



Final Report

MLA project code:

P.PIP.0549

Prepared By:

Phil Green, Matt Flynn, Sam Beker, Ken Bryan
Greenleaf Enterprises for Thomas Foods
International (TFI)

PUBLISHED BY

Meat and Livestock Australia Limited
Locked Bag 991
NORTH SYDNEY NSW 2059

Feasibility study for Australian Made Ready Meals for Multi Markets

This is an MLA Donor Company funded project.

Meat & Livestock Australia acknowledges the matching funds provided by the Australian Government and contributions from the Australian Meat Processor Corporation to support the research and development detailed in this publication.

This publication is published by Meat & Livestock Australia Limited ABN 39 081 678 364 (MLA). Care is taken to ensure the accuracy of the information contained in this publication. However, MLA cannot accept responsibility for the accuracy or completeness of the information or opinions contained in the publication. You should make your own enquiries before making decisions concerning your interests. Reproduction in whole or in part of this publication is prohibited without prior written consent of MLA.



Executive Summary

Red meat and livestock exports totalled approximately \$13.3 billion in 2016-17.¹ Fresh and frozen meat accounted for 89% (\$11.9 billion) with the remainder being live exports and co-products. Australia is one of the leading exporters in terms of quality and value. Diversifying export markets has promoted competition among these markets and in turn, supported price negotiations. Global demand for red-meat is increasing at 2.1% which appears positive for Australia. However, competition in the international market place is intensifying with many countries seeking to grow their share in higher value markets. The need to enhance market intelligence and find new ways to maintain competitive advantage is increasing.

In contrast, the global prepared meals sector was valued at US\$83.4 billion in 2016 and is forecast to record a CAGR of 3.5% during 2016-2021 to reach US\$99 billion. More interestingly, demand for convenience and prepared meals is growing much faster than this throughout Asia at between 6.4 and 8% (CAGR) for countries Australia has existing market access to, and as much as 9.2% CAGR in countries like China that are yet to grant market access for value added meat products².

Several Australian meat companies have been actively growing their capacity as value added food processors including launch of several further processed meat products, delivered directly to domestic consumers. A recent initiative to build value-adding capability for export markets is a significant opportunity to increase the value of Australian red-meat.

Consumers demand for convenience and nutrition are increasing globally and so too are their expectations of red-meat. As higher value finished products are developed to meet consumer demands, there is an opportunity to shorten the supply chain and create much of that value in Australia where it is more likely to benefit the Australian industry. Recent work shows it is possible to increase profit from value-added meat products by between 2 and 3.5 times that of lesser value chilled and frozen meat cuts depending on the value chain.

This project has the potential to value-add a significant portion of fresh Australian red meat. However, detailed in-market intelligence and consumer insights are required, along with smart business models to support new initiatives like this. There are a few gaps in understanding how best to design a business that will meet the consumers' needs well beyond the next 5-10 years. Identifying where to play and how to win are critical to realising these value opportunities and was the focus of this project.

The main objective of the project was to increase the value of Australian branded red-meat products by creating a new business model that would enable more competitive connection with the end consumer. Ways of increasing the effectiveness of the supply chain through to the end consumer were considered. New delivery models were explored in conjunction with plant and product design. A robust design led method was utilised to uncover new value opportunities, coupled with a process that quantified the profit drivers in each section of the

¹ MLA 2018

² GlobalData 2017

supply chain. This resulted in a business design aimed to deliver new value opportunities while reducing downside risks.

Desktop research was conducted, market data analysed and mega trends in the global food industry were considered. These data sets supported the in-depth market investigation and were used to populate the sales forecasts by product for each country and market segment considering the different business model opportunities. Business cases were developed with sensitivity modelling to identify best business design and to support strategy development to create greater increases in value for Australian red-meat.

This final report provides a summary of the activities undertaken and findings completed.

Contents

Executive Summary	2
1 Background.....	5
2 Objectives	5
2.1 The challenge worth solving	5
2.2 Project Deliverables	6
3 Design led framework for development	7
4 Exploring – Where to Play (The best markets)	9
4.1 Background	9
4.2 High level market assessment method.....	9
4.3 Data Analysis Supporting Market Assessment	12
4.4 High level Market Insights summary	13
5 Focusing - Developing Market Strategies	16
5.1 Design Method	16
5.2 Market, Channel and Product Assessment Methodology	17
5.3 Market Matrix scoring criteria explained	18
5.4 In-depth market assessment.....	20
5.5 Assessing major sales channels within each market	23
5.6 In-depth market channel data capture frameworks	25
6 Design Led Sprint Preparation	27
6.1 Sprint – Methodology	28
6.2 Sprint – Problem Framing	30
7 Consumer Personas.....	31
8 Market Research	32
8.1 Japan Market Analysis	33
8.2 South Korea Market Analysis.....	37
9 Sprint Outcomes.....	39
10 In-market investigation.....	43
10.1 Supply Chain Analysis	43
10.2 Prototyping	43
10.3 Leveraging capabilities across the businesses	43
11 Table of Tables	48
12 Table of Figures	48

1 Background

Thomas Foods International (TFI) has been actively growing their capacity as a fresh food supplier to the world including launch of several value-added meat products, branded fresh meal kits delivered directly to domestic consumers. TFI's recent MOU with Thailand's CP group to build an advanced food processing centre marks a significant opportunity to increase the value added to Australian red-meat.

These types of investments have potential to create value, but there are a few gaps in understanding how best to design a business that will meet the consumers' needs well beyond the next 5-10 years. Identifying where to play and how to win are critical to realising these value opportunities for Australian branded products and was the focus of this project.

TFI's fresh approach in adopting a design led innovation process to explore new delivery models in conjunction with plant and product design could create significant competitive advantage for Australian food processing. A robust design led method was utilised to uncover new value opportunities, coupled with a process that quantified the value chain profit drivers and resulted in a business design that will in turn deliver the new value opportunities.

2 Objectives

This project intended to create value for the Australian red-meat industry through processing lower value cuts in ways that

- remove costs from the supply chain through to the end consumer, and
- by creating new business models that enable more competitive connection with the end consumer.

To achieve this, the project addressed a range of questions including but not limited to the following:

2.1 The challenge worth solving

- What is the unidentified opportunity – how good could this really be?
- What does the consumer really want and where are the market gaps in meeting these needs for Australian branded red-meat products?
- How does this new venture create significantly greater value and competitive advantage than anything the general market will do in the next 5 years?

- Challenging the status quo of what is known and presumed of the future is required.
- What enabling tools, systems or business models could help realise value opportunities?
- What are the implications of these for consumer adoption?
- Designing the business to position for greatest long-term value
- How business and factory design will remain relevant past 10 years while competitively delivering market needs?
 - What gives the flexibility and expandability – how important is equipment flexibility versus processing efficiencies
- How can the combination of raw material inputs and processing technologies be combined to reduce finished COGs while meeting consumer needs, while at the same time, increase existing raw material profit?
- How might all these elements seamlessly fit together?
- What are the unforeseen risks and how best could they be mitigated?

2.2 Project Deliverables

Project outputs describe the future mode of operation aligned to business strategy as well as informed and guided plant and product design and build that will enable focused and effective investment decisions to achieve maximum gain in raw material value.

A knowledge management framework for converting information to insights to investible actions was developed as part of the exploring and focusing process as a TFI resource that will support ongoing business decision making.

The key deliverables are summarised in the following areas:

- High Level Market Assessment report including sections on:
 - Define the existing supply and demand side environments in 3 aspects
 - Consumer insights [customer need - Desirability]
 - Supply chain mapping, logistics and market dynamics [metrics for competitive advantage – Viability]
 - Business models for delivery etc. [Feasibility]
 - Prioritised markets
 - Growth opportunities
 - Competitive activity
 - Potential unique value propositions
 - Short list of best markets for a deep dive analysis
- Initial Process Mapping including sections on:
 - Competitive drivers
 - Product costings
 - Raw material pricing
 - Excel modelling frameworks to begin collection and scenario analysis later in the project

- Focused market assessment of 3 markets
- Design led sprint outcomes including:
 - Identify ways to create competitive advantage and value increases
 - A short list of innovative business models to prototype
- Prototyping and Consumer Insights including:
 - Rapid prototyping and validation of refined propositions
 - Future business model and operation defined to enable design and costing
- Business model and plant design requirements including:
 - Financial and P&L models
 - Plant and equipment design
 - Third party CBA – business case analysis
- Final report which covers:
 - Key findings in a knowledge management framework
 - Final TFI report
 - Brief industry report on ready meal markets

3 Design led framework for development

Social listening that considered growth, volatility, consumer trends and regional demographics, channel strengths and competitive power informed a two-week design-led workshop with key stakeholders, clients and customers.

