Chasing the dragon
A quality blend of food, wine, tourism and education is the key

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South Australia punches well above its weight when it comes to delivering world-class food and wine to international markets. It is also home to some of Australia’s iconic tourism destinations and outstanding learning institutions. We have a great deal to offer. However, as SA prepares for the coming loss of vehicle manufacturer Holden and the prospect of further offshoring in Australia, we can do more to maximise the value of our natural beauty, the productivity of our soils and our world-class education capabilities. We should be playing the long game and build on our existing strengths to deliver significant economic growth and job opportunities well into the future. To do this, we must take a more integrated approach to our international promotion mechanisms and draw on fundamental marketing principles to increase the summative value of our tourism, education and export industries. Most importantly, we must work together.

The sleeping giant is awake

China is Australia’s number one export market and trading partner and the world’s second-largest economy after the United States. Though slowing after years of double digit growth, China’s GDP is still expected to grow at an average of 7.5% over the next few years\(^1\) – in contrast, global GDP is forecast to grow at only 3.7% in 2014\(^2\). As with all developing countries, with increasing affluence from rapidly rising incomes comes increased expenditure on quality food and wine products, leisure travel and education. Australia’s agricultural producers, tourism operators, educational institutions and governments – both state and federal – clearly understand this now. Opportunity is growing for South Australia to cater for China’s desire for quality food and wine, unique and pristine tour destinations, and quality education resources – and, importantly, promote it to the Chinese leaders of tomorrow. However, there are significant impediments to these opportunities that are addressed in this paper. Strategic thinking with a healthy dose of logic and an understanding of the science of marketing is needed to reduce the challenges we face and capitalise on valuable opportunities.

SA’s food and wine industry

The SA food industry is comprised of small to medium-sized enterprises (SMEs), meaning that large international food conglomerates and consortiums are thin on the ground. While this maintains South Australia’s image as a producer of baroque, boutique brands of the ilk of Maggie Beer and Bird in Hand that maintain a homespun, cottage industry feel. Despite their success, there are negative consequences. Our distance from international export markets, coupled with a lack of well-established trade routes and distribution channels usually facilitated by the presence of large international companies, creates unique...
challenges to market access when compared to those of Australia’s eastern states. This puts SA at a disadvantage when it comes to capitalising on the growing opportunities in Asia, in particular China. Comparatively, we lack two key fundamentals to market success in the region – physical and mental availability, an issue we discuss shortly. Compounding this, SMEs often lack information, confidence, expertise, experience or familiarity with different cultures and trading environments. In short, they need all the help they can get. Despite this, as a state we do well – particularly in the key areas of wine and seafood.

By both volume and value, SA is the biggest wine producer in Australia. We generate a third of the nation’s wine export sales. Regionally, the Barossa contributes the most, accounting for $110 million in sales in 2012; McLaren Vale is the next most valuable, shipping $65 million worth of wine in the same period\(^3\). Over the past decade, China's demand for wine from SA in particular has gone from negligible to now accounting for a third of our exports. SA’s very own Jacob's Creek is now China's top-selling imported wine, and regional companion Penfolds is recognised by China as one of Australia’s premier premium wine brand. Indeed, the position of Jacob’s Creek in China is so valuable to its parent company, Pernod Ricard, that it trades under a Chinese brand name to better reach consumers.

In regard to seafood value, 25% of the Australian rock lobster exported to China/Hong Kong is sourced from South Australia. Moreover, 89% of South Australia’s abalone exports go to China/Hong Kong, accounting for approximately 20% of the total Australian catch\(^4\). However, unlike wine, future export growth in this area cannot come from increased volume, as seafood in Australia comes from closely managed quota fisheries where the amount that can be caught is regulated to ensure sustainability. Future export growth must come from increased industry brand value. The sector needs to – and can – increase the ‘mental availability’ of our seafood, which will drive up its brand value. The more people wanting to buy our limited supply of seafood, the more it is worth.

Our other exports – Chinese visitors to South Australia

While SA does very well in contributing to Australian wine and seafood exports, it lags drastically when it comes to the Chinese inbound tourism market. Queensland, New South Wales and Victoria each attract 200,000+ Chinese tourists each year; South Australia receives just 11,000\(^5\). The other states have direct flights from China, South Australia does not. This demonstrates a significant lack of foresight on our part as a state. Our government – rather than trying to prop up a faltering, foreign-owned auto industry – must try much harder to court the airline industry players who can rectify this situation. They will deliver long-term benefits to the state long after the auto industry disappears. Cairns, for example,
has benefited through the creation of direct flights from Japan and China. Similarly, Melbourne has direct flights to Chengdu, one of the fastest-growing economies in the world. These are strategically savvy and proactive moves to improve access to the growing Asian market.

