



**Agribusiness  
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# **Maximising Export Returns (MER): Communicating New Zealand's Credence Attributes to International Consumers**

**Nic Lees  
Caroline Saunders**

**Research Report No. 334  
January 2015**



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## Executive Summary

This report explores the opportunities for New Zealand food and beverage exporters to increase returns through communication of the credence attributes of products to consumers and gatekeepers. Credence attributes are those believed by a consumer to be present in a product even though they were neither directly observed at time of purchase nor experienced when consuming the product. This report is part of a wider project, 'Maximising Export Returns (MER)', a MBIE funded three year project undertaken by AERU at Lincoln University. This work builds on earlier work undertaken by AERU that studied how overseas consumers valued attributes, such as quality and safety, animal welfare, and environmental quality (Saunders, Guenther, Tait, & Saunders, 2013).

Consumers are increasingly making food choices based not only on experience quality attributes, such as taste, texture, and appearance, but also on credence attributes, such as animal welfare, fair trade, provenance and environmental stewardship.. The study examined the importance of these credence attributes to gatekeepers and consumers and the communication of these through the supply chain.

This research used semi-structured key informant interviews with twenty-one European gatekeepers and twelve New Zealand exporters. Gatekeepers were defined as manufacturers, importers, distributors or retail customers who controlled the flow of product and information through the supply chain to the final consumer.

The research indicated that the credence attributes of New Zealand food products were important to consumers but they were frequently filtered out through the distribution channel where products get further processed, repackaged and rebranded, or became an ingredient in another food product. As a result, a large percentage of New Zealand food exports arrived at the consumer unbranded and not identified with their New Zealand origin so they did not have New Zealand-specific credence attributes associated with them. The majority of New Zealand's beef and dairy exports were unbranded commodities that entered the manufacturing sector as raw materials or ingredients for processed products. Likewise, significant proportions of lamb and venison exports entered the food service sector and were delivered to hotels, restaurants and institutions where they were, frequently, not identified to the consumer as being of New Zealand origin. The main products that were consistently branded and reached consumers with identification of New Zealand origin were kiwifruit, apples and wine.

The attributes identified as most important for consumers were consistent eating quality and personal health. Consumers wanted products that were not only free of harmful effects but also had positive health benefits in terms of physical health and wellbeing. Respondents commented that credence attributes such as sustainability or traceability tended to be less of a priority for most consumers unless they were related to food safety. Quality and health attributes are often 'wrapped up' with other credence attributes, such as country of origin, organic, free range, pesticide free and local, etc. These categories were often provided on the product label and advertising, where they provided quality cues or search attributes the consumer could use at the time of purchase. Credence attributes were closely associated with experience quality attributes and can support, but not



substitute for, experience quality attributes. Consequently, for most consumers, environmental sustainability or high animal welfare could not make up for inconsistent eating quality.

The research identified that credence attributes were increasingly important from the gatekeepers' perspectives. Food safety was consistently the most important credence attribute for gatekeepers. The relative importance of other attributes depended significantly on the gatekeeper's location in the supply chain as well as the size and type of organisation and its competitive positioning. For companies providing ingredients for manufacturers, the product's technical specifications were the most important product attribute. These companies aimed to maximise operational efficiency and had tight specifications in terms of credence attributes such as food safety. Where manufacturers were differentiating their products on provenance, other factors, such as environmental sustainability and animal welfare, also became important. The credence attributes of New Zealand products were well known and valued at the gatekeeper level. New Zealand was seen as a safe country to source product from; however, this attribute was also shared with other countries that were perceived to have strong food safety standards and with effective government regulatory regimes.

Respondents consistently identified the lack of a retail brand and absence of a long-term relationship with the gatekeeper as the most significant constraints to communicating credence attributes to consumers. Having the right supply chain partners at all levels of the supply chain was seen as critical to success in the market. The quality of the gatekeeper relationship and the ability to brand products at retail were often inter-related. Some retail gatekeepers actively prevented exporters from promoting their own brands and restricted the amount of information about the products' attributes communicated to consumers. Many exporters also commented that establishing a retail brand was hard work. It required careful selection of markets and wholesale and retail customers with whom long-term partnerships could be developed. It was a long-term investment with high costs up front and uncertain returns. It also involved higher risks to both the suppliers and buyers. Respondents commented that branding meant suppliers needed to more carefully manage stock as a brand strategy reduced their ability handle fluctuating supplies. This also reduced the ability to move volume, thereby, increasing price risks and, potentially, storage costs.

The most important method of communicating credence attributes to the consumer was through product labelling. Product labelling enabled other forms of communication to be built on this. Where New Zealand-related brands, or logos occurred, such as with wine, apples, kiwifruit and branded dairy products, then significant additional information could be associated with them. The type of linked communication may involve in-store point of sale material or displays, links to websites and social media, videos and other printed media.

The most important method of communication for the gatekeeper was personal communication and this was dependent on the quality of the relationships with the exporters. When New Zealand exporters sold product to brokers or traders, there was often very little communication of credence attributes. These gatekeepers often had short-term relationships with a number of New Zealand exporters and price was the most significant factor for them. These importers and distributors would sometimes actively restrict communication with retail customers and consumers in order to prevent product differentiation and, therefore, their ability to substitute products and suppliers.

New Zealand exporters were increasingly using social media, YouTube videos, websites and online sales platforms. These were seen as effective ways to communicate directly to consumers and bypass the challenges of communicating through gatekeepers. Nearly all New Zealand exporters interviewed said they thought New Zealand companies were, in general, well behind other countries in the use of social media. Having a retail brand was also identified as a prerequisite for successful social media communication.

This research showed that it was possible to effectively communicate the credence attributes of New Zealand's food products to consumers. New Zealand kiwifruit, wine and some dairy brands were examples of this. These products demonstrated that it was possible to capture a significant consumer premium for quality attributes that incorporated both the experience and credence attributes valued by consumers. These brands were able to become an effective quality cue or search quality attribute for consumers.

There was, however, no consistent awareness of New Zealand's food products in Europe, other than in the United Kingdom. Exporters and gatekeepers commented that marketing of New Zealand food exports relied significantly on New Zealand film and tourism promotion activities, with little specific promotion of a New Zealand food image. Gatekeepers commented that New Zealand's clean green credence attributes were not unique and other countries had similar attributes and were investing significantly more in marketing and promotion than New Zealand.

# Chapter 1

## Introduction

This research is part of the Ministry of Business Innovation and Employment, ‘Maximising Export Returns for New Zealand's Biological Industries (MER)’ an MBIE funded three-year project undertaken by AERU at Lincoln University. This work builds on earlier work undertaken by AERU (Saunders et al., 2013) that studied how overseas consumers valued attributes such as quality and safety, animal welfare, and environmental quality. This project investigates how New Zealand’s largest biological industries can capture price premiums for their exports based on the credence attributes of these products. Sectors include dairy, forestry, horticulture, meat and wine.

Credence attributes are those believed by a consumer to be present in a product even though they are not directly observed at time of purchase or on consuming the product. Examples include food safety, animal welfare, environmental protection and cultural authenticity.

The larger project has three integrated research themes:

1. *Valuing credence attributes in key international markets*
2. *Enhancing producer returns using credence attributes*
3. *Communicating credence attributes to international consumers*

This report addresses the research theme, ‘Communicating credence attributes to international consumers.’ It focuses on how to effectively communicate the credence attributes of New Zealand products to consumers in order to realise enhanced returns in different markets. This research aims to provide insight into the content, delivery methods and form of information delivery that can best communicate these attributes to targeted consumers in different markets.

The hypothesis for this research is that New Zealand’s biological industry businesses can use modern technologies to develop key messages that will communicate credence attributes to consumers and gatekeepers in key international markets and, thus, capture increased market returns.

### 1.1 Credence attributes and food quality and value

In order to evaluate the potential to capture a price premium for credence attributes it is necessary to understand credence attributes from the perspective of product quality and value, as credence attributes need be viewed as an integral component of product quality (Steenkamp, 1990). Most definitions of product quality agree that the consumer is the final judge of quality (Brunsø, Fjord, & Grunert, 2002; Steenkamp, 1990). This includes an approach termed the ‘perceived quality perspective’, which emphasises that quality is dependent on the perceptions, needs and goals of the consumers (Henchion, McCarthy, Resconi, & Troy, 2014; Steenkamp, 1990). This view defines quality as all the desirable properties, both tangible and intangible, that a consumer perceives in a product. Therefore, consumer demand is greater for products perceived to be of more value or of a better quality. Consumers create their perception of quality from an evaluation of multiple and, often, inter-related product attributes. Models such as the ‘means end chain’ (Gutman, 1982) assume that consumers create a subjective product quality perception by

