Opportunities from consumer-based drivers in Asian markets

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Take home message

- There is optimism about Southeast Asian markets, and more generally Asian markets, regarding trends in healthy products and to a lesser extent in the sustainability of products.
- The segments of markets with high incomes are able and willing to pay for higher level product attributes. Within these segments, opportunities exist through targeting products that can use traceable systems to track provenance.
- A key driver that will affect demand for sustainably produced grain in key export markets – prior to a change in consumer's purchasing behaviour – is the shift towards ESG reporting by end users of grain (millers, brewers, food manufacturers, etc) , to meet incoming regulatory requirements and investor pressures.

Aims

The purpose of this study is to identify and analyse trends and the alignment of incentives within:

- Consumer led drivers of grain product consumption patterns
- Claims made on grain food products distributed by Indonesia's and Japan's food companies
- Consumer perceptions of issues relating to convenience, health, ethics, sustainability and safety (CHESS) attributes.

Introduction

Increasingly, the world is looking to build sustainable, ethical, and safe practices into supply chains. This is occurring in many industries including the grain industry, and food industries that utilise grain. One of the drivers in this trend is the growing consumer and investor awareness of the environmental impacts of their consumption and investment decisions, and the need to manage the emissions, resource use and pollution associated with those decisions.

Subsequently consumers are now faced with food products on retail shelves that make many various claims on their packaging regarding attributes that have been built into, or excluded from, the production of that product. However, these products face long value chains, with multiple partners working together to place the products on the shelf. To return value to all the participants in this chain there must be a shared understanding of the trends in consumption and a willingness to invest in preserving these attributes through the chain for the next link.

Food companies are critical in facilitating this process. They are at the forefront of understanding the consumer needs and responding to those needs. They are responsible for the transformation of grain into food products. They are also responsible for transmitting information on consumer trends through value chains.

This report presents findings from a set of analyses on likely movements in the Indonesian and Japanese markets in response to consumer drivers. The drivers investigated in this report include convenience, health, ethics, sustainability, and safety (CHESS). The focus is on wheat products, as wheat is the main grain exported to Indonesia and Japan from Australia.

Method

Market conversations

The key part of the Indonesian analysis was conversations with people in the market, to ground truth the findings from trend analysis and from other research pieces. To undertake this task, the project team held conversations with players in the Indonesian market in a two-week period in May-June 2023.

For the Japanese market, a survey was presented to 71 attendees of an online seminar, with the attendees representing sectors of the Japanese milling industry and relevant government agencies.

Product trends

The labelling trends were derived from data accessed within the Mintel Global New Product Database. This database provides information on new products released into the market, including information on labelling and ingredients. By filtering the data to only include products with wheat, barley, canola, oats and pulses as ingredients, the analysis was able to draw on 30,000 products released into the Indonesian market in the period, and 45,000 in the Japanese market between 2014 and 2023.

Consumer surveys

The data for these sections comes from a panel survey of 1000 consumers in the market. The survey captures data from consumers who are over the age of 18 and with access to the internet. Aside from these characteristics, the respondents are from a wide background within each market, in age, gender, income, location, living situation, employment and education.

Results

The following tables present findings from the sets of analyses in the full report. They combine the analysis from the various sets of data relating to four consumption drivers, being Convenient, Healthy, Ethical and Sustainable. For more information, please contact the author.

Table 1. Key drivers investigated for Indonesia using CHESS method (convenience, health, ethics, sustainability, and safety).

Indonesia
Convenient
Grain food manufacturers are increasing their use of convenience as a marketing hook. This marketing is attractive to the increasingly urbanised population, who are time poor and enjoy higher disposable incomes than previously. There is however a shift towards easy to prepare foods for home consumption. This is a parallel trend to the labelling, where ingredients are marketed as easy to prepare at home.
Healthy
Though there has been a slight increase in the use of healthy labelling during the COVID years, this trend has again flattened following recovery. The use of healthy claims on grain foods is running at about 24%, though this is not capturing the small and medium sized enterprise (SME) market where claims are not used as a driver of demand. The SME segment represents a significant share of the market. The centralised promotion of healthy diets is not currently effective in its health messaging, and as such intermediate processing companies (milling) are cautious when building capacity around provision of healthy grain options (e.g. wholemeal).
Ethical

There is limited utilisation of ethical claims on Indonesian grain foods. Use of claims such as 'plant-based' is increasing though from a very low base, and mostly in smaller product categories, such as snacks that have options to utilise animal-based ingredients, or plant-based alternatives. There is limited use of fair-trade labelling with grain foods.
Sustainable
Use of sustainability labelling is low. While consumers suggest they build personal sustainability values into their purchasing decision, the availability of products that meet these values is limited. The pull through of sustainability characteristics between producer and consumer is hampered by incomplete incentives at the primary processing stages. Government policy settings don't appear to incentivise significant uptake of sustainability initiatives through the grain value chains, especially when extending into the SME sector.

Table 2. Key drivers investigated for Japan using CHESS method (convenience, health, ethics, sustainability, and safety).

Japan
Convenient
Grain foods using convenient claims have increased, though seemingly plateaued. The way food is consumed is stable, with Japanese consumers remaining likely to consume meals cooked from scratch. Participants in the milling industry survey are however optimistic for an increase in the demand for convenient foods. This is not yet reflected in the consumer survey data.
Healthy
Approximately 40% of consumers are selecting food that is healthy, either all the time or most of the time, while 20% of consumers indicate they eat healthily rarely or never. Though, as health food is perceived as expensive, there is somewhat of a barrier to consumption. 'Health' food should in this context be differentiated from healthy food which includes fresh food products. Despite enthusiasm from Japanese milling companies regarding trends in health labelling and effect on consumers' purchasing decisions, actual product numbers utilising health labelling are low relative to the EU and Australia.
Ethical
Limited use of ethical claims in Japanese grain food products. Consumers are unlikely to choose foods based on ethical branding. There is some evidence that the effect of this labelling is decreasing, though given the low density of the labelling, the effect is somewhat unclear.
Sustainable
Use of sustainable claims on grain food products is increasing, though mostly relating to the characteristics of the packaging. There may be opportunities for Australian suppliers of packaged products. The consumer attitudes to sustainability are warm with some support from a minority of respondents, though the majority are only mildly supportive of sustainability initiatives. Processors perceive promotion of sustainability characteristics as less influential on consumers' purchasing decisions, relative to other characteristics.

Conclusions

Indonesia

- The SME food manufacturing sector is a large, fragmented market segment. For the sector to provide products that satisfy higher-level wants and needs (sustainability, health) for consumers in this environment, there must be a clear value proposition, or compliance requirement.
- A large proportion of the Indonesian population is purchasing products that are not differentiated on product attributes (other than flavour), but compete on price within a crowded market, with consumers being mostly concerned for satiety.
- There may be demand for higher level characteristics (environmental, ethical) within large grain-food food manufacturing companies, including the multinationals. However, the capacity to meet this demand is currently hindered by limited use of mechanisms – such as traceability and country of origin systems – that work past the first point of processing.

Japan

- The Japanese market is generally conservative and risk averse, and this must be considered when developing systems that deliver grain with attached CHESS attributes.
- While consumers and manufacturers are increasingly considerate of environmental concerns, the translation into action is not rapid with grain food products. Consumer preferences and product labelling data are slowly aligning with the positive sentiment of the food manufacturers.

General

- In both markets, there is awareness of the shift in policy and investor environment towards public reporting on ESG progress.
- Regulatory and investor pressures will affect grain demand and the need for verifiable sustainability characteristics before consumer pressures become a significant driver.

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