The basis for applying the sprint methodology was to explore the new partnership and opportunities between the stakeholders; consider consumer driven business opportunities for competitive advantage; identify and explore new opportunities to think differently about meet consumer needs; engage in a highly collaborative way across stakeholders to make sure we get the best product, process and profit results; and create a sustainable business model for the new manufacturing plant.

A two-staged process where we explored (to turn over all options and possibilities for innovative approaches), then focused (to define the specific way value will be created was applied to address all business canvas elements. Two iterations of this process are described in the figure below. The first defined “Where to play” and addressed the challenge in identifying the opportunity spaces that could create the greatest value. Then in the second stage, the testing of prototypes helped define “How to win” in the best playing field including business model design, marketing mix development, capability and systems readiness.

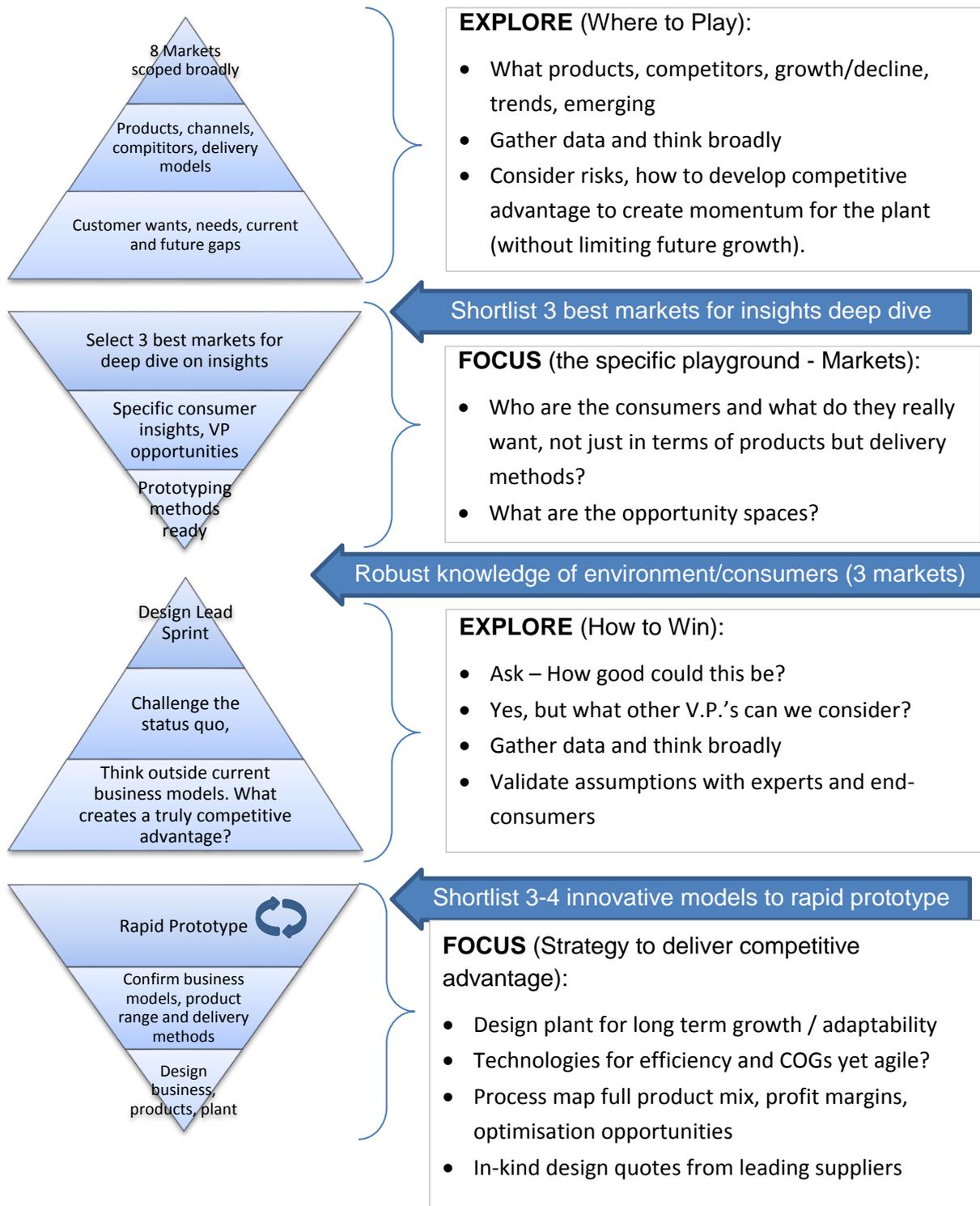


Figure 1: Design Led Framework

4 Exploring – Where to Play (The best markets)

A high-level market assessment was undertaken to determine the best markets to develop winning strategies for.

4.1 Background

The following markets were analysed at a broad level, considering opportunity for growth, current demand, market access and tariff barrier opportunities:

- Japan
- South Korea
- Malaysia
- Singapore
- USA
- Australia
- Hong Kong
- Thailand
- Taiwan
- China
- UK

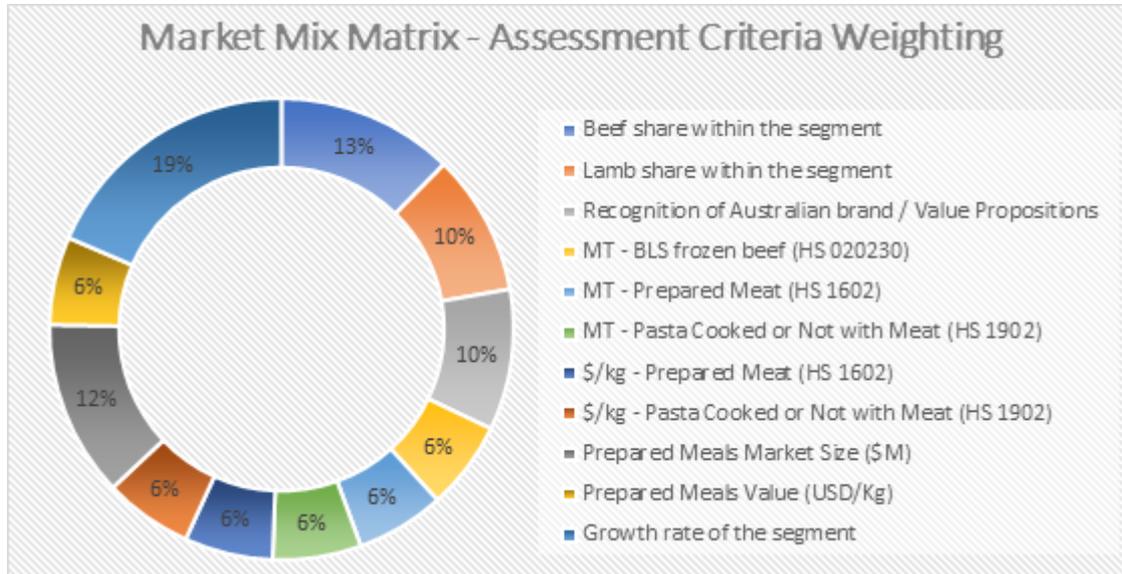
4.2 High level market assessment method

Consumers all over the world make and / or buy value-added meat products. The challenge is firstly knowing which markets represent the greatest opportunity or demand for value added red meat. A high-level review of 8 markets identified Japan, Korea and USA as the best 3 countries to import value added beef and lamb products. An example of the preliminary assessment matrix is included in below. The size of the market, likelihood of generating rapid sales growth, and generating acceptable profit margins were considered at a high level.