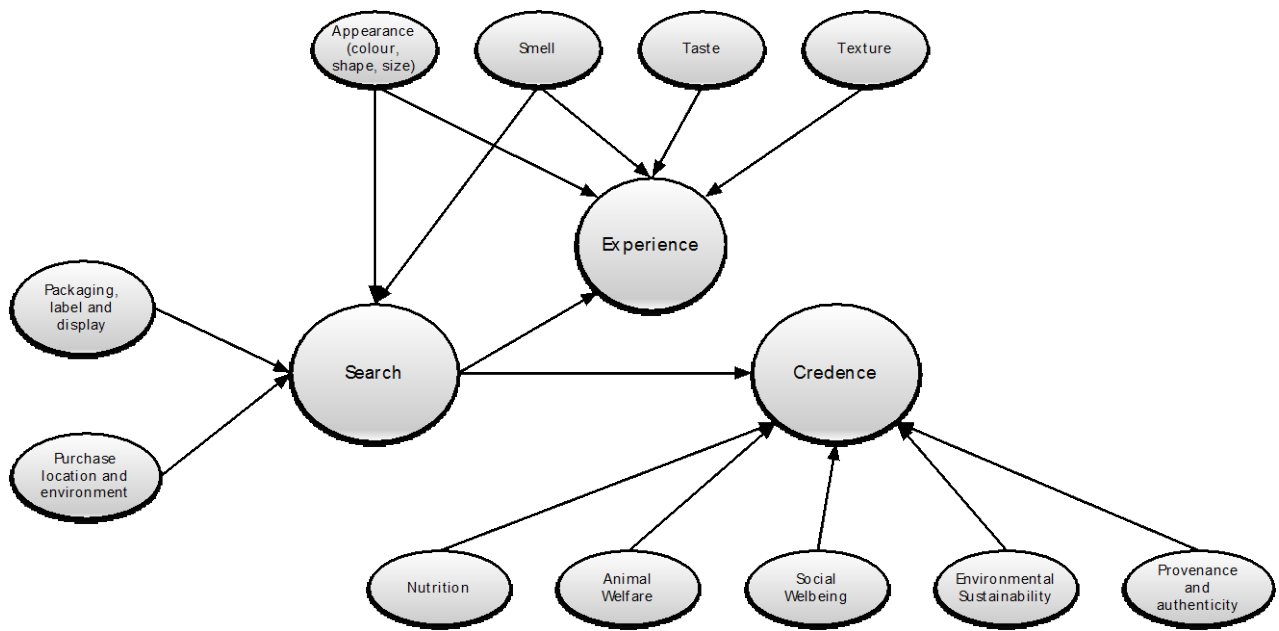
associating the product attributes with their personal values. Therefore, consumers value product attributes based on an evaluation about whether these attributes will create desirable or undesirable consequences and, therefore, whether they will contribute to achieving their personal values (Brunsø et al., 2002; Grunert, 2005).

Product quality attributes were classified by Darby and Karni (1973) as well as Nelson (1974) into three attributes: search, experience and credence. Search characteristics are attributes that can be evaluated by the consumer before purchase, while experience characteristics are only able to be determined after purchase and consumption of the product. In contrast to the first two, credence characteristics cannot be verified even after purchase or consumption of the product and are, therefore, difficult or costly to evaluate. Ford, Smith, and Swasy (1988) further explained credence attributes as those that cannot be accurately evaluated even after the product is consumed because of the consumer's lack of technical expertise or because the cost of obtaining sufficient, accurate information to evaluate the credence attributes are higher than their expected value.

From an economic perspective this means that the consumer cannot estimate the true marginal utility (benefit) from consuming the product, as they cannot know the content of the credence attributes in the product even after it is consumed. The demand curve is, therefore, derived from the consumer's *perception* of the existence of credence attributes, which may be larger or smaller than the true content. The line between experience and credence attributes can also be blurred, as noted by Darby and Karni (1973). This is especially relevant when quality is discerned in use but only after a period of time. Food products have specific characteristics in this regard as they are often consumed soon after purchase but can have long-term effects on health and wellbeing. For example, food safety may be an experience attribute if the consumer becomes unwell at the time of consuming the product, but the long-term effects on health and welfare cannot be evaluated when consuming a product and, therefore, become a credence attribute. Food product credence attributes can also include factors such as animal welfare and environmental sustainability, as well food safety.

Consumers are increasingly making food choices based not only on experience quality attributes but also on credence attributes, such as animal welfare, fair trade, provenance and environmental stewardship (Fischer et al., 2009; Szybillo & Jacoby, 1974; Van der Vorst, 2000). Food product experience attributes incorporate sensory properties, such as taste, texture, odour and appearance and include characteristics such as colour size and shape (Figure 1.1).

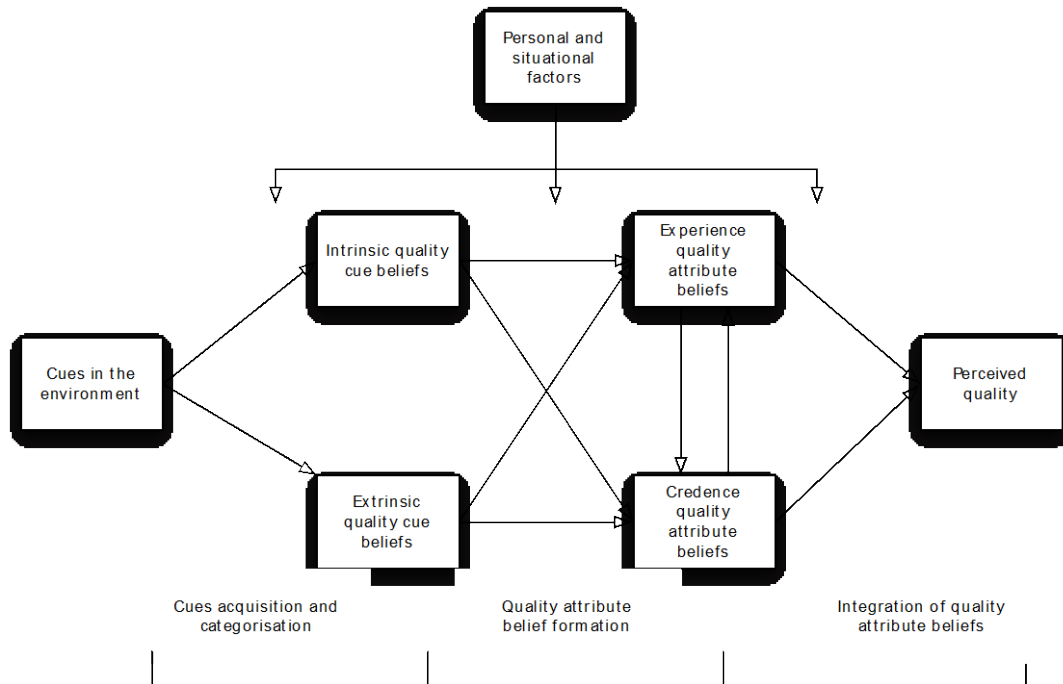
**Figure 1.1: Search, experience and credence product quality attributes**



Some experience attributes, such as colour and smell, can be evaluated before purchase; however, many other experience attributes, such as taste and texture, cannot. Consumers need to draw inferences about both the experience and credence characteristics from search characteristics at the time of purchase. Credence attributes, such as animal welfare or environmental sustainability, are not able to be validated even after purchase and consumption; therefore, they need to be taken on trust and this relies on information contained in labelling, branding and certification (Brunsø et al., 2002).

It is important to understand how consumers form their perceptions about product quality. Steenkamp (1990) provides a model for this (Figure 1.2). In this model consumers develop preferences based on evaluating an object's quality attributes. These judgements are derived from the consumers' beliefs about what quality attributes are important (experience and credence attribute beliefs – Figure 1.2). Steenkamp also provides an important distinction between quality cues and quality attributes. Quality cues are what the consumer uses before purchase and consumption to evaluate a product's quality and predict both the experience and credence attributes of the product. These are, essentially, the same as the search characteristics. Quality cues are important, as experience attributes are not able to be observed before consumption and credence attributes cannot be known even after consumption. Therefore, in making product choices, consumers actually use quality cues rather than quality attributes.

**Figure 1.2: Conceptual model of the quality perception process (Steenkamp, 1990)**



Quality cues are valued in relationship to the consumer’s belief in how effectively they predict both the experience and credence quality attributes (quality cue beliefs. Consumers have beliefs about what quality cues are important or valid and also beliefs about the relationship or predictive power of these cues. Finally, consumers have beliefs about what quality attributes are important for specific products (experience and credence attribute beliefs – Figure 1.2).

Quality cues are further classified into intrinsic and extrinsic cues (Olson, 1972; Steenkamp, 1990). Intrinsic cues are an integral part of the physical makeup of the product and cannot be changed without physically changing the product. Extrinsic cues are associated with the product but are not physically part of it. Many extrinsic cues are associated with the labelling and packaging of the product and include things such as price, brand, packaging material and label information. Extrinsic cues also include environmental cues such store brand and geographic location and product display within the store while intrinsic quality cues relate to the physical appearance of the product. For example, the colour of meat is an intrinsic cue that is generally recognised by consumers as a quality cue for freshness. Intrinsic and extrinsic quality cues are used to predict both experience and credence attributes (Figure 1.1). Experience quality cues can be confirmed at the time of consumption, so consumers are able to learn and modify these, but because credence attributes cannot be confirmed on consumption, it is difficult for the consumer to learn and modify their beliefs about credence cues.

The model (Figure 1.2) distinguishes between intrinsic and extrinsic quality cues, and also between the credence and experience quality attributes, but also shows how these are inter-related. Steenkamp also states that the credence attributes will, generally, be less important in shaping the quality perceptions of consumers than the experience attributes. This is because credence attributes tend to be more distant from the consumer, both geographically and temporally, and consumers place less importance on distant outcomes (Steenkamp, 1990).

The quality perception model is important for this research on credence attributes. It hypothesises that while consumers seek certain credence quality attributes they need to rely on credence quality cues to do this, both at the time of purchase and when consuming the product. This means that extrinsic quality cues, such as product labelling information, branding and packaging, as well as store brand and environment, are important to the consumer in making purchase decisions based on credence attributes. The value of these cues depends on the credibility of this information and the strength of the believed association between these cues and the credence attributes.

