



Marketing Macadamias in China

9 October 2018



AUSTRALIAN
MACADAMIA
SOCIETY

2010 China identified for new market development

2012 China market began to emerge

2013 – 2014 Consumer and market research; market entry strategy developed
and refined

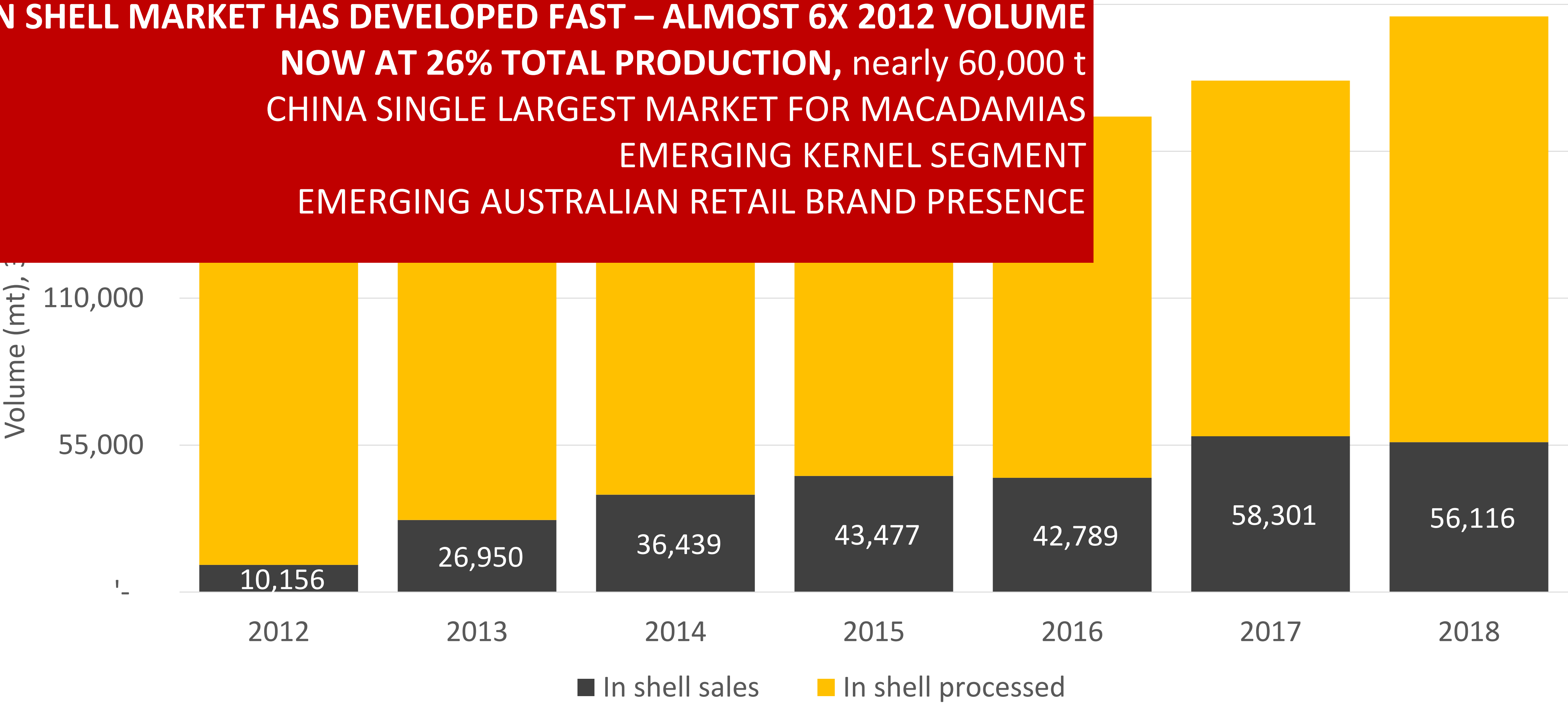
2015 Launch campaign Nov; FTA EIF 14 Dec

2016 – 2018 Continued consumer promotion; trade EDM

Global Supply



IN SHELL MARKET HAS DEVELOPED FAST – ALMOST 6X 2012 VOLUME
NOW AT 26% TOTAL PRODUCTION, nearly 60,000 t
CHINA SINGLE LARGEST MARKET FOR MACADAMIAS
EMERGING KERNEL SEGMENT
EMERGING AUSTRALIAN RETAIL BRAND PRESENCE



Campaign Highlights

Reach = hundreds of millions of Chinese consumers

Health & beauty positioning

Collaborations with high profile influencers (KOLs)

“Australia nut” not “Hawaii nut”

AUSTRALIAN MACADAMIA MARKETING IS MADE POSSIBLE WITH THE SUPPORT OF A
DEDICATED MARKETING COMMITTEE

Green & Gold Macadamias - Brian Loader

Macadamias Australia - Trevor Steinhardt

Macadamias Direct – Steve Dubber

Macadamia Marketing International – Charles Cormack

MWT Macadamias - Michael Waring

Pacific Farms - Richard Ray

Stahmann Farms - Richard Sampson-Genest

Global Macadamia Council – Larry McHugh

WE ARE

HAVAS

Across the GLOBE - The Main Offices are Operated as VILLAGE Model

75

Countries

124

Cities

316

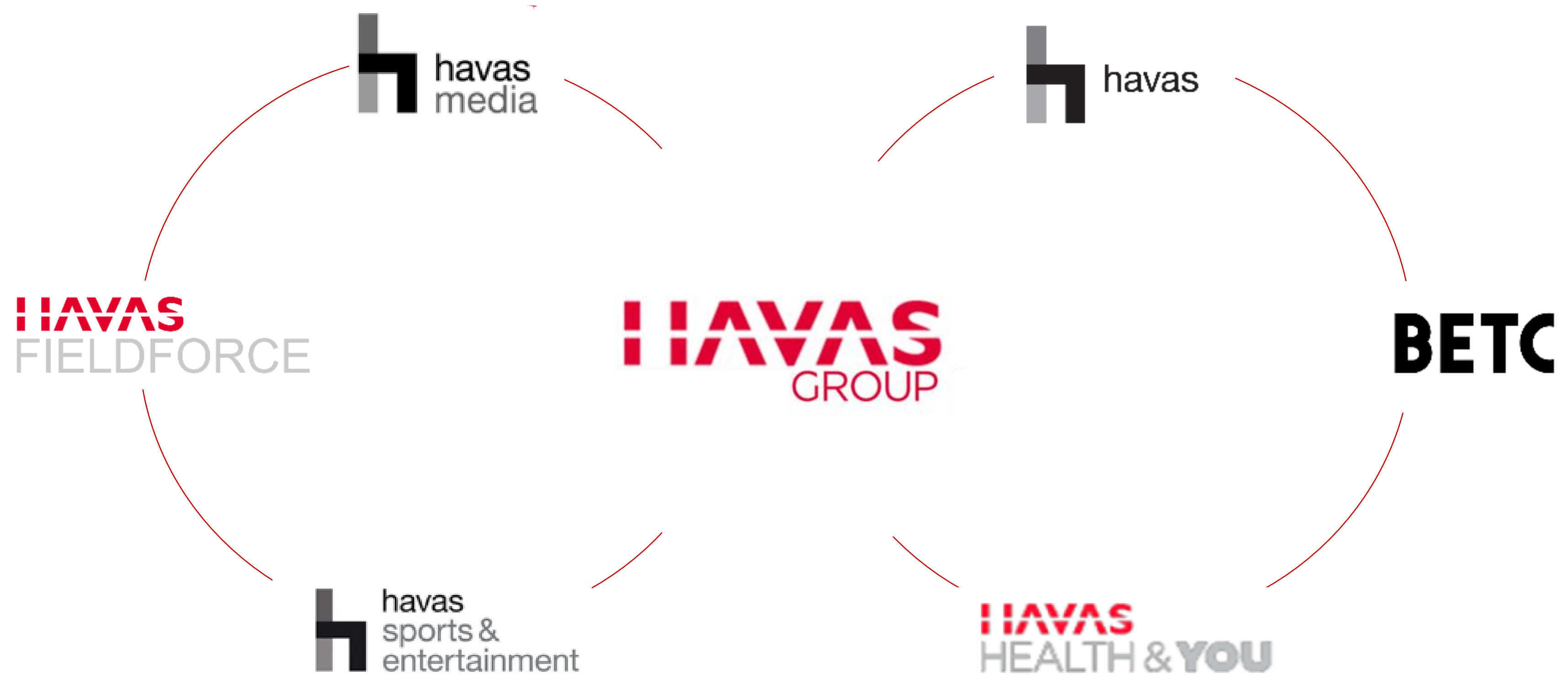
Offices

19,000

Staffs



Complete Offering in China



With full experience of helping foreign brands to market in China

AUTOMOTIVE



CONSUMER ELECTRONICS



HOME AND PERSONAL CARE



PACKAGED GOODS



BEVERAGES



RETAIL



LUXURY/FRAGRANCES



HEALTHCARE



TRAVEL AND HOSPITALITY



FINANCIAL SERVICES



OTHERS





Australian Macadamia Society China Marketing Proposal

UPDTAE: September 2018

Prepared by: Havas Group Shanghai



Market of Fast Growth



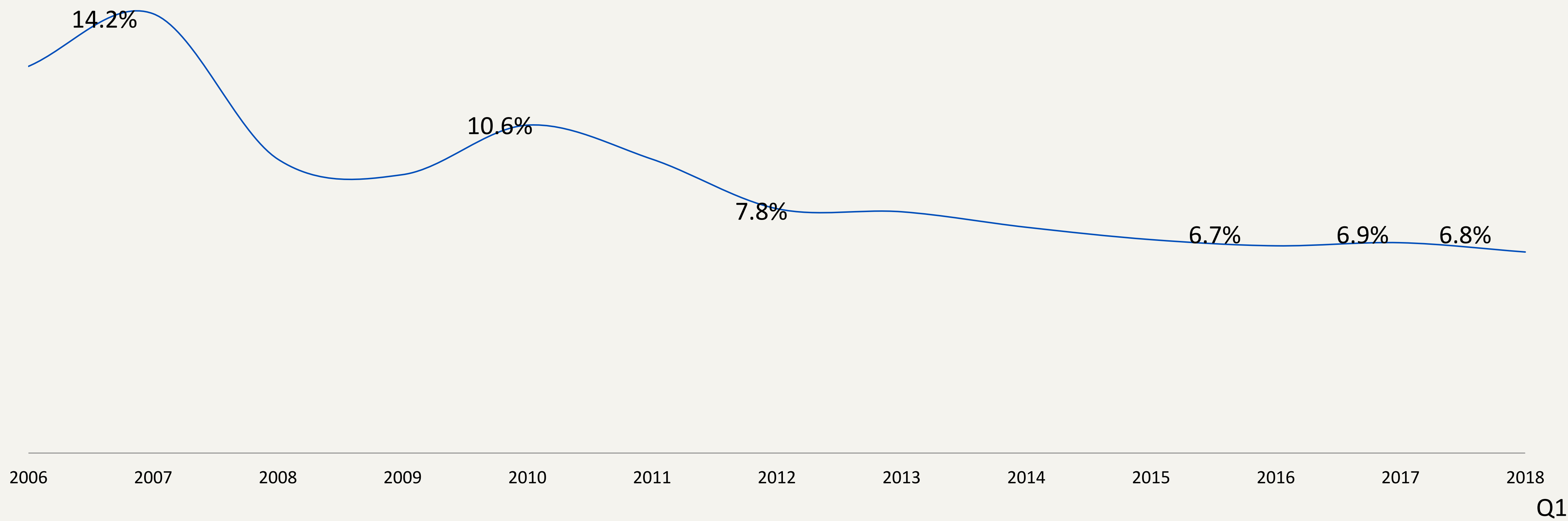
A high-angle, wide shot of a busy airport terminal. In the center, a large crowd of people is moving through the terminal. To the left, there are escalators with many people riding them. In the foreground, there are security checkpoints with metal detectors and stanchions. The floor is polished and reflects the overhead lights. The overall atmosphere is one of a busy, crowded public space.

**China's population has reached
1.388 billion people
(18% of the global population)**

**It is increasing each year by approximately 6 million
people**

The Economy Keeps a Stable and Sound Growth

China Year On Year GDP Growth

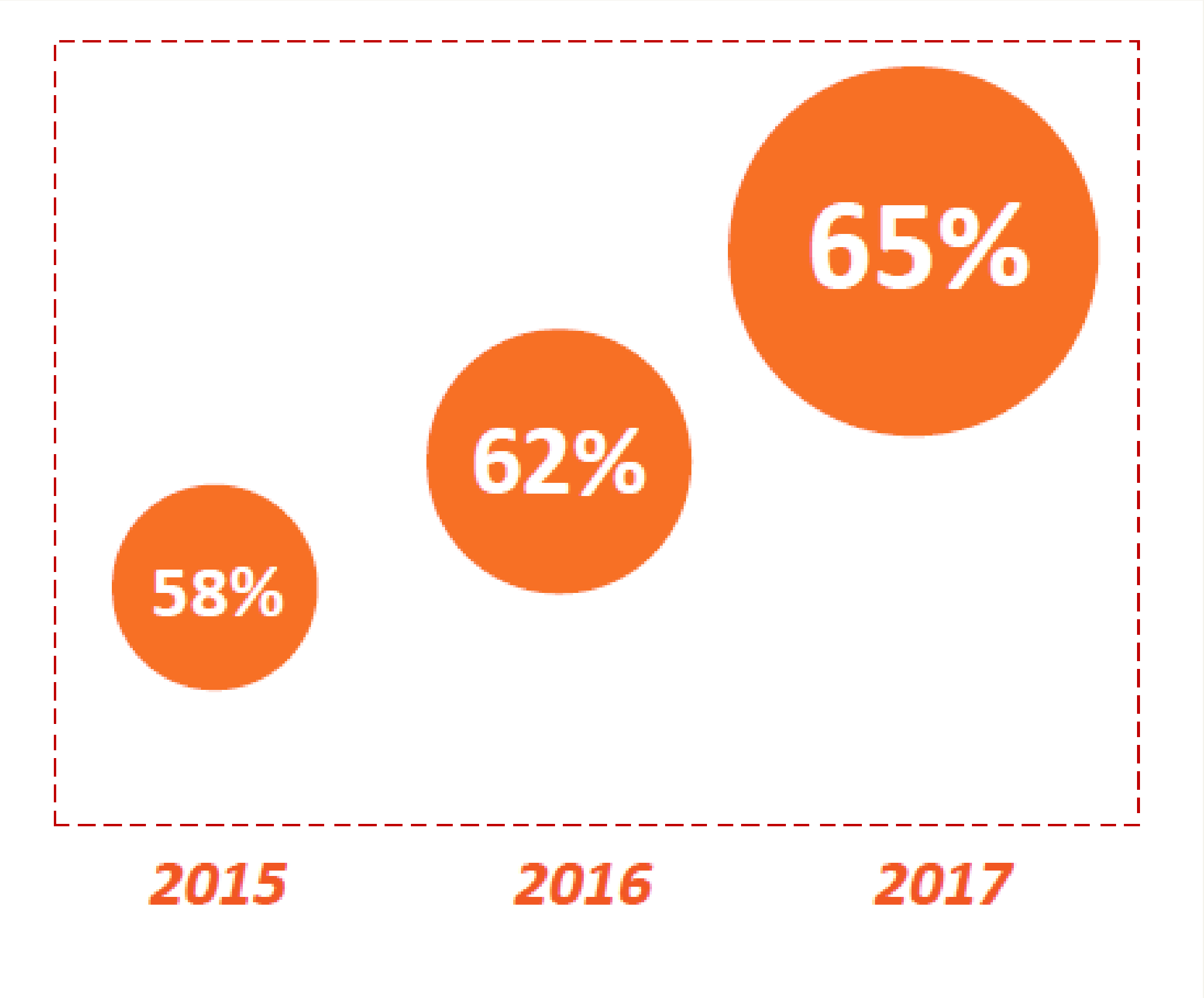


Driven by Domestic Consumption

Retail growth (est.) in 2018*

= 10.0%

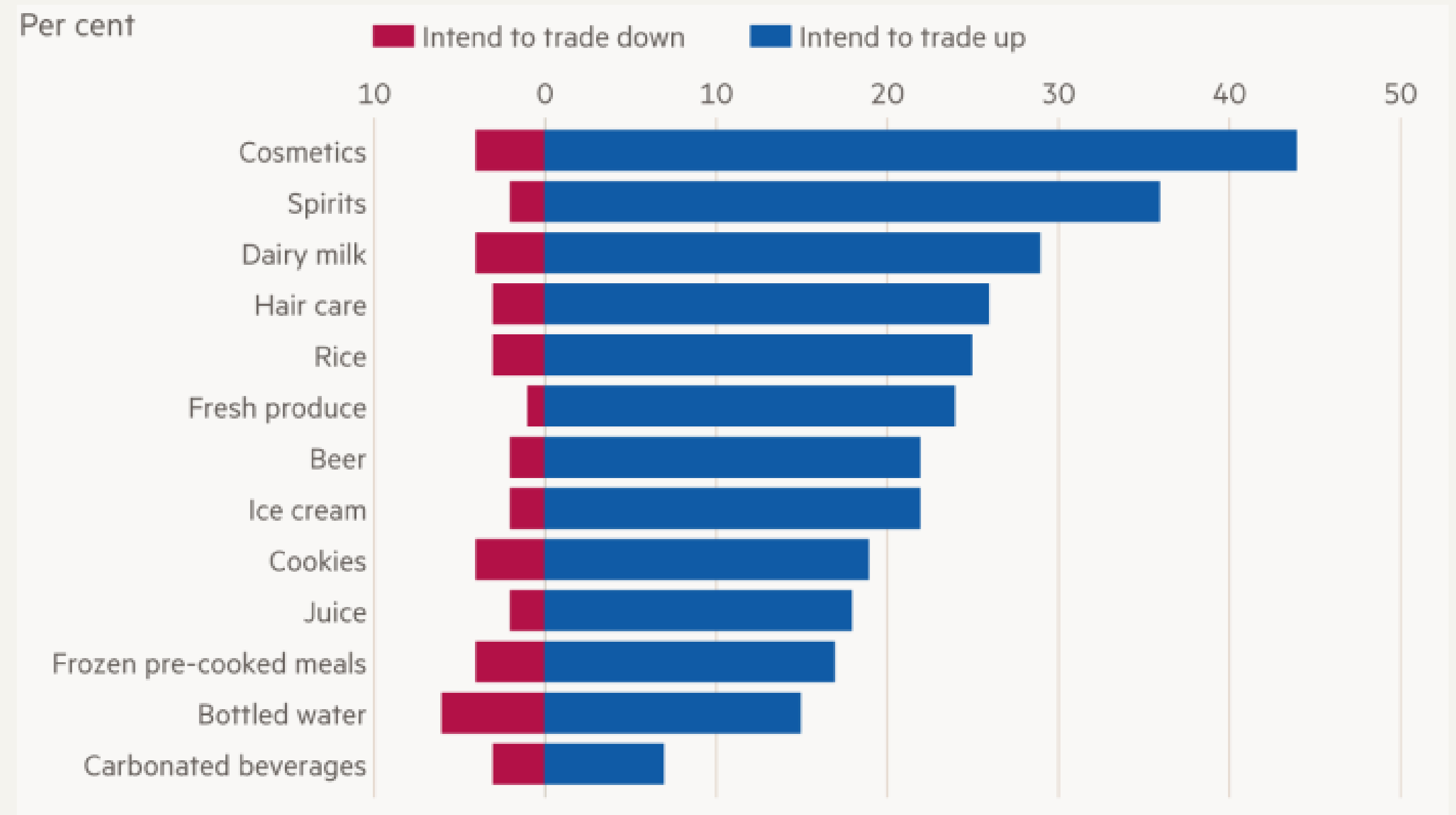
Consumption contribution to GDP growth (Jan-Sep)



