

ASIA

FOOD & BEVERAGE

DISTRIBUTOR

INSIGHTS SURVEY

2022 REPORT AUTHOR: INCITE | F&B EXPORT DEVELOPMENT



INSIGHTS FOR F&B EXPORTERS

Learnings from our survey of 1,900+ F&B importers and distributors across Singapore, Malaysia, Indonesia, The Philippines, Thailand, Vietnam, Hong Kong, Taiwan & South Korea.

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1. INTRODUCTION

Incite is a commercial export development agency for food and beverage brands trading with high-growth Asia Pacific markets.

We work with established food and beverage brands from the United Kingdom, Australia and New Zealand that want to replicate their success at home in Asian export markets.

Our network across Singapore, Malaysia, Indonesia, The Philippines, Thailand, Vietnam, Hong Kong, Taiwan & South Korea encompasses over 1,900 import and distribution companies.

In September 2022, we gave our distribution network the opportunity to share their views on the state of the imported food and beverage sector in their markets via our annual online Distributor survey.

This report shares the data collected and key insights received from leading importers and distributors across the region.



2. EXECUTIVE SUMMARY

Our survey sought to take the pulse of leading importers and distributors in export markets across Singapore, Malaysia, Thailand, the Philippines, Indonesia, Hong Kong, Taiwan, and South Korea.

We were particularly interested in how our distribution network felt about the current commercial environment in their industry, their sentiment for the future and the challenges and opportunities for F&B brands from the United Kingdom, Australia and New Zealand in their markets.

The results surprised us.

We were thrilled to validate our assumption that with pandemic restrictions mostly behind us, a large percentage of distributors surveyed are actively reviewing new food and beverage distribution opportunities. The data also indicated that the top echelon of distributors in each market continues to be approached daily by exporters, proving just how strategic (and competitive) these markets are for brands seeking to grow their export sales in these markets.

In-store promotions and tastings have resumed after being restricted for two and a half years, and distributors surveyed stressed the importance of implementing an ongoing localised digital marketing strategy to foster brand awareness and drive sales.

Distributors surveyed told us about in-demand categories in their markets and how they are looking to partner with brands in these categories for distribution in their markets.

Importers and distributors across the region have a positive outlook for both grocery and food service sectors as we move into 2023. We asked distributors surveyed to share their views about the reputation of food and beverage brands from the U.K, Australia and New Zealand and how Government initiatives from these countries are assisting with driving demand.

Finally, we asked distributors about the key challenges they face with importing products from the U.K, Australia and New Zealand and how these can best be overcome.

If you have any questions or comments about this report or would like to discuss the opportunities available for your products across these nine growth Asian markets, please contact us at getincite@exportincite.com



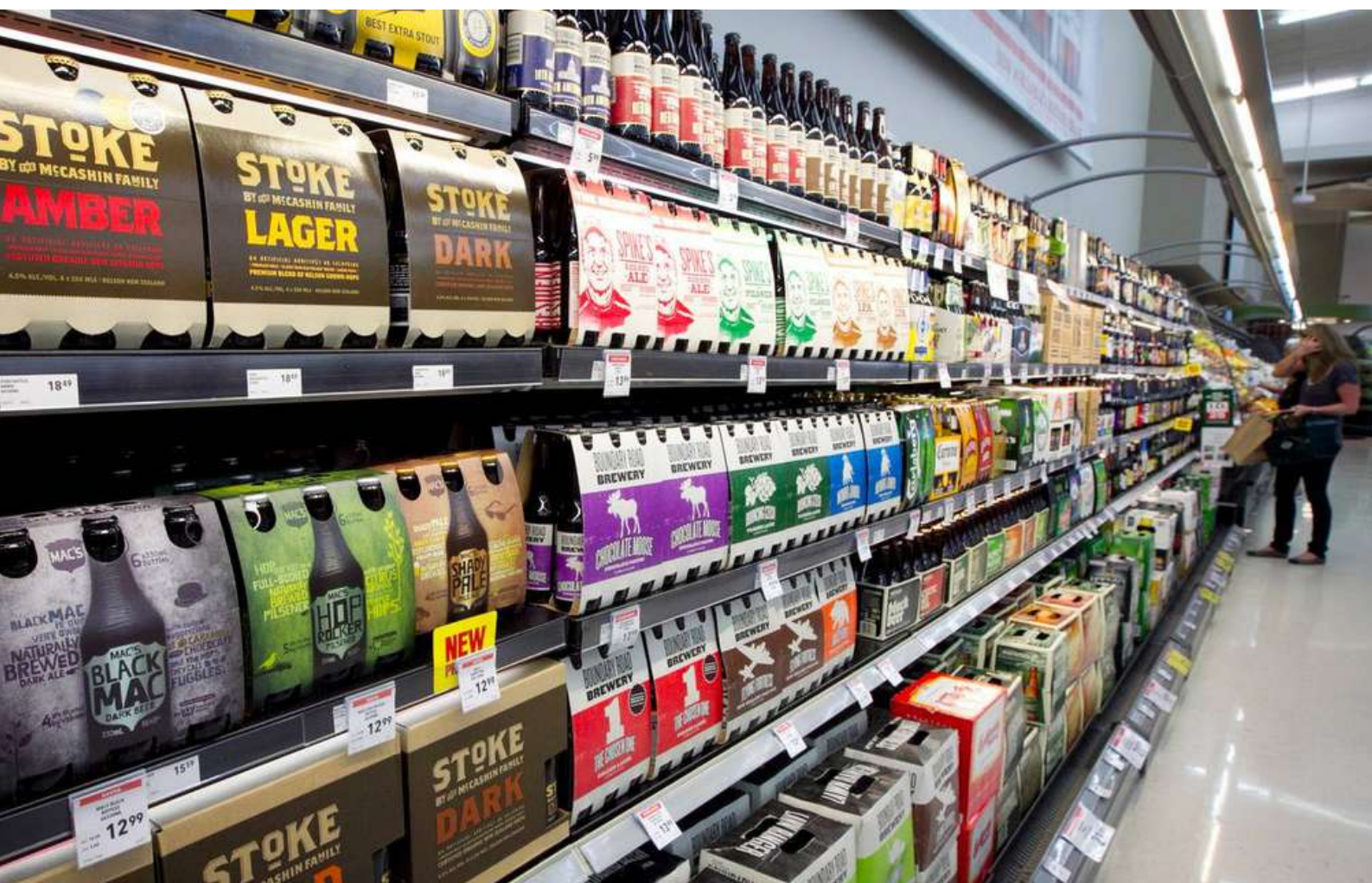
Nada Young / Founding Partner +
Head of Client Strategy, Incite