## **1.2 Gatekeepers**

The research focuses on gatekeepers as they play an important role in the supply chain by making decisions on behalf of consumers in terms of what products are available to them; and they also control the flow of product information to consumers. Gatekeepers in marketing channel research refer to the importer and/or distributor of food products, the food ingredient buyers for food manufacturers, product buyers in the food service sector, as well as buyers for supermarkets and other retailers (Knight & Gao, 2009). They have multiple objectives and motivations. As well as aiming to meet consumer demand, they also need to minimise risk, meet sales and margin targets and manage the inventory (Knight, Holdsworth, & Mather, 2007). They play a critical role in food supply chains due to product perishability, which limits shelf life and the ability to store products. Supply and demand fluctuations in commodity supply chains also mean there can be rapid changes in the prices of stock. There are often only a small number of gatekeepers in supply chains and, therefore, they have considerable power in the supplier-buyer relationship. This is especially the case for large retail buyers purchasing from suppliers of undifferentiated and unbranded products (Hingley, 2005). Importers and distributors are gatekeepers who act as intermediaries in the supply chain. They deal with warehousing, transportation, ordering, and inventory management. They often sell on small margins and so tend to favour undifferentiated products that sell easily and provide a large volume of sales and profit. The concept of gatekeeping was originally introduced by Lewin (1943) to describe the person who decides what food ends up on the family dinner table. Since then, it has been applied to anyone who controls what passes through a given 'gate' and has been used in areas such as news media communications (White, 1950), technology development (Allen, 1971) and many other areas in the social sciences. In a social system a gatekeeper is the person who decides which of a certain commodity – materials, goods, and information – may enter the system (University of Twente, 2014).





## **Chapter 2**

### **Research Questions and Methods**

The key research question for the research was:

How can New Zealand firms capture a price premium for exports through communicating credence attributes to gatekeepers and consumers?

This question was further broken down into specific research questions for New Zealand exporters and gatekeepers (Figure 2.1)

#### **2.1 Research questions - New Zealand exporters**

1. *What credence values are important to gatekeepers and consumers?*
2. *What methods of communication are important to gatekeepers and consumers?*
3. *What methods and types of communication technologies are used and what are the most effective?*
4. *How are methods and technologies for communicating with gatekeepers and consumers changing?*
5. *How can New Zealand exporters be more effective in communicating with gatekeepers and consumers?*

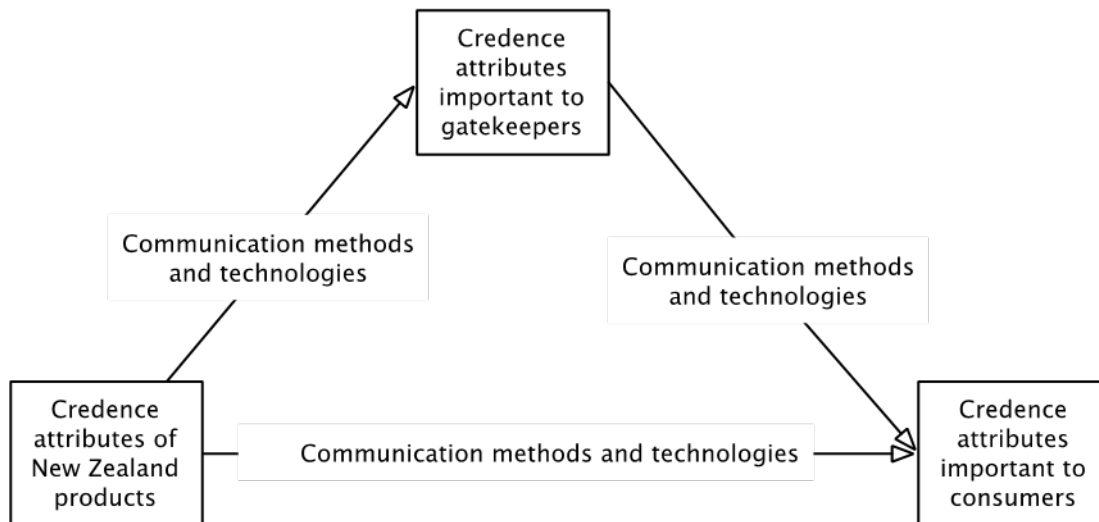
The exporters were also asked how these differed between gatekeepers and consumers in different markets.

#### **2.2 Research questions – gatekeepers**

1. *How do gatekeepers and consumers perceive New Zealand food products compared with products from other countries?*
2. *What credence attributes do gatekeepers and consumers perceive to be associated with New Zealand's food imports?*
3. *Which of these attributes are important to gatekeepers and consumers in specific markets?*
4. *How are these attributes currently being communicated to gatekeepers and consumers in specific markets and how can they be communicated more effectively?*
5. *Are the attributes and methods of communication different for gatekeepers and consumers in different markets?*
6. *What are the most important attributes and methods of communication to capture a sustainable price premium from the market?*

The gatekeepers were also asked how these differed between gatekeepers and consumers in different markets.

**Figure 2.1: Model of the research questions**



### **2.3 Research method**

The research used semi-structured key informant interviews with twenty-one European gatekeepers and twelve New Zealand firms exporting to international customers. Gatekeepers were defined as importers, distributors and retail customers who controlled the flow of product and information through the supply chain to the final consumer. In-depth, face-to-face interviews were conducted with key informants from 12 New Zealand food exporting companies between March and May 2014. These companies were selected to cover the main New Zealand food exports. The companies were exporters of dairy products, wine, kiwifruit, apples, beef, lamb and venison. The companies were selected using purposeful sampling (Patton, 2005) to ensure the interviews covered a range of company size, products, markets and geographical location.

Purposeful sampling was also applied in the selection of the European gatekeepers. In many cases contacts were provided by the New Zealand exporting companies. A total of twenty-one European companies were interviewed in May and June 2014. Eleven of these were importers and/or distributors of fruit, wine or red meat products. Eight were importers who were also owned or partially owned by New Zealand companies. Two were large supermarket chains and two were wholesalers to the food service sector.

### **2.4 Interview procedure**

The interviews took between sixty and ninety minutes to complete and followed an interview guide (see Appendix 1). The interview questions included topics that were based on the plan of enquiry. The aim was to establish rapport and develop a conversation where the interviewer provided the general direction of the discussion with the ability to pursue specific topics raised by the respondent (Babbie, 2012). Direct questioning was used, as appropriate, to avoid social desirability bias (Fisher, 1993).

## **2.5 Data collection and analysis**

The data from the interviews included written notes and, where practical, sound recordings. The data were analysed to look for patterns across cases to identify themes and build a logical chain of evidence (Babbie, 2012; Miles & Huberman, 1994).



## Chapter 3

### Results

#### 3.1 New Zealand exporters

The New Zealand exporters' interviews were conducted with companies exporting, dairy products, venison, beef, lamb, wine, kiwifruit and apples. They reflected a wide range of different product characteristics, markets and supply chain strategies. There were significant differences in the products in terms of the branding, identification of New Zealand origin and communication of credence attributes to consumer.

#### 3.2 Branding and identification of New Zealand origin

Kiwifruit, apples and wine were the main products with consumer branding and identification of New Zealand origin. In contrast, the majority of New Zealand meat and dairy exports reached the consumer with little or no New Zealand-related branding or identification of their New Zealand origin. As a result, these products did not have New Zealand-specific credence attributes associated with them. This lack of identification at the consumer level for dairy products was primarily because the majority of New Zealand dairy exports were used as food ingredients and were often blended with product from other sources. Dairy manufacturers did this to manage cost and supply risk.

*It is important to ingredient purchasers that they have multiple sources as a risk management strategy. Most manufacturing companies like to have multiple New Zealand sources and multiple country sources as a risk management strategy both for supply and price.*

New Zealand Exporter

In a similar way, the bulk of New Zealand's beef exports were used as manufacturing beef in the United States where it was blended with USA grain-fed trimmings to make hamburger meat. Lamb exports also frequently lacked New Zealand-related branding or identification of New Zealand origin at the consumer level. Frozen lamb was packaged in New Zealand and if sold frozen at retail it will usually have New Zealand branded packaging. However, a significant amount of frozen lamb was sold to food service customers (restaurants and institutions), where the origin was often not provided to the final consumer. Frozen lamb may also be sold defrosted in retail butchers or manufactured into supermarket-ready meals where it can also lose its country of origin identification. This can also be the case for New Zealand chilled lamb exports. Most chilled lamb was repacked in the market into supermarket retail packs with the retailers' own branding. The country of origin was listed only in small print on the product label as is required by European law (Figure 3.3). Most exporters expressed a desire to get closer to the consumer and many in the dairy and meat sector were attempting various levels of retail branding. It became clear from the interviews that identification of the New Zealand origin and or/branding was fundamental to communication of New Zealand's credence attributes. Exporters commented that New Zealand's quality and credence attributes were highly valued and recognised by the gatekeepers and that

there was probably some premium achieved because of this. However, for dairy and meat products, in particular, there was little recognition of New Zealand credence attributes by consumers. Without recognition at the consumer level there was not a significant consumer premium for New Zealand credence attributes. The main exception to this is kiwifruit, apples and wine, where the New Zealand origin and/or company branding was consistently communicated. With these products, some New Zealand exporters achieved a wholesale premium of up to 60 per cent above similar commodity products.

### **3.3 Credence attributes important to gatekeepers**

Gatekeepers have been previously defined as the intermediate customers in the supply chain who played a role in controlling the flow of product and information through to the consumers. There may be several gatekeepers in an export supply chain as products often pass through a number of stages between the New Zealand exporter and the consumer. For example, the product may pass from an importer to be further processed and/or packaged, and then continue through a distributor and, finally, to retail. The interviews identified that credence attributes were increasingly important from a gatekeeper perspective. Food safety was consistently the most important credence attribute for gatekeepers. The relative importance of other attributes depended significantly on the gatekeeper's location in the supply chain, the size and type of the organisation and its competitive positioning. The gatekeeper for whom all credence attributes were most important tended to be the brand owner. For New Zealand products sold as ingredients, the brand owner was often the manufacturer of the finished consumer products; for example, yoghurt, UHT milk, ready meals and processed meats. For chilled meat and fresh fruit the brand owner tended to be the retailer.

