

evaluation series

2.6 Aggressive promotion of Australian beef in Japan and Korea



Promoting Australian beef in North Asia

The industry impact

PROMISE

Maintain a dominant position for Australian beef in Japan and Korea using aggressive promotion to ensure growth in long-term demand in these markets.

PROGRESS

Following bans on US beef, Australia's market share in Japan and Korea has increased as a result of greater awareness of, and loyalty to, Australian beef brands and confidence in Australia's meat safety credentials. Australian suppliers now have a much higher profile in the eyes of retailers.

PERFORMANCE

In net present value terms, the \$173 million invested by MLA between 2000 and 2009 has helped to increase recognition of the safety and quality of Australian beef within North Asia. This has seen Australian beef secure the majority market share in Japan and Korea, delivering benefits conservatively valued between \$815 million and \$994 million with a benefit-cost ratio ranging from 4.7:1 to 5.8:1.

JAPAN



Where we started

During the liberalisation of the export beef market to Japan in the late 1980s and early 1990s, and as a consequence of earlier food safety scares, Australian beef was perceived to be low quality and was priced accordingly. Despite opposition from importers of the limited number of branded Australian grain-fed products already established in the market, the 'Aussie Beef' brand was launched to counteract this generic low quality image. Brand awareness grew rapidly, sustained by annual beef promotion expenditure exceeding \$20 million* throughout much of the market expansion phase of the 1990s.

The US beef industry was also lured by the growth potential of the liberalising Japanese market. In the early 2000s, the highly competitive Japanese market was equally supplied by Australian, US and domestic beef suppliers. MLA's promotional program targeted the Japanese trade and retail sector, however Australian beef continued to be perceived as an affordable but lesser-quality product until the discovery of Bovine Spongiform Encephalopathy (BSE) in Japan threw market dynamics into disarray in 2001. The supply of US beef to Japan was also banned for more than two years after BSE was detected in the US in 2003. The 'Aussie Beef' brand emerged from this crisis as the 'safe beef seal of approval' for Japanese consumers and sustained demand growth for Australian beef during the period.

A strategic response

The discovery of BSE in Japan and threats to overall beef consumption saw MLA working with the Cattle Council of Australia, the Australian Lot Feeders Association, the Australian Meat Industry Council, the Australian Meat Processor Corporation and exporters to urgently rewrite the marketing strategy to respond to Japanese consumer concerns. In July 2002, a \$7.5 million Japan Market Recovery Program¹ was launched to help fund new initiatives.

The ban on US beef and subsequent supply gap in the Japanese market prompted MLA to reposition its campaign to stress the safety, quality and flavour of Australian beef. To ensure its dominant market position was maintained once US product returned to Japan, MLA invested an additional \$13.8 million in its marketing budget from 2005-06 to 2008-09 through the Beef Funding for The Future (BFTF) program².



Aussie Beef family cooking class promotion

*2007-08 dollars

¹ Funded by DAFF, MLA and AMPC

² The BFTF program commenced in 2005-06 and was funded by an additional \$1.50 beef marketing levy to respond to the turbulence in global meat markets resulting from safety concerns about red meat in the wake of BSE.

³ Refer to Page 4 for details on key promotional activities since 2001

⁴ Some of these messages were underpinned by MLA's integrity programs including the National Livestock Identification Scheme. The contribution has not been included in this evaluation as it has been acknowledged in the '1.1 Enhancing product integrity' brochure in this Evaluation Series.

⁵ CIE 2011 *Aggressive promotion of Australian beef in Japan and Korea*, p16

What we did³

With near 100 per cent recognition of 'Aussie Beef' among the target 25- to 65-year-old audience, the brand became a springboard to launch key messages at the trade, retail, foodservice and consumer levels promoting the Australian industry's integrity and the flavour of Australian beef. Following the discovery of BSE in Japan, MLA's marketing activities highlighted Australia's quality assurance including safety and traceability systems⁴ such as the National Livestock Identification Scheme, which were promoted through a range of mediums including Aussie Beef Forums.