Cameron Gordon / Founding Partner +
Head of Client Growth, Incite

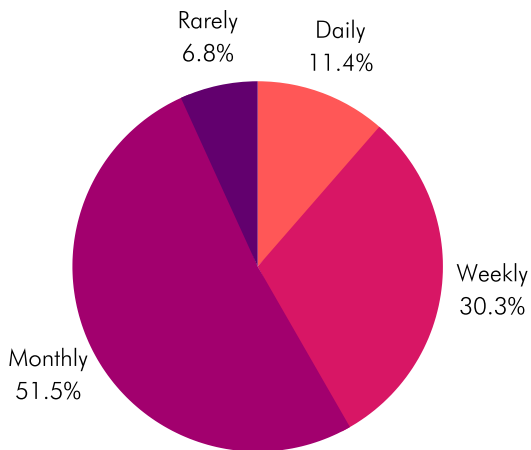
IS YOUR BUSINESS CURRENTLY REVIEWING NEW FOOD & BEVERAGE DISTRIBUTION OPPORTUNITIES?

86.1% of the distributors surveyed told us they are currently reviewing new F&B distribution opportunities.

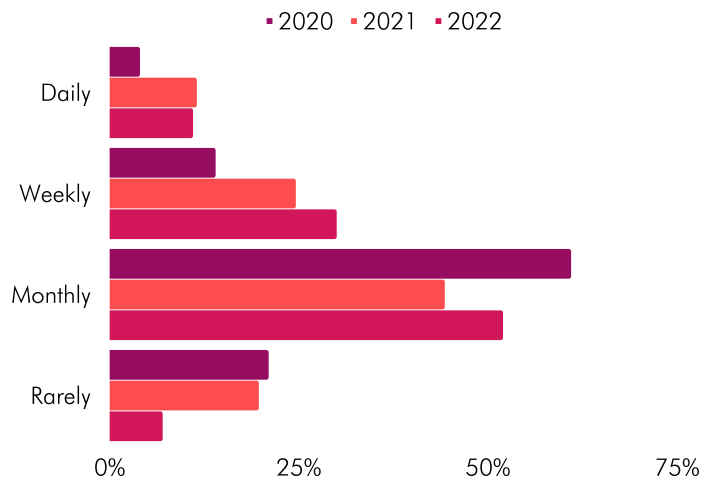


HOW OFTEN ARE YOU PRESENTED WITH NEW DISTRIBUTION OPPORTUNITIES?

2022



Three Year Trend



To cut through the noise it is important for brands to present commercially attractive opportunities to target distributors.

Importers across Asia are always on the lookout for new and innovative brands, but they need to be confident that a new brand will fit within the current category landscape in their market.

“Whatever the brand or product, we need to assess if there is potential for it in our market. We tend not to focus on niche products. I look for products that I call ‘culturally neutral’ – any nationality would consume them. We don’t want to spend a lot of money or time on educating the customer if it is not a product that is understood globally.

Distributor (Vietnam)

HOW OFTEN ARE YOU PRESENTED WITH NEW DISTRIBUTION OPPORTUNITIES?



With distributors having a steady stream of suppliers to choose from, for brands to stand out they need to find ways to get potential importers to take notice of them.

We suggest investing time to understand each target market and create a tailored compelling commercial pitch that takes into consideration local market dynamics, including current competition, category pricing structures and promotional mechanisms. While brand and product are important, the proposition has to make commercial sense for the distributor.

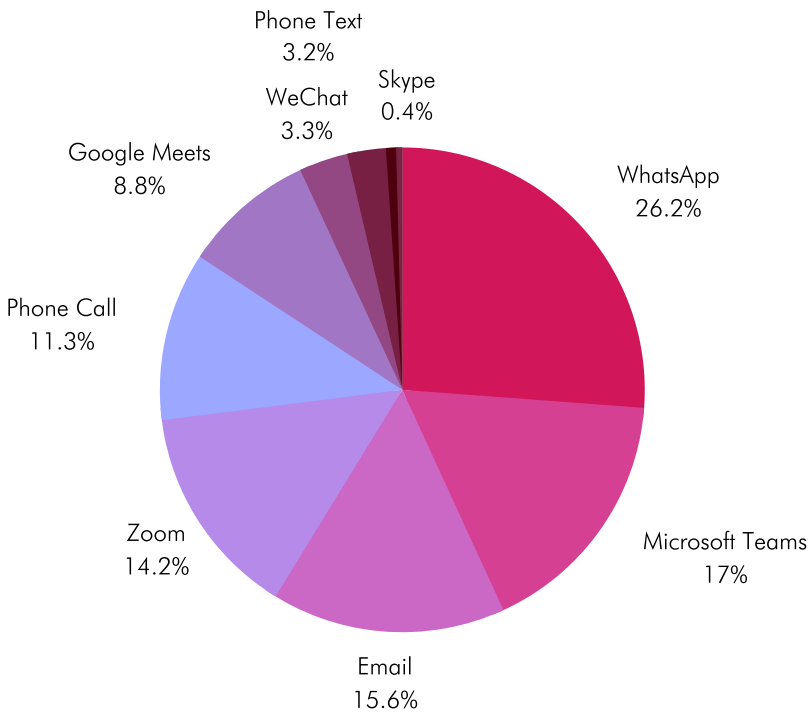
Make it easy for your target distributors to say "yes, I'm interested" by ensuring that you can compete within your category with a realistic pricing structure and be prepared to invest in the market to build your brand.