The 'brand owner' gatekeeper focused on differentiating and protecting their brand. This meant they had a wide range of credence attributes that were important, although food safety still tended to be the most important. They had tight product specifications for both experience quality attributes (taste, appearance and texture) as well as for credence attributes (food safety, traceability, environmental sustainability and ethical standards). The more these brands targeted the premium end of the market the more important these credence attributes became. They didn't always communicate the details of these to the consumer but were in effect saying to the consumer, "Trust us because we have checked it out for you." Which credence attributes (in addition to food safety) they emphasised depended on the brand owners' (retailer or food manufacturer) competitive positioning. Some, for example, were very focused on fair trade, for others it may be organic, local, recycling or other social or environmental attributes. The brand was often an overall 'proxy' for quality and, therefore, became a key search attribute or quality cue. Consumers expected that they could trust the brand owner to have checked all the important credence attributes as well as the experience quality attributes. If this trust was broken, such as in the UK with the horsemeat scandal, brands could lose significant market share. Respondents commented that it was important for New Zealand exporters supplying retail brand owners to fit in with the specific positioning of brands to ensure they met the credence attributes they required.

Multinational company brand owners tended to have a broader range of credence attributes that extended to things like corporate social responsibility and ethical business practices. This was a brand protection strategy to maintain their brand reputation and value. Smaller regional or local companies tended to focus on a narrower range of credence attributes and emphasised particular

attributes that enabled them to differentiate and compete with the larger multinationals. These companies often took a lead in setting higher standards in particular credence attributes such as traceability, environmental protection or ethical standards.

Exporters commented that having something different to offer in terms of product quality and/or credence attributes was really important at the distributor and retailer level. Having a significant point of difference was what enabled exporters to start a conversation with the gatekeeper. This was identified as the ‘ticket to the game’ and, without this, there was no possibility for a premium. Gatekeepers make choices based on what different suppliers can offer; therefore, having a story of where the product comes from and why it is different was critical. This was often very important for the smaller regional brand owners where they were looking for differentiating characteristics they could use to compete with the larger multinational manufacturers or retailers (Figure 3.1). Credence attributes also had to be supported by consistent product quality and service. Respondents commented that environmental sustainability or high animal welfare could not make up for inconsistent product quality or poor delivery. This reinforced the model of product quality in Figure 1.2, where experience and credence attributes are inter-related.

**Figure 3.1 : Canterbury Pure infant formula marketed by the Chinese company, Bright Dairy & Food Co Ltd**



For companies exporting to ingredient manufacturers, the technical specifications of the products were identified as the most important product attribute. This was because these companies aimed to maximise operational efficiency and had tight specifications in terms of credence attributes such as food safety. Where manufacturers were differentiating their products on place of origin other factors such as environmental sustainability and animal welfare also became important (Figure 3.1).

*The most important credence for dairy manufacturers is the quality of the product, the surveys we have done put quality right at the top. Quality for them is the product being in spec and there being no microbe issues. It enables them with their processing to maximise their yield. If they can tip five bags instead of eight because it has correct protein levels they save money. Quality means we can send product and then we don't need to notify them that it's not in spec. If that occurs then they have to blend to get it right.*

NZ Dairy Exporter

A key factor in the country of origin perception was related to food safety. This was especially so in the Asian markets. New Zealand was seen as a safe country to source product from but this benefit was also shared with other countries that were perceived to have strong food safety standards and government regulatory regimes.

*Products from Australia, New Zealand and Europe are seen as safe as well as places like Singapore anywhere there is robust government regulatory requirements.*

New Zealand Exporter

### **3.4 Credence attributes important to consumers**

The attributes that exporters and gatekeepers identified as being most important for consumers were consistent quality and personal health. By consistent quality they meant experience attributes such as appearance, taste, texture and aroma.

*At a consumer level it's all about health and consistent quality, the taste experience and premium quality.*

New Zealand Exporter

*Consumers will say they are interested in where the product comes from, trust and all that sort of thing, but actually they are more interested in consistent quality and health.*

New Zealand Exporter

*Health, taste and quality are the most important, Its about brand and in store presence. Ultimately It's about trust in the brand.*

New Zealand Exporter

They explained that health was a credence attribute that incorporated both the positive and negative aspects of food safety. This meant consumers wanted products that were not only free of short- and long-term harmful effects but also had positive health benefits in terms physical health and wellbeing.

*Consumers are looking for a natural product – this is linked into food safety as well as health and wellbeing.*

New Zealand Exporter



Respondents commented that credence attributes, such as sustainability or traceability, tended to be less of a priority for most consumers. This was consistent with the view of Steenkamp (1990) that these were less valued by consumers as they were perceived to be more distant geographically and temporally and consumers placed less importance on distant outcomes. They also mentioned that there were consumers who would dig deeper and want to know more about these attributes and so would spend time seeking information. It was important, therefore, for exporters to have information for these consumers even if the message to most consumers had to be simple and easily understood. For example, Zespri® explained that at the consumer level, their main message was about health and vitality, which was mostly about the nutritional and the health benefits of the fruit. These attributes had been identified in market research as the key reasons people purchased kiwifruit. The attributes they felt were associated with the New Zealand origin were more about food safety and coming from a ‘safe and clean’ environment. Zespri® did not communicate these in a major way to the consumer but were there, with a number of other attributes, supporting the Zespri® brand. This was described like a painting where you have a subject in the foreground but there was a lot of detail in the background that supported the overall image and feel of the painting. In this way, the Zespri® brand had become the main quality cue for the consumer that incorporated both experience and credence attributes.

*The whole Zespri® system, the way that we grow, the principles we have, these are the pillars of the brand. Even for our conventional (non-organic) fruit we are well within residue tolerance. We use a lot less inputs, all these factors are all important, It is about providing that integrity and depth to the brand. There will be some consumers that want to dig a bit deeper that information is available.*

Zespri® New Zealand Kiwifruit Exporter

Exporters considered that for the consumer these quality and health attributes were often wrapped up in other credence attributes, such as country of origin, organic, free range, pesticide free, local, etc. These categories were often provided on the product label and, therefore, became quality cues or search attributes that the consumer could use at the time of purchase. With food products many (experience and credence) quality attributes were unable to be observed or accurately predicted at time of purchase. The health attributes of foods were often not known for some time after consuming the product. The implication of this was that consumers were reliant on using ‘proxies’ to predict the existence of these attributes. Some credence attributes were, therefore, important to consumers for their own sakes and others were important because they were believed by consumers to be predictive of quality or health attributes. For example, a number of exporters mentioned that food safety was paramount for consumers in the Chinese market. They commented that other credence attributes such as animal welfare, traceability, environmental sustainability and employee welfare were also important, but this was because consumers saw these things as being predictive of food safety rather than necessarily for their own sake. Consumers believed that products that had these attributes (e.g. good animal welfare) were less likely to have food safety risks.

*For Asians, they don't think of the environment in terms of sustainability they think of it as clean. They think blue-sky equals clean and this is in contrast to the smog they have. They therefore think the rain hasn't got acid in it therefore it's safe.*

New Zealand Exporter

In European markets credence attributes, such as animal welfare, organic, environmental welfare, fair trade etc., were more likely to be valued for their own sake (Table 3.1).

*A lot of these things are tied back to a safety and quality theme. Consumers want to know if the food is safe and healthy for them. A lot these other things are just cues for that.*

New Zealand Exporter

*It seems that food safety is one of the underlying things people are looking for natural and that's because they associate natural with being safer.*

New Zealand Exporter

**Table 3.1: Example of meat health and quality attributes and predictive cues**

<b><i>Meat consumer attributes and method of predicting</i></b>	
<i>Desired attribute</i>	<i>Quality Cue</i>
<i>Credence Quality Attributes - health and wellbeing</i>	<u><i>Intrinsic</i></u> <i>Lean</i> <i>Colour</i> <u><i>Extrinsic</i></u> <i>Local</i> <i>Free range</i> <i>Grass fed</i> <i>Organic</i> <i>Antibiotic free</i> <i>Hormone free</i>
<i>Experience Quality Attributes – taste, tenderness, juiciness</i>	<u><i>Intrinsic</i></u> <i>Colour</i> <i>Size</i> <i>Type of cut</i> <i>Fat colour</i> <i>Marbling</i> <i>Breed</i> <u><i>Extrinsic</i></u> <i>Local</i> <i>Country of origin</i> <i>Animal welfare</i> <i>Grain fed</i> <i>Aged</i>

Respondents mentioned that consumers buying meat wanted more information on credence attributes than ever before. This had been driven in Europe by the horsemeat scandal, which meant consumers had lost significant trust in the integrity of the meat supply chain.

*Consumers want to know what they are buying, where it has come from, how long it has travelled and when it was harvested. Three years ago they weren't so interested now it is right at the top. At the same time they are more cash strapped than ever.*

European Retailer

Although this meant that credence attributes were more important to consumers this didn't seem to necessarily translate into a willingness to pay a premium for these attributes. Instead, these were now a minimum expectation and they would only purchase products where they were confident that these standards were met.

*The simple answer from all the research that we have done is that what consumers would have paid more for five years ago is now their minimum expectation. The aspects of provenance, animal welfare, etc. all that is now what they expect and they won't pay more for it.*

European Retailer

Respondents explained that provenance was very important to European meat consumers. They had strong perceptions about different quality and safety from different regions and countries. This varied considerably for different countries and for particular products. In countries with local production there tended to be a preference for the locally produced product. For example, Italian and French consumers had a strong preference for locally produced wines, kiwifruit and apples. In the United Kingdom there was a preference for British beef and pork.