Yet SA has a so far untapped Asian resource on its doorstep – annually, it has more Chinese students than Chinese tourists. While nationally the Chinese contribute 25% of tertiary-level enrolments, in SA it is 66% – 13,000 of our 23,000 international students. While our education sector is doing a great job, to a certain degree it is working alone, as there are no significant partnerships with other sectors. This is somewhat incongruous as many international students have family come to visit them in Australia. Therefore, although not linked at the strategic policy level, many of the Chinese tourists who visit SA are linked with our education system through family ties. This seems to highlight an disconnect between policy and reality.

So what’s the pitch?

The blend of food, wine, tourism and education is important. Yet Australia is not fully exploiting this at a state or national level. By contrast, France has worked it out. Relative to Australia, it’s a long way from China, speaks a language that few Chinese learn, and has few Chinese students – currently only 30,000 in its higher education system. Bolstered by its historic reputation in food and wine, it is the third most popular destination for Chinese tourists. Moreover, the French government and wine industry have cottoned on to the fact that the Chinese tourist is a valuable medium for building value in a cross-promotional sense. A recent article in ‘The Drinks Business’ titled France raises a glass to Chinese tourists highlights this recognition. In the article, the French minister for craft industries, trade and tourism, Sylvia Pinel, states:

“Chinese people have developed a taste for the finest French wines, and now there are an increasing number of Chinese people interested in travelling to France to get more involved in French wine culture.”

The article further details a number of initiatives and measures the French government is implementing to make this process easier:

“Chinese tourists travelling to France will find a variety of wine-themed tours with Chinese-language tour guides,” and;
“In addition, and to facilitate Chinese tourists’ travel to France, the French government has carried out a numbers of measures, including simplifying visa procedures and the fast-track visa system.”

Are the French beating us to the punch? Tourism Australia and Wine Australia seem to be aware that working synergistically in foreign (particularly Asian) markets represents a significant value-added opportunity. But let’s not stop there. Seafood and other Australian food products, along with education, should also be linked. We need a unified China strategy across all sectors. Strategically, we need to stop considering these key industries, and their relationship with China, discrete entities. Although Tourism Australia recently engaged the services of Chinese actor and ‘Mandopop’ star Nicky Wu as an advocate for Australia’s unspoilt nature and unique wildlife as well as its food and wine, his educational visit to Australia (supported by Destination NSW and Tourism and Events Queensland) only incorporated NSW and QLD – and excluded SA, Australia’s main wine producing state.

How visiting Australia affects Chinese consumers’ perceptions

Recent research by the Ehrenberg-Bass Institute provides an understanding of how important visiting Chinese consumers are to South Australia. We must be cognisant of the cross-promotional marketing opportunities and understand that proven concepts from empirical marketing should drive policy to maximise our value as a state. According to research conducted by the Ehrenberg-Bass Institute for Marketing Science, in collaboration with the Australian Seafood Cooperative Research Centre (ASCRC), Chinese consumers who visit Australia on holiday show a significantly higher number of positive product associations for – and have more positive product evaluations with – Australian wine and seafood on returning home compared to Chinese consumers who have not visited.10

The following tables demonstrate this point. As part of an ASCRC supported Ehrenberg-Bass Institute research project, 1030 Chinese consumers took part in a market research survey, of which just under half (47%) had been to Australia. Table 1 shows the result of an aided free-association task relating to wine attributes, while Table 2 reports results comparing consumer evaluations rating Australia’s seafood quality.
Chinese consumers’ positive associations with Australian wine

Table 2: Chinese consumers’ evaluation of Australia's seafood quality

“I think Australia produces high-quality seafood”
These results are evident even in the absence of centrally coordinated marketing activities specifically targeting the tourist cohort for this purpose – i.e. targeting tourists with specific marketing communications related to seafood and wine, irrespective of whether they encounter these products or not on their travel. Thus, for the Chinese, just coming here is generating an affective response to Australia’s products. This is consistent with knowledge drawn from ‘place branding’ research that tells us that even when a country is not consciously managing its ‘brand’ image, consumers still have salient images of the country that are automatically invoked when evaluating its products – be it a holiday, a seafood buffet or a university course. This is an artefact of the ‘halo-effect’, where the gestalt evaluation of a place and its products is conditioned by the impression that people have about its most commonly or strongly associated attributes.