Brands should consider going over and above to win their target distributors by carrying out and presenting a commercial feasibility study for their brand, rather than relying on the distributor to do this. It shows you are serious and it saves the distributor time, which they will appreciate.

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Due to the surge of online communication it's easier than ever for brands to get in touch with us – we are being approached daily with new proposals.

**Distributor
(Indonesia)**

WHAT IS YOUR PREFERRED METHOD OF COMMUNICATION WITH YOUR SUPPLIERS?



Modes of communication change as the relationship between the brand owner and distributor evolves.

Email is predominantly used for making new connections and for sending detailed information, while WhatsApp and other messaging services are used for day-to-day interactions once the working relationship has been established. Microsoft Teams and Zoom are the preferred video meeting platforms.

“We operate by utilising a little bit of everything, however I prefer introductions by email. Then of course we move to WhatsApp as it’s quicker and easier to exchange files and communication moves faster by messaging. I also like to chat on WhatsApp with follow-up communication by email – it’s more formal and easier to locate files for future reference.

Distributor (Thailand)

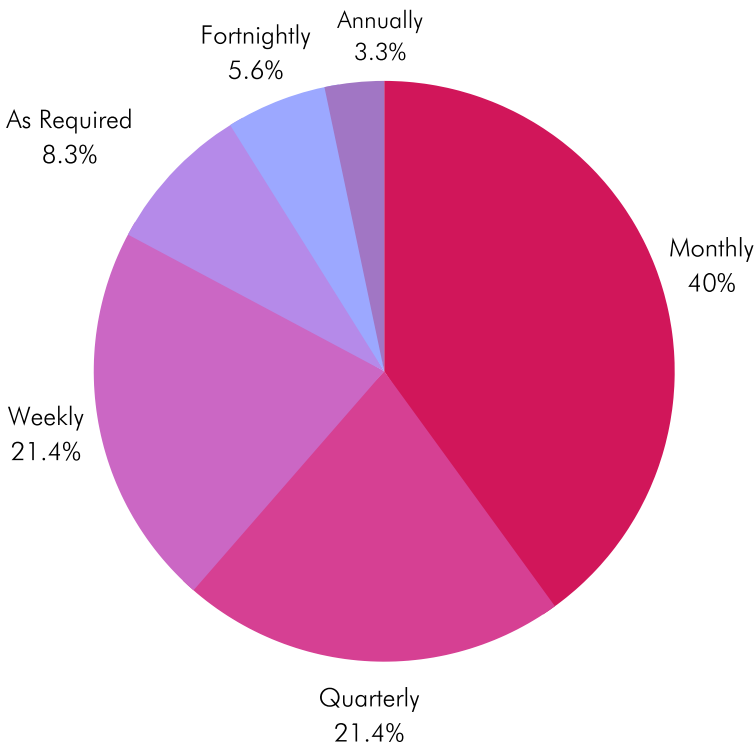
WHAT IS YOUR PREFERRED METHOD OF COMMUNICATION WITH YOUR SUPPLIERS?

It's important to note that while these digital modes of communication have enabled businesses to continue whilst international travel was shut down during the pandemic, they can be a difficult medium for fostering new relationships or discussing delicate matters. This is particularly true in situations where there may be language barriers or unstable internet connection.

Distributors are welcoming back face-to-face meetings with Trade Shows and in-market visits recommencing.



HOW OFTEN DO YOU LIKE TO COMMUNICATE WITH REPRESENTATIVES OF THE BRANDS YOU DISTRIBUTE?



Importers and distributors like to stay connected with their principals.

67% of distributors prefer to have contact with their brand principals at least monthly.

Distributors prefer to get on with the business of building brands in their market, but they don't want to feel like they are doing it on their own with most preferring regular monthly catchups, as opposed to quarterly/annual check-ins.

A collaborative approach is critical for long-term success. While the distributor is the expert in their market, brand representatives bring so much to the relationship and can support their distribution partners with brand/product intelligence, as well as insights on what is working and hasn't worked in other export markets.

“Quarterly works best for us but it really depends on the scale of the business that we have with each brand. With bigger volume suppliers, we can be in contact with them even fortnightly, it really depends on the relationship.