*The most important attributes for European meat consumers are provenance, freshness and welfare. This varies to some degree by category and country. Welfare is high on the agenda in the United Kingdom and, in particular, in pork and chicken and this is related to provenance. For example, United Kingdom consumers will buy British or Danish pork but not German pork. Animal welfare is very important in the UK but is less important in France.*

European Retailer

*For beef, European consumers would think of the United States big ranches or the endless plains of South America. If consumers think of European beef they think of Ireland. If they think in terms of quality of beef they would think first of South America then North America. For pork, consumers know it comes out of the Netherlands but for quality they would think of Spain. If you talk about lamb everyone thinks of New Zealand as the best except, possibly, in the UK.*

European Importer

*NZ lamb is market leader in Germany. If a customer demands a lamb product it has to be from New Zealand. New Zealand gained this position due to its big marketing campaign in 1992 where they came with food trucks in which they cooked and travelled around the country etc. NZ lamb is top – it implies green, grass, rolling hills, animals kept outside (clean green image). NZ lamb doesn't have to be organic but sustainable and of good quality.*

European Importer

*Since we have been on this buy British journey we have had this debate over where does New Zealand sit, the answer is that consumers trust it almost as much as British.*

European Retailer

*Recently, there is the demand for NZ beef (Hereford beef) which is growing in Germany, particularly steaks. NZ beef sells in Germany because it tells a story. This is what sells in Germany at the moment; a product needs to tell a story.*

European Importer

**Figure 3.2: Advertising provenance of lamb in a United Kingdom supermarket**



### **3.5 Barriers or constraints to communicating credence attributes to consumers**

Lack of a retail brand and the quality of the relationship with the gatekeeper were consistently identified by the exporters as the most significant constraints to communicating credence attributes to consumers. Having the right supply chain partners at all levels of the supply chain was also mentioned as critical to success. The quality of the gatekeeper relationship and the ability to brand products at retail were often inter-related. A number of exporters commented that many retail gatekeepers actively prevented them from promoting their own brands and restricted the amount of product attribute information communicated to consumers.

*There are opportunities to establish a brand; however, it's about choosing the markets you wish to concentrate on. When supplying to the large retailers this is difficult to achieve. They have gatekeepers and we lose branding through them.*

New Zealand Exporter

*The biggest barrier to communicating to consumers is the gatekeeper. For some retailers it is purposeful control they often use different NZ suppliers to control price and why would they put the energy into helping us communicating to consumers.*

New Zealand Exporter

This was also the case at other stages of the supply chain. Many New Zealand exporters had to deal with importers and distributors who were commodity traders and sourced their products from multiple sellers. Their business model was margin based; therefore, price became a dominant factor and they preferred to buy undifferentiated products.

*Most of the world is geared around commodity trading and they are just traders. Our challenge is either to get some of them to do something different with our product. So a lot of it is finding the right partner and from time to time changing partners.*

New Zealand Exporter

*Developing a brand and establishing a sustainable premium for credence attributes is difficult. Especially when the product is an ingredient. It is tough and you lose the ability to shift volumes. That is quite important especially if you have a strategy of holding low levels of stock.*

New Zealand Exporter

There were a number of New Zealand exporters who had a model based on a direct retail relationship, although they may deal with traders in some smaller markets. These exporters commented on the significant difference between the two types of relationship. Although they may still use a distributor in the markets with a direct retail relationship, this was a supporting role and the prime relationship was with the retailer. With a direct retail relationship they could get a better understanding of the market and the consumers' requirements. They could then put investment in place to communicate to consumers and meet their needs. New Zealand exporters with no direct retail relationship were dependent on the distributor who had most of the power in the relationship.

*A key question is how you capture value when much of what we sell is an ingredient where the whole credence story gets lost. How do we move to the point where the whole credence story can get through to the consumer?*

New Zealand Exporter

The ability to communicate directly to consumers varied considerably depending on the country in Europe. In the United Kingdom, competition in the supermarkets focused on private labels and they were reluctant to allow specific company brands to become established. In Germany, the supermarket retail market was dominated by hard discounters with a strong focus on low cost.

*German consumerism is dominated by the 'Geiz is geil' mentality which means 'parsimony is in' (i.e. the cheaper the better). This is initiated by the supermarket chains and is a big problem.*

European Importer/distributor

*Every few months there is a food scandal/ bad news about food production in Germany. Then 'organic' is important; however, this gets forgotten quickly by the people. Customers just don't want to pay a premium for credence attributes. Food miles are not an important criteria. It is only the price that counts.*

European Importer/distributor

### 3.6 Methods of communicating credence attributes important to consumers

The most important method of communicating credence attributes to the consumer was through product labelling. For foodservice sales this meant labelling on the menu and for retail sales this involved labelling on the consumer packaging or display. Exporters recognised that some kind of product labelling was a necessary first step in the communication of New Zealand's credence attributes to consumers. When the final consumer purchased the product there needed to be, at the very least, some New Zealand country of origin label or label identifying a New Zealand brand. Respondents noted that without this it was difficult for the consumer to have an awareness of the New Zealand credence attributes.

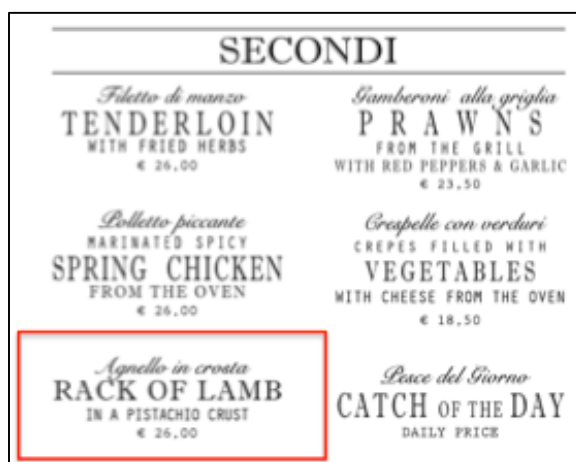
*Label information could be improved because when the NZ lamb arrives in Germany. I can hardly read it, only weight and country of origin – so, improve legibility of labels also what can be improved is the traceability of the product, I would like to know how it is produced maybe even using new technology like a barcode and the label should be in German.*

European Restaurant owner

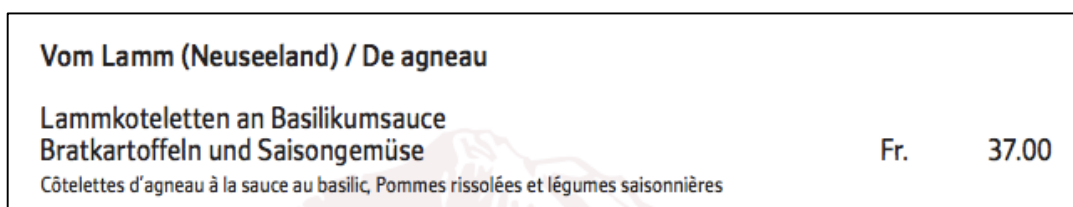
Figure 3.3: European supermarket product label identifying the New Zealand origin



**Figure 3.4: Restaurant menu in Amsterdam - New Zealand lamb without identifying the New Zealand origin**



**Figure 3.5: Restaurant menu in Switzerland - New Zealand lamb identifying the New Zealand origin**



A minimum level of product labelling could be seen where the New Zealand origin was listed on the retailers' printed label (Figure 3.3) or a foodservice menu (Figure 3.5). This usually occurred at retail because of European country of origin labelling laws but often this information did not appear on restaurant menus (Figure 3.4). Product labelling enabled other forms of communication to be built on this. Where New Zealand related brands or logos occurred, as with wine, apples (Figure 3.9) and kiwifruit (Figure 3.7) and branded dairy products, then significant additional information could be associated with this. The type of linked communication may involve in-store point of sale material or displays (Figure 3.8), links to websites and social media, videos and printed media. Even though some companies, such as ENZA™ and Zespri® sold fruit that was not from New Zealand, the imagery of the brand incorporated the New Zealand personality of the brand. This was similar to the way Apple computers or BMW cars carried American and German attributes in their products that were not produced in those countries.

Figure 3.6: Zespri® kiwifruit product labels



Figure 3.7: Zespri® kiwifruit sales promotion in Spain



Figure 3.8: ENZA™ Jazz and Envy apple product labels





**Figure 3.9: Fresh New Zealand lamb in a supermarket butchery in Germany  
(no country of origin identification in sales display)**



There was a significant advantage for products that were more easily labelled (e.g. wine, fruit, and packaged consumer products) where the label could be put on in New Zealand. Where products were used as ingredients, repackaged, and/or where it was difficult to attach a label to the product, then the New Zealand origin and ability to promote a New Zealand company brand was much more difficult (Figure 3.9).

*Communicating credence attributes to consumers is about having a regular call programme. It's about talking to consumers. It's about the availability of point of sale material. It is continuing to push the information through to the consumers. We try to get it direct to consumers; they are the ones making the buying decisions. When they buy the gatekeeper buys more. It is also developing programmes that go either direct to the gatekeeper or the consumer.*

New Zealand Exporter

*In some markets we are free to talk directly with customers so it's on your packaging it's on your website it's on promotional material point of sale material and that sort of thing. In other markets we can't get past the gatekeeper.*

New Zealand Exporter

*What I have observed is that NZ got lazy in terms of marketing their lamb, other countries gain more and more market share (e.g. Ireland and Scotland). These countries do a lot of advertising in cooking magazines, they put effort into marketing and they communicate attributes, such as organic.*

European Importer

### **3.7 Methods of communicating credence attributes important to gatekeepers**

While exporters identified product labelling as the first step in communicating New Zealand credence attributes to the consumer, they commented that for the gatekeeper it was the quality of the relationship and personal communication that was most important. This was most evident when New Zealand exporters sold product to brokers or traders, as there was often very little communication of credence attributes in these transactions. These gatekeepers often had short-term relationships with a number of New Zealand exporters and price was the most significant factor. These importers or distributors would sometimes actively restrict communication with retail customers and consumers in order to prevent product differentiation and, therefore, their ability to substitute products and suppliers.