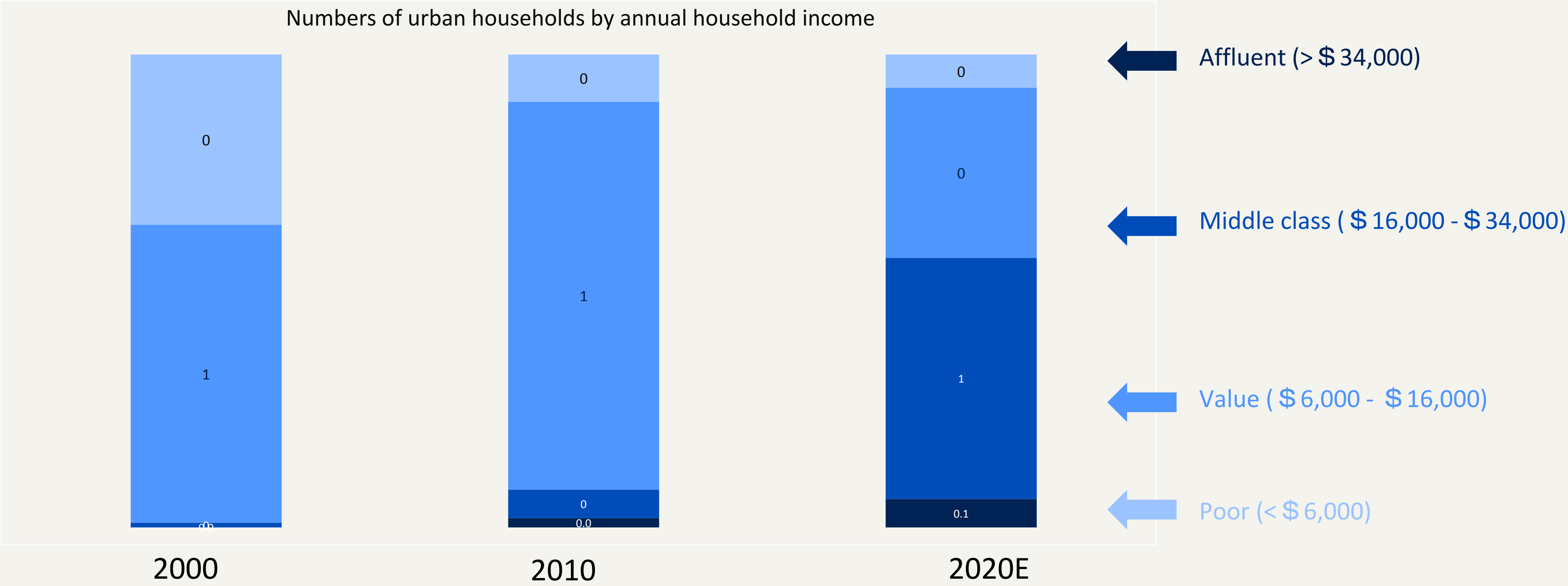
Source: China Council for the Promotion of International Trade, February 2018

The Average Consumer is Trading Up

- ✓ To pricier brands & higher-end products
- ✓ Shifting more of their spending to experiences and services
- ✓ Healthcare and education

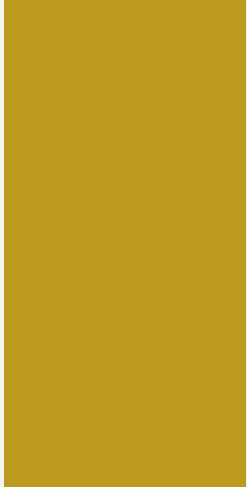


Fast Rise of the Middle Class



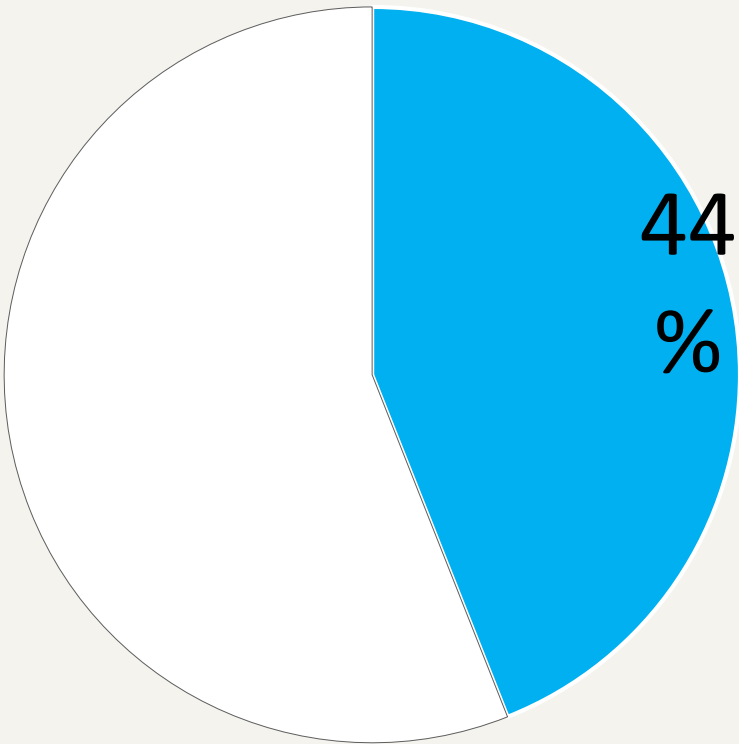
Source: McKinsey Insight China-Meet the 2020 Chinese Consumer

Purchase Power Skews to a Younger Generation

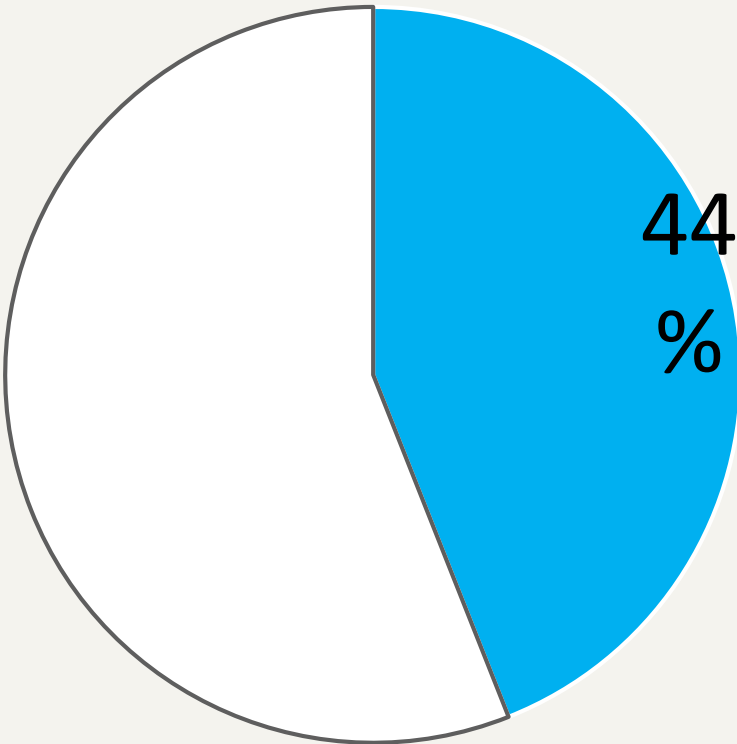


% people increased household expenditure

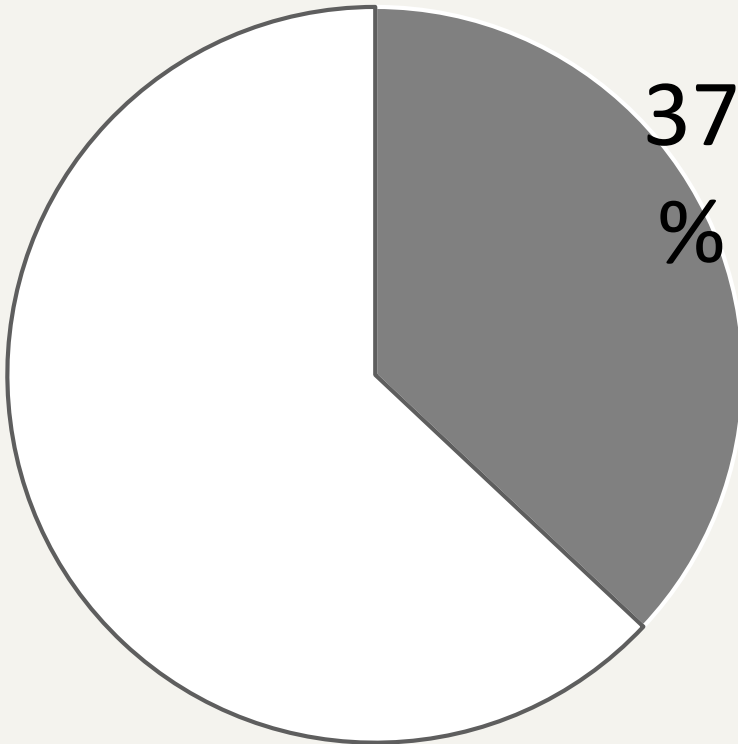
Post 90s



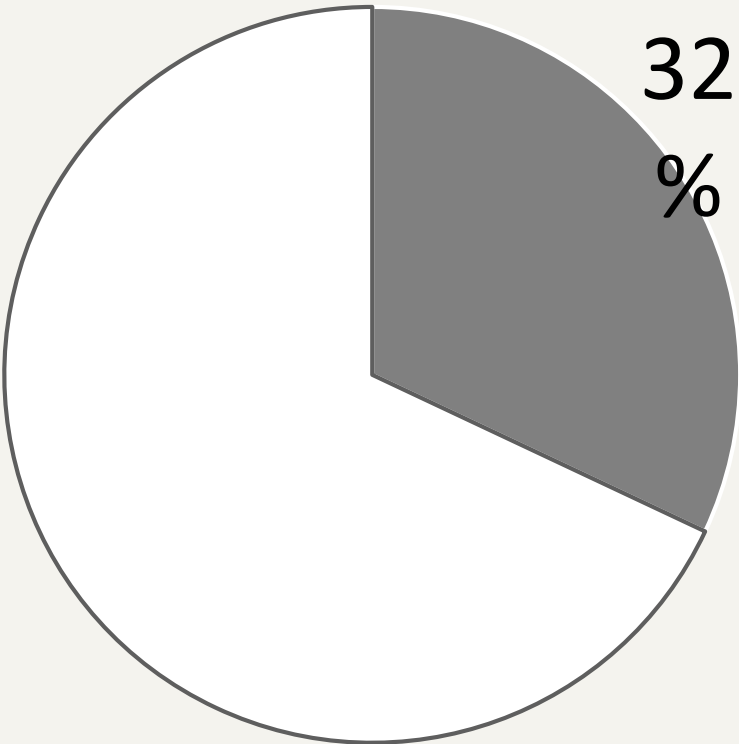
Post 80s



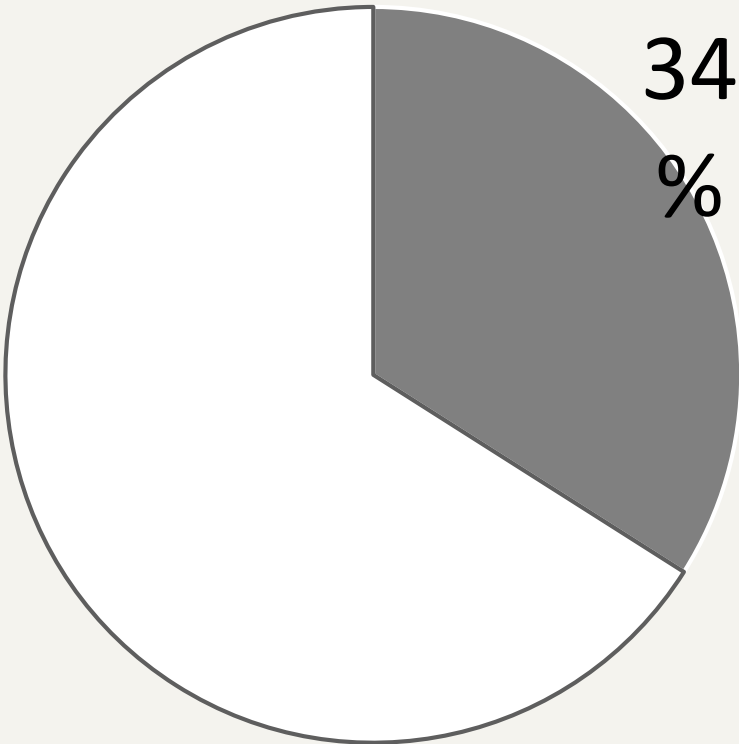
Post 70s



Post 60s



Post 50s



Source: China National Bureau of Statistics; Nielson China consumer confidence survey



High Pace of Digitalization

Why China's Economy is More Digital than Others

Governmental support

The government gave digital players space to experiment before enacting regulation

3 Giants have driven commercial investment

3 China's internet giants BAT are building a rich digital ecosystem

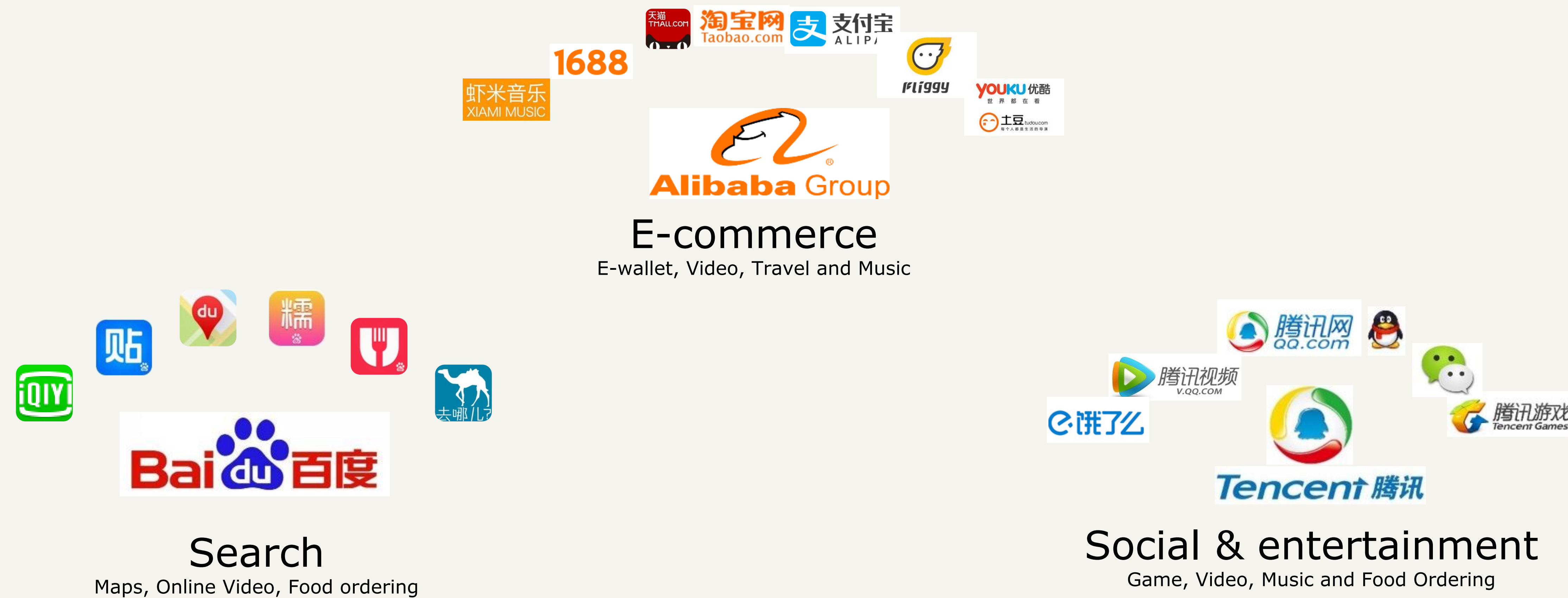
E-commerce faster growth than anywhere in the world

- Underdeveloped offline retail infrastructure in lower tiers
- Distribution costs are low