Distributor (the Philippines)



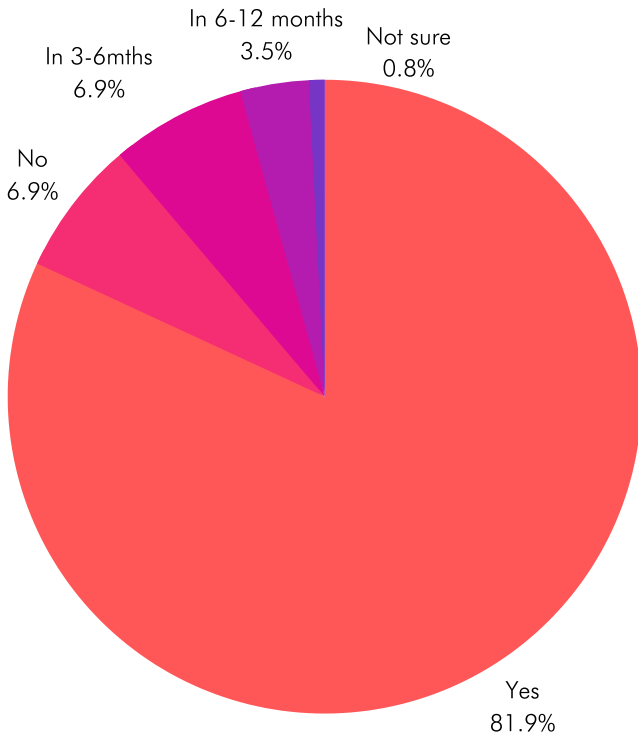
HOW OFTEN DO YOU LIKE TO COMMUNICATE WITH REPRESENTATIVES OF THE BRANDS YOU DISTRIBUTE?



There is a fine line for brand owners to walk between being useful to their in-market partners, and being annoying. While every export manager is responsible for sales performance in offshore markets, try and focus on what you can do to support your distributors in a positive and constructive way (vs. trying to police them).

“Distributors generally see themselves as babysitters rather than parents of brands they manage, with the parents typically paying for meals and school fees” says Cameron Gordon at Incite. Distributors act as brand guardians and thus require constant support and input from brand principals.

ARE IN-STORE TASTINGS CURRENTLY POSSIBLE IN YOUR MARKET?



In-store tastings are now mostly possible, with most remaining retailers likely to commence within the next 12 months.

We have seen a significant turnaround with distributors being able to activate in-store tastings since our last distributor survey in September 2021. This time last year only 6% of distributors told us they were able to activate in-store tastings due to Covid-19 restrictions.

Tasting programs are very important particularly for new imported food and beverage brands entering a market to induce consumer trial. Tastings provide a great opportunity for brands to attract new consumers, particularly for new innovative products or unknown brands.

“*Hong Kong retailers have resumed tastings for a few months already, however it is different from what we had before. We now prefer to give out samples that are individually wrapped so it is safer for everyone. However, we have found having a promoter on site can help the customer better understand the product, as well as strengthen consumer loyalty.*”

Distributor (Hong Kong)



HOW IMPORTANT IS DIGITAL MARKETING TO SUPPORT PRODUCT LAUNCH AND SALES?

77% of those surveyed scored 8/10 or above.

Brands need to support sales with localised digital marketing.

With in-store tastings being prohibited throughout the pandemic, many brands and their distributors reallocated promotional funds to digital marketing programs. Developing a presence on social media platforms with a localised strategy, including local content, KOLs (Key Opinion Leaders) and campaigns, allows brands to create a personal relationship with consumers in each export market.

Targeting your audience with online marketing activities goes a long way to developing hype around your product and creating interest before potential customers have even stepped foot inside the supermarket.

Brands can educate customers on where to buy their products and how to consume and enjoy them, particularly if there is no developed food culture for that category in the country. These types of social media campaigns work well in conjunction with in-store activations, including price promotions and the launch of a new line or SKU.

Philippines consumers are prolific users of social media platforms, in particular Facebook, Instagram, Viber and TikTok. You can't underestimate the impact of social media and it's imperative for brands to have a strong targeted presence. Ensure retailers are also promoting your products in their digital spaces to support your individual brand accounts.

Distributor (The Philippines)



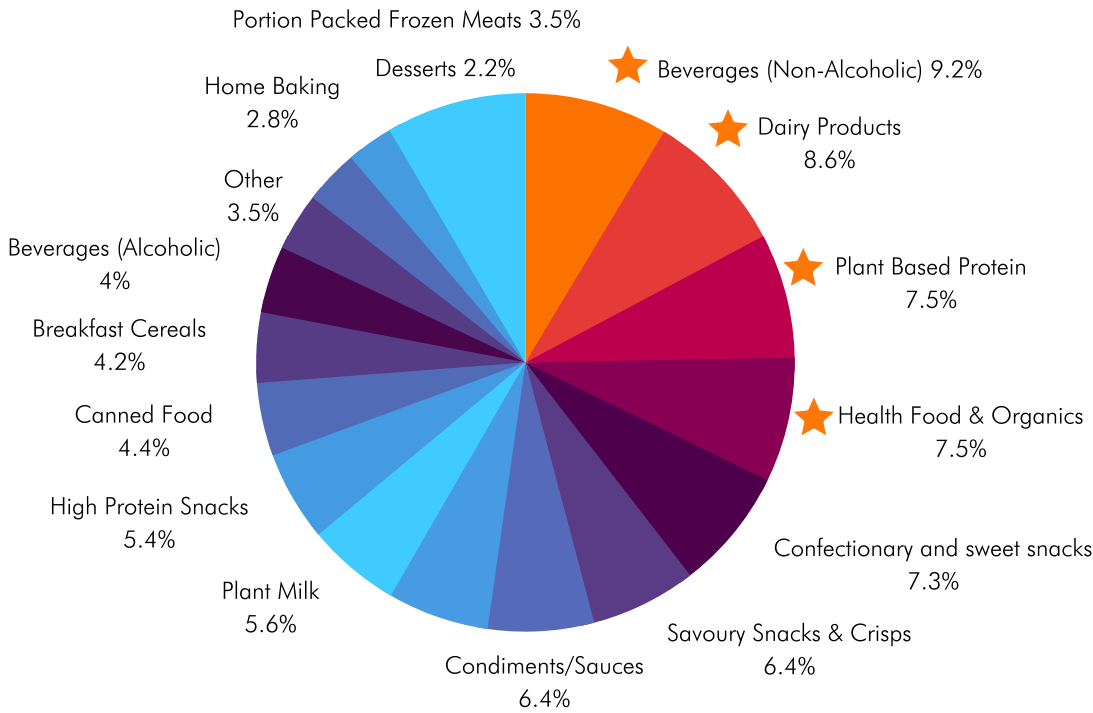
HOW IMPORTANT IS DIGITAL MARKETING TO SUPPORT PRODUCT LAUNCH AND SALES?