It was evident from the interviews that where New Zealand exporters were able to have direct relationships with retailers and/or have high quality, long-term relationships with importers and distributors, then the communication of credence attributes was significantly greater. Trust between all the participants, from the farmers through to the retail customer, was identified as a key component in facilitating the communication of credence attributes.

The interviews also identified that where the relationships had a high level of openness and transparency as this enabled customer requirements to be communicated up the supply chain to producers, and the New Zealand credence attributes to be communicated down the supply chain to gatekeepers and consumers. Without these long-term collaborative relationships the credence attributes of the New Zealand story and product attributes, such as animal welfare, food safety and environmental sustainability, got lost and were not communicated down the supply chain to retail customers and consumers.

These relationships had not been established by accident. Those New Zealand exporters who had high quality, collaborative relationships had established these by investing human resources in overseas markets. They had carefully selected like-minded partners and were trying to work as close to the retail and consumer level as possible. They generally had a strategy of targeting narrower market niches and were adaptable to customers' requirements. They did not try to compete on scale but focused on value creation to be profitable. This value adding focused on providing consistent experience quality attributes as well as communicating credence attributes. For example eight of the respondents represented New Zealand companies that had invested in marketing staff in these markets, although the staff numbers in these offices varied considerably. These staff worked with customers to understand their requirements and then communicated this to other company staff and producers. The New Zealand exporters who had trading-type relationships with gatekeepers tended to have few staff based in the market. If they had overseas-based staff these tended to be sales administration staff. These exporters sold through many

different importers and distributors and had few close relationships with any of them. As a result, there was little customisation to specific customers' requirements or investment in market development.

It was evident from the interviews that close inter-personal relationships and communication cannot be substituted for new communication technologies. However, if close inter-personal relationships were established initially, then this enabled the use of new communication technologies to build and support the relationship. Many New Zealand exporters commented on the increased use of email, skype, mobile phones, video conferencing and other communication technologies to enable them to communicate more frequently with customers. They noted that there was still a need for in-market staff and market visits to establish and maintain these relationships. In fact, it was evident that where relationships were short-term, trading relationships communications technologies actually maintained the arm's length relationship as brokers and traders could communicate more easily with more suppliers as well as keep informed about market information and this, therefore, ensured greater price competition.

Printed material containing product technical and marketing information was also an important method of communication with gatekeepers. This was increasingly being supported by a range of digital media, including websites and social media. The use and effectiveness of these types of communication methods were also very dependent on having the right partners and a collaborative relationship with them. For many New Zealand exporters the investment required to establish a brand and communicate to the consumer was a large obstacle. This was especially so in markets like Asia where there were also language and cultural barriers. Establishing the right partner and using social media communications was identified as a way this could be achieved.

*You could go to market and have the whole story from paddock to plate or cow to carton. The challenge is that how do you establish a brand in the Chinese market that is so huge. The way we see we can you can achieve this is through social media and partnering right, finding someone who might already be wanting to develop a brand in that space.*

New Zealand Exporter

### **3.8 Methods and types of communication technologies**

New Zealand exporters are increasingly using social media, YouTube videos, websites and online sales platforms (Table 3.2). These were seen as effective ways to communicate directly to consumers and bypass the challenges of communicating through gatekeepers. Nearly all New Zealand exporters interviewed said they thought New Zealand companies were generally well behind other countries in the use of social media. Many commented that the biggest challenge was that people in marketing and management were older and, as a result, were less familiar with Facebook and other social media platforms.

*New Zealand companies are not adapting fast enough to the use of social media. It's a big world out there. One of our limitations is that we are thousands of miles from our markets so if we are not on top of our social media game how are people going to know about us?*

New Zealand Exporter

Having a retail brand was also identified as a prerequisite for successful social media communication. The exporters who used social media communications most extensively were: Zespri®, Fonterra with their Anlene® and Annum® brands, and several New Zealand wine companies (Table 3.2). Zespri® commented that three or four years ago they barely used Facebook but it was now a large part of their marketing programmes (Figure 3.10). They commented that to use Facebook marketing effectively they needed to decentralise their marketing structure and give more autonomy to the local marketing teams. Zespri® has over 18 separate Facebook pages, in over 10 languages, with a combined page following of 267,849 users. This was only surpassed by Fonterra’s Annum brand, Kim Crawford Wines, Air New Zealand and 100 per cent Pure NZ. They mentioned that this had led to a significant drop in the amount of money they were spending on television advertising and other media. This enabled them to interact with consumers and presented strong images that incorporated both credence and experience attributes (Figure 3.10).

**Table 3.2: New Zealand exporters’ use of Facebook**

<b>Zespri® Facebook Pages</b>	
<b>Country</b>	<b>Page followers</b>
Taiwan	62,292
Spain	28,324
Italy	19,195
Indonesia	19,092
France	18,856
Malaysia	18,709
Arabia	15,118
India	14,340
Japan	13,978
Germany	13,065
USA and Canada	10,536
Latin America	10,208
Belgium	7,291
Brazil	5,517
Australia	5,482
Nederland	4,871
Korea	536
Vietnam	439
<b>Total</b>	<b>267,849</b>

<b>Fonterra Facebook pages</b>	
<b>Country</b>	<b>Page followers</b>
Annum Indonesia	121,801
Annum Thailand	92,394
Anlene Indonesia	79,392
Anlene Philippines	66,317
Annum Vietnam	60,965
Annum Philippines	59,525
Anchor NZ	40,347
Anlene Thailand	31,697
Fonterra NZ	24,334
Anlene Vietnam	18,137
Annum Hong Kong	17,081
Anlene Hong Kong	11,958
Anlene Singapore	11,235
Anlene Taiwan	8,778
Anlene Malaysia	8,669
Anlene Mauritius	6,801
Anlene Cambodia	563
<b>Total</b>	<b>659,994</b>

<b>ENZA™ Jazz Facebook pages</b>	
<b>Country</b>	<b>Page followers</b>
Belgium	6,202
United Kingdom	8,393
<b>Total</b>	<b>14,595</b>

<b>Meat Industry Facebook pages</b>	
<b>Country</b>	<b>Page followers</b>
NZ Beef and Lamb Germany	18,830
Ovation United Kingdom	4,646
Silver Fern Farms	5,665
<b>Total</b>	<b>29,141</b>

Wine Industry Facebook pages	
Country	Page followers
Kim Crawford Wines	383,490
Brancott Estate	174,960
Nobilo Wines	170,364
Giesen Wines	43,302
Cloudy Bay	15,537
Yealands Estate Wine	14,427
Total	802,080

Other New Zealand Facebook pages	
New Zealand 100% Pure	1,457,655
Air New Zealand	949,547

Figure 3.10: Zespri® Facebook Images



Social media was also being used by industry promotion organisations. Beef and Lamb New Zealand ran a German Facebook site (Figure 3.11). This enabled direct interaction and communication with consumers. In some cases consumers might post negative comments, such as referring to food miles or the competition with local product (Figure 3.11) and the site enabled interaction with consumers about these issues and allowed misconceptions to be addressed.

Figure 3.11 New Zealand Beef and Lamb German Facebook Site - Neuseelandlamm



Neuseelandlamm changed their cover photo.  
September 24

Like · Comment · Share 32 2

32 people like this.

**Toni Huber** Warum muss es ein Neuseeland Lamm sein? Um die halbe Welt geschippert was soll daran gut gut sein. Ich kaufe lieber beim Metzger meines Vertrauens da weiß ich was ich bekomme  
Why have it to be a New Zealand lamb? Geschippert halfway around the world what should be that good. I rather buy at the butcher of my confidence because I know what I get (Translated by Bing)  
September 26 at 1:06am · Like

**Neuseelandlamm** Hallo Toni Huber Neuseelands Farmer haben über viele Generationen ihr Know-How über die Schafzucht gesammelt und weitergeben. Sie setzen international den Standard für Lammfleischqualität, von gesunden, natürlichen Produktionsmethoden und Nahrungsmittelsicherheit bis zu Geschmack, Zartheit und Beständigkeit. Lammfleisch aus Neuseeland ist zudem besonders zart und gesund, weil es pures Weidelammfleisch ist: Die Tiere leben ganzjährig auf weitläufigen Wiesen und ernähren sich ausschließlich von Gras. Viele Grüße das Neuseelandlamm-Team  
September 26 at 2:05am · Edited · Unlike · 1

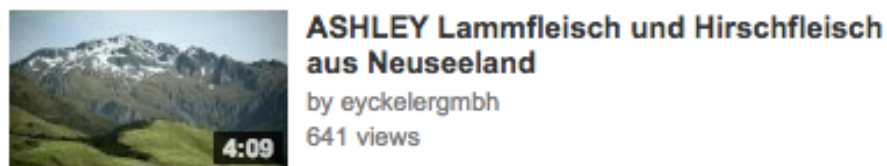
*(Translation) Hi Toni Huber  
New Zealand farmers have accumulated over many generations their know-how about the sheep and share. They set the international standard for quality lamb, healthy, natural production methods and food safety as well as taste, softness and shelf life. New Zealand lamb is also very tender and healthy, because it is pure pasture lamb: The animals live year-round on wide meadows and feed exclusively on grass.  
Regards the New Zealand lamb team*

Several exporters were also using video productions in their marketing communications (Figures 3.13 and 3.17). Reduction in video production costs and the availability of online video through sites such as YouTube and Vimeo enabled these to be a cost effective method of communication. Flat screen TVs also enabled these to be available in retail stores and other locations. Zespri®, for example, was using videos on touchscreen TV's in taxicabs in China (Figure 3.12). Videos were also useful in communicating messages to gatekeepers and enabled consistent communication at different levels of the distribution chain. The use of photo and video productions provided an effective way to use imagery that effectively communicated New Zealand's credence attributes to gatekeepers and consumers.

