France vs Australia:

The Fight For Asia's Food Markets

France and Australia are facing each other in the fast growing food business in Asia Pacific. By Damien Duhamel & Paul Benning of Synovate Business Consulting.

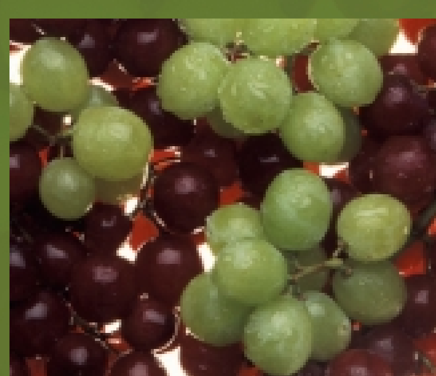
IT did not happen during the last Rugby World Cup but the two nations are facing each other on a different battleground: Asia's Food Markets.

Are France and Australia becoming fierce competitors in Agribusiness? Are these two nations with different marketing strategies and strengths battling for chunks of the Asian food and beverage business market share? Is Asia becoming a source of potential commercial friction between the two major food players?

DIFFERING VIEWS

The current situation presents two distinct situations and two distinct perspectives.

Although Asia Pacific represents a fantastic long-term potential, the region only represents about 10 percent of French total exports and out of the US$40 billion worth of France's agribusiness exports, only US$1.91 billion worth of food products land on Asian plates. On top of that, alcoholic drinks (mostly Wines, Champagne and Cognac) represent 60 percent of France's total food exports to Asia Pacific.



On the other hand, Australia, in a matter of years has been able to capture a very substantial market share across Asia. Thanks to its geographic proximity, smart and aggressive marketing, coupled with keen Government support, Australia is about to become the garden of Asia. However, forget about corn and potatoes exports... Australia is no longer the sole supplier of grain, meat and other commodities like it used to be, in 2002 processed food exports grew by 25 percent compared to an unprocessed food growth of 12 percent.

Australia is slowly but surely establishing itself as a key exporter of processed foods. Key targets? Japan, Korea, China, Singapore, Hong Kong and Thailand.

WHO'S LEADING

In Singapore, Australia is the overall second largest supplier of food and drinks (just after Malaysia) with US$380 million of food exported to the Lion City. However Australia leads market share in meat and dairy products with solid market share in the 27-30 percent range.

In contrast, France has a very negligible market share across the board in Singapore. The only worthwhile mentioning industry is dairy foods where France has captured a humble 6 percent market share and is the 5th largest supplier with US$20 million of products sold in 2002, far behind Australia, the market leader with US$83 million of dairy sales. Dairy food requires fast delivery and Australia's proximity assures that.

However, France remains the uncontested heavy league champion in alcoholic drink supply. The country has sold more than US$230 million worth of alcoholic drinks to Singapore in 2002 and keeps a market share of 57 percent. Australia holds only a 4.5 percent market share in terms of alcoholic imports value. The following table summarises the current status. The

Australia's close proximity to Singapore ensures that perishable foods such as dairy products are delivered fast.

AUSTRALIA'S AND FRANCE'S SHARE OF THE SINGAPORE MARKET:

COUNTRY	YEAR	MEAT	%	DAIRY FOOD	%	SEAFOOD	%	CEREAL/ GRAINS	%	FRUIT/ VEGIES	%	CONFEC-TIONARY	%	COFFEE/ TEA/ SPICES	%	MISC	%	NON-ALCOHOLIC DRINKS	%	ALCOHOLIC DRINKS	%	TOTAL	%
Austraila	2002	183,529	29.5	146,941	27.4	58,449	6.6	41,647	7.2	130,764	12.0	29,726	10.7	23,503	3.9	20,681	4.8	2,113	1.4	31,772	4.5	669.125	11.4
	2001	166,106	27.9	171,571	29.7	44,017	5.2	54,204	9.5	127,938	12.1	9,415	3.3	19,373	3.0	18,591	4.6	1,726	1.1	25,255	3.7	638,196	11.0
	Var. 01/02	17,423	10.0	-24,630	###	14,432	33	12,557	###	2,826	2.0	20,311	216	4,130	21	2,090	11	387	22	6,517	26	30,929	5.0
France	2002	11,166	1.8	30,781	5.7	1,900	0.2	13,907	2.4	10,474	1.0	3,652	1.3	4,600	0.8	5,838	1.3	7,943	5.2	408,882	57.5	499,143	8.5
	2001	5,036	0.8	33,158	5.7	1,279	0.2	13,722	2.4	10,479	1.0	2,479	0.9	3,374	0.5	5,854	1.4	6,756	4.3	415,361	61.2	497,498	8.5
	Var. 01/02	6,130	###	-2,377	-7.0	621	49	185	1.0	-5	0	1,173	47	1,226	36	-16	0	1,187	18	-6,479	-2	1,645	0

Source: Singapore Customs 2002

FRANCE'S STRENGTHS	AUSTRALIA'S STRENGTHS
• Internationally renowned cuisine. Plenitude of French restaurants and chefs across Asia. Image sells.	• Local diversity is key to cater to diverse and specific export market needs. Knowledge and adaptation helps.
• Tradition is key selling point	• Technical innovation carves niches
• Large domestic market and experience	• Green and clean image
• Powerful brands across most segments	• Proximity to key markets
• Large food MNCs with powerful brands across most food segments	• Multi and bi-lateral trade pacts to boost sales
• Powerful retailers present in Asia	• Powerful wine distributors
• Second largest worldwide food exporter	• Efficient and streamlined supply chain
	• Strong Government assistance to exporters

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ratio remains the same over other key wine markets such as Japan, Hong Kong and Taiwan.