Running competitions and working with local tastemakers and Influencers will provide further reach and provide user-generated content for your products being enjoyed by in-market local consumers.

You will also receive feedback from consumers that can be used to further adapt to local market dynamics and grow brand loyalty.



WHAT FOOD AND BEVERAGE CATEGORIES ARE YOU MOST INTERESTED IN RIGHT NOW?



Survey respondents told us they have an active interest in a wide variety of categories and products.

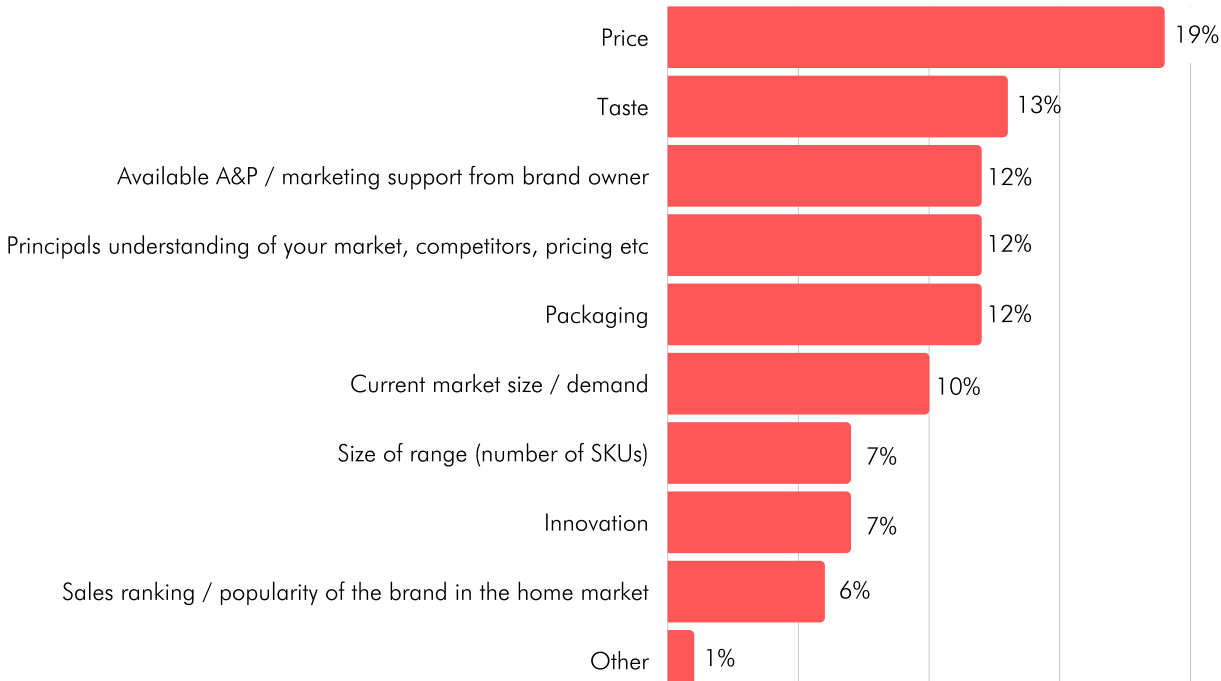
Non-alcoholic drinks, dairy, plant-based proteins, and health food are among the top 4 in-demand categories. The megatrend towards meat protein alternatives is also visible across Asia with 7.5% of distributors on the lookout for brands in this category.

Sweet and savoury snacks are also very popular, reflecting that even while consumers are trying to do better by their bodies, impulse snacks are still very appealing. Predictably, dry goods and canned food remain popular given their long shelf life and easy handling.

“Grocery buyers are wanting functional features (e.g. high protein, fortified) that will help the products stand out in the market and spark interest with consumers.”
Distributor (Thailand)

“We’re looking for plant-based products such as plant-based milk or drinks (soy or rice), dairy products and canned foods.”
Distributor (Indonesia)

WHAT IS MOST IMPORTANT TO YOU WHEN ASSESSING NEW DISTRIBUTION OPPORTUNITIES FOR GROCERY CHANNELS?



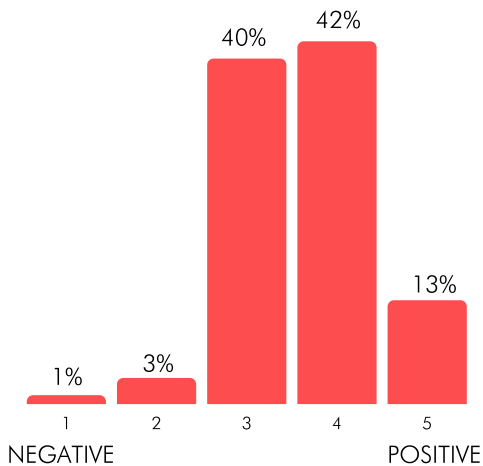
Pricing remains the most important factor for distributors we surveyed, however, taste, A&P support, market understanding, and packaging are very important.