Young Chinese consumers' rapid adaption

The young Chinese market is adopting digital business models quickly

BAT companies drive growth of the digital landscape

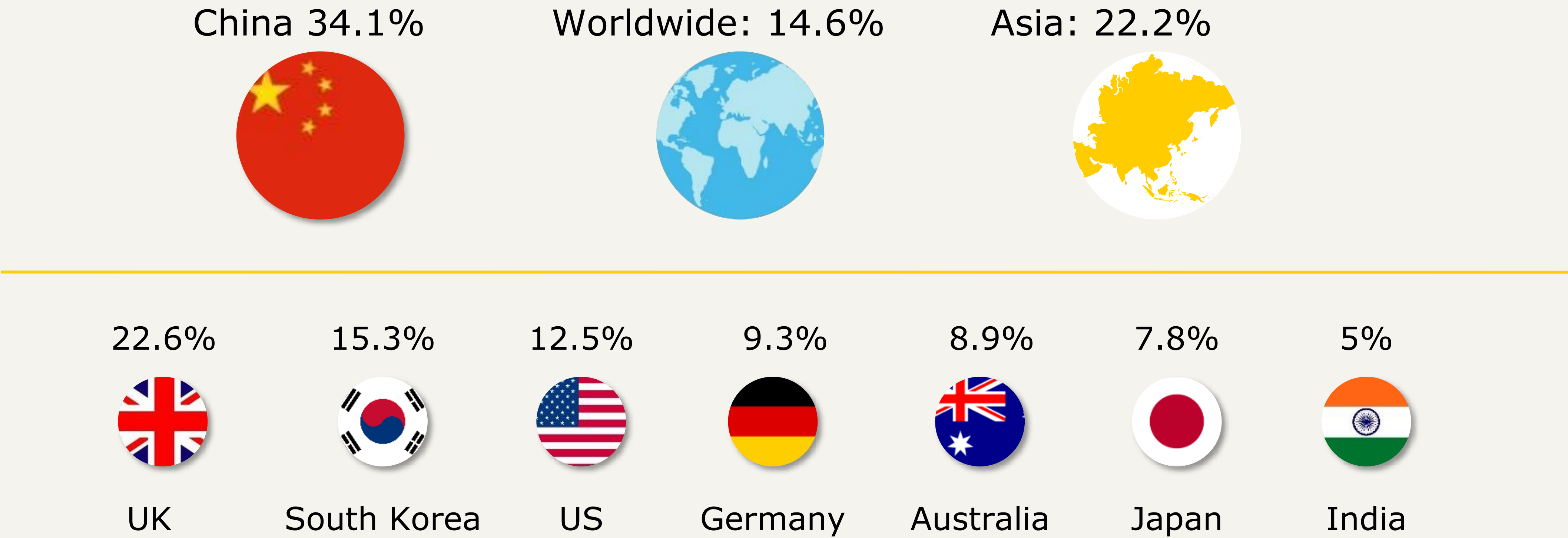


The digital giants keep investing in content & IP



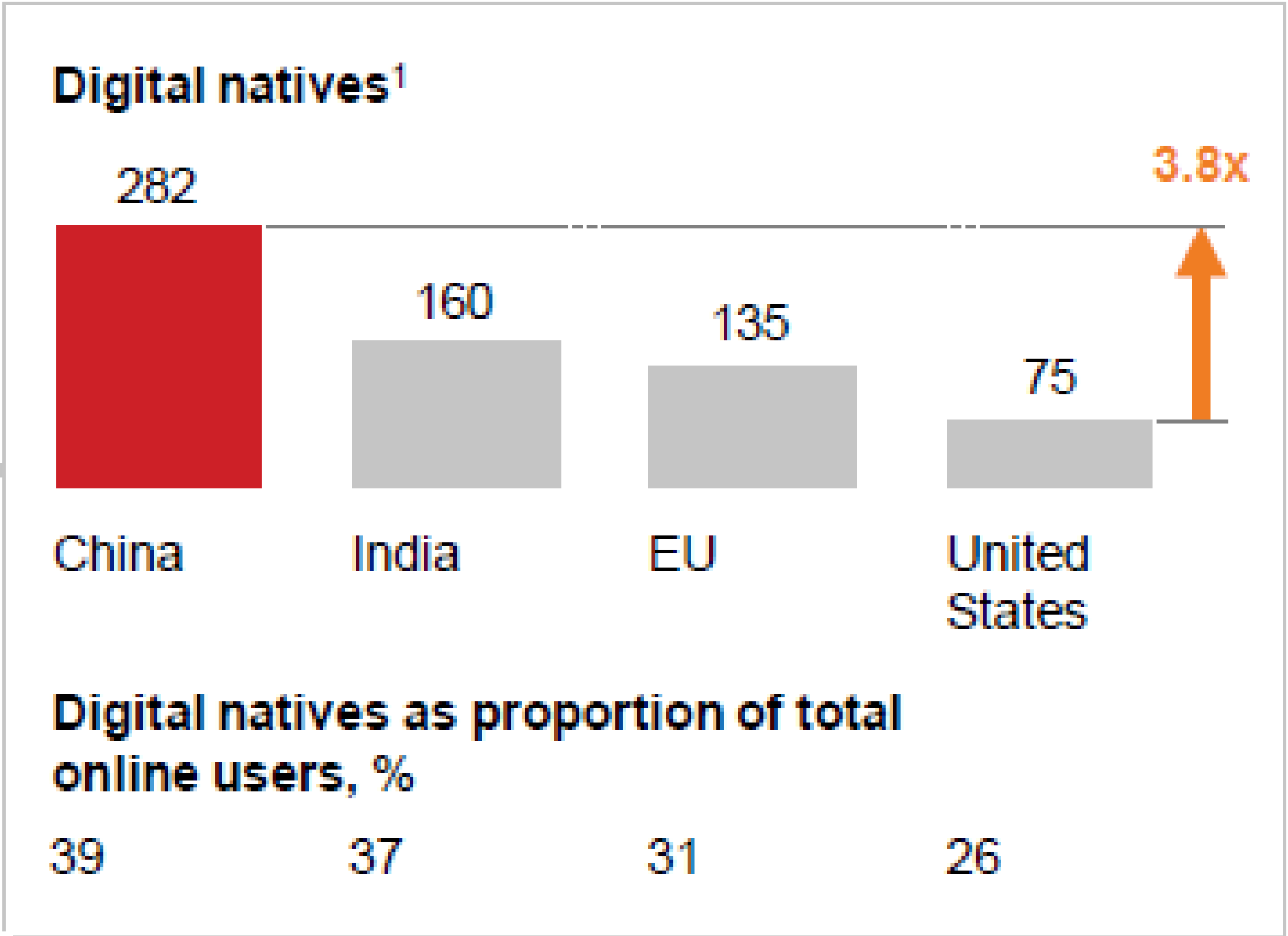
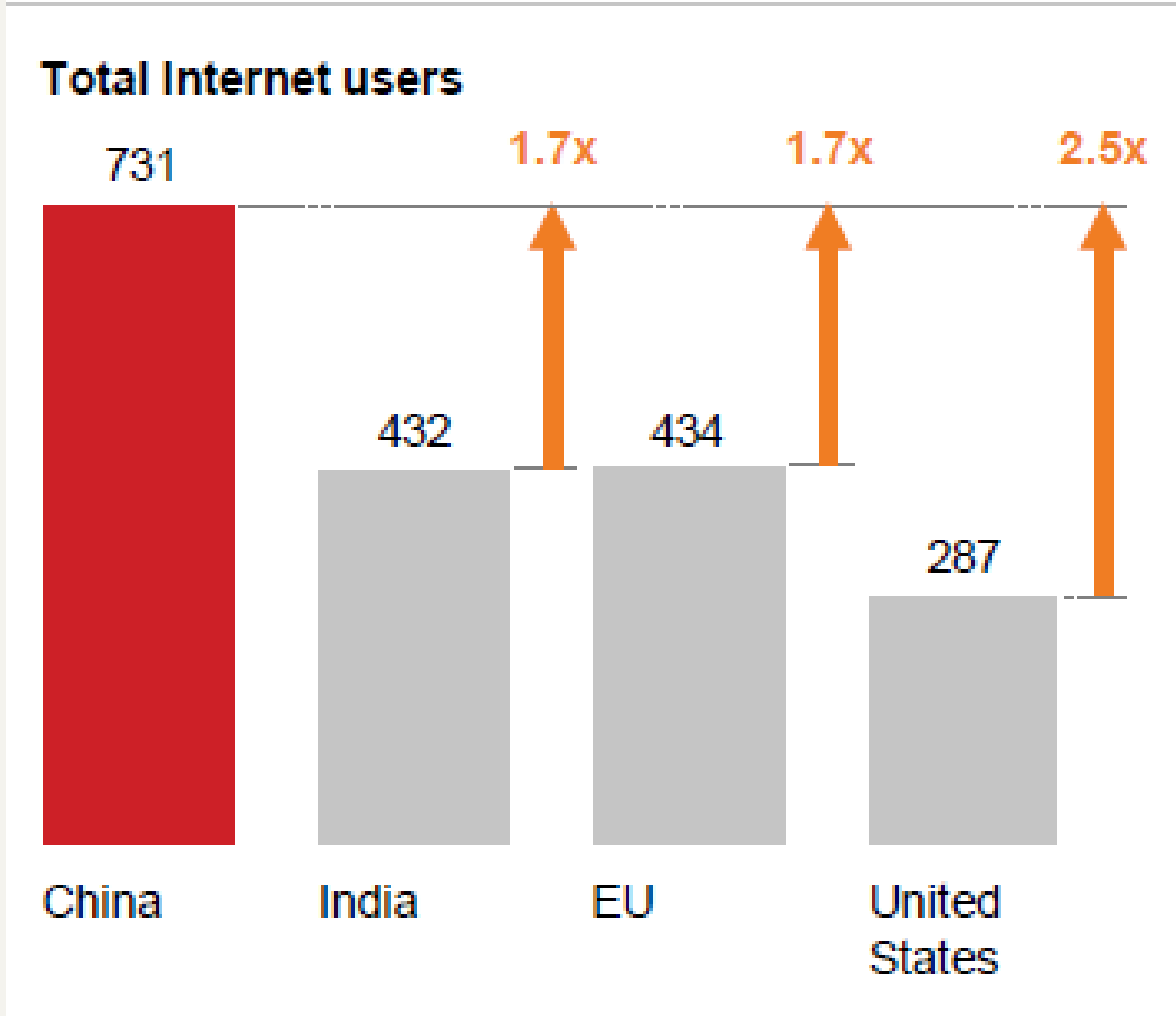
Faster growth online business than everywhere

Expected E-commerce retail share within total retail in 2020



Source: Emarketer, 2017

Largest digital natives share with 39%



¹ Defined as internet users aged 25 or under.
SOURCE: China Internet Network Information Center; Internet & Mobile Association of India; World Bank; Statista; Internet Live Stats; McKinsey Global Institute analysis

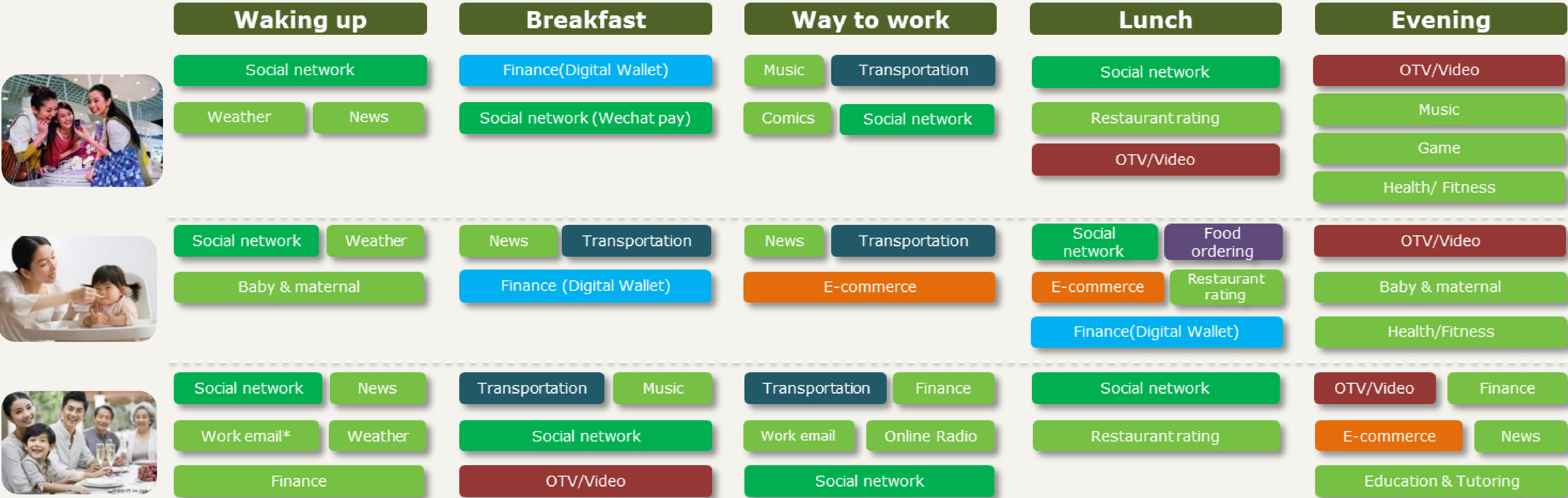
A day in the digital life - video

DIGITAL DEEP DIVE CHINA

A Day In The Digital Life

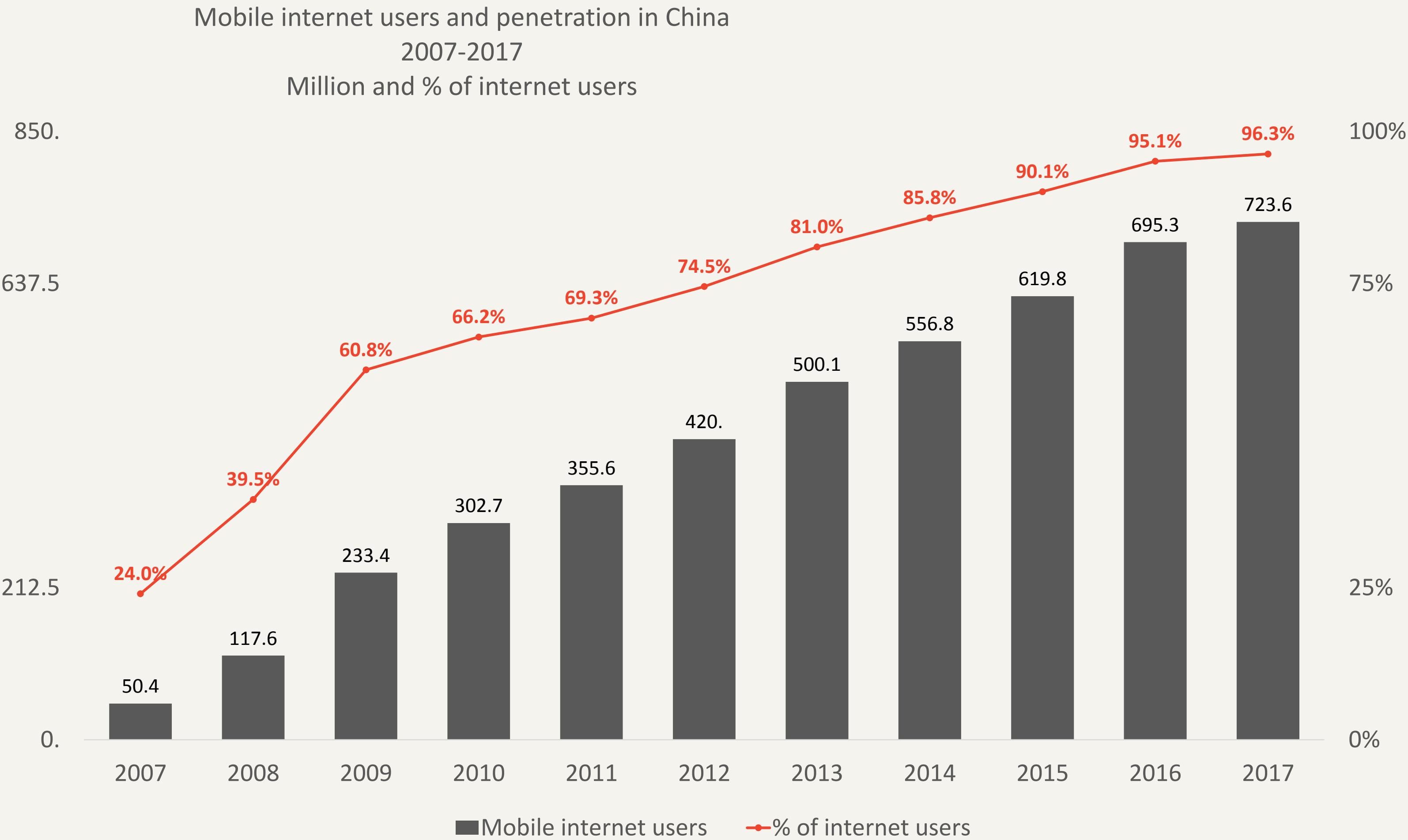
2016

Extremely high usage of digital, every moment of the day

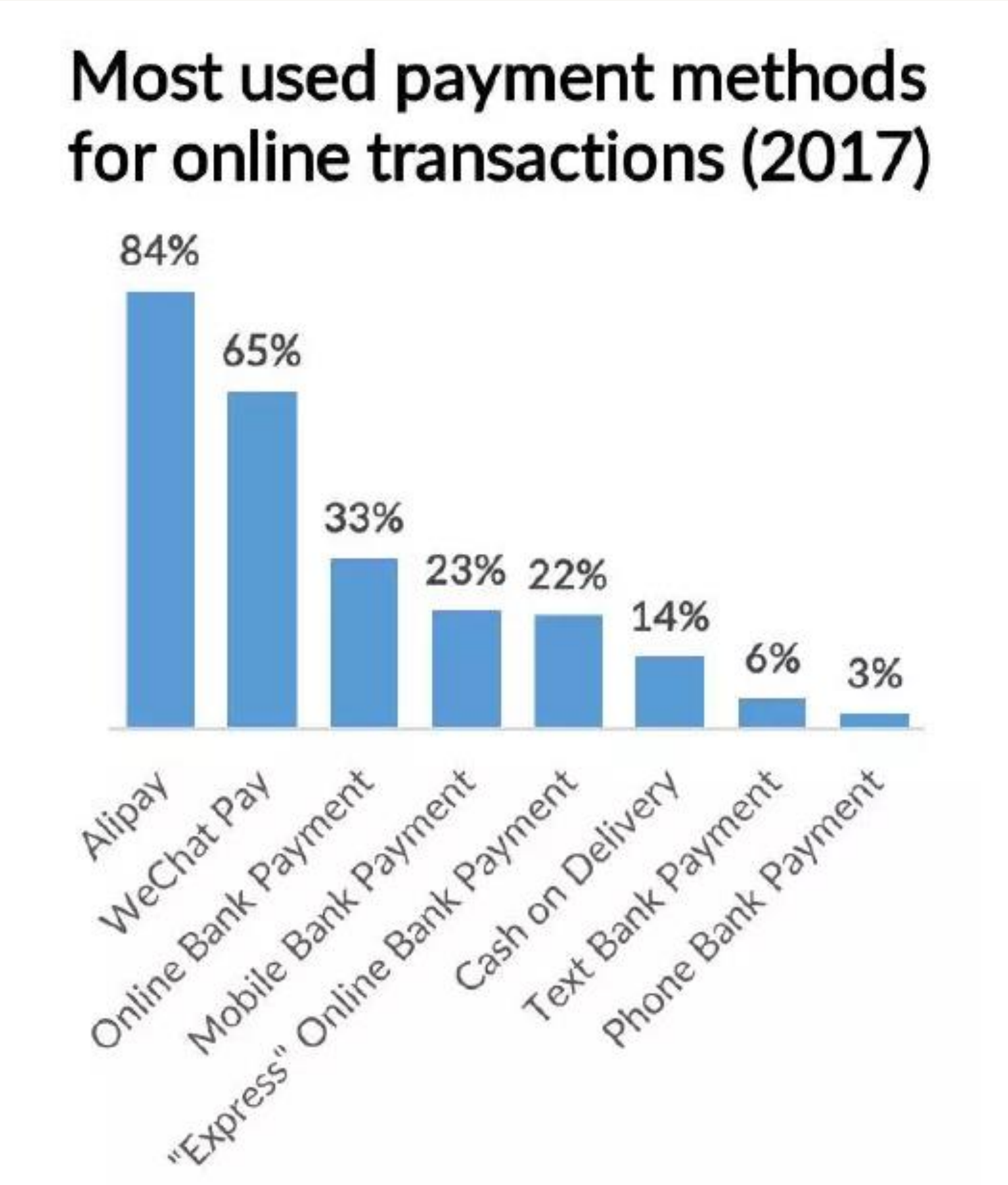


Source: Havas Media Consumer Research

Mobilization = Mobile first, mobile only



New adoption at high speed



520 Million

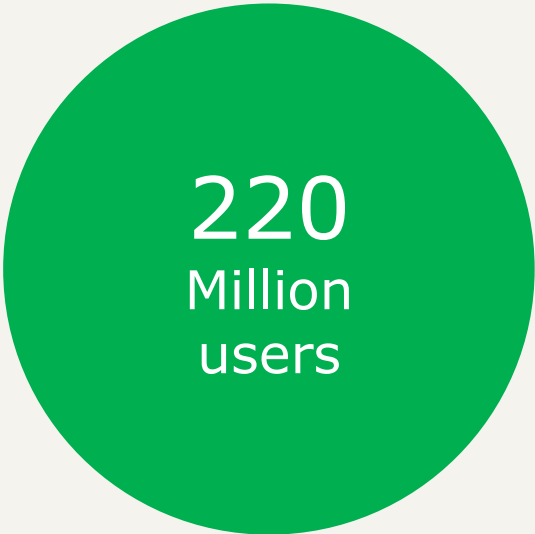
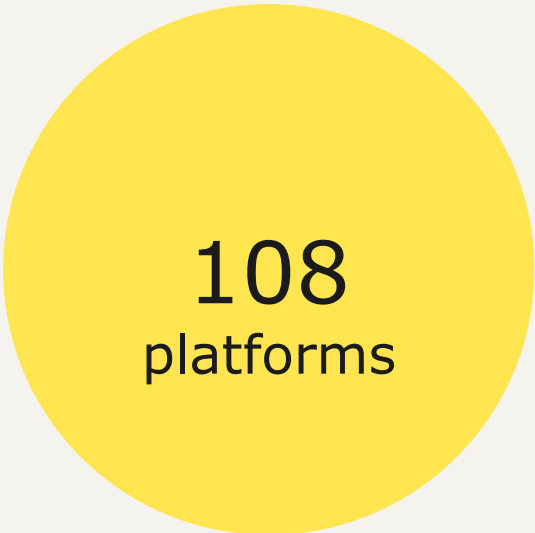


400 Million

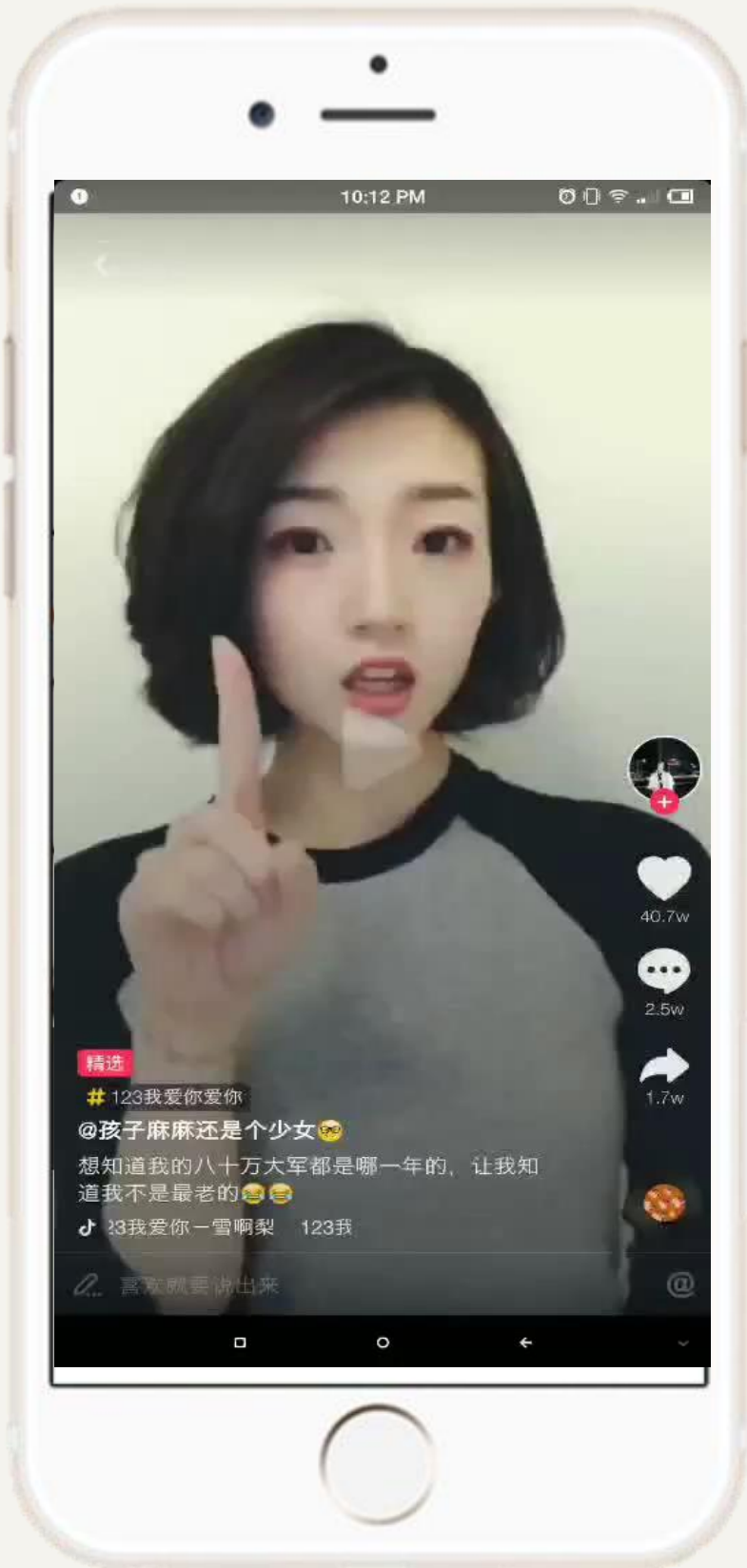
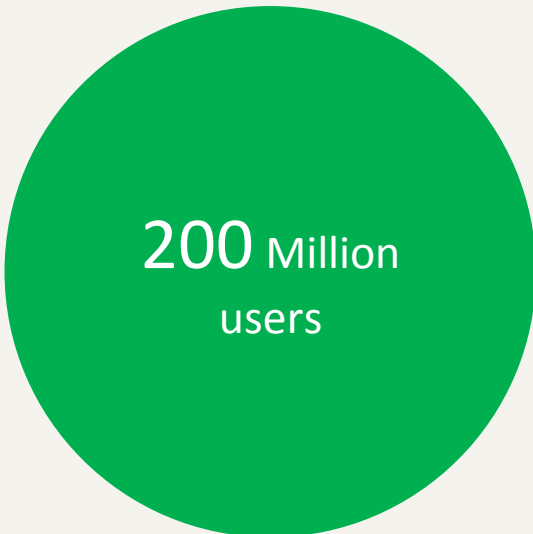
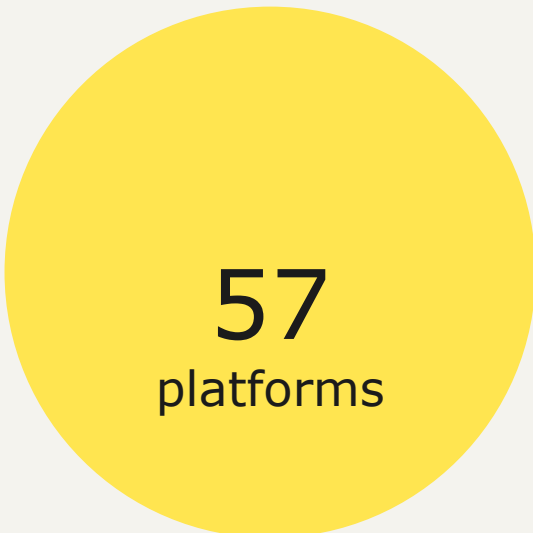
Source: iResearch data Aug 2016; Tencent report 2016 ; KPCB