Though small in inhabitants, Singapore remains a key Asian market where Western foods usually find welcoming palates. Although it is wrong to generally assume "what works in Singapore will work across Asia" Singapore is often the prime testing ground location. A lot of the import food trade in Southeast and Northeast Asia goes though Singapore and Singaporean food importer-exporters often hold the initial key to successful markets penetration.

UPCOMING MARKET POSITIONS

Australia is now the third largest wine exporter in the world and is no longer the 'new kid on the block'. Over the years, France has lost its absolute supremacy in the wine market across Asia Pacific.

Beringer Blass, Southcorp, Orlando Wyndham and other large Australian wine producers have built massive economies of scale, benefit from huge marketing budgets and are better armed to penetrate and dominate selected Asian markets.

With easy-to-understand Australian wine labels versus complicated French wine regions and origins, and innovative marketing up to now foreign to the wine industry, Australian wine producers have captured a very substantial market share from France and to a lesser extent from Italy. This import volume market share growth, estimated at almost 30 percent year on year, is evident of most wine markets across Asia. However, this market share growth is subtler when estimated in value: year on year growth is estimated at around 20 percent. Australian wines are more affordable.

This tends to confirm that Australian wines have already secured mass-market appeal. Wine consumption across Asia still remains an ad hoc purchase (unlike Europe for example where wine is quasi-compulsory at every dinner) and the bulk of the purchases remain in the low to medium-price bandwidth with red wine averaging US$8-12 at retail price. The only key exception is Japan where the average retail price of a red wine bottle is around US$16 (despite very low import taxes).

MARKET SUPREMACY

Despite Asia's fantastic long-term potential, France's focus remains on Europe and the US where wine consumption per capita is 6-10 times higher than Asia's. French red and white wines have seen their market share supremacy shrink at grand speed in Asia, ex-Japan.

Australian wine has already secured a substantial market share, despite Asia's wine consumption remaining ad hoc.

Recent research from Synovate Business Consulting demonstrates that market share has been decreasing at about 10 percent for the past two years. Champagne sales are however remaining very vibrant and more or less immune to the large Australian wine producers. Synovate Business Consulting estimates that Champagne will not be the element of the potential market battle(s). Intellectual Property and patented appellation have proven a powerful protection from competitors for France's Champagne.

As we now understand, Australian wines have captured and will continue to capture the mass-market wine segment while France will focus on the high-end as consumers' tastes become more sophisticated. The power and attraction of luxury image French wines still benefit and is not to be discounted.

However, having established itself as a producer of good wines at affordable prices, the Australian wine industry will now position itself as a producer of premium wines, in an attempt to move away from the image of a producer of bulk wine and capture the higher-margin segment. If Australia has been successful at reaping a large segment of the wine market across Asia, one can wonder: why stop here…?

COMPETITIVE ADVANTAGES

The potential benefits are indeed huge. Successful high-end wine sales could also ensure supremacy in correlated products such as cheese, cold cuts, fine grocery foods, meat, seafood, and even fine chocolates.

What will then happen? Can we forecast France food businesses to retreat? Will Australian wines supplant Bordeaux and Beaujolais?

The two countries will eventually have to maximise their own competitive advantages. A process now under way. Surely Australia will continue to expand its market share across Asia in the alcoholic and non-alcoholic drinks and process foods area and will eventually secure the lion's share. In order to achieve that, Australian companies will need to heavily invest in product branding to compete at equal level with other worldwide brands.

Australia's meat and cold cuts which are correlated to high-end wines could gain dominance with successful wine sales.

Some industry concentration in the food processing business will be required to be able to compete with the Danone of this world. Economies of scale and scope are required in the Australian food processing industry beyond the wine production.

On another hand French companies have started a strategy of production localisation. Danone for example, imports few products all the way from France and produces its food in hubs around Asia (including Australia). At the same time, some large French companies have already acquired their Australian competitors to soften the threat (ie: the acquisition of Orlando wines by Pernod Ricard).

With the right competitive intelligence and the appropriate marketing strategy both Australian and French companies will be able to identify market niches, acquire the right competitor, enhance the value chain and develop new competitive advantages. APFI

ABOUT SYNOVATE…

Synovate Business Consulting is the Intelligence unit of global research player Synovate. The company provides competitive intelligence and strategy solutions services through its unique infrastructure: a team of 55 specialists based in Synovate offices in Singapore, Tokyo, Seoul, Hong Kong, Beijing, Shanghai, Bangkok, Jakarta, and Kuala Lumpur, working with a wide network of highly-qualified consultants across 18 Asian countries.