Table 1: Preliminary market mix assessment matrix

MARKET	Beef Consumption (MT)			Per Capita Consumption						Prepared Meals (MT)		Prepared Meals (USD M)				Prepared Meals Change in Value (USD/kg)	
	2015	2025	Change	Beef	Pork	Chicken	Lamb	Beef Share	Lamb Share	2016	2021	2016	2021	2016	2021	2016	2021
USA	7,963,341	9,367,319	17.6%	24.7	22.7	47.6	0.4	26%	0.4%	2,499,252	2,711,772	\$ 19,426	\$ 21,551	\$ 7.77	\$ 7.95		
China	5,252,924	6,479,855	23.4%	3.8	31.6	11.6	3.0	8%	5.9%	247,900	334,600	\$ 1,448	\$ 2,249	\$ 5.84	\$ 6.72		
Japan	847,311	812,426	-4.1%	6.7	15.0	13.6	0.2	19%	0.4%	1,599,500	1,905,100	\$ 18,081	\$ 24,632	\$ 11.30	\$ 12.93		
Australia	546,517	670,383	22.7%	22.8	20.3	42.0	7.4	25%	8.0%	95,200	114,700	\$ 1,015	\$ 1,296	\$ 10.66	\$ 11.30		
Korea	484,754	569,809	17.5%	9.6	28.4	14.2	0.2	18%	0.3%	8,600	11,300	\$ 160	\$ 224	\$ 18.57	\$ 19.81		
Malaysia	172,919	228,985	32.4%	5.7	6.2	29.2	0.8	14%	2.0%	4,200	4,900	\$ 29	\$ 41	\$ 6.86	\$ 8.33		
Thailand	118,983	133,515	12.2%	1.8	7.7	3.2	0.0	14%	0.3%	10,900	15,500	\$ 164	\$ 241	\$ 15.06	\$ 15.54		
Hong Kong	381,003	-	-	21.6	37.4	38.2	2.9	22%	2.9%	8,200	9,900	\$ 84	\$ 107	\$ 10.28	\$ 10.79		
Singapore	35,000	-	-	1.0	18.0	32.0	2.0	2%	3.8%	2,100	2,500	\$ 33	\$ 41	\$ 15.48	\$ 16.24		
EU	3,996,610	3,913,140	-	7.9	20.9	13.7	1.2	18%	2.7%	8,200	9,900	\$ 84	\$ 107	\$ 10.28	\$ 10.79		
Indonesia	652,500	-	-	0.50	0.70	1.70	0.10	17%	3.3%	1,200	1,600	\$ 5	\$ 6	\$ 4.17	\$ 4.00		

The following criteria were considered in a market matrix to prioritise market opportunities to be validated later in the project. Each criterion was assigned a weighting relative to one another; therefore, when the importance of one criterion changed, the rest of the criteria was adjusted accordingly. Each criterion has been listed in priority below and in Figure 2 **Error! Reference source not found.**



Criteria 1: Growth rate of the segment (19%)

Criteria 2: Beef share within the segment (13%)

Criteria 3: Prepared Meals Market Size (\$M) (12%)

Criteria 4a: Lamb share within the segment (10%)

Criteria 4b: Recognition of Australian brand / Value Propositions (10%)

Criteria 5a: MT – BLS frozen beef (HS 020230) (6%)

Criteria 5b: MT – Prepared Meat (HS 1602) (6%)

Criteria 5c: MT – Pasta Cooked or Not with Meat (HS 1902) (6%)

Criteria 5d: \$/kg – Prepared Meat (HS 1602) (6%)

Criteria 5e: \$/kg – Pasta Cooked or Not with Meat (HS 1902) (6%)

Criteria 5f: Prepared Meals Value (USD/kg) (6%)

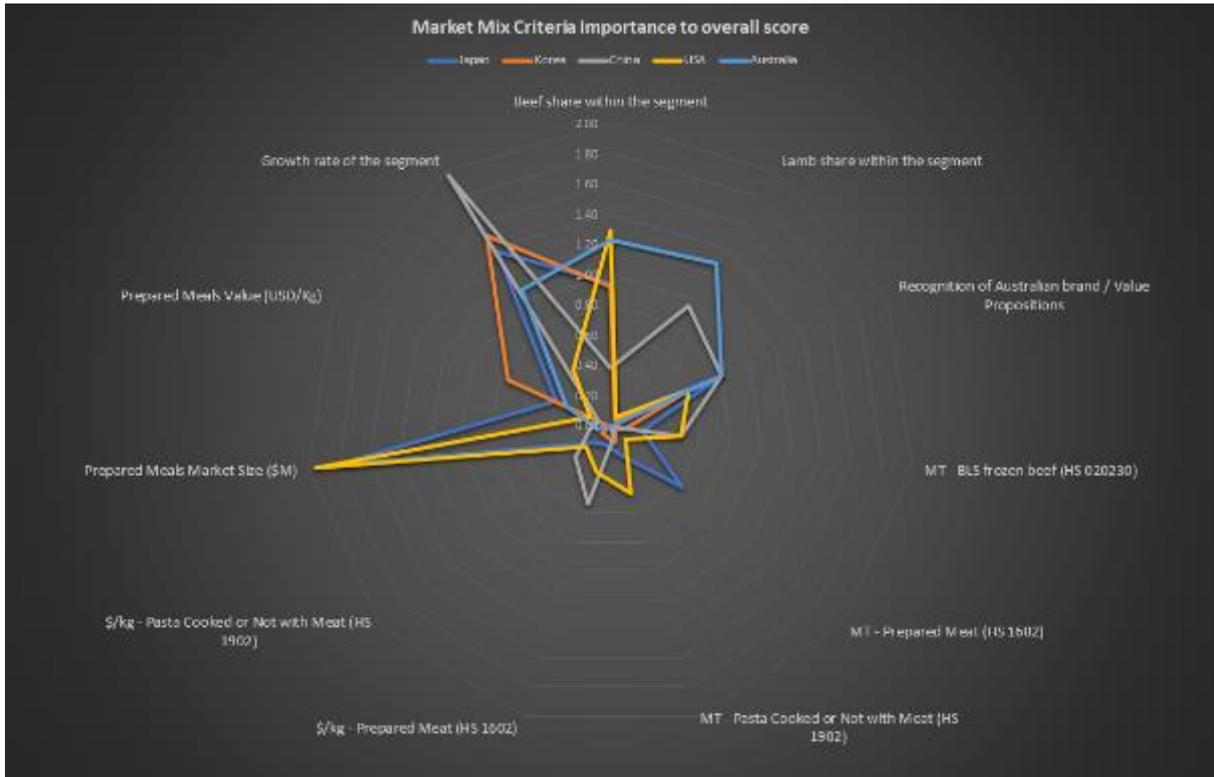


Figure 2: Market mix criteria importance to overall score

The Market Mix Criteria above shows the top five markets based on market size, attractiveness and market access. These markets are Japan, Korea, China, the USA and Australia.

The USA has the largest market size for prepared meals, followed by Japan. China has the largest growth rate followed by Korea and Japan. The USA also has the largest beef share within the segment, followed by Australia and Korea and Japan.

Recognition of the Australian clean and green value proposition is more prevalent in China, indicating less of an awareness in the USA and Korea.

The value of prepared meals is highest in Korea, followed by Japan, Australia and then the USA.

4.3 Data Analysis Supporting Market Assessment

The business strategy chosen considered all three criteria of desirability, viability and feasibility. These criteria have been addressed in the later sections.

The method used to assess each market, channel and product grouping relied on multiple activities and data sets to triangulate the summary data presented in the report. The approach is summarised in below.

Global Product databases such as Mintel's Innova Market Insights Database were used to review all retail product launches by country.

Meat content was estimated from detailed product packaging descriptions for retail products launched in each country and supported product costings and comparative pricing.

Web searches were used to cross examine products listed in the Mintel product database and to assess consumer reviews of products for persona development.

Country data sets were referenced for market size, company size and market share estimates.

E-mail communication was made directly commercial companies in different parts of the supply chain in each market to understand the market from their perspective as one of the top 5 manufacturers and Prepared Meals brands.

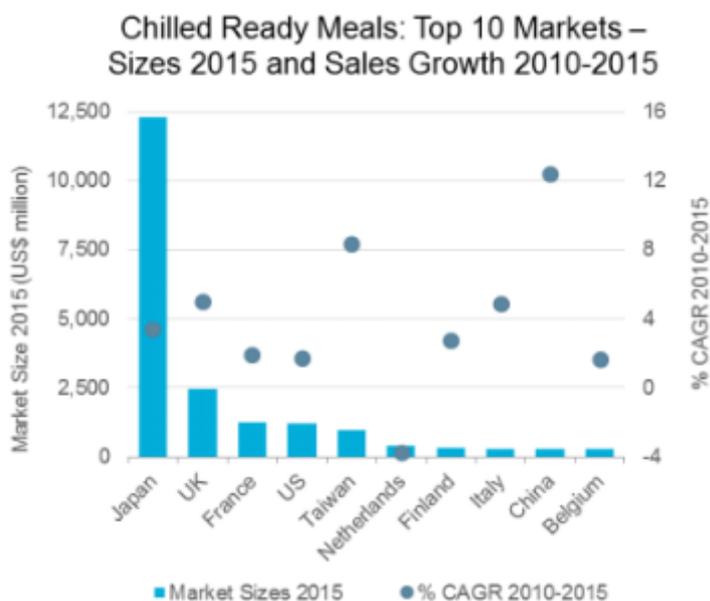
Market research reports considering, country, channel, consumer and product supported the summary results.