In the wake of the ban on US beef, MLA's foodservice and retail strategies concentrated on the retail, casual, mid- and high-end foodservice segments previously supplied by the US industry. Marketing stressed the safety, quality and versatility of 'Aussie Beef', using high-profile chefs and opinion leader housewives to build brand credibility.

Australia's share of beef exported to Japan averaged 89 per cent between 2004 and 2006. To maintain customer loyalty in the lead-up to the re-entry of US beef in 2006, MLA increased its focus on the mid- to high-end hotels and chef groups, working closely with Japanese culinary leaders to communicate the positive attributes of Australian red meat through seminars and study tours. As US beef improved its safety credibility, MLA promotions shifted gears in 2008, emphasising the nutritional benefits of 'Aussie Beef' to appeal to growing consumer interest in health and wellbeing.

What we've achieved

An independent evaluation by CIE found that aggressive promotion of Australian beef in Japan delivered benefits conservatively valued at \$578 million, outweighing the costs at a rate of 5.1 to 1. The evaluation concluded that more than 80 per cent of the program benefits from 2000-01 to 2014-15 would have been realised during the period of US exclusion from the Japanese market (2004-2006). The CIE reasoned that without the ongoing MLA program and concerted action by industry, Australian exports to Japan would have actually fallen as a result of the US BSE outbreak.⁵ This is because, even though only North American beef was involved, if Australian beef was not differentiated from the other sources of imported beef it would have been viewed in a similar light to US beef in the minds of many consumers. Australian beef has since secured a dominant position in the Japanese beef market, however overall beef consumption still remains below pre-BSE levels.

DIVIDENDS FROM RELATIONSHIP MANAGEMENT

"With committed support from MLA, we have increased our focus on Australian beef since 2008 and built a strong 'win-win' relationship with our Australian suppliers. MLA provided invaluable inputs to our in-market promotions, as well as helping our group members to learn about Australia's integrated and safe production system through our regular visits to Australia. We are planning to expand our Australian product portfolio, including semi-cooked or meal-ready items for our customers."

Mr Arito Takada, Team Leader –
Meat Purchasing and Logistics Division,
Cooperative Grocer Chain (CGC)



KOREA



Where we started¹

Before the Korean market was liberalised in 2001, modest volumes of frozen Australian grassfed beef were allowed to be channelled only into low-value market segments including catering, manufacturing and the military. Korean customers consequently perceived all Australian beef to be low in quality and price.

Following market liberalisation, MLA's marketing strategy intensified from a passive 'watching brief' to a more aggressive promotion of Australian beef across the trade, retail, foodservice and consumer segments.

Despite increasing promotional efforts, the original perceptions of Australian beef were embedded in the minds of Korean consumers well after market liberalisation. In 2001, US beef reigned as the dominant exporter to Korea with a 57 per cent share of the market compared to Australia's 32 per cent. By 2003 Australian beef market share had fallen even further to a low of 21 per cent.

A strategic response

In 2002, to capitalise on emerging opportunities in the liberalised Korean market environment – particularly for chilled and grainfed product, MLA was determined to raise awareness of Australian beef and reverse perceptions of its low quality through the chilled retail cuts innovation program. MLA also launched the Australian country-of-origin logo Hoju Chungjung Woo (HCW), meaning 'Australian Beef, Clean and Safe'.

Following the ban on US beef to Korea after BSE was detected in late 2003, the HCW 'clean and safe' tagline provided Australian beef exporters and importers with an opportunity to reinforce product integrity, develop loyal relationships across the supply chain and educate the market about Australian beef's credentials.

An additional \$6.9 million from the BFTF program bolstered MLA's marketing budget during the four years to 2008-09, strengthening Australia's dominant market share once US beef returned to Korea.



SAFE BEEF SEAL OF APPROVAL

"MLA Korea has made a great contribution in raising the awareness of the HCW brand throughout all areas of trade, foodservice and retail. In particular, MLA Korea's achievements have set an example to other imported beef organisations in the retail area."

Mr Seung Su Hong, President, OK Meat (one of the largest importers of Australian beef in Korea)



What we did¹

All promotional material, ranging from point-of-sale stickers to in-store retail demonstrator uniforms and meat delivery truck advertisements, was branded with the HCW logo to generate awareness of Australian beef.