As with our survey results in 2021, pricing competitiveness remains the most important variable for importers when looking at new opportunities. It's not about being the cheapest in the market but commercial viability is important for every party in the supply chain. Importers and retailers need to make a margin to cover their costs and provide a profit.

“I agree - pricing competitiveness is key but packaging and shelf life are also very important. When we present to grocery buyers, in most cases they don't even taste the product, they just look at it. We get presented with great products but if the shelf life is less than 12 months, it is a challenge. With shipping timeframes and current logistics delays, the window to ensure the product is sold through is just too small.

Distributor (The Philippines)

WHAT IS YOUR OUTLOOK FOR THE NEXT 12 MONTHS FOR THE GROCERY SECTOR IN YOUR MARKET?



55% of those surveyed ranked 4/5 or above.

This year's average score of 3.6 compared to an average score of 3.7 in our 2021 survey.

The 12-month outlook for the grocery sector is positive.

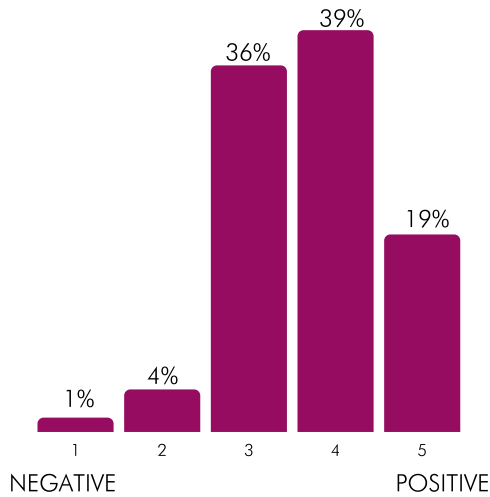
Distributors are feeling optimistic about the grocery sector for the next 12 months. With markets opening and social restrictions lifted, confidence is strong amongst distributors with demand for imported grocery products continuing to rise.

Inflation has been flagged as an area for concern in the coming year with cost increases being seen across all areas of the supply chain, which will lead to higher on-shelf prices in grocery. Logistics disruptions are also causing challenges for distributors in keeping shelves fully stocked with brands they are importing and distributing.

“We’re feeling positive, but it is also dependent on inflation and whether it escalates. Right now it is still manageable in Vietnam. Imported products are affected due to cost increases right across the supply chain.”

Distributor (Vietnam)

WHAT IS YOUR OUTLOOK FOR THE NEXT 12 MONTHS FOR THE FOOD SERVICE SECTOR IN YOUR MARKET?



58% of those surveyed ranked 4/5 or above - the outlook is significantly more positive than last year.

This year's average score of 3.7 compared to an average score of 3.0 in our 2021 survey.

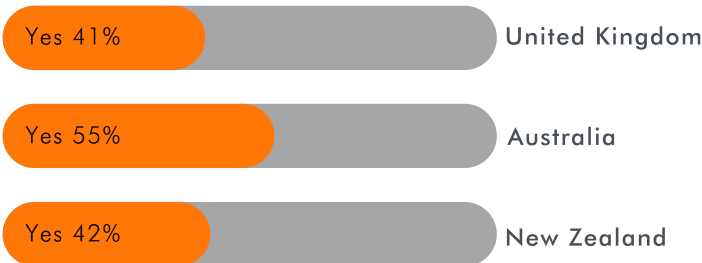
The food service industry across Asia (as it was everywhere), was heavily affected by social restrictions during the pandemic. With markets open and tourists returning, consumers are keen to get out to make up for lost time eating and drinking at their favourite hotels, restaurants and cafes.

The supply of food and beverage products to food service channels across Asia is all about price and perceived quality. There is a concern that increasing inflation may lead to food service establishments swapping out better quality products for lesser quality products that come at a cheaper price, which will affect sales for exporters from countries with higher production and international freight costs.

“The situation is looking better and better as tourism numbers continue to grow. Hopefully, our market will open to Japan, Hong Kong and China soon, which will mean significantly more tourists. Pre-pandemic, China made up about 20% of our tourism arrivals. People have been eating out more, but more expensive products (due to inflation) mean over time there are going to be fewer consumers eating imported F&B products in restaurants and cafes.

Distributor (Thailand)

DO YOU CURRENTLY WORK WITH FOOD AND BEVERAGE BRANDS FROM THE U.K, AUSTRALIA AND NEW ZEALAND?



There is still room for imported brands from the U.K, Australia, and New Zealand in high-growth Asian markets – distributor portfolios are not yet saturated.

This is a positive result for brands from the U.K, Australia and New Zealand who are looking to Asian export markets for growth.

“We were a British colony, so U.K brands are seen as premium and of a high quality, but people immediately think ‘oh, is it expensive’? Consumers are much more familiar with New Zealand and Australian brands as we have been sourcing from those countries a lot longer than from the U.K. The U.K is very advanced with packaging innovation relative to other exporting countries.”

Distributor (Singapore)

“We understand the quality of Australian brands and they are accepted widely in our market. The packaging is usually attractive. Regarding the pricing, it’s generally OK because Australian goods are generally imported duty-free thanks to the ASEAN-Australia-New Zealand FTA.”