Figure 3: Multiple data source triangulation method used to assess each market and channel

4.4 High level Market Insights summary

Apparent growth opportunities - In both chilled and frozen ready meals, the 10 largest markets are strongly dominated by developed markets, although the highest growth rates between 2010 and 2015 were recorded in emerging markets. In chilled ready meals, the two largest markets in Asia after Japan – Taiwan and China – recorded the strongest growth among the top 10 markets. In all three markets, growth was supported by **greater availability at convenience stores**. Among developed markets, the US has the world’s highest unmet market potential for chilled ready meals, which may be achieved mostly through **encroaching on adjacent categories**, but also by **increasing the assortment at convenience stores**. However:



Growth does not guarantee profit. How the competition operates needs to be considered.

Competition quantified - Due to the low scope of product differentiation, the global ready meals market is characterized by highly competitive rivalry. Companies are investing large capital in research and development to launch innovative products to stay ahead in the market. Some of the leading players in the market are Bakkavor Foods Ltd., ConAgra, Greencore Group Plc., JH Heinz Company Ltd., Nestle, Northern Food Ltd., Kerry Foods Ltd., and Premier Foods Group Ltd.

Balancing premiumisation and cost controls with view towards long-term geographic growth - In developed markets, private label dominance and intense price battles require strong cost discipline, which potentially undermines innovation and premiumisation efforts. Smaller portions and close partnerships with players operating in adjacent categories, notably sauces, dressings and condiments, can help balance innovation and cost controls. Smaller portions may also help target emerging markets through greater affordability.

Distribution has been predominately via retail channels, but alternative distribution strategies are emerging and re-defining where to play across a range of channels.

Foodservice competition - encourages shift towards premium and “authentic” ranges. Reaching the unmet market potential in ready meals, involves tapping into foodservice demand, notably by competing against takeaways. This is encouraging manufacturers to develop more premium ranges, mirror ethnic food trends, and seek collaborations with foodservice chains or celebrity chefs. This also feeds demand for more “authentic” and regional recipes, and for greater ingredient traceability. Ready meals seek to target healthy snacking and on-the-go consumption. Responding to the increasing overlap between snacking occasions and meals in eating habits, especially among young adults, manufacturers seek to adapt their offer with ready meals suitable for on-the-go consumption and are responding to the rise in demand for more nutritious and healthier snacks.

This allows the targeting of economically active adults who lack time or money to buy from foodservice, and the elderly.

Offering more sophisticated dinner kits (with components from a value-add plant) could also help target consumers who cook from scratch and might add more value and flexibility to TFI's total business than a single range of ready meals.

During this broad scanning process, these consumer considerations will inform product formulations, ease of use and package size. For example, consumers today prefer small quantity of ready meals rather than conventional large meals. This has fuelled the demand for bite-sized on-the-go or ready-to-eat meals. This has pushed manufacturers to innovate and develop new ready-to-eat food products, which are better in taste and offer numerous health benefits.

Free-from, organic and vegetarian ready meals are outperforming overall ready meals sales in the US and Western Europe. Some US organic brands are making inroads following their acquisition by major global food companies, enabling them to reach wider distribution, while retailers focus on organic private label ranges.

Online grocery shopping - although still emerging, now occupies a sizeable chunk of the retail landscape in several markets. South Korea, China and the United Kingdom lead the way, with 10%, 6% and 6% of grocery sales going through online platforms in 2015. Of note is the rise of China, with sales via internet retailing leaping by 5 percentage points between 2010 and 2015 with forecast growth to 9% by 2019. However, there is limited opportunity in many markets with internet retailing growth estimated to remain around 3-4% of total grocery shopping. What this means at a base level is of some interest, however:

The real value in this exercise will be identifying new opportunities to meet the customers' needs and the positive and negative impact for TFI.

For example, the Chinese online retailer Alibaba Groups Taobao Marketplace and Tmall.com have teamed up with vendors, farms and logistics providers to offer its users wide access to fresh produce with the guarantee of speedy delivery. Alibaba Group's group-buying platform, Juhuasuan, launched a program where urban residents rent spare plots of land from farmers to grow produce of their choice.

Converting information into strategic insights - These observations provide insights about new value propositions for the consumer that go beyond the ready meal itself to deeper drivers of consumer engagement.

These less obvious consumer insights in the initial scoping will provide the backdrop to a design led sprint around new business models by which TFI could create competitive value.

The following activities were conducted, considering the unique capabilities of the business stakeholders:

- Gathering background information and materials that defined the existing supply and demand side environments
- Market growth drivers
- Data including competitor activity, barriers to entry such as technical market access, tariffs, and labelling requirements
- Factors limiting market growth
- Current market trends
- Market structure
- Market projections for the coming years
- In-market brands/manufacturers
- Product range and pricing
- Distributors and channel management approaches such as retail, convenience store, on-line/home delivery
- Potential unique value propositions

5 Focusing - Developing Market Strategies

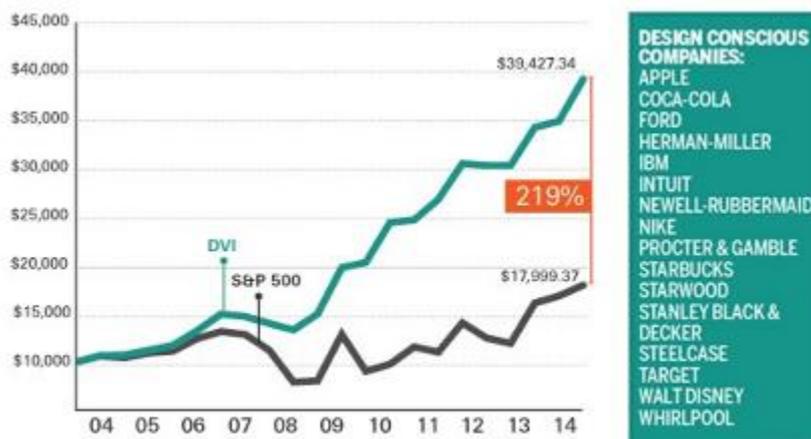
A preliminary country/market assessment for value added meat and short-listed Japan, USA, Korea, Australia and Hong Kong as the top 5 markets based on the combination of criteria for both market attractiveness and market access was undertaken. Factors such as growth rate of the segment, beef share within the segment, prepared meals market size, and lamb share within the segment were considered as criteria relevant to the overall score. Those factors on their own were not enough to decide final sales channels within markets, the types of consumers accessing those channels and the types of products the consumer would want from the new Australian manufacturing plant.

More detailed information was required from an in-depth market assessment that drilled into specific channels and customer behaviours to identify the best market entry options. Support tools were therefore developed to capture and analyse the new data specific to each market. This information then supported outcomes arising from the design led sprint and during prototyping

5.1 Design Method

The research undertaken, the assessment tools used, and the detailed market research captured using these tools helped explore the best ways of creating new value and competitive advantage. The general approach and context for the tools is described here.

Design led thinking methods start with understanding the end consumers' needs and expectations, and the pains and rewards the customer experiences in meeting those needs. Understanding these drivers of buying behaviour combined with creativity in crafting a strategy to best meet the consumers' needs can create higher value, and a competitive advantage for the company. Figure 4 demonstrates the significant value created by companies that have effectively applied design led approaches.



The Design Value Index Study shows 10 year returns yielding 2.19 times (219%) that of the S&P 500

Figure 4: Evidence that design led thinking approaches create significantly more value

Understanding consumer behaviour helps consider more than just the products they buy. How they buy, where they buy, how often and for what purposes helps innovate beyond product alone. For example, producing frozen beef croquets, may be a big market now and may seem like the fastest way of getting sales. But consumers in the USA are moving away from high energy and high sodium dinner products to healthier product options.