New adoption at high speed

KOL (Key Opinion Leader)
Live streaming is massive



Short video with an extreme
high offer and usage



Source: iiMedia Research; iResreach; KPCB

Source: meihua.info 2018

New adoption at high speed



DIDI

A category giant

- 71 million monthly active users
- 21 million car drivers
- 30 million daily order
- 10+ transportation services



Meituan
Dache

An experienced new comer

Leverage Meituan userbase (290 million MAU) to extent car sharing platform, aiming to create a “Mobility + Lifestyle” ecosystem; Launched in 7 cities

Source: Didi report; Jiguang data 2018; QuestMobile 2017

New adoption at high speed



ofo

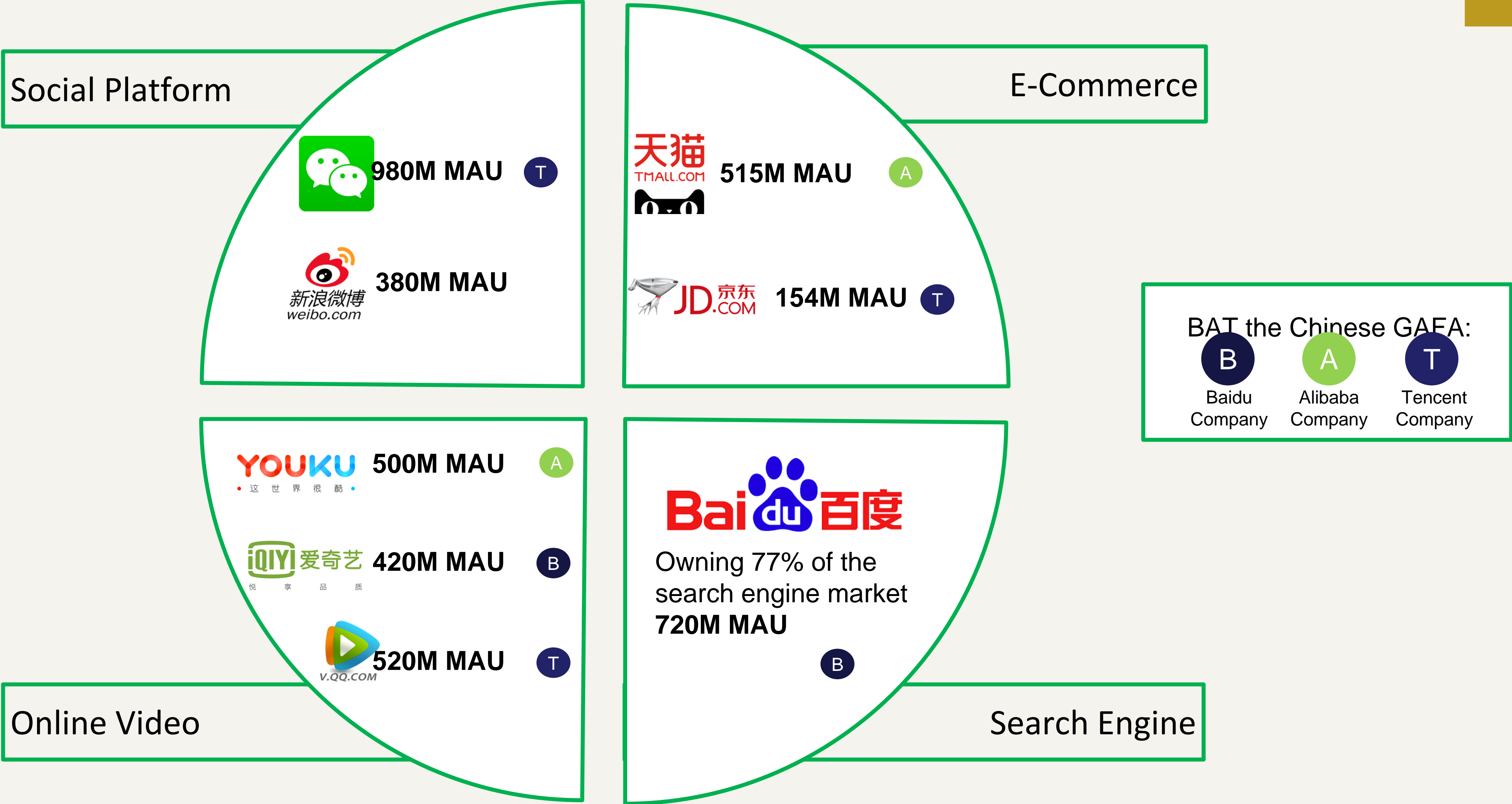
54 million
Monthly Active users

mobike

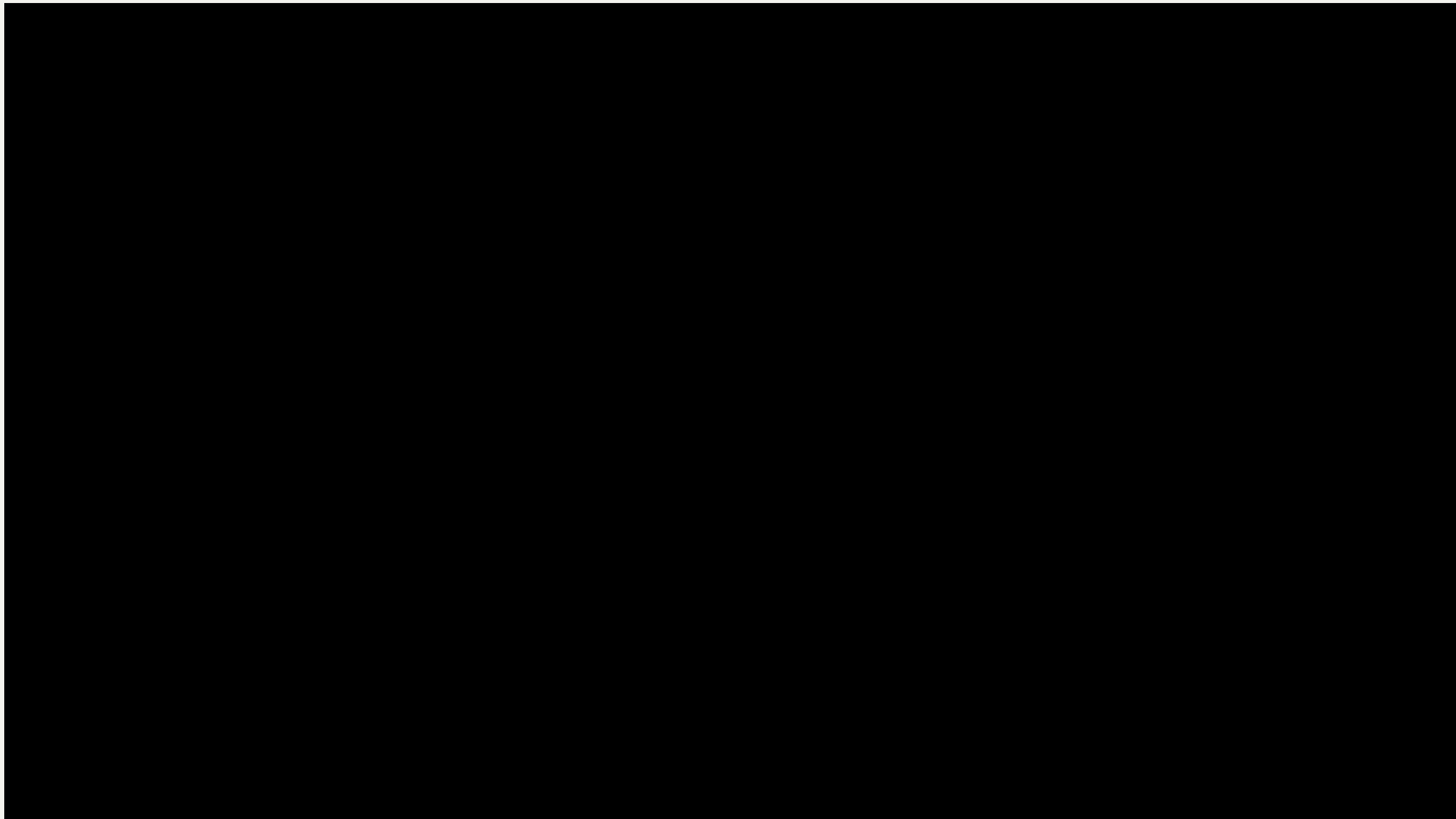
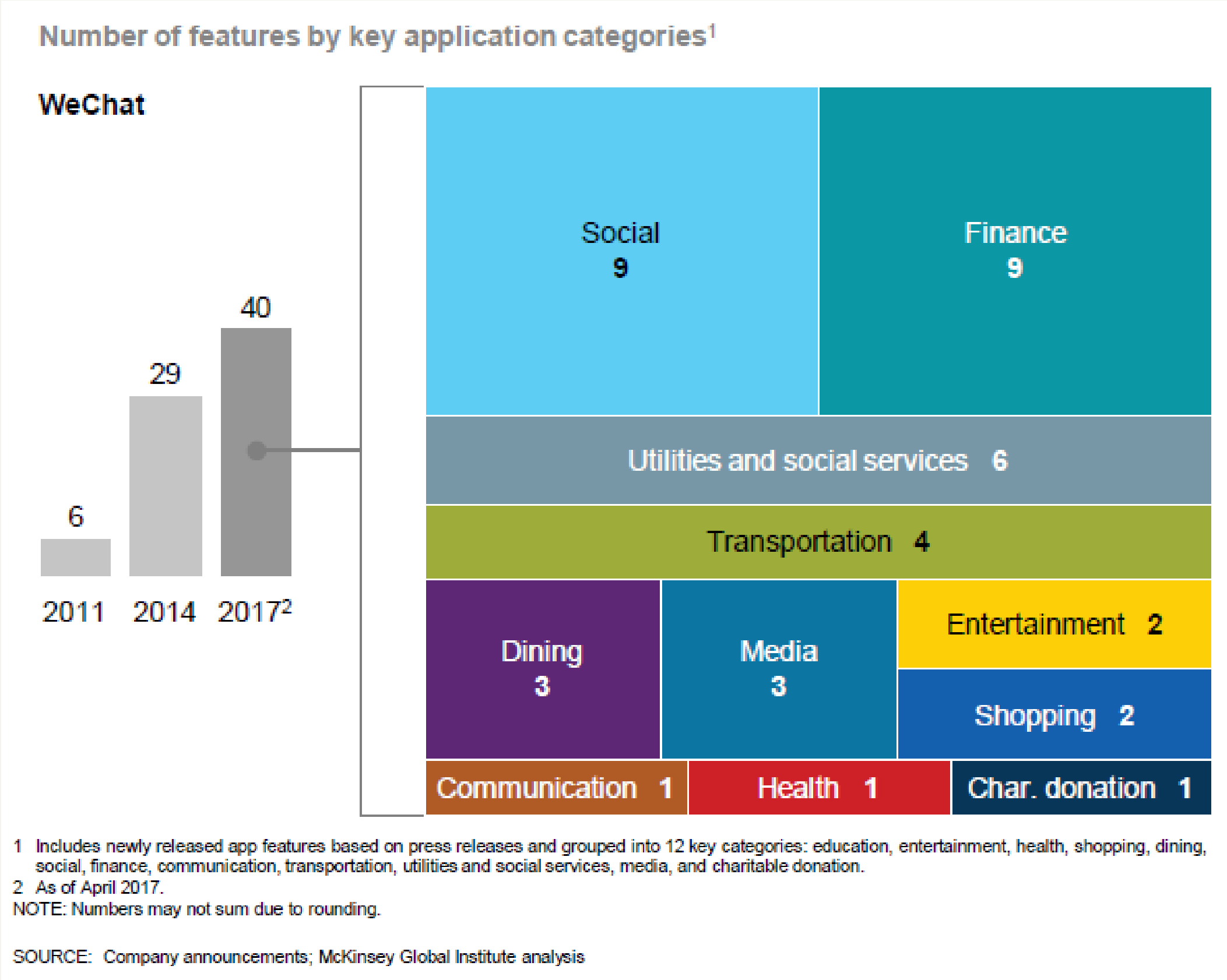
46 million
Active users

Source: iResearch Musertracker 2018

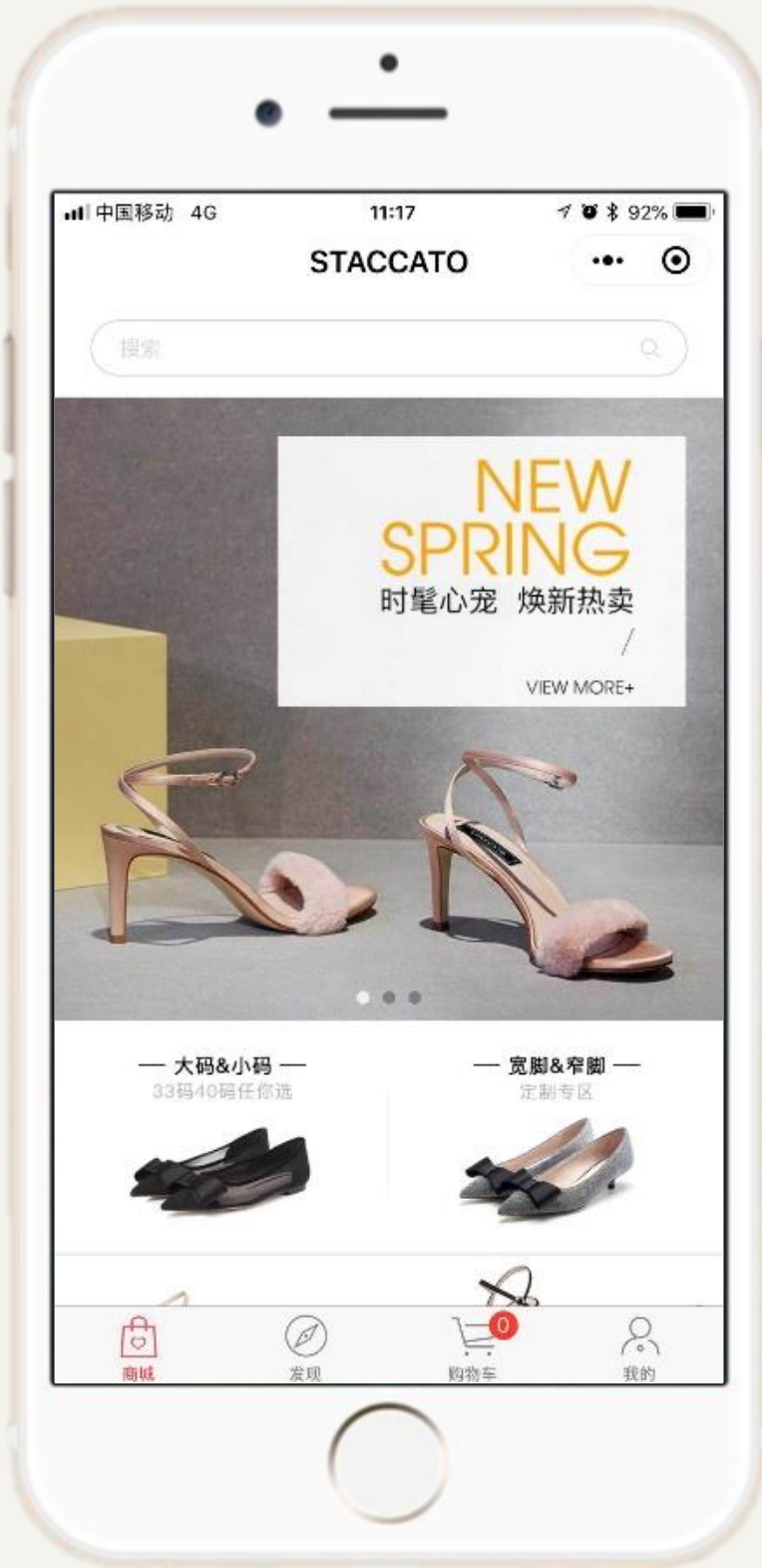
As a result: a billion users parallel internet landscape