Distributor (Indonesia)

“People always think about dairy and honey products from New Zealand. Many people from Hong Kong have travelled to New Zealand and have got to know well-known brands that can be found in the Hong Kong market.”

Distributor (Hong Kong)

WHAT IS THE REPUTATION OF U.K, AUSTRALIAN AND NEW ZEALAND ORIGIN F&B BRANDS IN YOUR MARKET?



Average, 7.5 out of 10

United Kingdom

Average, 7.5 out of 10

Australia

Average, 7.2 out of 10

New Zealand

Brands from the U.K, Australia and New Zealand have a positive reputation among distributors surveyed.

Brands from the U.K, Australia and New Zealand are well regarded across the Southeast and North Asian markets surveyed. There are historical ties that connect the U.K with some nations within the region, including Hong Kong, Singapore and Malaysia.

For Australia and New Zealand, the close geographical proximity to Asian markets and the numerous free trade agreements in place have supported the growth of two-way trade. Tariff-free preference that is afforded to Australian and New Zealand exporters within the region provides significant cost-saving advantages relative to the access that exporters from other markets enjoy.

WHAT IS THE REPUTATION OF U.K, AUSTRALIAN AND NEW ZEALAND ORIGIN F&B BRANDS IN YOUR MARKET?

Products from these three countries are generally considered to be premium and are perceived as being of a high quality with fun and unique branding. These countries are also known for their innovation and products often cater to global food trends.

Distributors were sometimes critical of exporters not making an effort to adapt their product offerings to the local market by lowering the price point, reducing the pack size and/or extending the shelf life.

Australian and New Zealand brands are popular because customers perceive these countries as being clean and unpolluted and this perception is stretched to reflect on the quality of food and beverage products being exported from these markets. The pricing of Australian products is slightly more competitive than New Zealand products so we see more opportunities for Australian products.

Distributor (Hong Kong)

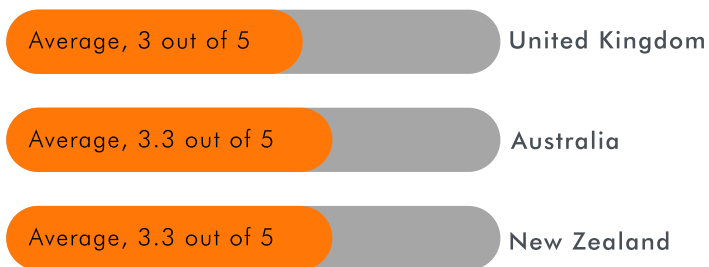
The image of British brands is premium and high quality. People in the Philippines are getting tired of U.S brands, so when products from Europe come along there is space for them. One thing that is catchy is the creativity of U.K products; there is tradition but there is always a quirky element to them, which helps as it is fresh and something new.

Distributor (The Philippines)

We import a lot of New Zealand dairy products as we see it as the best producer with its products being well accepted in the market

Distributor (Indonesia)

HOW AGGRESSIVE ARE U.K, AUSTRALIAN AND NEW ZEALAND TRADE PROMOTION AGENCIES IN GROWING AWARENESS OF THEIR F&B PRODUCTS IN YOUR MARKET?



These three Trade Promotional Agencies are quite aggressive in growing awareness of their F&B products across the markets surveyed.

“We see Australia as the most aggressive of the three, Japan is also very aggressive. Australia is active in holding market visits and they’ve come a long way as they are consistent; the ‘Taste of Australia’ events are held prominently in the supermarkets on an annual basis.

Norway is very aggressive in the promotion of their seafood (particularly salmon). They are using billboards, aggressive digital marketing and are working with locally known brand ambassadors. Ireland has stepped up on the dairy and seafood side.

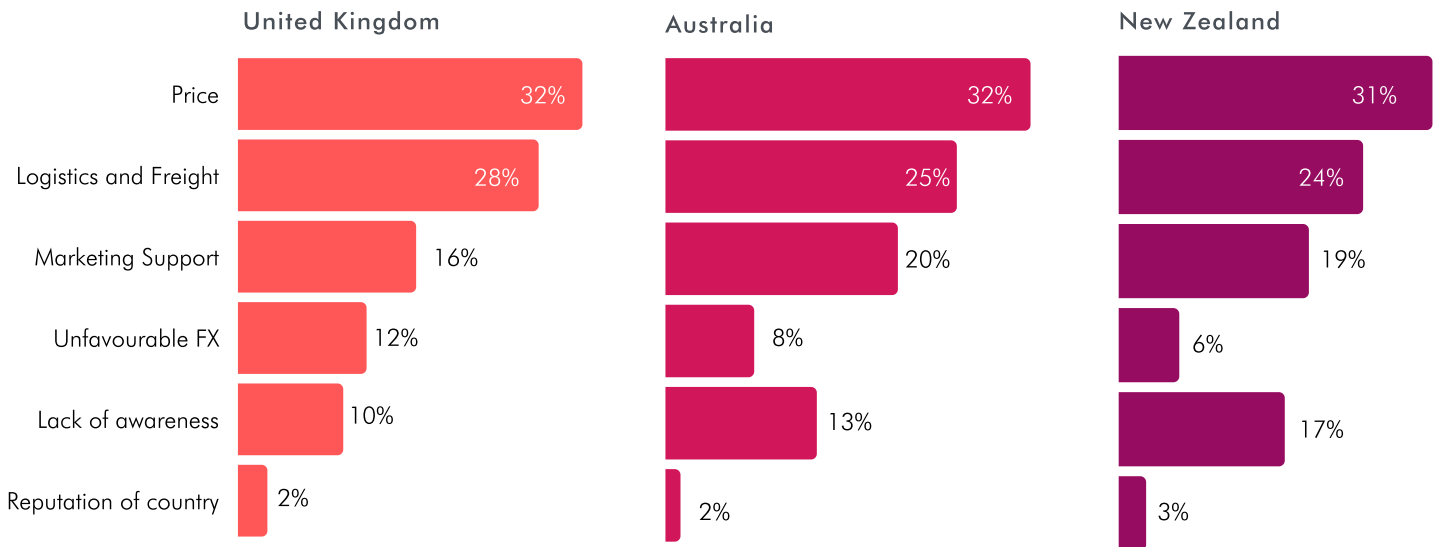
All three countries should take more advantage of digital marketing opportunities to grow consumer and trade awareness.