Consumers are looking to simplify their decision-making process to assure the quality of their choice or mitigate their risk. For example, even though they do not specifically know where or under what condition it was actually caught, the Chinese consumer looking to buy quality, unpolluted seafood from a pristine environment is likely to use iconic images of Australia’s pristine beaches and environment to assure their decision. To achieve this, they draw on salient attributes linked to both product and places as heuristics to speed the choice process and reduce the cognitive load they have in sorting through large amounts of information. Australia is lucky in this regard, as Chinese consumers overall have good impressions of – and linked associations between – Australia and its products. But those who have been here like them more.

We can look to the iconic Australian Fosters Gold advertisement below (a product owned by Heineken UK and brewed in the UK) for a prime example of marketers attempting to exploit ‘place’ images in product promotion.
The images a consumer uses in evaluating these products are a simplified representation of the large number of associations and pieces of information they have connected to a place. For example, whether people are deciding on a holiday destination or choosing a bottle of wine to go with their seafood dinner, the more prominent the association with a particular place makes it more likely the place’s products will be chosen in a consumer choice situation.

Chinese tourists are more attuned to the quality and perceived excellence of our exports than those who have not visited. However, it stands to reason that their experience and knowledge, which conditions the salience of their associations with Australia and its products, is limited to the locations they visit, predominantly Sydney, Melbourne, the Gold Coast and Tropical North Queensland. Table 3 clearly demonstrates this disparity. 

As result, SA is losing out – twice over. Because we are not as physically available as the other popular destinations, we are missing out on a significant share of inbound tourism. This means we are missing the opportunity to build stronger mental links with the state in the
minds of tourists who, in the end, are simply consumers. Without building these critical physical links it is far less likely tourists will associate their trip with SA and its products. A huge opportunity to promote ourselves is going begging.

Table 3: Percentage of Chinese tourist visitation by location

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>59.8%</td>
</tr>
<tr>
<td>Melbourne</td>
<td>46.8%</td>
</tr>
<tr>
<td>Gold Coast</td>
<td>28.5%</td>
</tr>
<tr>
<td>Tropical North Queensland</td>
<td>21.1%</td>
</tr>
<tr>
<td>Brisbane</td>
<td>20.1%</td>
</tr>
<tr>
<td>Hobart</td>
<td>1.8%</td>
</tr>
<tr>
<td>Darwin</td>
<td>0.4%</td>
</tr>
<tr>
<td>Alice Springs</td>
<td>0.2%</td>
</tr>
<tr>
<td>Perth</td>
<td>4.8%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>3.9%</td>
</tr>
<tr>
<td>Adelaide</td>
<td>3.9%</td>
</tr>
</tbody>
</table>

What we know about how to grow

Strong evidence from data-driven research over many years tells us that the key to marketing effectiveness is improving a product, place or thing’s physical and mental availability. In regards to growing brands, research can guide us and demonstrate that a new logo is only one part of the picture. With Ken Cato’s new ‘Brand SA’ logo, we have the opportunity to start afresh in promoting the state and its strengths, but for it to be developed most effectively we need to support it with equally fresh and creative thinking in conjunction with appropriate policy support. To grow the brand in the minds of potential customers we need more people to notice or recall SA as a food and tourism destination (i.e. increase our mental availability for those in the market) and have our products and services widely available for consumption (physical availability).
Mental availability\textsuperscript{12} is the ease with which a product, brand or place is noticed and/or thought of in different buying situations, be it buying wine or choosing a holiday. The level of mental availability is based on the existence of mental networks linked to a product in buyers’ minds. For example, when a consumer thinks of great wine or seafood, does SA (or an SA wine region) pop into their mind? Or if they hear someone mention SA, do they think of great food, wine and a wonderful place they can visit? Current research, funded by the Grape and Wine Research Development Corporation (GWRDC) and conducted by the Ehrenberg-Bass Institute, shows that only 54% of Chinese wine consumers can recall the Barossa Valley as a wine producing region. This means we still have a long way to go in building mental links between the strength of our wine production capabilities and our state brand. It also means that we have a great opportunity to develop this type of association in the most efficient and comprehensive way.

