



NEW ZEALAND
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Manatū Aorere

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China market update: latest trends following China's re-opening

A MARKET INTELLIGENCE REPORT

Summary

This report was prepared by the New Zealand Consulate-General in Shanghai

- Travel between New Zealand and China is picking up again following the re-opening of China's borders, with capacity on the important Shanghai-Auckland route increasing.
- Open borders are seeing many business people visiting China. Companies are inaugurating new offices in Shanghai, and seeking to take clients and influencers to New Zealand. Visa processing on both sides is ramping up to meet demand although it is important to apply early. China's recognition of virtual APEC cards from 1 May 2023 and the availability of multi-entry visas will give business travellers more options.
- Supply chains are rapidly improving and entry ports normalising. China's removal of COVID inspections of the cold chain has saved significant cost and reduced risk.
- Keeping up with the market trends and the speed of consumer change and China's volume requirements, including supplying when social media influencers spike sales and test inventory, remain challenges (and opportunities) for companies.

Report

Travel and open borders

The re-opened border has paved the way for an increase in travel between New Zealand and China. Booking enquiries from Chinese travellers have increased significantly since China removed the requirement for a pre-departure PCR test for passengers from New Zealand. The increased frequency of flights has helped reduce the average price of flights between the two countries. Business people are able to travel again, and China's recognition of virtual APEC cards from 1 May 2023 and the availability of multi-entry visas will give business travellers more options. A number of companies have resumed bringing their Chinese partners and social media influencers to New Zealand. Visa processing on both sides is ramping up, but all travellers are encouraged to allow ample time for their visa applications.

The re-opened border has also helped strengthen Chinese interest in New Zealand's education offerings and institutional partnerships. China's student market has rapidly moved on from pandemic-related concerns and demand for international education is high. However, competition is also fierce from both traditional English-speaking destinations and Asian destinations gaining popularity.

Market trends and changes to consumer behaviour

In market, the pandemic accelerated a number of trends over the last three years. China's **digital and e-commerce** channels have grown enormously and diversified. Consumers are shifting to 'instant purchase' live streaming influencer sales channels like Douyin (often citing the convenience of being able to ask live questions), and away from mainstream apps or web platforms like Tmall or JD.com, which also have a reputation as being more expensive for product sellers. E-commerce has its drawbacks: companies must essentially pay for views of their products with traditional online vendors, or pay large sums and stockpile inventory for popular live streamers. Margins from live stream sales are usually not particularly high.

There are shifts in the offline retail landscape too. **Big-box retailers**, for example Costco and Sam's Club, are growing in popularity and several Chinese supermarkets such as Hema Fresh and RT Mart are adopting this model. Aldi is an example of a supermarket chain in China that is re-positioning itself from being low-cost towards the premium segment. Smaller retailers were hit hard by the pandemic and China's previous COVID policies, forcing many to close or migrate to exclusively e-commerce.

Chinese consumers are increasingly **health conscious**, often influenced by social media influencer claims. Some New Zealand F&B producers have successfully partnered with local food science institutions to co-create high-value products tailored to the needs and tastes of local consumers. This responsiveness and innovation is likely to become even more necessary.

Environmental sustainability has started to grow in prominence for Chinese consumers helped by the political prominence of the Chinese government's carbon reduction goals. But Chinese consumers continue to place greater importance on the premium quality of a product or how it benefits their health ('why is this good for me?'), over a product's environmental impact ('why is this good for us?'). Successful companies are adept at translating the environmental benefits into consumer-specific benefits.

Chinese F&B brands are increasingly competitive, including at the top end. This is partly explained by the growing sense of '**China pride**' among consumers favouring domestic brands over international ones (or at least not according international brands an undue 'foreign' premium). But it is also because Chinese companies have improved product quality and are investing significantly in understanding local consumer behaviour, and are adept at quickly catering to changing demands. Having the ability to respond quickly to fast-changing habits (at what some term '**China speed**') is important for many, particularly to meet requirements from Chinese clients 'to produce something new' every few months.

Disruption and bifurcation in the financial and digital sectors has intensified, pushing several international banks out of China, and meaning that some companies' mobile apps that work in other markets cannot work in China. The management of intellectual property issues also remains a priority for a number of goods and services exporters.

Logistics wise, China's COVID restrictions along the supply chain have been lifted. Many F&B companies report that logistics on the China end have been smoother since the cancellation of disinfection requirements on cold chain, which saves cost and reduces risks.

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