Knowing the market is on the decline and a “me too...” product and that younger consumers are looking for snacking options purchased throughout the day, could shift the product focus as well as the distribution and sales channel from traditional retail channels to healthy single serve snacks distributed through convenience stores. There are opportunities to create new value in how to connect to the consumer as much as the product itself.

Innovating beyond the product considers the entire value chain and all the different ways that a competitive advantage in servicing the customer could be achieved (Figure 5).



Figure 5: Strategically combining key innovations along the chain will create greater competitive advantage

Tools used to assess each section of the value chain were used to support decision making about how best to identify and capture new value. Strategies were refined as more insights were gathered throughout the project.

The method for each tool is described in the following sections.

5.2 Market, Channel and Product Assessment Methodology

The general method for assessment of each market and framework of the Market Mix Assessment matrix is described here.

Desirability of the market refers to the market attractiveness in terms of the economics of the following market factors:

- *Protein Base*: For example, does the market consume much red meat? Do they produce it domestically or do they import it? Is consumption increasing or decreasing?
- *Prepared Meals*: Is value-adding and convenience well developed? What portion of the total protein base is value added? Is this increasing or decreasing?

Likelihood of access refers to the ability to supply the market in terms of:

- *Market Access*: that allows Australian companies to export to the market. Some markets have FTA's in place but have not provided export plant registration to allow export. This is the current situation with Value-added meats from Australia to China.
- *Market Access Advantage*: considers the tariff implications for export and whether these create an advantage or disadvantage. For example, export of raw beef to Korea receives a higher tariff than value added meats. This creates a pricing advantage for value adding in terms of tariff pricing.

Feasibility refers to a wide range of factors that consider how well an Australian value-added could compete in a market including:

- *Market Stability*: How dynamic or fast moving the market is in terms of competitor activity.
- *Product Attractiveness*: How well Australian value-propositions can meet a need and create a point of difference with the consumers.
- *Competitive Advantage*: What attributes the plant and its supply chain have that create a competitive advantage and how significant that advantage is.

These factors are wide ranging as they consider factors across the entire value chain.

Strategic Alignment considered the factors that are important to the investors. Even if the business model is less than optimum it may achieve an overarching strategic objective that ranks the strategy much higher than the other factors.

5.3 Market Matrix scoring criteria explained

Scoring criteria in the centre of

Table 2 set limits for each factor in the left of the table considering high, medium and low scoring criteria based on a 10-point measurement system.

Analysis Data in the Data column to the right of centre includes the raw data for each measurement factor for the specific market. The example in the table is data for Japan.

Base Score is calculated by considering where the factor specific data ranks against the high, medium and low range on the Scoring Criteria.

Weighting is a manual input that estimates the importance of a specific factor relative to all other factors. As examples:

- Identifying the best markets that sell both beef and lamb may be considered critical and receive a higher weighting.
- In country price of value-added meals may not be as critical (and receive a lower weighting) if a low cost of production at the factory is a strong competitive advantage.
- A strategic focus may be to sell only through existing sales channels to strength of existing channels will get a higher weighting. Alternatively, development of a new global sales team at the factory would reduce the importance of strong existing channels.

Each criterion was assigned a weighting relative to one another. Should the importance of one criterion change, the rest of the criteria was adjusted accordingly as a portion of the total (rather than total all weightings to 100%).

Rank of Importance is a simple multiplication of the Base Score by the Weighting, then aggregated to give a total value for each group of factors. Note that Market Access factors are conditional as well as additive. If Market Access is not possible the score is automatically Zero. If market access is possible, then the remaining tariff considerations are cumulative.

This Matrix Mix process does not replace gut feel and intuition. Rather, it supports managers strategic conversations.

As a tool, the matrix allowed different business priorities to be assessed more easily relative to a lot of different market information and data.

This Market framework tool was integrated into the business modelling, P&L / Balance sheet, and business planning processes for the new factory/business.

Table 2: Market matrix to determine best markets for export

P.PIP.0549 Feasibility study for Australian Made Ready Meals for Multi Markets
Milestone 8 Final Report

Factor	Scoring Criteria			Japan			
	10	5	0	Total Ready Meals			
				Data	Base Score	Weighting	Rank of Importance
DESIRABLE						0.81	6.71
Market Attractiveness						0.81	6.71
Protein Base							
Market Size (MT) 2015	5,000,000	2,500,000	100,000	847,311	1.5	0.00	0.00
Per Capita Consumption							
Beef				6.7			
Pork				15.0			
Chicken				13.6			
Lamb				0.2			
Beef share within the segment	20%	15%	0%	19%	9.4	0.10	0.94
Lamb share within the segment	5%	3%	0%	0.4%	0.9	0.08	0.07
Recognition of Australian brand / Value Propositions	High	Medium	Low		10	0.08	0.80
Country Import History							
MT - BLS frozen beef (HS 020230)	500,000	300,000	100,000	272,858	4.3	0.05	0.22
Sausages, Similar Products (HS 160100)	100,000	50,000	-	34,116	3.4	0.00	0.00
MT - Prepared Meat (HS 1602)	500,000	250,000	-	619,278	12.4	0.05	0.62
MT - Pasta Cooked or Not with Meat (HS 1902)	500,000	250,000	-	190,879	3.8	0.05	0.19
BLS frozen beef (HS 020230)				\$ 3.63		0.00	0.00
Sausages, Similar Products (HS 160100)				\$ 4.96		0.00	0.00
\$/kg - Prepared Meat (HS 1602)	\$ 8.00	\$ 5.50	\$ 3.00	\$ 4.24	2.5	0.05	0.12
\$/kg - Pasta Cooked or Not with Meat (HS 1902)	\$ 3.00	\$ 2.00	\$ 1.00	\$ 1.64	3.2	0.05	0.16
Prepared Meals							
Prepared Meals Market Size (\$M)	10,000	5,000	100	\$ 18,081	18.2	0.10	1.82
Prepared Meals Value (USD/Kg)	\$ 15.00	\$ 10.00	\$ 5.00	\$ 12.93	7.9	0.05	0.40
Growth rate of the segment	7%	4%	0.0%	6.4%	9.1	0.15	1.37
Potential Market Opportunity (% of market / protein)							
LIKELY							7.55
Market Access						0.50	10.00
Beef Market access (Yes / No)	Yes	Pending	No			Yes	1.00
Lamb Market access (Yes / No)	Yes	Pending	No			Yes	1.00
Reliability of market access	Consistent	Can change	Un-reliable		10	0.50	5.00
Prepared Meals							
Market Access Advantage (over raw imports/other country)	High	Medium	Low			0.50	5.10
BLS frozen beef (HS 020230)	10%	7%	0.0%	27.2%			0.00
Sausages, Similar Products (HS 160100)				8.0%	19.2	0.00	0.00
Prepared Meat (HS 1602)				17.0%	10.2	0.50	5.10
Pasta Cooked or Not with Meat (HS 1902)				0.0%	27.2	0.00	0.00
INVESTABLE							0.00
Market Stability						0.30	0.00
Product Attractiveness						0.35	0.00
Competitive Advantage						0.25	0.00
Strategic Alignment						0.00	0.00
Other						0.00	0.00
TOTAL COUNTRY SCORE						1.91	14.26

5.4 In-depth market assessment

An in-depth understanding of 3 markets was undertaken. This section describes the frameworks that were used and considered the following broad attribute groupings:

- Market Stability,
- Product Attractiveness, and
- Competitive Advantage.

A description of each criteria within these groupings is described below.

Market Stability refers to how dynamic or fast moving the market is in terms of competitor activity including:

- *Vulnerability*: Considers at a high level the stability of a market, how long it has been developed for, political unrest and company challenges in doing business there.
- *Cyclical*: A **cyclical** market is sensitive to short-term market trends prompted by seasonal or cyclical business conditions, such that demand for products fluctuates significantly enough to impact product revenues.
- *Ease of Manufacture*: Considers complexity of the processing equipment and the agility of equipment to manufacture different products.
- *Time to Market*: Considers the time from initial product development and customer development to commercial sales.
 - For example, Japanese customers and products take a longer time to develop relative to USA. This is important considering time required to build and fill a new factory.
 - However, CPF own a large shareholding in Itochu and Family Mart in Japan. That creates a significant competitive advantage over stand-alone competitors. This is a good example of how the interactions between factors helps discussions in Milestone 5, 6 and 7 to determine the best strategies.
- *Access to Sales Channels*: Considers complexity of the processing equipment and the agility that equipment must manufacture different products.
- *Competitive Intensity*: Describes the number of other manufacturers and considers to an extent their aggressiveness and capability in gaining market share.
- *Customer Loyalty*: Considers whether the customer is willing to develop longer term relationships (which usually enables collaborative product development benefiting both parties) or is focused on more transactional pricing with short term contracts or spot buying.