Physical availability\textsuperscript{13} is the ease with which a product (once activated in a consumer’s mind) is accessed and/or obtained. For example, how easy is it for a consumer to fulfil a need for a nice bottle of SA wine once they have thought about it? When looking on the shelf for wine do they see SA wines as an option? Do they know that the Barossa Valley is even located in SA? Or if they hear about SA from a friend as a beautiful destination, how easy (available) is it for them to visit? If we want to continue to grow ‘Brand South Australia’ and all that it encompasses, we have to attract new customers.

Policy priorities are not supporting these fundamental principles

Buried deep in the South Australia – China Engagement Strategy\textsuperscript{14}, is strategic objective 2.2.7 – ‘Coordination within and across Government to ensure a focused and consistent message about the State’s engagement priorities, and to facilitate cross-sector initiatives that build on South Australia’s value proposition.’ This states;

“There are, and will continue to be, significant opportunities for different sectors to collaborate and cross-leverage activities to develop relationships and/or enrich the value proposition being put to the target Chinese markets. For example, the education and tourism sectors could leverage an increase in the number of direct flights to Adelaide from targeted regions in China by jointly developing strategies to increase the number of students and tourists. Projecting a consistent message about the State’s strengths and offerings will aid our efforts to break into new markets. Leadership and cross-sector coordination through a central agency will be vital to the implementation of many of the initiatives in this Strategy.”\textsuperscript{15}
This statement indicates a lack of urgency on what should be, from an informed and intelligent marketing perspective, one of the state’s most important objectives. SA – i.e. all stakeholders – should be spending money on facilitating increased visitation to SA and, specifically, by enticing and attracting the airlines that service Asia to make SA an easily accessible destination. Making SA more physically available will in turn make it more mentally available; people are more likely to remember a place they have visited. Suggesting that people will just come here when it is neither convenient nor accessible defies logic. The lack of direct flights from China is a significant barrier to SA being physically available to the Chinese market.

Despite this, there is evidence of some steps in the right direction. In February 2013 South Australian Tourism Minister, Leon Bignell, said:

“…our priority is to secure an airline providing direct access from Mainland China.”

He further said, “China is the largest and fastest growing of all inbound tourism markets and represents a huge opportunity for us to increase visitor numbers and expenditure for South Australia.”

A positive sign, however this priority should not just be restricted to the domain of tourism and should have much wider policy support – in short, direct flights from China can’t come soon enough.

Late in 2013, China Southern Airlines announced that Adelaide (along with Christchurch, NZ) was next on its direct flight hit list, though their comments do not suggest great urgency:

“Our priority right now is to strengthen the market (in current destinations) before we try other destinations,” said China Southern CEO, Tan Wangeng.

Looking to the future

There is indication that some enterprises in this state are seizing this opportunity. For example in 2013, Jacob’s Creek in conjunction with the South Australian Tourism Commission (SATC), began to offer guided Chinese tours of their Rowland Flat visitor centre, where Chinese language signs have been installed. While they are not alone in their endeavours to engage the Chinese market, greater participation by, and cooperation between, other stakeholders will surely increase the attractiveness of our offer.

At a more strategic level, progress is underway using the ideas and the principles of integrated marketing interactions, to exploit our state’s strengths. The University of South
Australia’s Asian Wine Club is an example of cross-promotion ‘building on the blend’, which is an initiative of the Ehrenberg-Bass Institute and the GWRDC.  

Here, a nexus is being built between two of our core industries, education and wine, through our Asian student community to a mutually beneficial end. The students (the majority of whom will return home after their studies) learn about and experience Australian wine and industry learns about the preferences of the consumers of tomorrow. By understanding how young Chinese consumers most effectively learn to appreciate wine we can hopefully turn them into brand ambassadors for Australian wine when they return to China.  

Similarly, there are a number of Ehrenberg-Bass Institute projects being conducted in conjunction with the GWRDC, the Sydney Fish Market and the ASCRC that are looking at how tourist visitation, satisfaction and experience impacts on consumer evaluations of Australian wine and seafood. More needs to be done. For SA to take advantage of the opportunities, this research highlights we need to get more tourists via more direct flights from China and we need to recognise that our education and tourism industries are often servicing the same clients.  