Wechat has entered every aspect of daily life



And making more extended applications with Mini program



Online Store



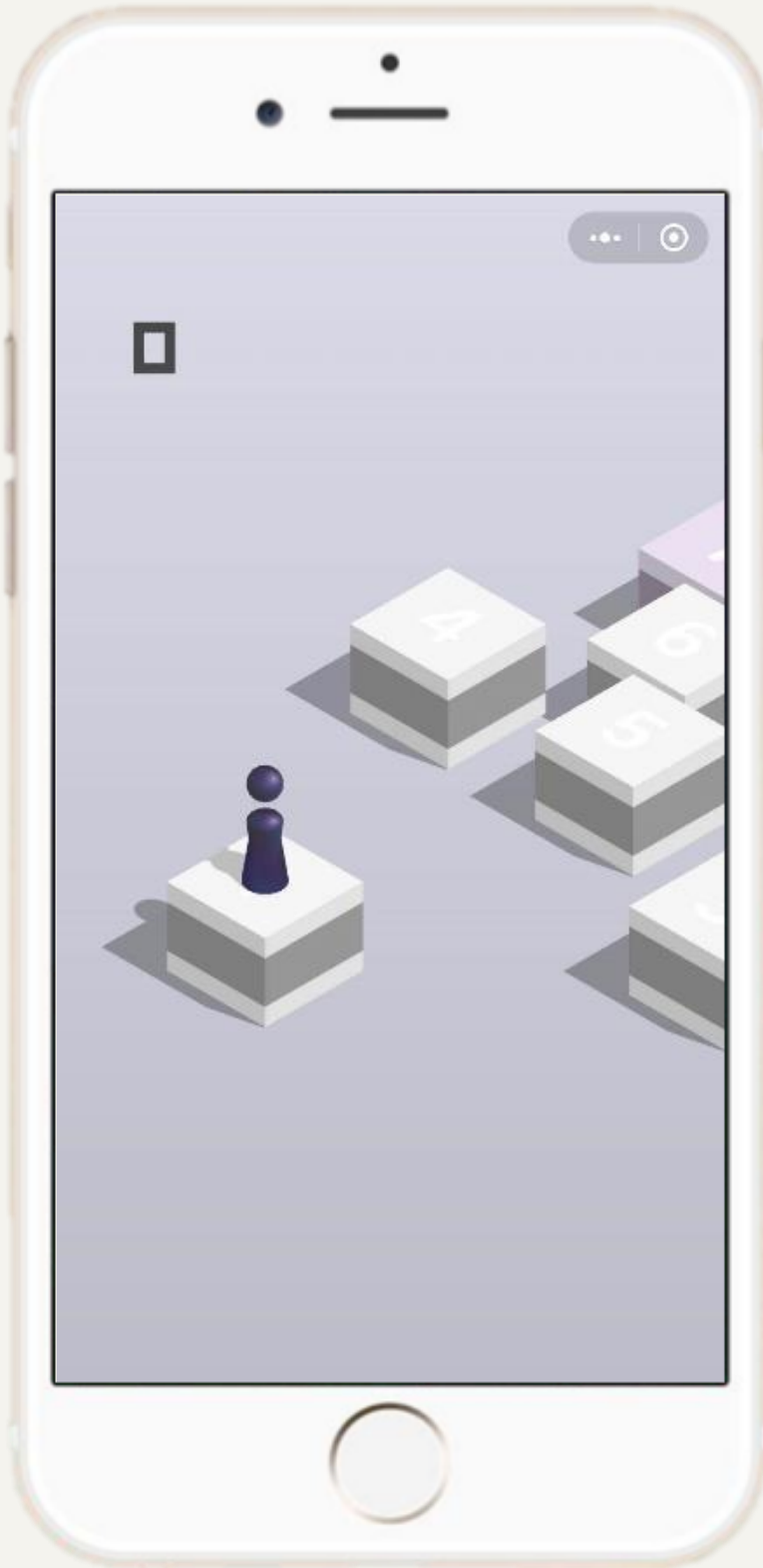
Membership



Gifting Card

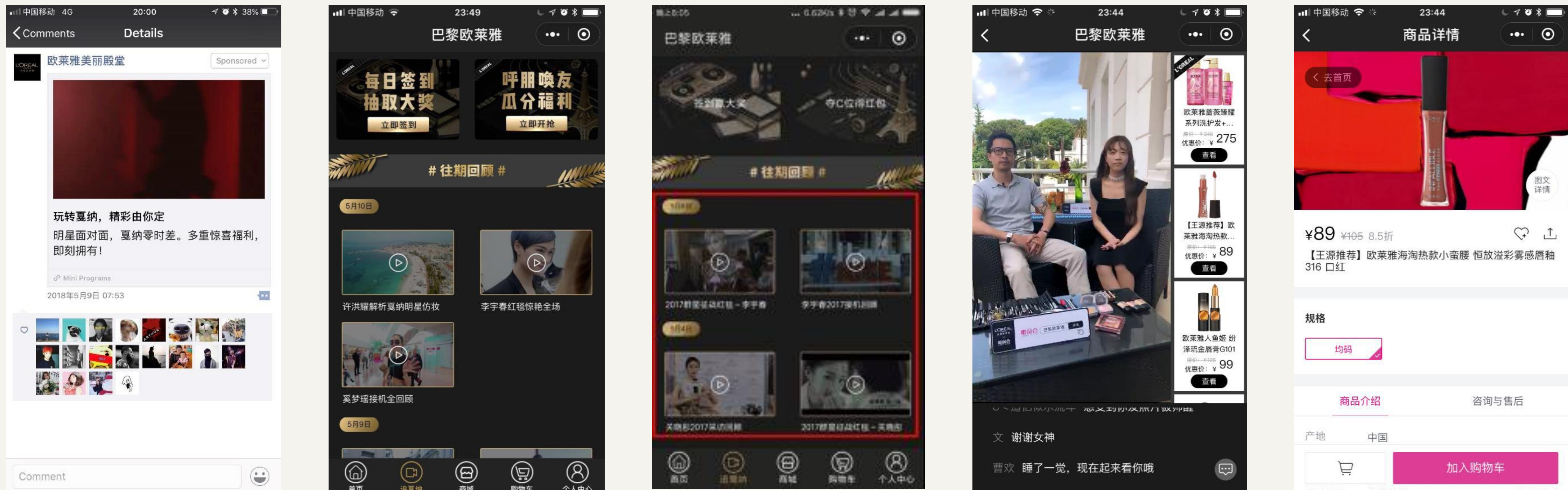


Store Address Intro



Game

Case: Live steaming & promotion



- Live streaming has become another useful tool for brands to expand their influence on social media and reach young customers.
- Mini program could create the innovative “See now, buy now” mode allowing viewers to reserve or buy certain items immediately while watching a live stream.

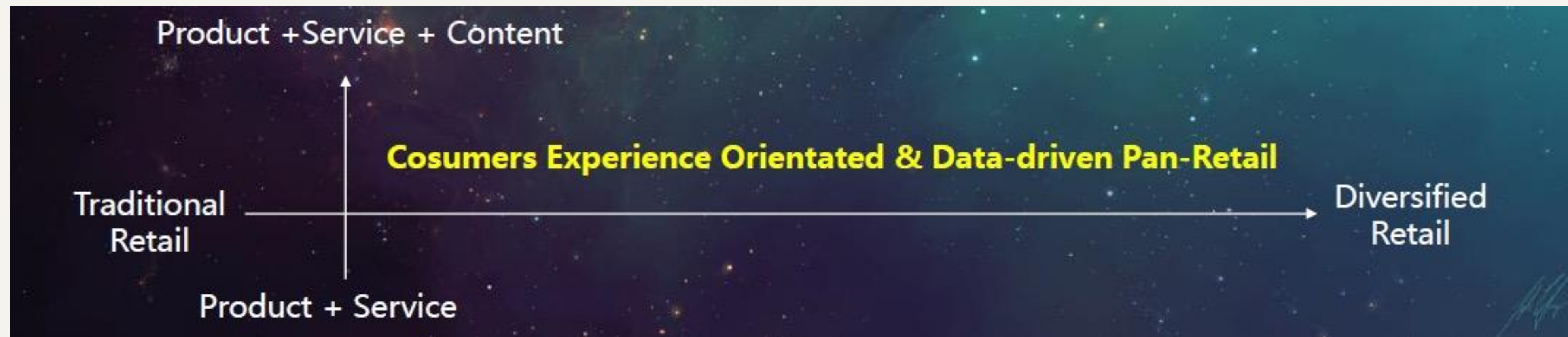


Development of e-commerce and retail

Redefinition of retail: product + service + content

The essence of e-commerce is not to sell inventory anymore but to make more loyal consumers.

—— Jack Ma, Alibaba Group Chairman



Chinese e-commerce booms on 3 platforms with different roles for consumers

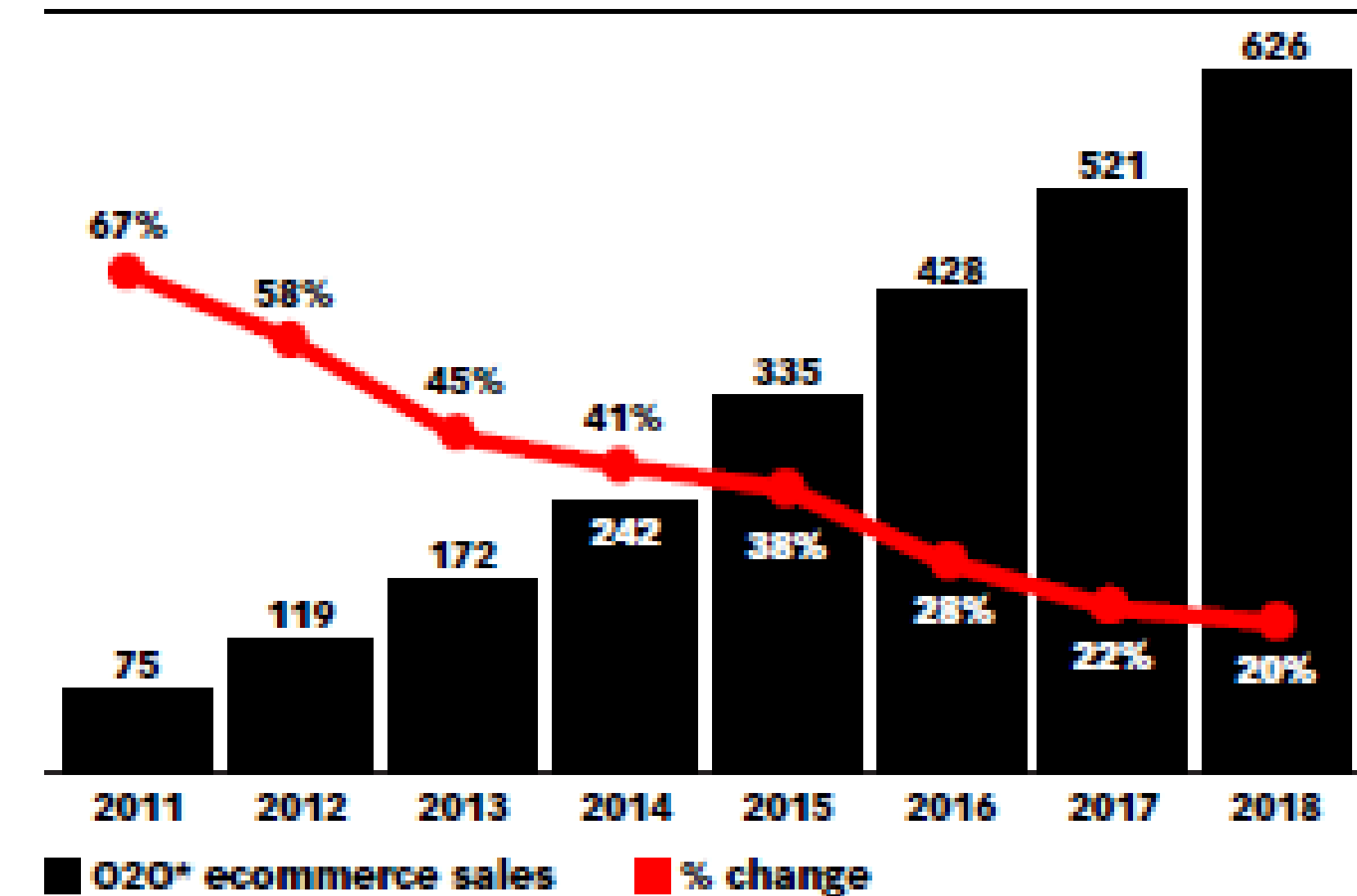


Wechat popularization of the QR code has driven O2O2O



Online-to-Offline (O2O)* Ecommerce Sales in China, 2011-2018

billions of Chinese yuan renminbi and % change



Alibaba moves quickly to omni-channel “new retail”

TaoCafe



- Shopping experience connected to personal profile
- Delivery at home
- Cashless payment

HEMA supermarket



- O2O Shopping experience with mobile phone
- Delivery at home within 30 min
- Cashless payment

Alibaba's HEMA O2O supermarket



Case: Luckin Coffee swept the coffee market with fast offline distribution and huge online promotion

During trial operation, traffic and drinking habits was observed and analyzed for internal and external office area testing.

With 1 billion RMB star-up capital, in only half a year, luckin coffee have launched 400+ stores in 13 cities.

APP leading the whole purchase journey. Promotion drives virus social sharing and fissional user generating.

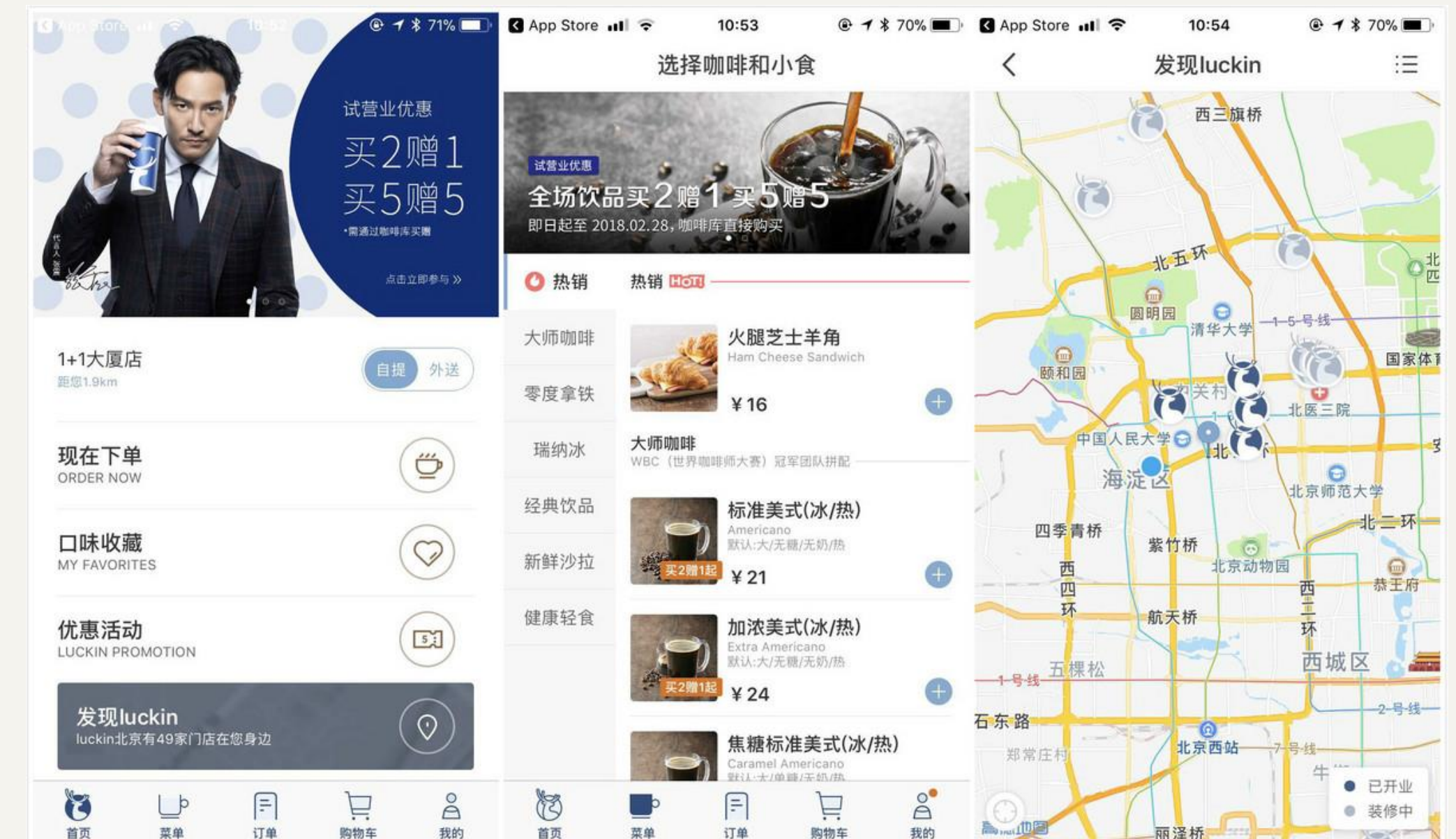
APP monthly active users increased from 91,500 in March, to 228,400 in May



“The repeating rate in stores with 3 months+ is over 80%”.

-- CMO of Luckin Coffee.

Offline distribution are segmented into flagship store (like Starbucks), enjoyable store (with in-store cafe), delivery store (for only fast take-away) and mini cafe (smaller size)



Clear brand positioning and assets to claim master coffee in any moment.

Media domination for precise targeting

Striking blue visual everywhere



Selective celebrities to quickly build awareness



Coffee master to represent quality and premiumness



OOH dominated in office building with lift posters



WeChat moment &LBS dominated for stores nearby



Source: Desktop research; Admango

Co-ops with IP and digital players to give digital & technological experience

Partner with QQ to give Popup store, with AI tech, customized edition, dance experience



Partner with 36Kr event
MXD future city



Unmanned delivery
with smart robot



真机小黄马

Coffee supplier for 2018 Beijing film festival



Exhibitor of Beijing International
auto exhibition



Free spending
Post 90s



Post 90s are big influencers

13% of total Chinese population

27% of the Tier 1 population

34% of the internet population



Post 90s are big spenders

22% of consumption in China

43% dissatisfaction rate due to
poor health care and food safety issues

Source: Mintel report 2016_the Selfie Generation



They spend smartly and carefully



They value quality and will do research before shelling out hard-earned money for things

- 55% would check labels and ingredients frequently
- 53% would pay a premium for an environmentally-friendly product

Sources: Havas Media Meaningful Brands 2015, 18-35 aged

Post 90s are most convenience driven

Full set of services are standard



And enjoy life to the max



Above all post 90s want brands that deliver new ideas

Hierarchy of Needs of Chinese Post 90s

! MEANINGFUL BRANDS

- IT INSPIRES ME WITH NEW IDEAS AND POSSIBILITIES
 - IT ENCOURAGES ME TO ADOPT BETTER HABITS
- Connect and share experiences with others
 - Become closer to people and/or meet new people
- To be seen using this brand • Helps make me feel happy • Satisfied with life
- Listens to me • Cat. Leader • Treats me with respect
- Innovative • High Quality

But above all post 90s want brands that deliver new ideas

Brand stores
with inspiration and experience



Content



A woman with long dark hair, wearing a white top and a purple skirt, is standing in a supermarket. She is holding a smartphone in her right hand and a bottle of orange juice in her left hand. A green shopping basket is visible in the foreground. The background shows shelves stocked with various products, including bottles of orange juice. The text "Impact on the developments of brands in China" is overlaid on the image.

Impact on the developments of
brands in China

The pitfall of the Chinese market



Penetration is
easy to achieve
“I just want to try it”

But difficult to build attachment

**Chinese consumers
would not care if**

52%

**of brands would
disappear tomorrow**

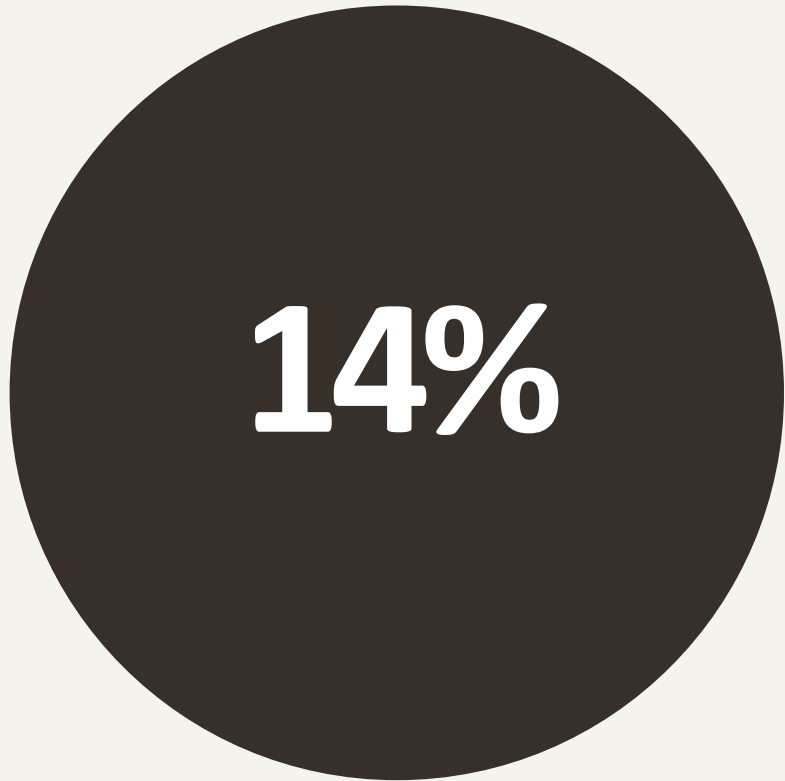


Reason #1:
Massive growth in offering



25,473

new FMCG products within
1 year



YOY growth



Share of total FMCG

Reason #2:
Higher online access to brands than everywhere in the world

Expected E-commerce retail share within total retail in 2020



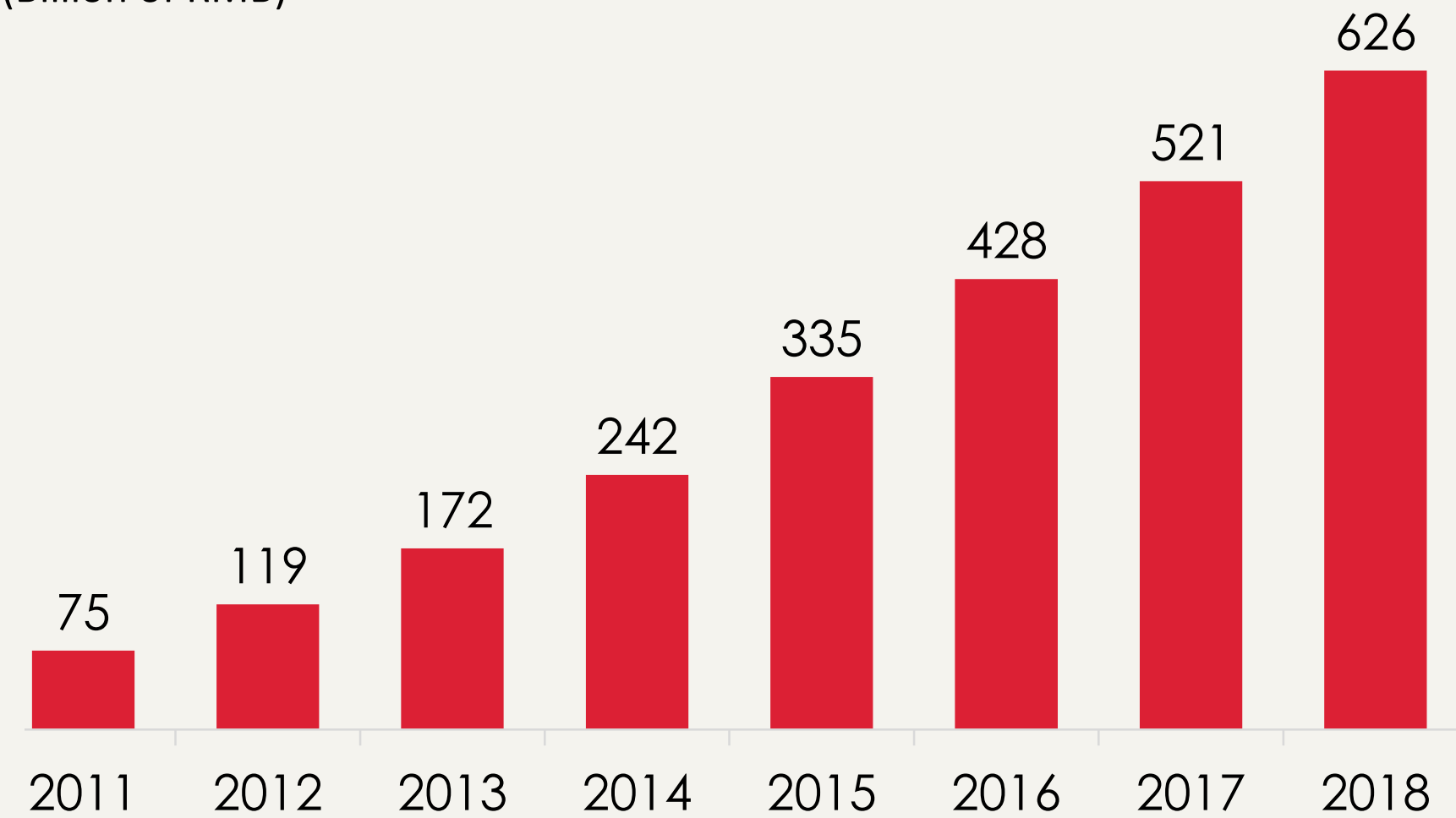
Source: Havas Meaningful brands, Emarketer, 2016