MLA turned to mass media advertising for the first time in 2006, promoting HCW in 'light boxes' across four subway stations in Seoul. The cost-effective advertisements reached a captive annual audience about nine times the size of Australia's population.



Pencil Box culinary challenge for young chefs

Through a series of retail category management pilots, MLA adopted a trade facilitation role to build solid, loyal relationships across the fragmented supply chain. Food service channels, from importers through to five-star hotels, now have the technical support and specification knowledge required to order Australian beef.

In 2006 MLA recruited Korean celebrity cooking super-blogger Mrs Moon, who has a daily following of 50,000, as a third party HCW advocate. A successful Black Box culinary challenge for executive chefs was followed by a Pencil Box culinary challenge which familiarised early-career student chefs with Australian beef.

What we've achieved

The HCW logo has succeeded in changing buyer perceptions about the quality of Australian beef, with 65 per cent of consumers now associating 'clean and safe' with 'quality'². Awareness of HCW reached 89 per cent by 2004.

Australia now has a significant foothold in the Korean market, which was reinforced by the HCW message after US beef was banned from Korea in late 2003. Australia's share of the export market to Korea grew from 21 per cent in 2003 to holding the majority market share in 2004 – a position it has maintained. Chilled beef has also expanded into new market segments, accounting for 28 per cent of Australia's beef exports to Korea in 2008 – up from only 2 per cent in 2001.

An independent evaluation by CIE found that aggressive promotion of Australian beef in Korea delivered benefits conservatively valued at \$237 million, outweighing the costs at a rate of 4.0 to 1. The evaluation concluded that more than 80 per cent of the program benefits between 2000-01 and 2014-15 would have been realised during the period of US exclusion from the Korean market (2004-2008).



HCW subway advertising in 'light boxes'

¹ Refer to Page 4 for details on key promotional activities since 2001

² Usage & Attitude survey conducted by TNS, 2010

Fast financial facts – Japan

- The MLA nine-year investment: \$114 million*
- Direct benefits to the red meat industry: \$578 million**
- Benefit-cost ratio: 5.1:1
- Internal rate of return: 75.6%

Impacts

- In 2004, 90 per cent of the Japanese trade had no safety concerns relating to Australian beef¹
- Consumer awareness of the ‘Aussie Beef’ brand was 99 per cent among the target audience (shoppers 25-65 years) in 2007-08²
- Consumers considering purchase of ‘Aussie Beef’ rose from 66 per cent in 2002-03 to 84 per cent in 2007-08²
- Australia’s share of the Japanese import market rose from 48 per cent in 2001 to 78 per cent in 2008³
- Australian beef’s average share of retail sales increased from 42 per cent in 2003 to 68 per cent in 2008⁴

Fast financial facts – Korea

- The MLA nine-year investment: \$59 million*
- Direct benefits to the red meat industry: \$237 million**
- Benefit-cost ratio: 4.0:1
- Internal rate of return: 81.7%

Impacts

- Penetration of the retail sector remained high following the return of US product to the Korean market, moving from 100 per cent of shelf space in 2004 to 70 per cent after the return of US beef in 2008⁵
- Australia’s share of the Korean import market dropped from 32 per cent in 2001 to 21 per cent in 2003, but increased to 65 per cent in 2008⁶
- Awareness of the HCW logo increased from 51 per cent in 2003 to 89 per cent in 2004⁷

* Present value of expenditures between 2000 and 2009 in 2007-08 terms

** Present values over the 2000-to-2015 period using a discount rate of 7 per cent in 2007-08 terms

¹ Neilson Company research data in CIE 2010, p29

² Synovate 2008 Consumer Study in Warwick Yates & Associates, April 2009, *Independent Review of the Effectiveness of the Additional \$1.50 Beef Marketing Levy*, p43

³ Ministry of Finance, Japan

⁴ Warwick Yates & Associates, April 2009, *Independent Review of the Effectiveness of the Additional \$1.50 Beef Marketing Levy*, p41

⁵ MLA Korea estimates

⁶ Korea International Trade Association

⁷ Warwick Yates & Associates, April 2009, *Independent Review of the Effectiveness of the Additional \$1.50 Beef Marketing Levy*, p60