Chinese tourists, like visiting students, are consumers that SA seafood and wine producers/exporters and the SA Government should be targeting proactively and strategically to boost sales when they return home. They are a concentrated group of consumers who, our research shows, are susceptible and amenable to the virtues of Australian products. Given its fortuitous position, SA should take the lead. Requisite for this is greater cross-government and cross-industry engagement. Departments such as Primary Industries and Regions South Australia (PIRSA) and the SATC, along with tertiary institutions and peak education bodies like Study Adelaide and food and wine industry bodies, should all be working on joint projects to more comprehensively and efficiently exploit SA’s strengths.  

The SA Government’s China plan has the right intentions, but it has the wrong end of the stick when it comes to facilitating the process. SA can’t expect people to come here en masse without viable mechanisms of getting them here. Marketing managers involved in exporting to China should look to actively approach tourists when they are in the country, rather than hope or expect the tourists to come to them. It could be in the form of wine tastings for tourists in popular hotels in the city, seafood lunch excursions to Glenelg or joint wine and food events where tourists are educated on the matching of wines to food – our wine and our food. To harness the student cohort requires more cooperatively coordinated programs for the state’s many Chinese international students to increase their wine and food
knowledge through tourism experiences. Likewise, we should be more proactive in encouraging the families of these students to visit and engage in similar programs as customers of both our tourism and education industries.

This approach means providing more programs in China for when visitors to SA return home. There is some indication that initial funding has been set aside to expand pre-existing relationships between SA and the Shandong and Fujian provinces, but this has not been linked to visitors. The mental availability fostered while they are here has to be supported by physical availability when they get home. Our products have to be available for them to buy and, most importantly, be recognised as ours. For example, an argument could be made that the Brand South Australia logo be placed on every bottle of wine produced in the state and that a joint contribution be made by all stakeholders in supporting the international promotion strategy of the industry and the state.

Any and all of these programs should be facilitated by the joint work of government and industry and fall under the banner of ‘Brand South Australia’ for the betterment of the state as a whole. Tourism managers should look to partner with local exporters to value-add their service delivery because such partnerships will be of financial value to both parties and, more so, to the state as a whole. It should not be difficult to achieve these objectives with some considered cooperation.

Tourism, wine and education must all get together to work out a strategy, and Brand South Australia must be part of this. SA could and should be recognised as a leader in Australia in all these areas, but especially for taking a proactive approach to integrating and leveraging them. A key policy objective should be that our future success be predicated on the other Australian states looking to us as a beacon of transformation in fully realising the potential of this growing and valuable cohort of consumers.

Knowing how to leverage short and long-term visitors in an integrated fashion will provide long-term benefits to the state economy. There is certainly nothing to lose by trying. SA has the right ‘blend’ of resources at hand already. With considered spending to increase tourist access and numbers this potential will only grow. It is a more financially prudent plan than continuing to line the pockets of the multinational interests who are overseeing the inevitable demise of the car industry. Now is the time to invest in programs that will develop employment opportunities into the future.

From a business perspective, integrating the development of these industries will improve market access and profits by maximising promotional opportunities and marketing potential.
It will cost less to market to inbound tourists and international students than in their domestic markets, something especially valuable for small rural producers.

To full take advantage of this, however, managers in agricultural industries, those in the tourism sector, education providers and government agencies will have to think both collaboratively and with reference to the core principles of successful marketing.

Want to find out more?

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Visit: The Ehrenberg-Bass Institute (www.MarketingScience.info) is world-famous for being at the forefront of research into the field of marketing and is financially supported by some of the world’s biggest brands like Coca-Cola, Unilever and Procter & Gamble.

Read: How Brands Grow: What Marketers Don't Know
By Byron Sharp, Oxford University Press 2010

About the Australian Marketing Institute
The Australian Marketing Institute (www.ami.org.au) is the peak membership body for professional marketers. Our purpose is to advance the marketing profession. Our belief is that marketing should be future focussed. It unlocks the potential in ideas, markets and businesses, expresses these possibilities and realises their value – for customers and the organisation. We ensure our members have the resources they need to fuel their abilities and put them ahead of the game. This unlocks the potential for them to create value now and lead their organisations into the future.

The Australian Marketing Institute, as the voice of the marketing profession, has established strong links with business, academia and government.

Membership of the Australian Marketing Institute offers you the opportunity to further your professional development through attendance at targeted training workshops, network events, conferences, seminars and access to online resources.
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