Reason #3:

Any time availability, O2O2O offer increases in fast pace

Online-to-offline E-commerce sales in China, 2011-2018

(Billion of RMB)



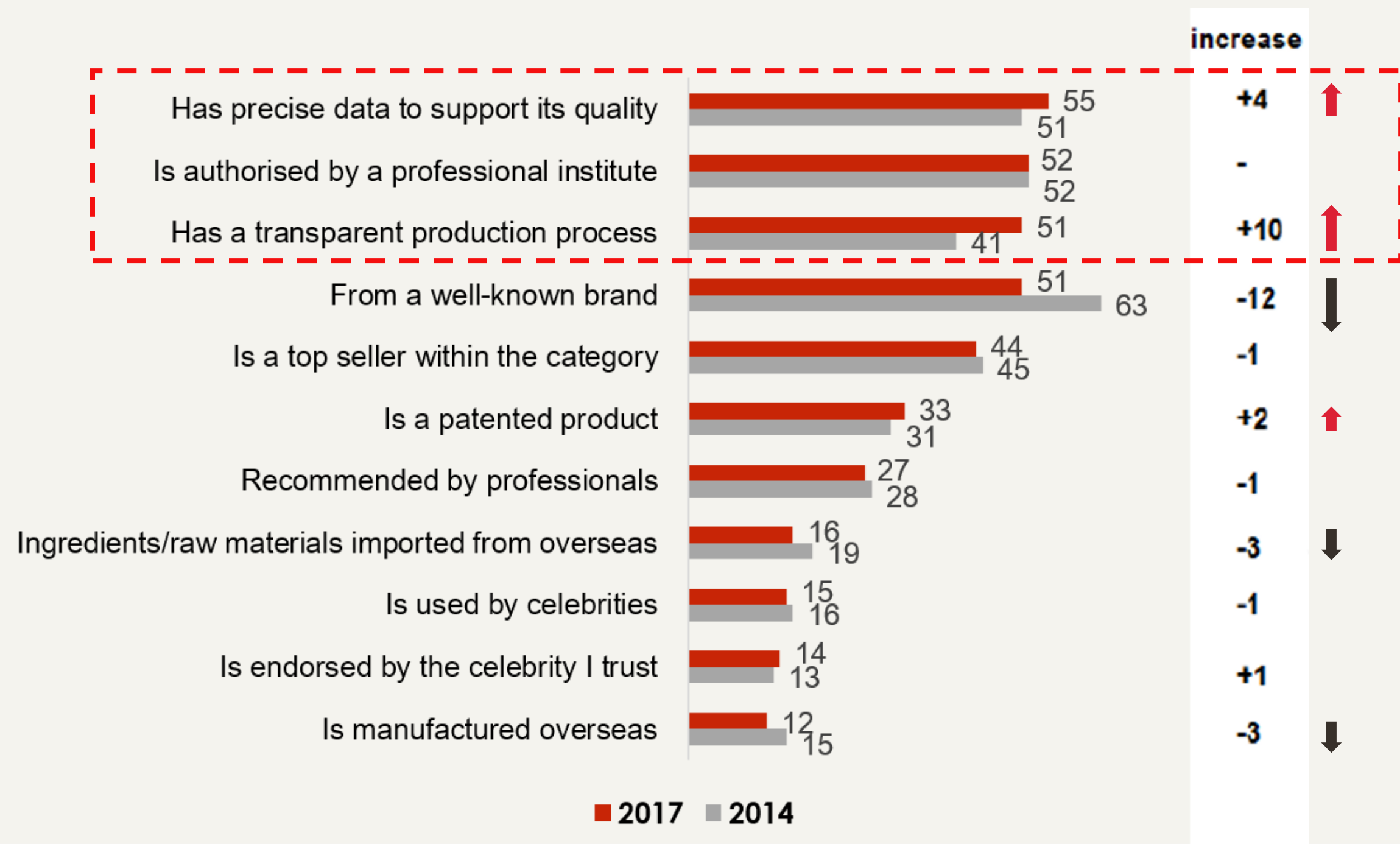
Source: Havas Meaningful brands, Emarketer, 2016

Reason #4:
A more knowledgeable and experienced consumer



Consumers know to look beyond brand reputation to evaluate product quality and benefits

ASSOCIATIONS WITH FACTORS OF HIGH QUALITY



Source: Havas Meaningful Brands, Mintel 2017 - The Chinese Consumer

Reason #5: Modernized but not westernized consumer

**Western influenced lifestyle in a
Chinese context**

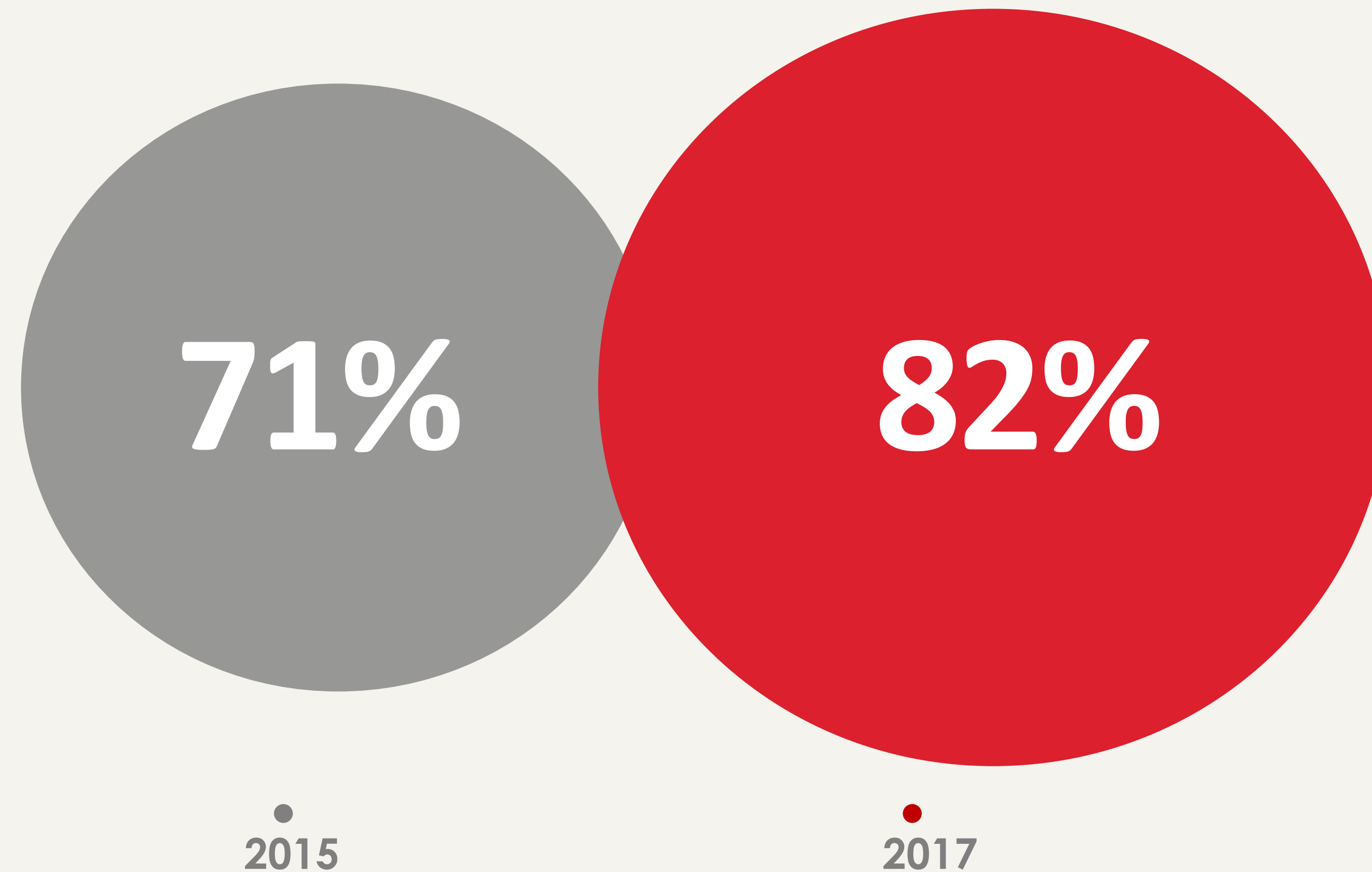
**More digital advanced than
everywhere in the world**



Source: Mintel 2017 - The Chinese Consumer

Opportunity: an increasing number of Chinese consumers want brands to improve their quality of life

Should companies and brands play a role in improving our quality of life and wellbeing?



Important for China: go beyond the functional benefits, exploring how brand can improve people's live

Importance of benefits

CHINA



36%

FUNCTIONAL
BENEFITS



32%

PERSONAL
BENEFITS



32%

COLLECTIVE
BENEFITS

GLOBAL



43%

FUNCTIONAL
BENEFITS



29%

PERSONAL
BENEFITS



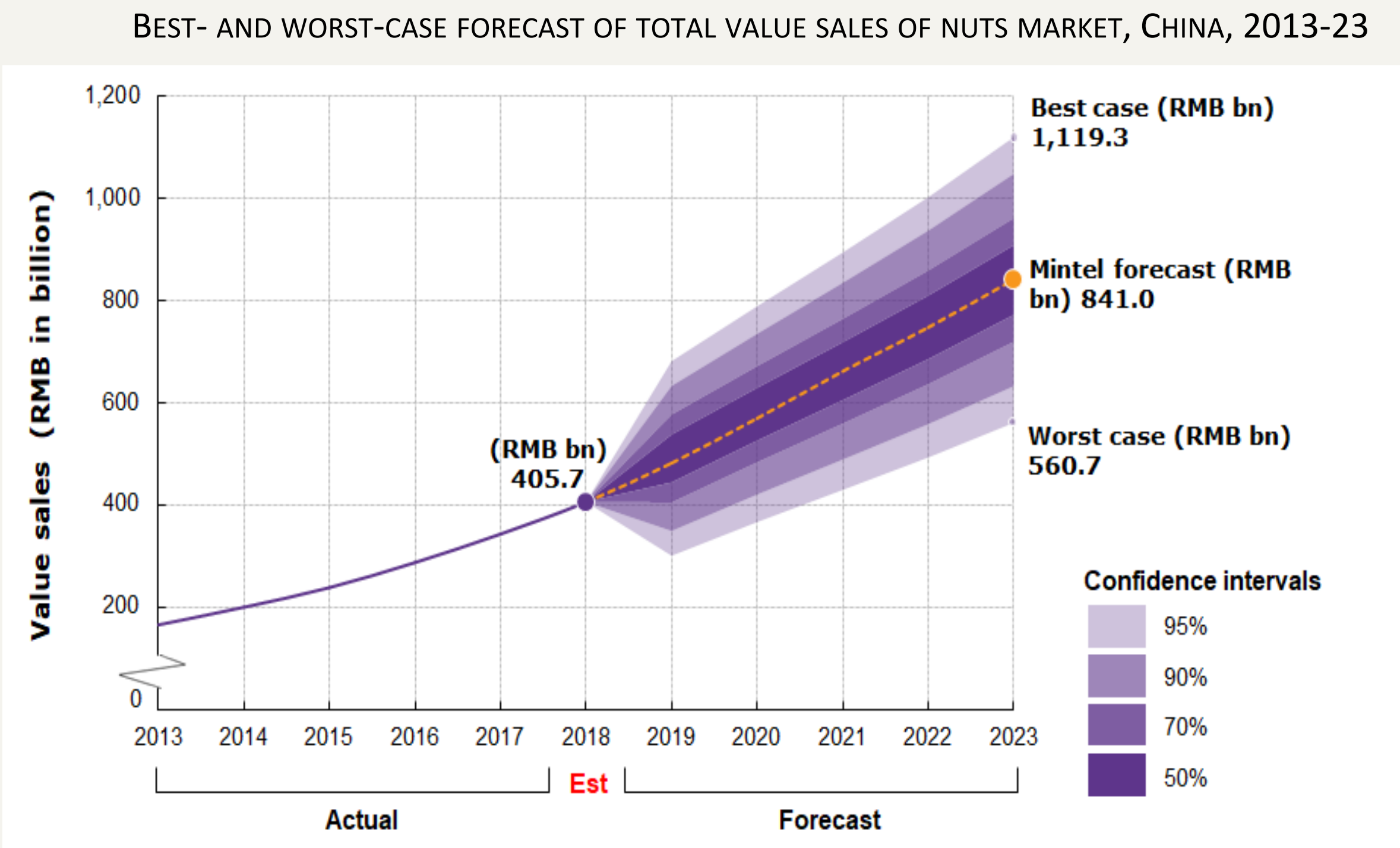
28%

COLLECTIVE
BENEFITS

The nuts market in China

The future of this market is promising

The market value of nuts has shown significant growth from 2013-18 and will keep growing in the future. We estimates that the total market value will reach RMB 841.0 billion in 2023 at a compound annual growth rate (CAGR) of 15.7%.



The nut retail sales value grows rapidly with occupying the top place in snack categories

Chinese consumers purchased a large amount of nuts as their top snack choice within these several years.

FIGURE 2: RETAIL SALES VALUE OF MAJOR SNACK CATEGORIES, CHINA, 2013-17

Segmentation	2013 RMB bn	2014 RMB bn	2015 RMB bn	2016 RMB bn	2017 (est) RMB bn
Snack nuts*	70.3	83.3	97.8	117.9	139.1
Sugar confectionery	83.0	89.1	86.1	84.8	84.9
Small cakes/pies	45.0	54.1	62.7	70.5	78.3
Biscuits and crackers	54.9	59.4	62.1	64.3	67.5
Ice cream	53.8	54.3	56.2	58.4	61.0
Chocolate	25.2	29.0	28.9	28.5	28.7
Salty crisps	17.6	19.3	21.1	23.6	26.0
Spoonable yogurt	11.3	12.6	13.7	15.5	17.5
Snack bars	5.3	6.4	7.0	7.4	7.9
Others**	115.9	132.6	150.9	166.9	180.3
Total	482.4	540.1	586.5	637.8	691.1

* in this year's Report, the nuts and seeds segment is split into snack nuts, and seeds are included in the Others segment, given the relative size of the two (nuts being much bigger than seeds).

** Others include seeds, potato-based (eg chips, not crisps), rice or corn-based snacks, pretzels, fruit snacks/ jellies, meat snacks and fish/seafood snacks.

Source: Mintel

Source: Consumer Snaking Trends- China – January 2018, Mintel Report

The government supports on the category

- The Chinese government continued to publish 'the food guide for Chinese residents in 2017'. The guide recommended that each person should take nuts (with seeds) and beans from 25 grams to 35 grams per day.
- Chinese nut category set **Sep.17th** in every year as the NUT HEALTHY DAY, Sep.17th – 25th as the NUT HEALTHY WEEK with theme of 'a handful of nuts everyday benefit the health of human body'.

Source: http://www.gov.cn/zhengce/content/2017-07/13/content_5210134.htm



Domestic brands have used differentiated competitive strategies

- Three Squirrels has strived to strengthen the brand image and is focusing on building its own intellectual property (IP).
- Be & Cheery has opted for product placement in many popular TV series to deeply expand its brand influence and make consumers like this brand more.
- Qia Qia Group typically collaborates with other brands from categories beyond snacks.

Content and products that Three Squirrels has intellectual property rights



BE & CHEERY brand and product implants in Qia Qia Group co-branding products TV series



Packaging innovation for daily nuts

- '90 Fresh' daily nuts is a new format of nuts and dried fruits produced by Be & Cheery.
- The innovation point is packaging. Dried and moist ingredients are packed separately in one individual package to avoid the loss of nutrition and the changing of texture.

'90 FRESH' DAILY NUTS BY BE & CHEERY



Overseas brands have joined the market

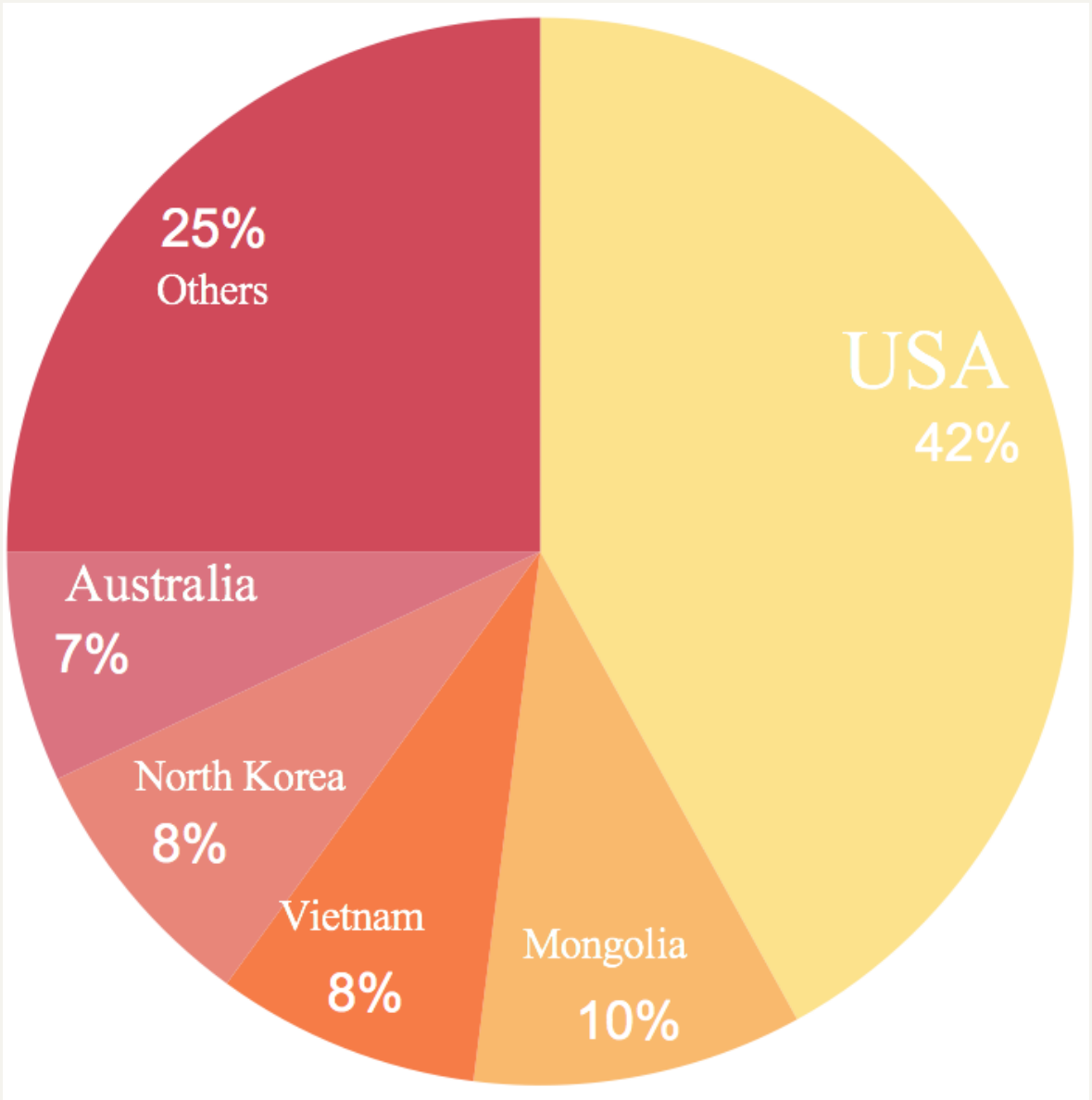
- Planters launched a new product consisting of mixed nuts and dried fruits packed in zipper bags in 2017. Moreover, Planters also launched a series of marketing activities for 2017 Chinese New Year. This campaign is a good example of utilizing the 'fans economy' because it both satisfies fans' desire to support their idol and broadens the influence of the brand.