Published by Meat & Livestock Australia Limited
 ABN 39 081 678 364
 October 2011

© Meat & Livestock Australia (2011)
 ISBN 9781741916546

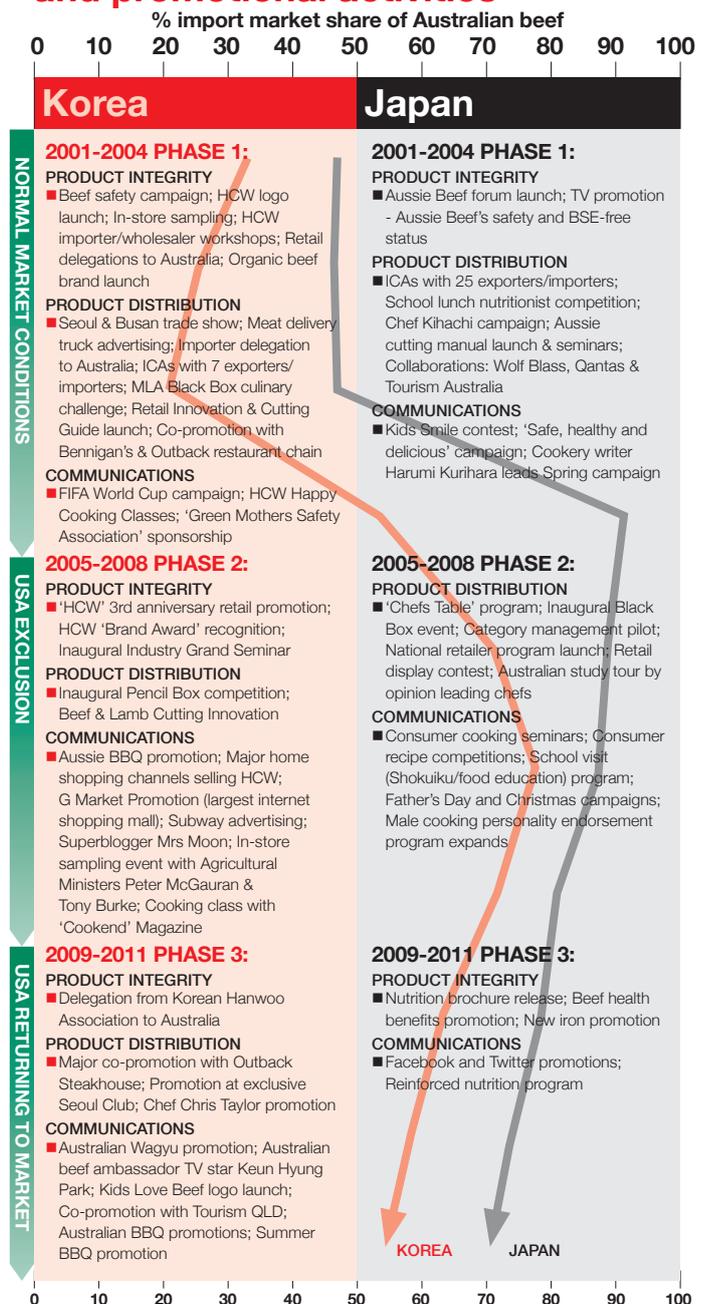
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Timeline of key market events and promotional activities



Lessons learned

- 1 MLA was too slow to transition from mostly generic promotion towards a more balanced program including collaborative promotion of individual company brands.
- 2 Despite initial commercial resistance to the establishment of the 'Aussie Beef' brand, its subsequent positioning as a "safe beef seal of approval" has been key to gaining significant commercial returns during the period of US exclusion.
- 3 The HCW logo now also underpins company brands. Its roll-out substantially benefited from earlier experience in Japan and remains an important differentiator against US beef in Korea.
- 4 The lack of systematically collected demand data linking program outcomes to changes in consumer behaviour means that MLA is reliant on expert opinion to assess program value.
- 5 The ICA program is an ongoing 'litmus test' for private company marketing whereby they see the best return on their own cash and in-kind investments in support of their own brand initiatives.