品有限公司委托生产

Manufacturer:

生产商:

地址

邮编

食品生产许可证编号

Nutrition Fact

Item 项目	Every 100g (每 100 克) (g)	营养素参考值(nutrition reference %)
ENERGY 能量		
PROTEIN 蛋白质		
FAT 脂肪		
CARBOHYDRATE 碳水化合物		
SODIUM 钠		

消费者服务热线

CONSUMER HOT LINE (If any)

Barcode

条码 :

NOTE: The red meat makes up 20 per cent of the whole dumpling and 20 per cent of the filling.

Product launch timeline

	Sept				Oct				Nov				Dec				Jan				Feb			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Project Planning																								
WOFI Setup																								

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