Rules for Planters 2017 Chinese new year gift boxes promotion



Australia is the fastest growth country of imported nuts in china market

Among the top 5 source countries of nut import, **Australia** grows fastest with the import quantity increased by 61.67% and the import amount increased by 82.84% in 2017.



Top 5 nut imported source countries in China in 2017



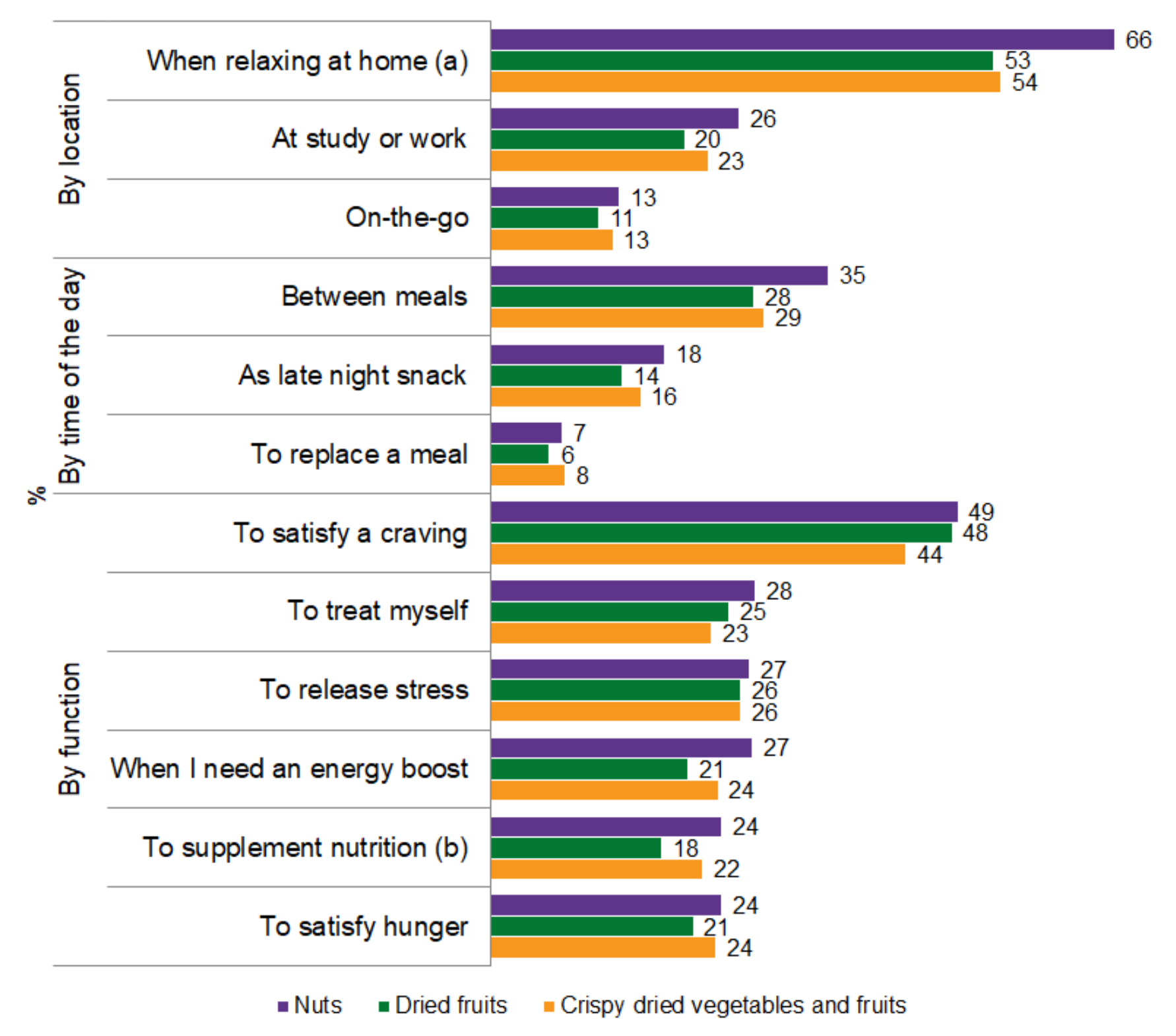
The consumer attitudes around nuts

Home is the most popular consumption occasion

- About two thirds of consumers (66%) choose relaxing at home as the occasion for eating nuts.

CONSUMPTION OCCASIONS, FEBRUARY 2018

“On which of the following occasions, if any, have you consumed nuts in the last 6 months?”

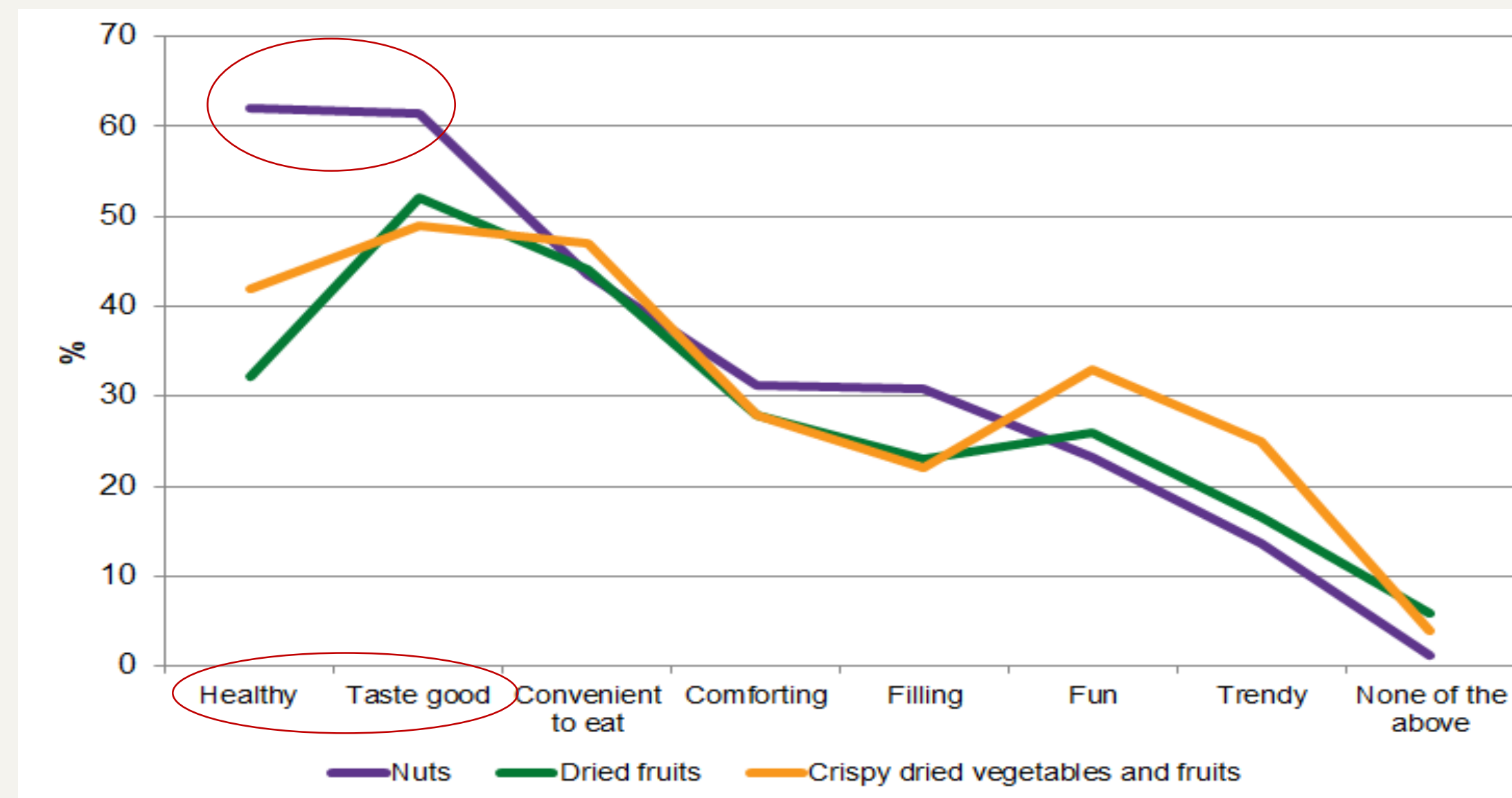


Base: 3,242 internet users aged 20-59 who have eaten nuts in the last 6 months
3,085 internet users aged 20-59 who have eaten crispy dried vegetables and fruits in the last 6 months
Source: KuRunData/Mintel

Consumers value healthy and taste highly

PERCEPTION TOWARDS DIFFERENT TYPES OF SNACKS, FEBRUARY 2018

“Which of the following attributes, if any, do you associate with each of the following types of nuts and dried fruits?”

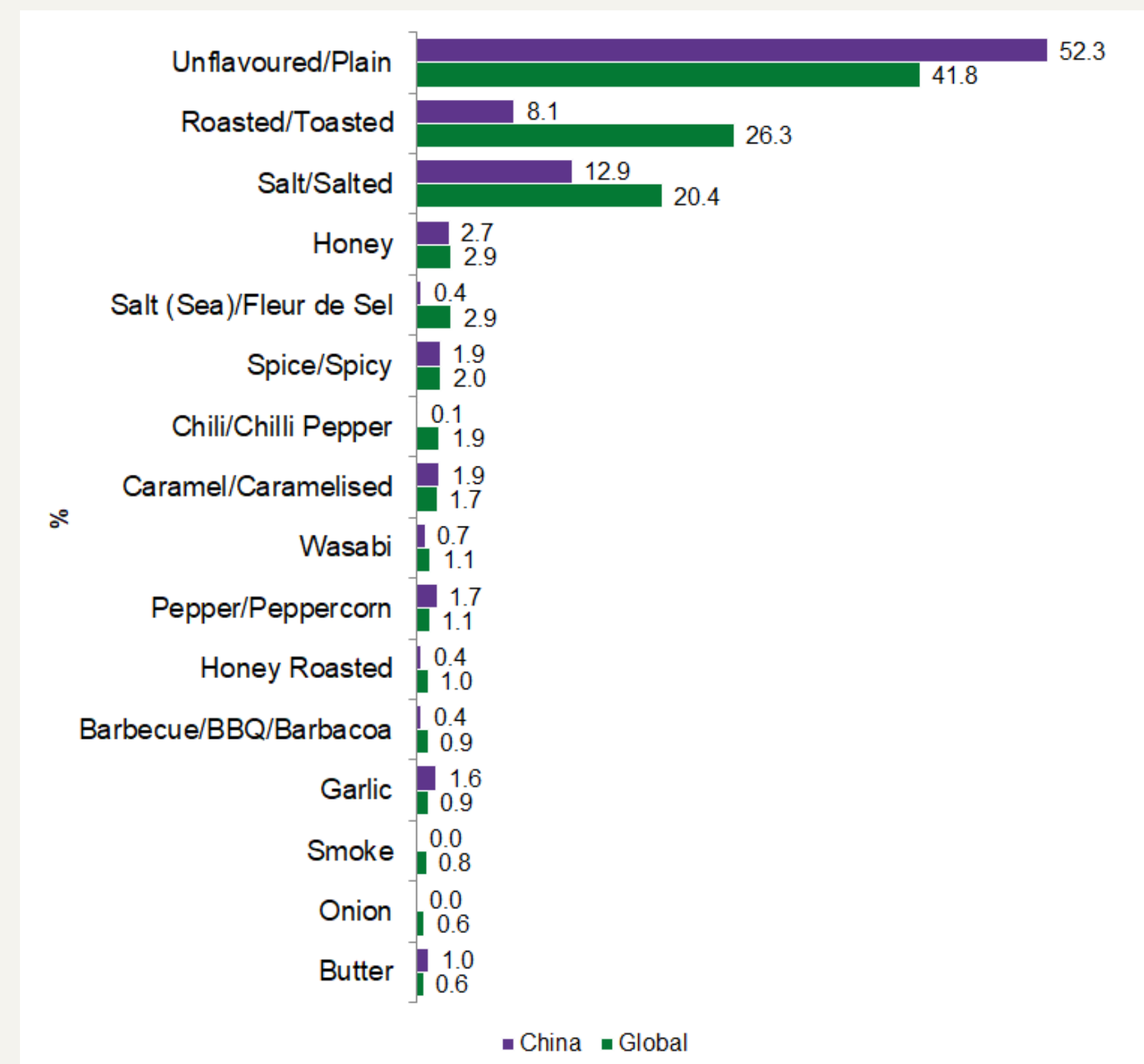


Base: 3,300 internet users aged 20-59

Source: KuRunData/Mintel

Flavors of nuts in the markets - diversified flavors has the space to grow

- Unflavoured/plain nuts occupy more than half of new products over 2015-17 in China which is a stark contrast to the global market where flavours dominate.
- Diversified flavours have space to grow in China market.



TOP FLAVOURS OF NUTS SNACKS NEW LAUNCHES, CHINA VS GLOBAL, 2015-17

Source: Mintel GNPD

The current top favorite nut brand are all domestic brands for Chinese consumers

3 SQUIRRELS	BE CHEERY	BESTORE
 三只松鼠 综合票数：16167	 百草味 综合票数：11837	 良品铺子 综合票数：7765
QIAQIAFOOD	LAIYIFEN	WOLONG
 洽洽 综合票数：6725	 来伊份 综合票数：7949	 沃隆Wolong 综合票数：203

Local nut brands are well known and accepted by Chinese after years of brand-focus-communications and diversified channels investment.

Consumers’ voting for ‘my favorite nut brand’ in 2017-2018

Australian brands haven't been familiar with yet by Chinese consumers

朋友介绍的买了一些，特别好、纯天然特别香、特别好吃，儿子也特别喜欢吃，吃完还来哦、像糖果一样

2017.05.24

'First try recommended by friends'

第二次购买，很满意！

01.10

'The second time to purchase the brand'

还没试 看起来不错

2017.04.16

'I haven't tried yet but it looks good.'

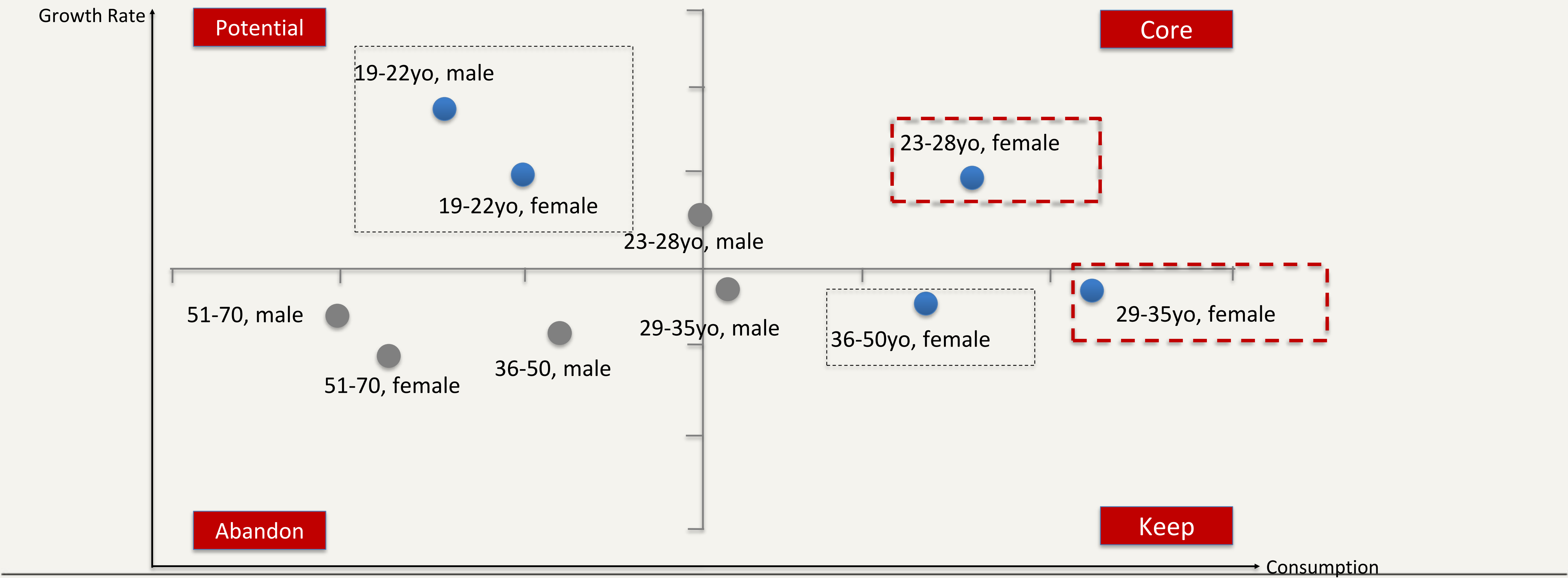
还没吃呢

2017.07.25

'I haven't tried it before.'

Luckily, we have a big group of potential customers with huge purchase power

IMPORTED SNACK CONSUMER GROUPS

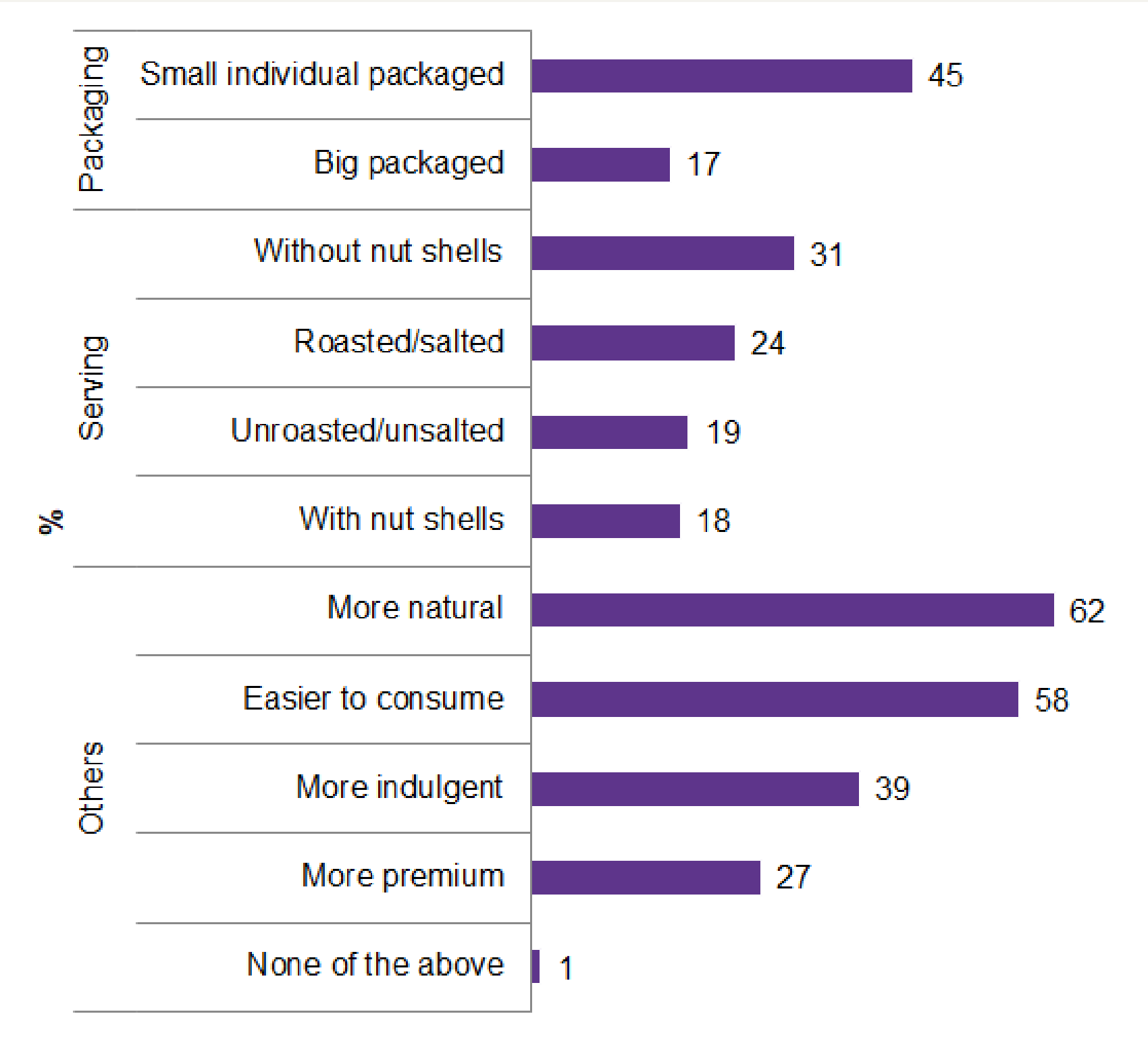


They want more natural nuts

- Up to 62% of consumers would like to see more natural nuts products in the market. The naturalness of nuts might encourage consumers to pay for it.

