

Student 2: High Merit

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My investigation is into the **feasibility of Akaroa Salmon exporting to China**. The first place I will collect evidence from is Akaroa Salmon as they are the company I am researching. I will do this by emailing the manager of Akaroa, Duncan Bates. Since I need a more in-depth evaluation of exporting to Asian countries, I need to seek expert advice in this area. I will contact the government organisation NZ Trade & Enterprise as they have a lot of knowledge in this area and will give me the necessary information to evaluate the feasibility of Akaroa exporting. I will also contact a non-government agency, NZ King Salmon as they have a lot of knowledge in exporting salmon and have been very successful in doing so.

Akaroa Salmon exports a very low percentage of its total production but I think they would benefit from exporting into Asian countries such as China. At the moment Akaroa Salmon distributes 99% of their salmon to the NZ food service industry and sells their salmon to high-end restaurants, mostly in NZ. The other 1% they export to high-end restaurants in Hong Kong. 70% of what they distribute is fresh chilled and 30% is smoked. I think with the right research and knowledge they could increase their exports to Hong Kong and successfully export to other Asian countries such as China.

Although a competitor, NZ King Salmon exports to South East Asia. Exports represent only 4% of their total salmon sales. This is good for Akaroa Salmon as the market isn't completely full of salmon from NZ. Akaroa Salmon don't want to compete with NZ King Salmon as they are a much bigger company but seeing as King Salmon doesn't export that much, Akaroa could have a much better chance of securing a good part of the market. Of course there are other foreign suppliers of Salmon to China but a NZ product has a positive connotation of being clean and fresh.

#### *Relevant information from NZTE*

I learned that the first thing Akaroa needs to do is research the Asian markets they wish to export to. Market research is important because it allows Akaroa to gauge the potential for business within a particular country and lets them make an informed decision about what specific market/s to export to. From NZTE I found useful information on exporting to China.

#### *China's market*

The student provided generic information about China being NZ's second largest trading partner, the Free Trade Agreement, tariffs being eliminated by 2019, demographics, the suggested use of intermediary agents, etc. This detail has been deleted from this exemplar.

#### *Cultural intelligence*

The student provided generic information about the need for interpreters, dietary differences, the need for employment agreements in the prescribed Chinese language, social rules and boundaries, etc. This detail has been deleted from this exemplar.

#### *Transport and Distribution*

Information about the need to understand supply chain logistics and freight options, options for air freighting perishable items such as salmon, customs requirements, etc deleted from this exemplar.

#### *Finance*

Finance is a major factor in exporting and you need to be able to manage your finances well to be successful. Before exporting, it is important to first figure out whether you can make enough profit to cover all the costs that come with exporting. It can put considerable financial strain on your business as you may need to fund travel and time away from your New Zealand markets. This is where it could be difficult for Akaroa to start exporting as they are not a large business and probably can't afford to throw a lot of money into exporting. There are also issues such as varying rates of foreign exchange and using multiple currencies. Making money in a timely manner is a concern for all businesses who are thinking about exporting. An important variable in Akaroa's selling strategy will be the price they decide to sell the salmon to China at. Too high and they won't be able to compete with NZ King Salmon and will find it difficult to make sales, too low and they could cost themselves profit. Being able to respond to currency fluctuations in order to make sales at the right price is vital for export success.

#### *Compliance*

Overseas countries have specific regulations and standards for products offered for sale in that country. When choosing a country to export to you need to take into account the time and cost involved in complying with these regulations. Standards and regulations will vary between countries and also between different types of products. For example, some countries like China have strict environmental regulations regarding the amount and type of packaging used. Other regulations range from safety, labelling and composition and ingredients. This aspect affects Akaroa

Salmon as regulations for foodstuffs are particularly strict. They require information on product name and form (smoked, frozen etc), use-by date, weight, ingredients and translation of ingredients in the Chinese language. Akaroa Salmon would need to employ or contract translators for this labelling and their other communications with Chinese export partners.

#### Trade Agreements

NZ is involved in a number of trade treaties and international conventions. These make it easier for trade to flow between NZ and other countries. It is very helpful that NZ has an agreement with Asian countries that Akaroa Salmon is considering exporting to: NZ-China Free Trade Agreement, NZ and Thailand Closer Economic Partnership, NZ and Singapore Closer Economic Partnership. Free trade agreements and other trade agreements have the effect of improving and maintaining access for companies. These agreements can give you preferential access relative to firms from non-signatory countries.

#### Risks

There are many risks for Akaroa Salmon exporting their salmon to China.

- If the business environment changes in China it may have an adverse effect on the company's operations and profit. Changes in the environment include things like political stability, legal systems, economic conditions, cultural environment and restriction of operations.

*Detail of further risks – payment default, exchange rate uncertainties, transportation, drop in demand, rejection at border – omitted from this exemplar.*

#### Opportunities and benefits for Akaroa Salmon

- Exporting to China will enhance the competitiveness of Akaroa products in their domestic market as well as reduce their dependence on domestic markets.
- An obvious opportunity for Akaroa Salmon is that it will increase their sales and profits if their exporting takes off. If they can manage to sell their salmon in two different countries then their profit share will increase.
- It will also help Akaroa Salmon gain global market share. If they expand globally they will have a wider customer base, more people to sell to.
- I found out during my consultation that the disposable income of Chinese residents is increasing. They can then afford better products and could be more focussed on wellbeing. This is great for Akaroa Salmon as salmon is a high-end product and can be out of some people's price range, but in China's market people are increasingly buying more luxury food items.
- A huge opportunity for Akaroa Salmon is that one of China's key imports is seafood. This shows that there is a market for Akaroa Salmon. NZ has a name for being a clean and green country and when people see NZ salmon in the chillers it instantly becomes more attractive because of the natural clean environment people associate with NZ.

#### Conclusion

Another reason I think there is good exporting potential is because Akaroa Salmon has the ability to transport their product easily by plane as they are located very close to an international airport. Akaroa Salmon is also very sustainable in the way it uses its resources. This means that if they start exporting to China and eventually other countries, they won't deplete their supply as they grow their salmon sustainably. This might encourage domestic and Chinese consumers to buy Akaroa salmon rather than other salmons that are not farmed sustainably.

From my research I have learned that the exporting process is a very complicated one. Akaroa Salmon would need to effectively build relationships and understand the culture of China as this is a massive part of successful exporting. However I believe there is potential for Akaroa Salmon to successfully export their products to China.

*Evidence of the student's email dialogue with the New Zealand embassy in Beijing, China has been provided.*