Product Attractiveness refers to how well Australian value-propositions can meet a need and create a point of difference with the consumers including:

- *Product Life Cycle*: Considers rate of new product launch or product churn. This is like the Cyclical factor under market stability but focuses on the product groups within the overarching market.
- *Tangible Benefits to User*: How desirable are the products to the user and what is their willingness to pay? Is this a staple product like rice or milk or a special occasion item?
- *Attainable market share*: Considering the tangible benefits to the user, what portion of the shopping basket is this likely to capture as a product group?
- *Competitive capability*: Considers how the products tangible benefits are significantly different to competitive products, potentially resulting in increased sales and/or margin.
- *Product uniqueness*: Ability to create a competitive advantage with this product.
- *Market Fit*: Product meets existing market need or market can be easily developed.

- *Capital and human capability barriers to entry*: Considers what significant capabilities are required to successfully support these products. If high, this may be a competitive advantage in the next section if the company has those capabilities, but if low would have low barriers to entry.

Competitive Advantage refers to the attributes the plant and its supply chain have that create a competitive advantage and how significant that advantage is including:

- *Lowest Cost (link to customer loyalty)*: Links to competitive intensity and Customer loyalty for e.g.
- *Fastest Development turnaround*: Links to Cyclicality and Product Life Cycle for e.g.
- *Strongest Customer Relationship*: Links to customer loyalty for e.g.
- *Most Innovative products*: Links to Competitive Intensity for e.g.
- *Most Flexibility for new products*: Links to Ease of Manufacture for e.g.
- *Supply Chain Innovation*: Links to attainable market share for e.g. The degree of competitive advantage created by the way the sectors of the supply chain are connected from supply to end consumer.
 - This could include vertical integration, partnerships, second and third tier plant investment to create greater value.
 - For example, CPF UK investment in an assembly plant near UK retailers allows partially cooked chicken from Thailand to be further processed in market as a broader range of continually changing, chilled, short shelf life products.

Table 3: Market mix criteria used to consider competitive drivers within priority markets

Factor	Scoring Criteria		
	10	5	0
DESIRABLE			
Market Attractiveness			
Protein Base			
Prepared Meals			
LIKELY			
Market Access			
Market Access Advantage (over raw imports/other country's	High	Medium	Low
FEASIBLE			
Market Stability			
Vulnerability	Low	Medium	High
Cyclical	Low	Medium	High
Ease of Manufacture	High	Medium	Low
Time to Market	<6 months	6-12 mths	>12 mths
Access to Sales Channels	High	Medium	Low
Competitive Intensity	High	Medium	Low
Customer Loyalty	High	Medium	Low
Product Attractiveness			
Product Life Cycle	>2 years	1-2 years	<1 year
Tangible Benefits to User	High	Medium	Low
Attainable market share	High	Medium	Low
Competitive capability	High	Medium	Low
Can achieve a competitive advantage with this product	High	Medium	Low
Product meets existing market need or market easily develop	High	Medium	Low
Capital and Human Resource Investment to serve the segmer	High	Medium	Low
Competitive Advantage			
Lowest Cost (link to customer loyalty)	High	Medium	Low
Fastest Development Turn around	High	Medium	Low
Strongest Customer Relationship	High	Medium	Low
Most Innovative products	High	Medium	Low
Most Flexibility for new products	High	Medium	Low
Strategic Alignment			
Market Fits business unit & enterprise strategy	High	Medium	Low
Market leverages core competencies: mktg, tech, mfctg	High	Medium	Low
Market supports balance among BU's, region & pdct lines	High	Medium	Low
Other			
TOTAL COUNTRY SCORE			

Factor Groups

Market Feasibility Factors built into the framework.

5.5 Assessing major sales channels within each market

Markets were identified that present the greatest opportunity for value-added red-meat products. An in-depth analysis of the key sales channels within each of those markets was then undertaken. The factors described for the in-depth analysis included:

- Retail channel;
- Foodservice channel; and
- Convenience Store Chains

Each sector is quite different for most factors in the supply chain and reflects different processing requirements, distribution and sales channels and business models. Differences in end consumers buying behaviors, customers buying behaviors along the supply chain, the specific products and packaging, as well as food technology requirements such as chilled versus frozen were also considered.

The data collected then allowed specific product viability to be investigated.

Table 4: Sales Channel Analysis within market

Factor	Scoring Criteria			Japan		
	10	5	0	Retail Rank of Importance	Foodservice Rank of Importance	CVS Rank of Importance
Market Access				0	0	0
Beef Market access (Yes / No)	Yes	Pending	No	1	0.5	0.5
Lamb Market access (Yes / No)	Yes	Pending	No	1	0.5	0.5
Market Access Advantage (over raw imports/other country's)	High	Medium	Low	0	0	0
Reliability of market access	Consistent	Can change	Un-reliable	0	0	0
Market Attractiveness				0	9.3	0
Market Size (\$)				0	0.5	0
Market Size (MT)				0	0.4	0
Beef share within the segment	>20%	10-20%	<10%	0	0.4	0
Lamb share within the segment	>20%	10-20%	<10%	0	0.2	0
Growth rate of the segment	10%	5-9%	<5%	0	0.35	0
Competitive Intensity	Low	Medium	High	0	0.2	0
Channel Profitability	>15%	7.5-15%	<7.5%	0	0.25	0
Market Stability				0	5.1	0
Vulnerability	Low	Medium	High	0	0.3	0
Cyclical	Low	Medium	High	0	0.1	0
Ease of Manufacture	High	Medium	Low	0	0.45	0
Time to Market	<6 months	6-12 mths	>12 mths	0	0.15	0
Access to Sales Channels	High	Medium	Low	0	0.5	0
Customer Loyalty	High	Medium	Low	0	0.4	0
Product Attractiveness				0	2.35	0
Product Life Cycle	>2 years	1-2 years	<1 year	0	0.1	0
Tangible Benefits to User	High	Medium	Low	0	0.4	0
Attainable market share	High	Medium	Low	0	0.35	0
Competitive capability	High	Medium	Low	0	0.45	0
Can achieve a competitive advantage with this product	High	Medium	Low	0	0.35	0
Product meets existing market need or market easily developed	High	Medium	Low	0	0.35	0
Capital and Human Resource Investment to serve the segment	High	Medium	Low	0	0.35	0
Competitive Advantage				0	1.35	0
Lowest Cost (link to customer loyalty)				0	0.25	0
Fastest Development Turn around				0	0.25	0
Strongest Customer Relationship				0	0.35	0
Most Innovative products				0	0.25	0
Most Flexibility for new products				0	0.25	0
Strategic Alignment				0.25	1.05	0.25
Market Fits business unit & enterprise strategy	High	Medium	Low	0.25	0.25	0.25
Market leverages core competencies: mktg, tech, mfg	High	Medium	Low	0	0.35	0
Market supports balance among BU's, region & pdct lines	High	Medium	Low	0	0.45	0
				0	0	0
				0	0	0
Other				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0.25	10.81	0.25

5.6 In-depth market channel data capture frameworks

The following framework mapped each market channel within individual countries. The data required for in-depth market analysis includes the size of each market channel as a share of total food consumption, major customers within each channel, volume and price range for each product type by species for each channel and where possible, by customer outlet.