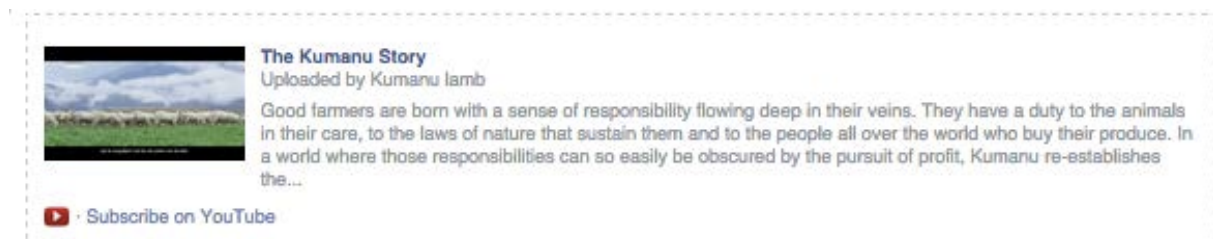
**Figure 3.12: Zespri® uses taxi touch screens in China to deliver targeted advertisements to a captive audience**



**Figure 3.13: Alliance Ashley brand YouTube video**



**Figure 3.14: Kumanu lamb YouTube video**



### **3.9 Improving the effectiveness of communication with consumers**

This research showed that credence attributes of New Zealand products were important to consumers but they were often filtered out by the manufacturer, supermarket, or at the foodservice stage, where product was further processed, repackaged and rebranded, or became an ingredient. Improving the effectiveness of communicating to consumers required overcoming this and achieving consistent product labelling and branding through to the consumer. This provided a platform for communication technologies such as social media, video, smartphone apps and other marketing methods. Fundamental to the success of this was the careful selection of markets and wholesale and retail customers with whom long-term partnerships can be developed. It required a long-term investment in marketing communications and quality management systems. There were considerable barriers to this as they had high costs up front and uncertain returns. The research

showed that effectively communicating to consumers required a total supply chain strategy and a long-term commitment. It was possible to effectively communicate the credence attributes of New Zealand food products to consumers; New Zealand kiwifruit, wine and some dairy brands were examples of this. They demonstrated that it was possible to capture a significant consumer premium for quality attributes that incorporated both the experience and credence attributes valued by consumers. These brands were able to become an effective quality cues or search quality attributes for consumers.

### **3.10 Consumer perception of New Zealand food products and their credence attributes**

The gatekeeper interviews indicated that awareness and perception of New Zealand food products among consumers varied considerably across countries within Europe, and for different products. The United Kingdom was unique as there was a significant awareness of New Zealand food and strong perceptions about the physical quality and credence attributes associated with these products. This was due to the strong cultural ties and long history of New Zealand food imports and investment in marketing. Meat and dairy exports to Great Britain dated back to 1882, apples to 1890, kiwifruit to 1952 and wine to the 1960's. There were also strong emotional associations with New Zealand food products due to New Zealand providing important food supplies through two World Wars. Outside the United Kingdom there were not these historical and cultural associations. As a result, there was little consumer awareness of New Zealand food exports and their associated physical and credence attributes.

European consumers have a strong emotional connection and desire to buy locally produced food. They want to feel a connection to the food they consume and where it was produced. They also wanted to support local producers. This effect was greater where there was a significant local industry, such as with lamb in the United Kingdom, wine and kiwifruit in France and Italy, and apples in northern Europe. This meant they often paid a premium for local produce and will purchase New Zealand products only if there was a significant discount or it was perceived to be of higher quality than the local products. Exporters and gatekeepers commented that promotion of New Zealand food and beverage exports relied significantly on New Zealand films (Lord of the Rings and The Hobbit) and New Zealand tourism promotions. While the New Zealand government invested in promoting New Zealand as a tourist destination, exporters commented that there was no consistent promotion of New Zealand food. Gatekeepers commented that New Zealand's clean green credence attributes were not unique and other countries had similar attributes and were investing significantly more in marketing and promotion than New Zealand (Figure 3.15). Ireland was an example of this, and had similar a food safety and environmental image as New Zealand. The Irish Food Board (Bord Bia) invested approximately €25 million (NZ\$40 million) in marketing and promotional activities each year.



**Figure 3.15: Irish Food Board Origin Green promotion**



### **3.11 Attributes and methods of communication to capture a sustainable price premiums**

There was a recurrent theme that health and wellbeing were the most important credence attributes to consumers; and consistent eating or drinking quality (taste, texture, aroma, appearance) were the most important experience attributes. Respondents emphasised that to achieve a sustainable price premium these needed to be provided together. Credence attributes needed to be supported by consistent product quality and service. Environmental sustainability or high animal welfare could not make up for inconsistent eating quality. This was because consumers created their perception of quality by evaluating multiple, and often inter-related, product attributes (Steenkamp, 1990). Credence attributes tended to add value to eating quality attributes or were an expected requirement by consumers and gatekeepers.

There was a consistent message from the respondents that for New Zealand to realise a sustainable premium for its food and beverage products they needed to communicate directly to consumers, and the most important method of communication was product labelling and branding. New Zealand's quality and credence attributes were highly valued and recognised by the gatekeeper but were less recognised at the consumer level. Consistent branding, labelling and communication provided consumers with effective quality cues at the time of purchase. Labelling and branding provided a platform for new communication technologies, such as social and online media, which could communicate directly with consumers about things such as taste, texture, colour, shelf life and convenience, as well as important credence attributes, such as health and wellbeing (food safety) and ethical values (animal welfare, environmental welfare, support for local producers).

*In the meat category consumers are driven by value for money. This means less fat and bones resulting in less wastage. They will also pay more for convenience which means semi-prepared meals such as meals provided with a sauce.*

European Retailer

*To achieve a premium New Zealand needs to understand the market and this requires actually being in the market and talking to consumers about what they want. They need to tell the story directly to consumers using internet advertising and social media.*

European Gatekeeper

*To achieve a premium we need to get to the consumer. We actually don't know, we need to ask consumers what they would pay a premium for. It's the classic push strategy; the meat industry is all about push rather pull. We need to get past the gatekeepers to find out what influences consumers.*

New Zealand Exporter

As mentioned in Section 3.9, this required a long-term investment in supply chain relationships, marketing communications and quality management systems involved in overcoming the barriers at the gatekeeper level and achieving consistent product labelling and branding through to the consumer. Higher risks were also incurred for both the suppliers and buyers. The suppliers needed to manage stock volumes as a brand strategy reduced the ability to manage fluctuating supplies. This reduced the ability to move volume, therefore, increased price risk and may also increase storage costs. There was an increase in delivery risk as with less ability to substitute products. A commitment to a consistent supply of a high quality product meant that any supply problems affected the continuity of supply at the retail level. It may mean there were higher costs due to holding buffer stocks or the need to increase transport costs due to airfreight to meet customer demand.

## Chapter 4

### Conclusion

This research used semi-structured key informant interviews with twenty-one European gatekeepers and twelve New Zealand exporters. The results of these interviews indicated that the credence attributes of New Zealand food products were important to consumers and gatekeepers. The attributes respondents identified as most important for consumers were consistent eating quality and personal health. They indicated that consumers wanted products that were not only free of harmful effects but also had positive health benefits in terms of physical health and wellbeing. Furthermore they stated that consumers also wanted a high quality eating experience. The respondent argued that quality and health attributes were often 'wrapped up' with other credence attributes, such as country of origin, organic, free range, pesticide free and local. These categories were often extrinsic quality attributes provided on the product label and advertising. The interviewees concluded that these credence attributes provided quality cues or search attributes the consumer can use at the time of purchase. Credence attributes were also closely associated with experience quality attributes, however, the research indicated that credence attributes can support, but not substitute for experience quality attributes. Consequently, the exporters and gatekeepers argued that for most consumers, environmental sustainability or high animal welfare could not make up for inconsistent eating quality. They also maintained that credence attributes such as sustainability or traceability also tended to be less of a priority for most consumers unless they were related to food safety or wellbeing. This aligns with research by Henschion et al. (2014) who noted that consumers consistently rely on point of purchase quality cues to assess credence attributes. Consumers evaluate safety with extrinsic cues such as used by date, brand and certified quality labels. For health and wellbeing consumers use a mixture extrinsic and intrinsic cues such as colour and appearance (Henschion et al., 2014).

The interviewees explained that New Zealand origin was frequently seen as an important quality cue for credence attributes, however, the identification of New Zealand origin was frequently filtered out through the distribution channel where products get further processed, repackaged and rebranded, or became an ingredient in another food product. As a result, a large percentage of New Zealand food exports do not have New Zealand origin identification or branding at point of purchase. Consequently New Zealand-specific credence attributes get lost. The exporters and gatekeepers described how the majority of New Zealand's beef and dairy exports were unbranded commodities that entered the manufacturing sector as raw materials or ingredients for processed products. Likewise, significant proportions of lamb and venison exports entered the food service sector and were delivered to hotels, restaurants and institutions where they were, frequently, not identified to the consumer as being of New Zealand origin. The research indicated that the main products that were consistently branded and reached consumers with identification of New Zealand origin were kiwifruit, apples and wine.

The research concluded that the most important method of communicating credence attributes to the consumer was through product labelling. Product labelling enabled other forms of communication to be built on this. Where New Zealand-related brands, or logos occurred, such as

with wine, apples, kiwifruit and branded dairy products, then significant additional information could be associated with them. The type of associated communication may involve in-store point of sale material or displays, links to websites and social media, videos and other printed media. New Zealand exporters were increasingly using social media, YouTube videos, websites and online sales platforms. These were seen as effective ways to communicate directly to consumers and bypass the challenges of communicating through gatekeepers. Nearly all New Zealand exporters interviewed said they thought New Zealand companies were, in general, well behind other countries in the use of social media. Having a retail brand was also identified as a prerequisite for successful social media communication.