UNMET NEEDS, FEBRUARY 2018

“Which of the following types of nuts products would you like to see more in the market?”



Base: 3,300 internet users aged 20-59

Source: KuRunData/Mintel

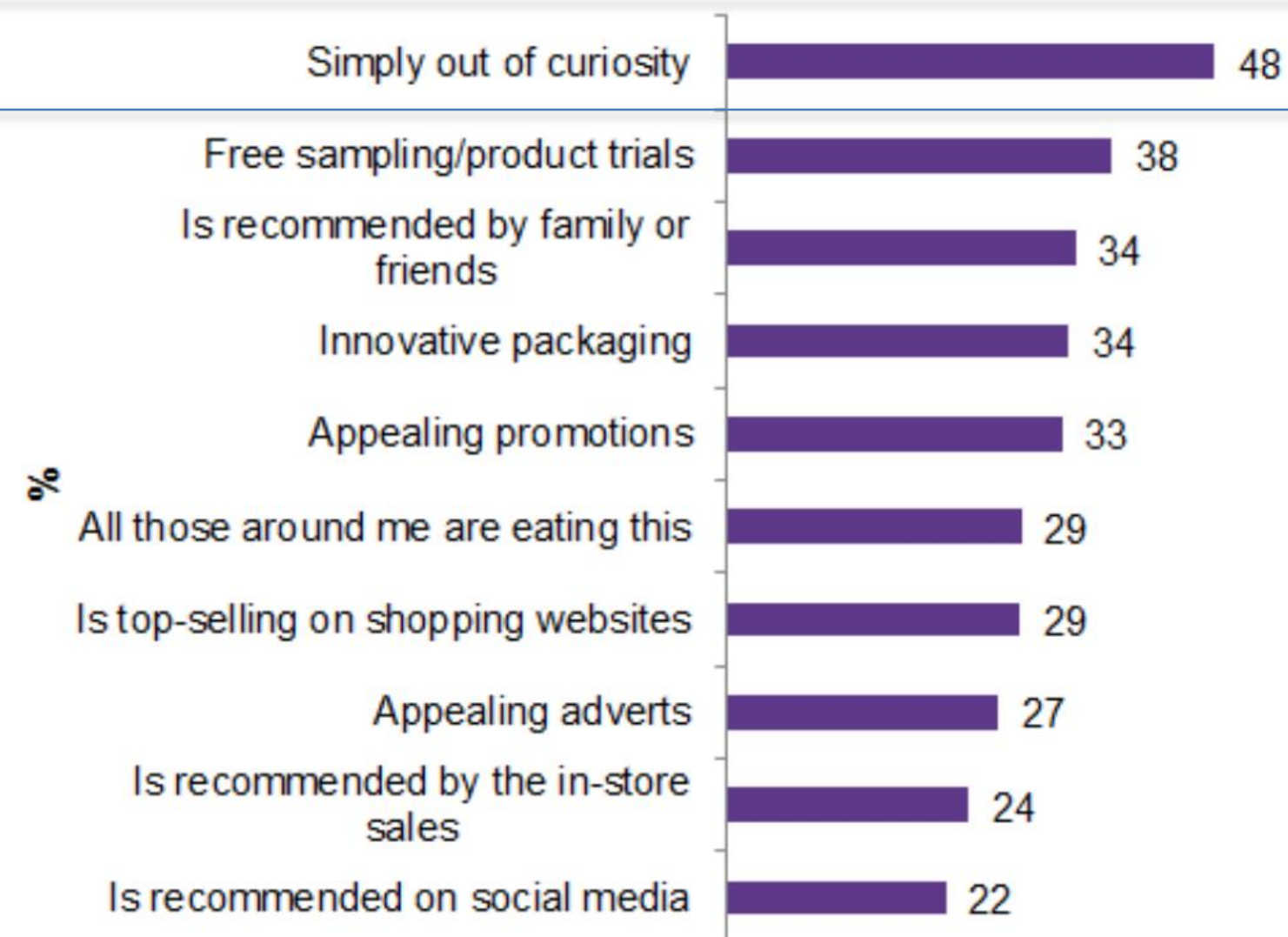
They are full of curiosity to get new brand experience

More than 40%

of consumers have the interest to try totally new imported snacks to gain a new brand and taste experience.

FIGURE 6: REASONS FOR BUYING A NEW SNACK, SEPTEMBER 2017

Thinking about last time when you bought a new snack, which of the following, if any, attracted you into buying the product? Please select all that apply.

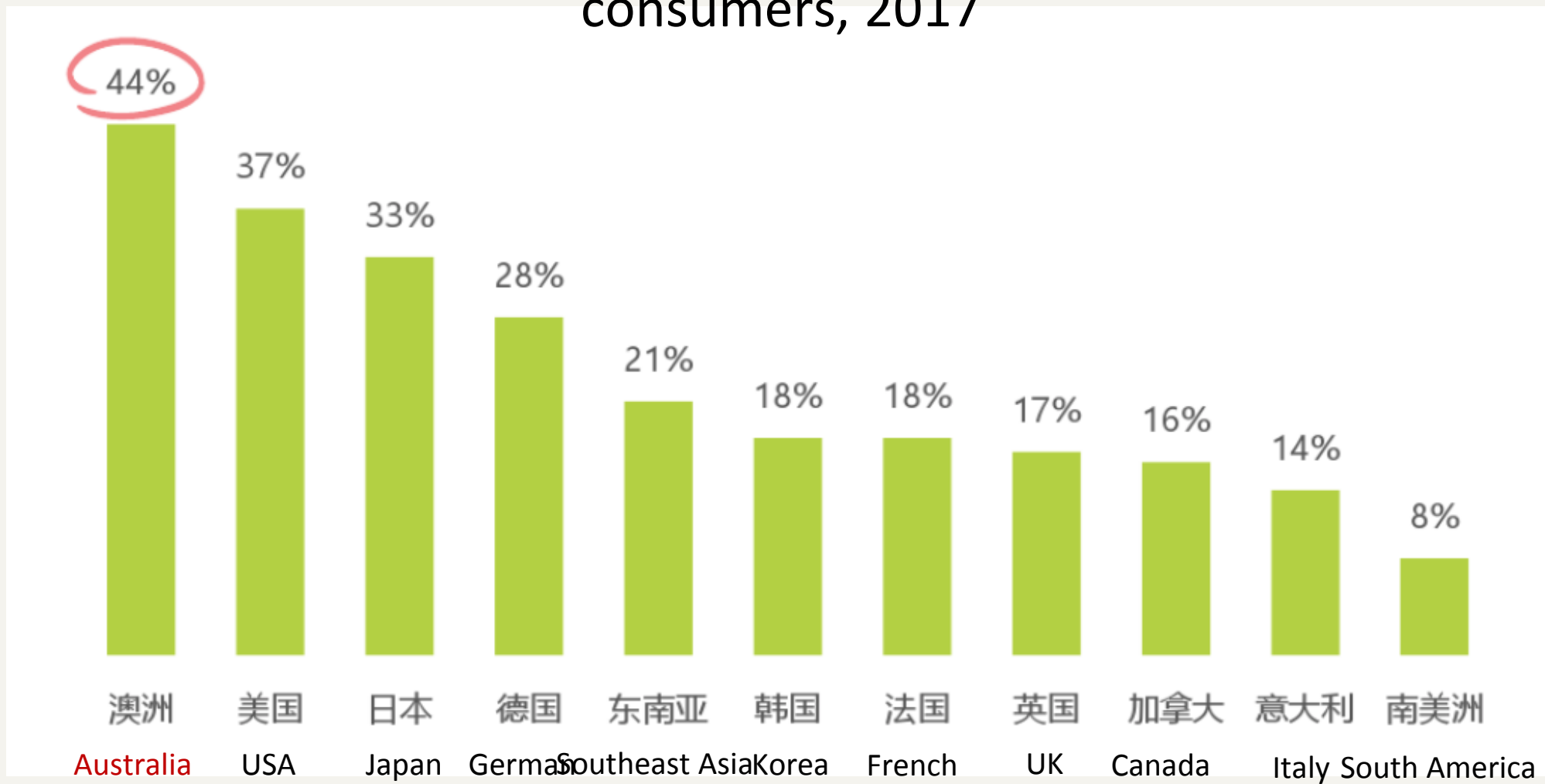


Base: 2,668 internet users aged 20-49 who have snacked in the last six months

Source: KuRunData/Mintel

‘Australia made’ and ‘imported foods are safer and better quality’ is actively accepted by Chinese consumers

The origin preference of imported food for Chinese consumers, 2017



The motivation of Chinese consumers to buy imported food, 2017



Source: iResearch 2017

Key Conclusions

- ✓ The healthy image of nuts caters to this healthy snacking trend. It contributes greatly to the growth of the nuts market in the past several years and will drive the market to grow further in the future.
- ✓ The growing market has attracted many players to join in, brands will need to find their unique advantages and try their best to get more involved in consumers' daily lives.
- ✓ To improve the brand awareness are the top task for overseas brands. Natural ingredients bringing out a more healthy value and advocating a more healthy lifestyle can be a good way for leaving a good impression.
- ✓ For the young explorers, brand can provide more brand experience to attract first trial.



Key Learnings

- There is no slowing down on the growth of the imported food market in China. Imported food is more welcome than ever.
- Many foreign brands are competing, we need make a distinction from other competitors in China
- Brand credibility means everything, we need to establish a brand image with authority and authenticity.

Our Summary

Goal of 2018 :
Educate the consumers to understand what is Australian Macadamias

Creative Idea :
'5 macadamias a day, LOHAS a life'

What We Do:

- Match the content with trendy topics and seasonal highlights that resonates with Chinese audience.
- KOL collaborations
- H5 on social media

Strategic Intersection



Macadamia stand as an ambassador of healthy snacking for well-being, eliminating consumer guilt of snacking



Well-Being
Snack



Develop communication angle & tactics for Macadamia as a new generation of gifting choice for friend, family and beloved



Objective for 2019



1. Attract
consumer
interests

2. Deeper engagement with
consumer on occasions



3. Increase the exposure &
Interactivity

FY19 Communication Theme



LOHAS “乐活族”

A demographic with new lifestyle from western

Is raising from the middle class

Meaning high quality lifestyle

Healthier and greener

From cultivating good exercise habits, and choose organic foods

.....

Diet is one of the most important things for quality life

How to make high quality eating in a simple way?

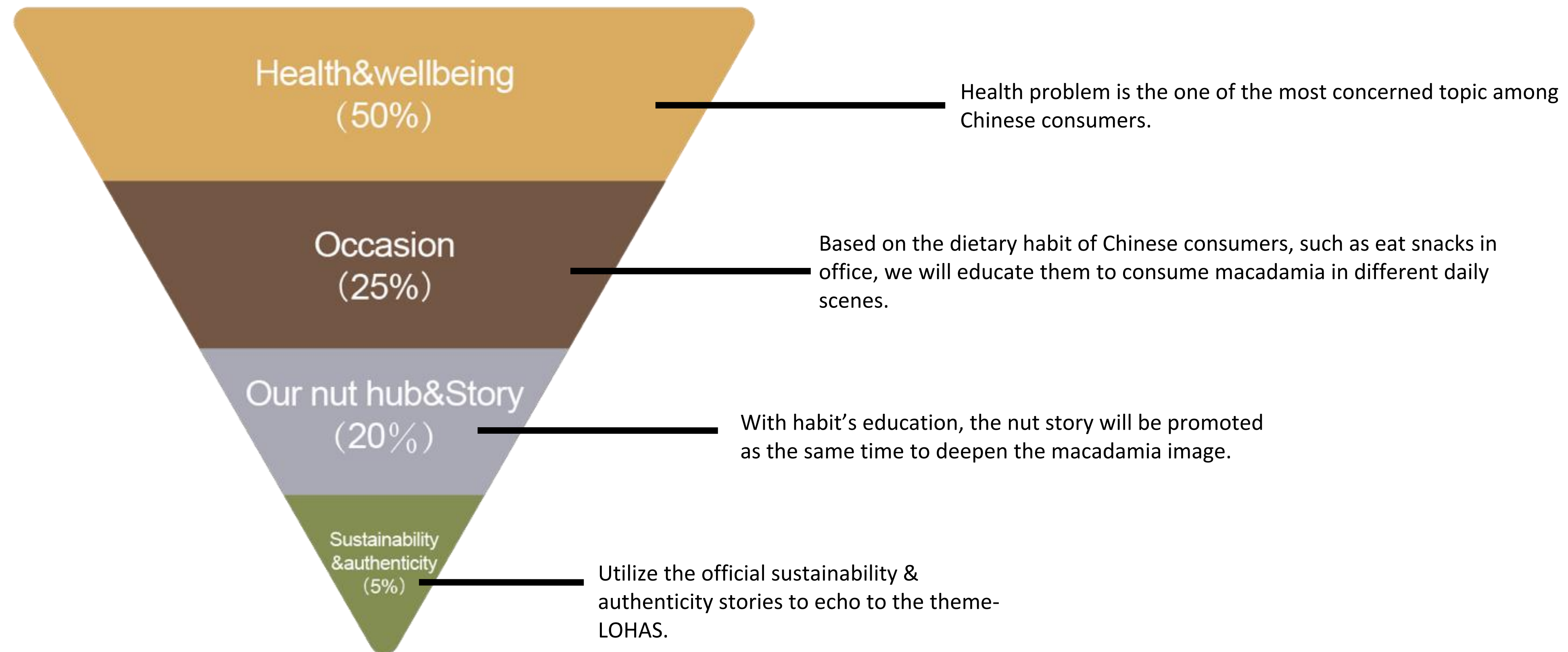
Try Macadamia,

It helps even as a snack



Content Pillar

Our local content will cover festivals/hotspot to increase readability and attractiveness. Part of our posts involve in interactive mechanism to attract more consumers' attention and engagement.



Marketing Calendar

2018.10 - 2019.6

Snack for well being

LOHAS life is at every moment & every nut.

Objective

Define Australian Macadamia,
Attract consumer interests

Educate macadamia eating methods, deeper
engagement with consumer on occasions

Creative macadamia events, increase the exposure of
Australian Macadamias and interactivity with more
consumers

Timeline

2018.10 – 2018.12

2019.1 – 2019.3

2019.4 – 2019.6

Content
Focus

Discover LOHAS life, discover
macadamia with attitude, share your
discoveries

Explore Australian macadamias eating
method

Explore Australian macadamias

Media
Approach

KOL Collaboration

Food / Lohos
KOL Collaboration

KOL live steam/
offline experiential

Channel
Mix



Activation Idea Campaign Phase 1

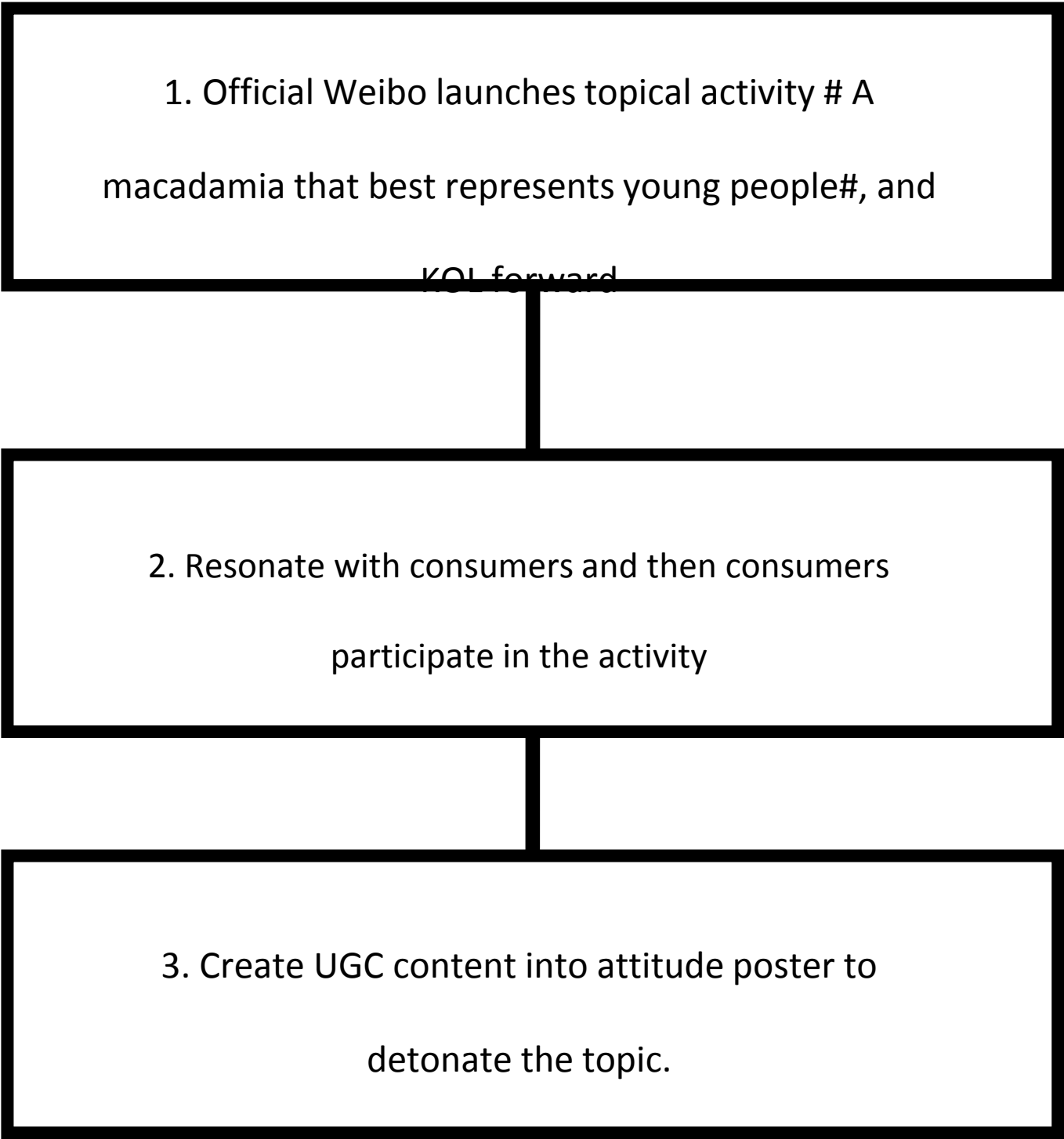
Discover LOHAS macadamia

Objective: Enhance interactivity/ Attract consumer interest/ Resonate with consumers/ Improving AMS recognition

Platform: Official Weibo account/ KOL's Weibo

Methods: Official Weibo launches topical activity # A macadamia that best represents young people#. From the emotional point of view, combine the six attributes of macadamia with the characteristics of young people and attitudes of life, then resonate with them.

KOL forward and participate in topic interactions to increase engagement. The official account uses UGC content to create attitude poster and detonate the topic so that more people can discover LOHAS macadamia.



Activation Idea Campaign Phase 2

Explore LOHAS Eating Methods

Objective: Deepen communication between AMS and consumers

Platform: Official Weibo account/ LOHAS new media’s Weibo

Methods: Educational poster content that educates the audience on how to eat macadamias on a daily routine and encourage consumers to explore different ways to eat macadamias. Content will be post on official account / LOHAS magazine new media platform. Encourage young consumers to pay attention to and leave behind their own unique macadamias recipes, resulting in massive forwarding on social platforms, increasing exposure and expanding impact.



Activation Idea Campaign Phase 3

LOHAS Macadamia Exploration Museum

Objective: Raise the exposure rate and attract more people's attention to AMS

Platform: Official Weibo and WeChat/ KOL's Weibo/ Offline live

Methods: The lucky fans who draw the mysterious invitation have the opportunity to participate in “LOHAS Macadamia Exploration Museum” offline event(Pop-up store for 3 days). On the opening day of the event, lucky consumers and KOL will visit the Macadamia Exploration Museum in person. And there will be three areas, Visiting area: everyone can visit the works created with macadamias as materials; Experience area: create creative works of your own with macadamias; Foretaste area: DIY macadamia recipe (macadamia+ fruit / yogurt / vegetables).



1. The lucky fans who draw the mysterious invitation have the opportunity to participate in offline event

2. lucky consumers and KOL visit the Macadamia Museum in person

3. Consumers and KOLs use creative macadamia DIY works and scenes, as well as recipes, to publish on their social platforms, triggering higher flow. More people will be attracted to participate in event on the second and third open day.



AUSTRALIAN
MACADAMIA
SOCIETY

Thank you