Table 5: Market analysis framework to support in-depth analysis of priority markets by sales channel and specific products

12															Pre-prepared meal Products - (for 1)			
13	UK	Channel	Type of Company	Company	Product Description	Brand	Sales Price (\$/kg with currency conversion to	Other description	No Chick en Listin	Chicken Price Range	Chick en Avera	No Pork Listin	Pork Price Range	Pork Avera ge Price	No Beef Listin	Beef Price Range	Beef Avera ge Price	No Lamb Listin
14		TOTAL MKT Size																
15		Retail	Super/Hypermarket															
16		1	Supermarkets	Tesco					82	£1 - £7.00	£3.50	105	£0.89 - £11	£5.50	46	£1.00 - £ 8.00	£3.50	13
17		2	Supermarkets	Sainsburys					99	£1.00 - £10.00	£3.60	4	£1.50 - £3.25	£2.50	35	£1.00 - £6.00	£3.10	8
18		3	Supermarkets	Asda					205	£0.95 - £10	£3.00	10	£0.95 - £6	£2.75	58	£0.95 - £9	£2.80	14
19		4	Supermarkets	Morrisons					166	£1.00 - £7.50	£3.00	22	£1.40 - £4.00	£2.80	54	£1 - £8	£2.80	8
20		5	Supermarkets	Co-op														
21		6	Supermarkets	Marks and Spencer														
22		7	Hypermarket	Booker														
23		8	Supermarkets	Waitrose					132	£1.99 - £3.99	£5	9	£2.99 - £5.99	£4.50	16	£2.35 - £8.99	£4.00	34
24		9	Supermarkets	Aldi														
25		10	Supermarkets	Lidl														
26		11	Supermarkets															
27			Total															
28		FS																
29		1	FSR	Punch Taverns														
30		2	FSR	McDonalds														

Uncooked/Fresh Meat Products													
Chicken Average	No Pork Listings	Pork Price Range	Pork Average Price	No Beef Listings	Beef Price Range	Beef Average Price	No Lamb Listings	Lamb Price Range	Lamb Average Price	No Seafood Listings	Seafood Price Range	Seafood Average	
£ 5.00	107	£0.89 - £11.02	£4.70	88	£1.00 - £26.00	£ 6.70	228	£0.60 - £9.00	£4.20	137	£0.75 - £10.50	£4.00	
£ 5.25	132	£1.00 - £12.50	£4.25	89	£1.00 - £36.00	£6.00	49	£2.00 - £28.00	£6.25	165	£1.25 - £20.50	£3.90	
£ 4.50	107	£0.30 - £6.80	£3.20	103	£1.10 - £41.18	£4.20	33	£1.09 - £14.68	£3.90	113	£0.50 - £12	£3.80	
£4.00	63	£1.06 - £4.08	£2.50	52	£1.86 - 7.84	£4.00	28	£1.56 - £16.68	£5.50	158	£0.88 - £5.43	£2.20	
£6	162	£1.20 - £17.58	£4.85	112	£1.69 - £49.99	£7.50	84	£1.99 - £30.99	£7.00	214	£0.69 - £125	£5.00	

These outputs supported the business planning, market entry strategies and product development and pricing strategies and included data such as:

- What brands, how aggressive is the competition, what is a point of difference for TFI
- Narrow down the markets and the channels to test in detail after the workshop (Sprint)

6 Design Led Sprint Preparation

The 2-week Design Led Sprint included a mix of experts along the value chain with the most experience to offer in not only product knowledge, but those who have a good understanding of distribution channels and a solid relationship with their buyers.

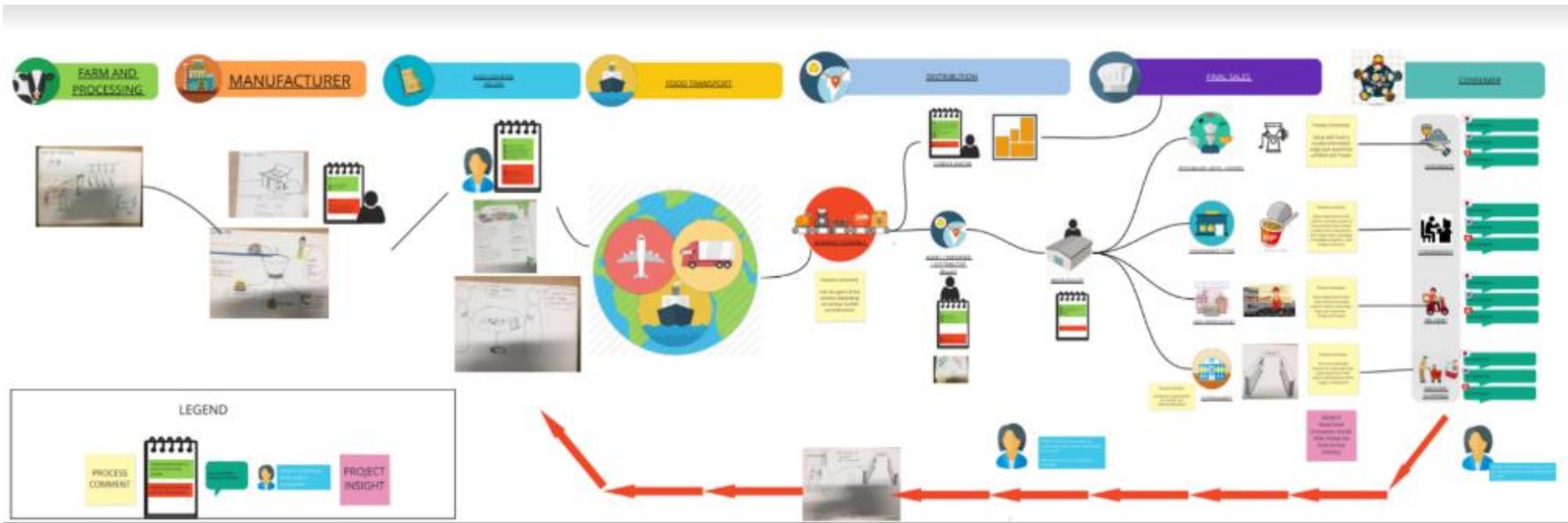


Figure 6: Value Chain Analysis in preparation for a Sprint Exercise Session



Figure 7: Sketching the Value Chain Analysis in preparation for the Sprint Exercise on Day 1

6.1 Sprint – Methodology



The basis for running a sprint is to explore the new partnership and opportunities; identify and explore new opportunities to think differently about what we could offer; engage in a highly collaborative way across stakeholders to **make sure we get the best product, process and profit results**; and create a sustainable business model for the new company.

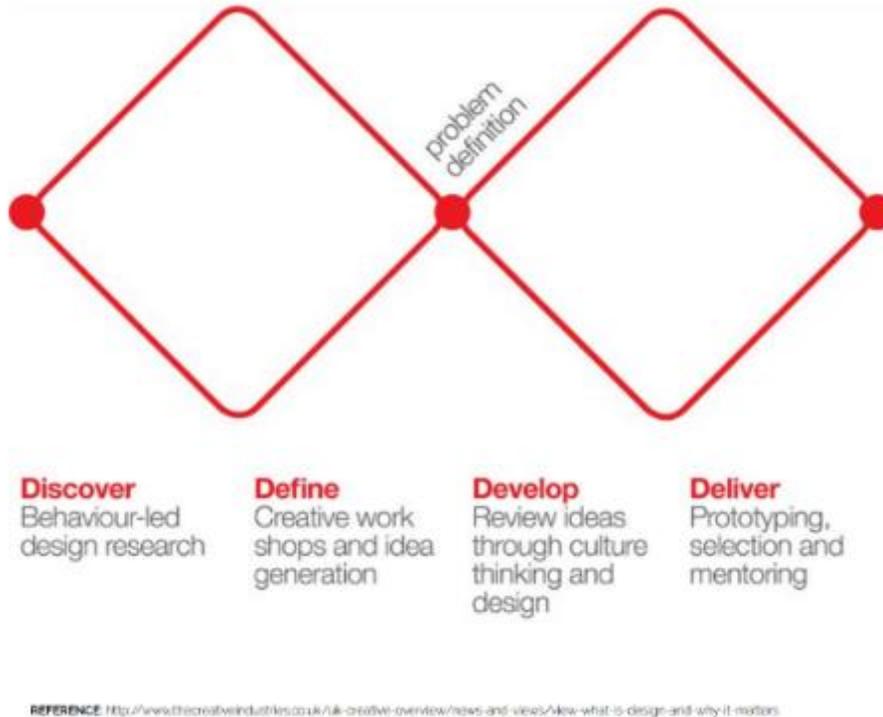


Figure 8: Double Diamond Methodology

The above model illustrates the 'double diamond' approach to Design Led Ideation. In all creative processes, many possible ideas are created (which is divergent thinking) before refining them and narrowing them down to the best possible idea (which is convergent thinking). As illustrated by the double diamond, this process happens twice. To discover which ideas are best, the creative process is iterative, meaning that we will develop ideas, test them and refine them several times.