Distributor (Thailand)

“Japanese and New Zealand Governments are the most aggressive. NZTE set up events and campaigns, which we see as effective.

Distributor (Hong Kong)

WHAT ARE THE CHALLENGES WHEN CONSIDERING WORKING WITH FOOD AND BEVERAGE BRANDS FROM THE U.K, AUSTRALIA AND NEW ZEALAND?



Pricing, logistics and freight costs, and marketing support are the major perceived challenges for exporters from the three countries according to distributors surveyed.

Relatively high product and supply chain costs mean that brands from the U.K, Australia and New Zealand generally hit the shelves at higher retail pricing than that of some competing export nations.

This said, gaining an in-depth understanding of how the supply chain works in each target market allows exporters to ensure that stakeholders (distributors and retailers) get the margin they need to ensure commercial viability, but that the cost build does not blow out. Brands that allow distributors and retailers to set the pricing strategy in a market without any strategic input risk the product landing on the shelf at an unsustainable price position. Having the knowledge of what a fair deal is for all parties along the chain, allows a compromise to be reached.

WHAT ARE THE CHALLENGES WHEN CONSIDERING WORKING WITH FOOD AND BEVERAGE BRANDS FROM THE U.K, AUSTRALIA AND NEW ZEALAND?



There are many strategies that brands can use to provide marketing support to their distributors, from financial support tied to a percentage of sales, to volume rebates and trade tasting support, and the provision of attractive marketing collateral that distribution partners can use to talk to customers in the trade.

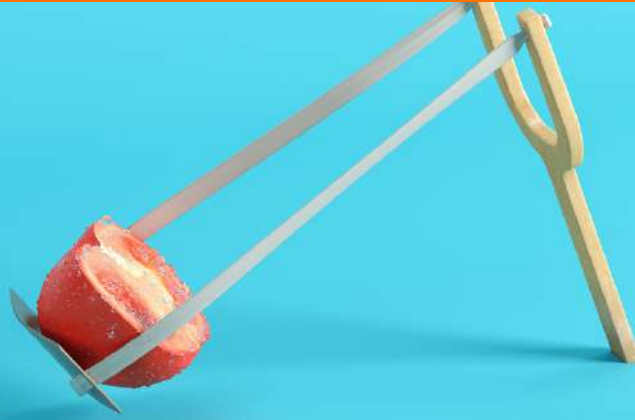
It is best to work with your in-market partners to get their feedback on what is going to be most effective for them and their market, as every country is different. Providing A&P financial support without clear targets and reviews in place can lead to ineffective and wasted spend.

Work closely with your partners to best optimise promotional activity over time.

“Logistics costs have gone up for everyone, but one of the major challenges for us is the transit delays, which lead to lost shelf life and thus product selling time.”

Distributor (The Philippines)

FINAL COMMENTS



Covid-19 significantly disrupted grocery and food service sectors across the Asian markets surveyed in 2020/21, however, considerable improvements can be seen across key fundamentals in 2022 based on the feedback received from distributors in our survey.

While opportunities exist for brands across Asia, it's important to understand the landscape, norms and expectations in each market. Distributors clearly articulated the challenges and opportunities they see for U.K, Australian and New Zealand brands in our 2022 survey.

Four themes that resonated within the results of our Survey:

1. Clearly articulate your Unique Selling Proposition

Southeast and North Asian countries are dynamic global markets with food and beverage brands from all over the world available to consumers. Take the time to understand the competitive landscape in each target market and formulate a clear message about what sets you apart from other competing brands within the category.

2. Getting your pricing strategy right is critical

Nothing can save a poor pricing strategy. It's not about trying to be the cheapest, but being correctly positioned within the category is critical. Get a firm understanding of the supply chain margin requirements for each country (who needs what along the chain) so you are in a position to negotiate hard for the benefit of your on-shelf price position.

FINAL COMMENTS

3. 'Localise' your strategy

While it may be easier to deploy your social media marketing program from the head office, it is critical that your storytelling resonates with local consumers in your Asian export markets. Consider utilising local content, local key opinion leaders and local competitions that capture the imaginations of your consumers.

4. Collaborate on strategy and support your in-market partners

Launching in and growing export markets is a challenging business. Success over the long term comes from working together on the strategy with your in-market distribution partners. Sharing the return that comes from this success, as well as the risk that is required to get there, are hallmarks of all great export businesses.



GOOD LUCK!

NEED SUPPORT IN THE REGION?

We will help you quickly determine the right markets and entry model for your products, understand the local regulations and develop the perfect pitch to take your product to market. Then, we will partner you with the right distribution partner and get sales moving.

You'll benefit from our commercial experience and insights gained over 12 years of successful food and beverage product launches across Asia.

Visit www.exportincite.com

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