

George Liu from Frutacloud gives an overview of Chinese marketing channels, underscores the need for brand imagination and mentions current cold protocols as impediment to trade

What is the story of South African fruit?

Where would you like your produce to be sold in China? That's the first question exporters and producers, wishing to enter that market, should ask themselves, George Liu of Frutacloud advises delegates at the PMA Fresh Connections conference in Pretoria, South Africa. Frutacloud is a company that sources, markets and distributes fresh produce in China.

The second would be: what is the fruit's story? in order to capture the imagination of the Chinese trader and customer.



George Liu speaking at PMA Fresh Connections 2018 (Photo: Helenus Kruger/AB Events)

Wholesale markets

The wholesale sector still takes 80% of the total market share in China and is divided into tier 1 wholesale markets, where trade is done on a grand scale. "You can see 100 containers of cherries opened at the same time and be sold within two hours," he told delegates yesterday. Produce are sold on a commission basis in pallets, container or cartons at these markets where buyers from second tier markets, supermarkets and e-commerce outlets source their product. At second tier markets produce is sold in cartons and for fixed prices.

These markets have traditional tastes but they're not impervious to persuasion. "They understand cherries from the US but not cherries from South Africa. If the buyers have a good experience they'll go back for more and that's when the price goes up."

"These markets take high quality products and when I talk about quality, I mean unbelievably high quality. The reason for that is it's going from the first tier to the second to third to the final consumer, it could take over a week and most of the time the cold chain is quite poor, so they can take only the very best product at the front to endure this to the end. So when a Chinese importer comes to you and tells you 'we need it hard as a rock, no decay' – that is the reason."

Retail and e-commerce

Then there is retail and e-commerce. For an exporter it's important to note that, unlike wholesale markets, retailers are always on the lookout for something new or unusual.

Traditional supermarkets are in decline because of an ageing clientele. There are vertical fresh e-commerce platforms like Miss Fresh and Fruitday, but these depend on the same transportation and delivery model as 'traditional' e-commerce platforms, taking

a day or so to be delivered. Fruit specialty stores which are unique to China and very numerous are mom-and-pop stores, like Pagoda, and popular because of their convenience.

The “sexy” new retail aims to combine the convenience of online shopping with the experience of real live shopping and it’s the talk of town, for example Hema Fresh. “Here you get really nice display and fresh product like lobster, king crab, many things you don’t normally see in a normal supermarket, but if you open up your phone, these products can be delivered to your home in as little as 30 minutes. So you have the whole store full of products at your fingertips. This model has become very popular and it’s expanding fast.”

Shipment protocols need to become more bearable

Many in the South African industry would agree with Liu when he says: “The cold treatment [for South African products to China] is a challenge facing entry and I believe many of them will damage the quality of the fruit. I hope the people in authority can negotiate with the two governments to make it a little bit more bearable.”

South African citrus is required to be kept at -0.6°C for 24 days, grapes at 0.8°C for 20 days and apples at 1°C for 16 days.

Who are South Africa’s competitors on the Chinese markets?

On mandarins it’s Peru, Uruguay, Australia and Chile. On lemons it’s New Zealand to a degree and on oranges Australia, although Australia aims at the higher end of the market because of its high production costs.

South African grapefruit has no competitor and, as Liu notes, it’s a great product.

South African apples compete with those from Chile, New Zealand and China but: “I believe your apples, especially Fuji has a bright future in China. South African Fuji tastes much better than local Fuji.”

And one day, when South African pears and avocados are eventually granted access, the competitors will probably be Peru, Chile and Argentina.

What do retailers want?

That’s easy – everything, which is why, as Liu quips, they’re “a pain in the ass” to deal with, and they’re always looking to surprise their customers.

They care about appearance (he mentions Sweet Sapphire grapes in this respect), taste (Cotton Candy), size (Driscoll’s 20mm diameter jumbo blueberries), packaging (for example Sunkist’s Chinese Zodiac-themed packaging) and lastly, a narrative to accompany the product, or its ‘story’.

“The Chinese customer wants to know what is so special about you – and you need to tell it in six seconds. What does South Africa stand for? Is it safaris, its landscapes?”

Chinese customers used to associate cherries squarely with the United States, but ASOEX’s multi-million dollar campaign over two years, featuring elements like the Andes mountains and volcanic dust, has fixed it firmly in the minds of customers that in winter cherries come from Chile.

“I think South Africa has a lot of potential because South Africa’s image is still a blank canvas and you can create anything you want, like a really good country image that places a premium on your product.”

“But,” he concludes, “I believe the governments could’ve done a better deal with less cold treatment. That’s one of the biggest issues we run into with the more sensitive products, like grapes where you get dry stems and so on. On some of the fruit that don’t have access yet, like pears, avocados and blueberries, I think South Africa could have an advantage over competitors. I think South Africa’s prospects in China are very good.”

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