The research also identified that credence attributes were increasingly important from the gatekeepers' perspectives. Food safety was consistently the most important credence attribute for gatekeepers. The relative importance of other attributes depended significantly on the gatekeeper's location in the supply chain as well as the size and type of organisation and its competitive positioning. For companies providing ingredients for manufacturers, the product's technical specifications were the most important product attribute. These companies aimed to maximise operational efficiency and had tight specifications in terms of credence attributes such as food safety. Where manufacturers were differentiating their products on provenance, other factors, such as environmental sustainability and animal welfare, also became important. The credence attributes of New Zealand products were well known and valued at the gatekeeper level. New Zealand was seen as a safe country to source product from; however, this attribute was also shared with other countries that were perceived to have strong food safety standards and with effective government regulatory regimes.

The research indicated that the most important method of communication for the gatekeeper was personal communication and this was dependent on the quality of the relationships with the exporters. When New Zealand exporters sold product to brokers or traders, there was often very little communication of credence attributes. These gatekeepers often had short-term relationships with a number of New Zealand exporters and price was the most significant factor for them. These importers and distributors would sometimes actively restrict communication with retail customers and consumers in order to prevent product differentiation and, therefore, their ability to substitute products and suppliers.

Respondents consistently identified the lack of a retail brand and absence of a long-term relationship with the gatekeeper as the most significant constraints to communicating credence attributes to consumers. Having the right supply chain partners at all levels of the supply chain was seen as critical to success in the market. The quality of the gatekeeper relationship and the ability to brand products at retail were often inter-related. Some retail gatekeepers actively prevented exporters from promoting their own brands and restricted the amount of information about the products' attributes communicated to consumers. Many exporters also commented that establishing a retail brand was hard work. It required careful selection of markets and wholesale and retail customers with whom long-term partnerships could be developed. It was a long-term investment with high costs up front and uncertain returns. It also involved higher risks to both the suppliers and buyers. Respondents commented that branding meant suppliers needed to more carefully manage stock as a brand strategy reduced their ability handle fluctuating supplies. This

also reduced the ability to move volume, thereby, increasing price risks and, potentially, storage costs.

This research showed that though the majority of products had little or no New Zealand specific credence information at the consumer level, it was possible to effectively communicate the credence attributes of New Zealand's food products to consumers. New Zealand kiwifruit, wine and some dairy brands were examples of this. These products demonstrated that it was possible to capture a significant consumer premium for quality attributes that incorporated both the experience and credence attributes valued by consumers. These brands were able to become an effective quality cue or search quality attribute for consumers.

This project highlighted the importance of taking a whole supply chain research perspective. A large amount of marketing research deals only with one stage of the supply chain. For example consumer marketing research studies consumer attitudes and behaviours but does not look at the supply chain issues that may constrain the effective delivery of consumer needs. This research was novel in that it looked at communication of credence attributes through the supply chain and involved case studies and interviews with exporters and gatekeepers at multiple stages of the agri-food supply chain.



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# Appendix I

## Pre-Interview Letter to New Zealand Exporters

Lincoln University has received funding from the Ministry of Business, Innovation and Employment (MBIE) to help New Zealand's Agrifood industries maximise their export returns.

The specific focus of the research is on **credence attributes**, which are qualities believed by a consumer to be present in a product even though they are directly observed after purchase or consumption.

**Examples include food safety, animal welfare, environmental protection and cultural authenticity.**

### Communicating Credence Attributes

This part of the project aims to determine how to **effectively communicate** credence attributes to consumers. It will identify the content (key messages) and delivery technologies that can best communicate tailored attributes to consumers in different international markets. The research has two parts, interviewing New Zealand exporters and key 'gatekeepers' in Europe.

As a New Zealand Exporter, I would like to discuss the following questions with you:

1. *What credence values are important to gatekeepers and consumers in your specific markets?*
2. *How do these differ between gatekeepers and consumers?*
3. *How do these differ in specific markets?*
4. *How do you communicate these attributes to gatekeepers and consumers?*
5. *How do the methods of communication differ between gatekeepers and consumers?*
6. *What are the barriers or constraints to communicating with gatekeepers and consumers in specific markets?*
7. *What are the most effective methods for communicating with gatekeepers and consumers in specific markets?*
8. *What communication technologies are you using to communicate with consumers and gatekeepers?*
9. *What are the most effective technologies for communicating with consumers and gatekeepers?*
10. *How are the technologies for communicating with gatekeepers and consumers changing?*
11. *How do you think your company could be more effective in communicating with gatekeepers and consumers?*
12. *What is the most important message and method of communication to capture a sustainable price premium from the market?*

## **Appendix 2**

### **Pre-Interview Letter to Gatekeepers**

Lincoln University has received funding from the New Zealand Ministry of Business, Innovation and Employment (MBIE) to help New Zealand's Agrifood industries maximise their export returns.

The specific focus of the research is on **credence attributes**, which are qualities believed by a consumer to be present in a product even though they are directly observed after purchase or consumption.

**Examples include food safety, animal welfare, environmental protection and cultural authenticity.**

#### **Communicating Credence Attributes**

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The research has two parts, interviewing New Zealand exporters and key 'gatekeepers' in Europe.

As an importer/distributor/retailer of New Zealand products, I would like to discuss the following questions with you:

1. *What do you see are the most important attributes of food products (not just credence) in order to achieve a premium from consumers?*
2. *How do you as an [importer, distributor or retailer] perceive New Zealand food products compared to local products and products from other countries?*
3. *How do you as an [importer, distributor or retailer] think consumers perceive New Zealand food products compared to local products and products from other countries?*
4. *What do you as an [importer, distributor or retailer] perceive as the credence attributes of New Zealand food imports?*
5. *Which of these attributes are most important to you as an [importer, distributor or retailer]?*
6. *Which of these attributes do you think are most important to consumers in your markets?*
7. *How are these attributes currently being communicated to you as [importers, distributors or retailers] by suppliers?*
8. *How are you currently communicating these attributes to consumers in your markets?*
9. *How can these attributes be effectively communicated to you [importers, distributors or retailers] by your suppliers?*
10. *Do you think the methods of communication are different for you as [importers, distributors or retailers] compared with consumers in different markets?*
11. *What do you think are the most important attributes and methods of communication to capture a sustainable price premium from the market?*

## **Appendix 3**

### **Zespri Consumer Marketing in China**

Zespri®'s China marketing team has employed plenty of non-traditional advertising this season: entire metro stations have gone green with Zespri® advertising; Zespri® advertising is playing on TV screens on buses, taxis and mobile phones; and Chinese consumers can buy Zespri® kiwifruit through their TV remotes via TV sales programmes. Zespri®'s online sales are rapidly growing in China; around 500,000 trays were sold online this year (Zespri, 2014).

**Figure A.1 Zespri®'s Chinese water fight**



## Appendix 4 Packaging and labelling Images

Figure A.2: Zespri® kiwifruit retail packaging



Figure A.3: Proliferation of branding on New Zealand apples



Figure A.4: New Zealand Sauvignon Blanc sold at a premium to a Chilean product



Figure A.5: New Zealand Cloudy Bay sold at a premium to French wines



Figure A.6: New Zealand frozen lamb sold in a supermarket in Germany



Figure A.7: Alliance Ashley brand



**Figure A.8: Alliance Ashley brand uses the Landcare Enviromark**



**Figure A.9: New Zealand chilled lamb sold in a German supermarket service counter without identification**



Figure A.10: New Zealand lamb identified in a UK supermarket



Figure A.11: New Zealand and British lamb sold at an identical price per kilo in a UK supermarket







**Figure A.14: Supermarket lamb display in the UK of British or New Zealand origin**



Figure A.15: Kumanu lamb brand advertisement in a Cash & Carry store



# Kumanu

## Eerste klas Nieuw-Zeelandse scharrellammers

"Kumanu"-lammeren worden grootgebracht met de grootste zorg. De lammeren krijgen alle ruimte om vrij op te groeien in hun natuurlijke omgeving. De "Kumanu"-hoeders hechten bijzonder veel waarde aan het verbeteren van dierenwelzijn, het respecteren van het milieu, en een gelukkig boerenleven.

Het woord "Kumanu" is afkomstig uit het Maori en valt te vertalen als: zorgen voor, bemoederen of liefhebben. Het woord omvat hiermee de essentie van wat dit Nieuw-Zeelands lamsvlees zo bijzonder maakt. De hoeders van "Kumanu"-lammeren gaan uit van een simpel principe; wat het best is voor het lam, is het beste voor de natuur, de boer, hun familie, de gemeenschap en uiteindelijk voor u.



**KUMANU LAMSRUMPS**  
Nieuw-Zeeland  
diepgevroren  
per kilo **12.95**



**KUMANU LAMSFILLET**  
Nieuw-Zeeland  
diepgevroren  
per kilo **19.95**



**KUMANU LAMSSCHOUDER**  
zonder been  
diepgevroren  
per kilo **7.95**

Figure A.16: Green Excellence lamb brand in Germany



Figure A.17: Green Excellence lamb brand - back of pack with a description of New Zealand



Figure A.18: Restaurant board in Amsterdam



Figure A.19: Ovation lamb marketing material for the foodservice channel



Figure A.20: Local Italian lamb brand



Figure A.21: Irish beef brand



Figure A.22: USA beef branding



Figure A.23: USA beef branding



Figure A.24: Fonterra Anchor brand of UTH milk in China



Figure A.25: New Zealand sheep milk powder





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