Both divergent thinking and convergent thinking (Figure 9) are required for genuine creative problem solving. Divergent thinking was the basis of the Sprint, which is associated with creativity, or as stated above, the process of having original ideas that have value. This is the unique, primary value proposition of the Sprint Methodology. Convergent thinking followed each divergent thinking stage throughout the project and involved: review of data, logical and linear thinking that supports economic sense and rational financial analysis.

it will need to determine what kind of player it wants to be. A commodity price taker, a first follower, or a high quality-market leader?

The company needed to sense what is coming in the global food markets, and with perseverance be able to realise the most value possible from future food trends and changing food behaviours.

2. **How do we create a consumer engagement mechanism, so the new business can gain insights to lead to future food trends, so that their food manufacturing plant can open, and successfully operate in rapidly and drastically changing food markets?**

Emerging research such as this [HBR article](#) (Yoon 2017) stating homes are cooking much less, and events such as [Food Is the New Black](#), speaks to rapidly changing markets.

Problem 1 is a heavily complex business to business market. Whilst this sprint required an understanding of these different forces, ultimately, designing purely in this space is a 'push-model', where new ideas are 'pushed' through to the final consumer.

We can safely say that this 'push- model will still have **large buyers** asking the same question, "Will my customers want to buy this?" and "How do I gain confidence in knowing that my customers will buy this". Equally, **salespeople** selling to this large buyer must be thinking, "How do I assure this buyer that their customers will want to buy this?"

This is the project opportunity that Problem 2 evoked.

Whilst this food business has an extremely large and complex supply chain that no one can expect to understand in a 10-day sprint, the problems faced at any point in this complex journey came down to: **the person in the culture who consumes the food as a part of a sustenance, nutritional, social and ritualistic practice; the end consumer.**

It is this lens that we had to keep at the forefront of the 10-day Sprint and the overall project, as this is the clarity of a 'common language' (the customer). Our approach had to move from a push-model to understanding latent needs of these customers (a pull-model) and develop a mechanism to 'pull' in these insights to create new and innovative food businesses.

The sprint itself was a first attempt at Problem 2, because an outcome of Problem 2 would be the solution for Problem 1.

7 Consumer Personas

The team developed a number of consumer personas out of anecdotal insights derived from in-country SMEs and a thorough analysis of social media data via a process known as 'social media listening'. Please refer to the Appendix for further information about the specific reasoning, method, data sources, findings, and resultant personas from the social media listening process.

Five consumer profiles were created from the data collected in the social media listening process combined with expert knowledge about the Japanese, South Korean, and Hong Kong markets. The primary focus was on Japan; however, the profiles are applicable across all three markets, as each of the three populations share an intense work/life balance, an important feature to all five profiles. Figure 10 presents an example of the personas.

Some 1.1 million posts across seven social media channels were analyzed between 25 September and 25 October 2017. Due to the enormous quantity of data, they were further grouped and analyzed to highlight overlapping food traits.

Seven design criteria emerged from an analysis of the personas during the sprint. Simply put, the design criteria are a set of non-negotiable consumer-facing statements that any possible solution must align to in order to have a chance at being successful in the market

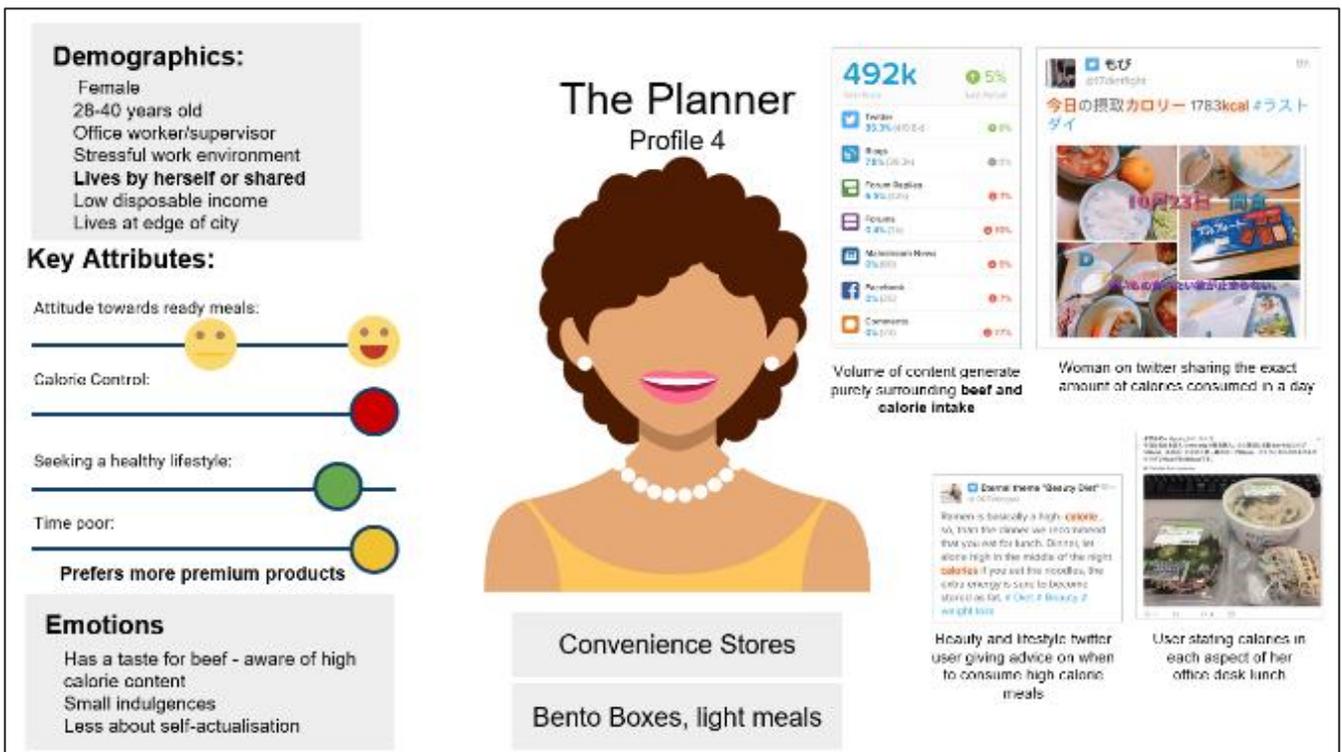


Figure 10: Consumer insights from digital social listening inform market, product and channel strategies

8 Market Research

This section of the report details a high-level summary of the markets investigated during the sprint workshop including Japan, North America, and South Korea. Consideration was given to each market, current status, potential growth rates, key trends, product potential and channel and persona focus areas.

8.1 Japan Market Analysis



Figure 11: Japan - Overview



Japan – Personas



Calorie Counter

Demographics:

- Female – (21-30 years old)
- Office worker - Long hours
- Lives with parents - Low income

Key Attributes:

- Calorie count is critical
- Seeking Healthy lifestyle
- Time poor – needs convenience
- Premium quality over price

Trends:

- Convenience stores and Bento boxes
- Looks for healthy meal options

Key Pullouts:

Likes beef but is a high calorie meal
Virtual persona shares lifestyle of food to extend self-concept



Salaryman & Lone Wolf



Demographics:

- Male – (21-30 years old)
- Office worker - Long hours
- Single avoids home cooking

Key Attributes:

- Not concerned about calories
- Taste is more important than health
- Indulgence increases with age
- Time poor – needs convenience

Trends:

- Favours noodles for lunch time – quick, easy, cheap
- High consumption spending on HMR including dinner

Key Pullouts:

Looks for easy to eat, good tasting food
HMR demand high particularly at lunch time



The Planner

Demographics:

- Female – (30-45 years old)
- Office worker - Long hours
- Often single or living alone

Key Attributes:

- Calorie count is critical
- Seeking Healthy lifestyle
- Time poor – needs convenience
- Premium quality over price

Trends:

- Convenience stores and Bento boxes
- Valuing healthy, functional foods

Key Pullouts:

High demand for HMR foods that are healthy
Premium food offerings are popular



Single Seniors

Demographics:

- 35 million seniors (65+)
- 27% of entire population, increasing to 36% by 2040

Key Attributes:

- Authentic taste is critical
- Seeking Healthy lifestyle including increased protein consumption
- Lower mobility- convenience valued
- Premium quality over price

Trends:

- Harder to travel to retail so local convenience stores as alternative
- Using home delivery & online shopping

Key Pullouts:

Fastest growing age group
High demand for HMR
Online shopping & delivery services are used widely due to convenience of service

Figure 12: Japan: Personas

North America Market Analysis

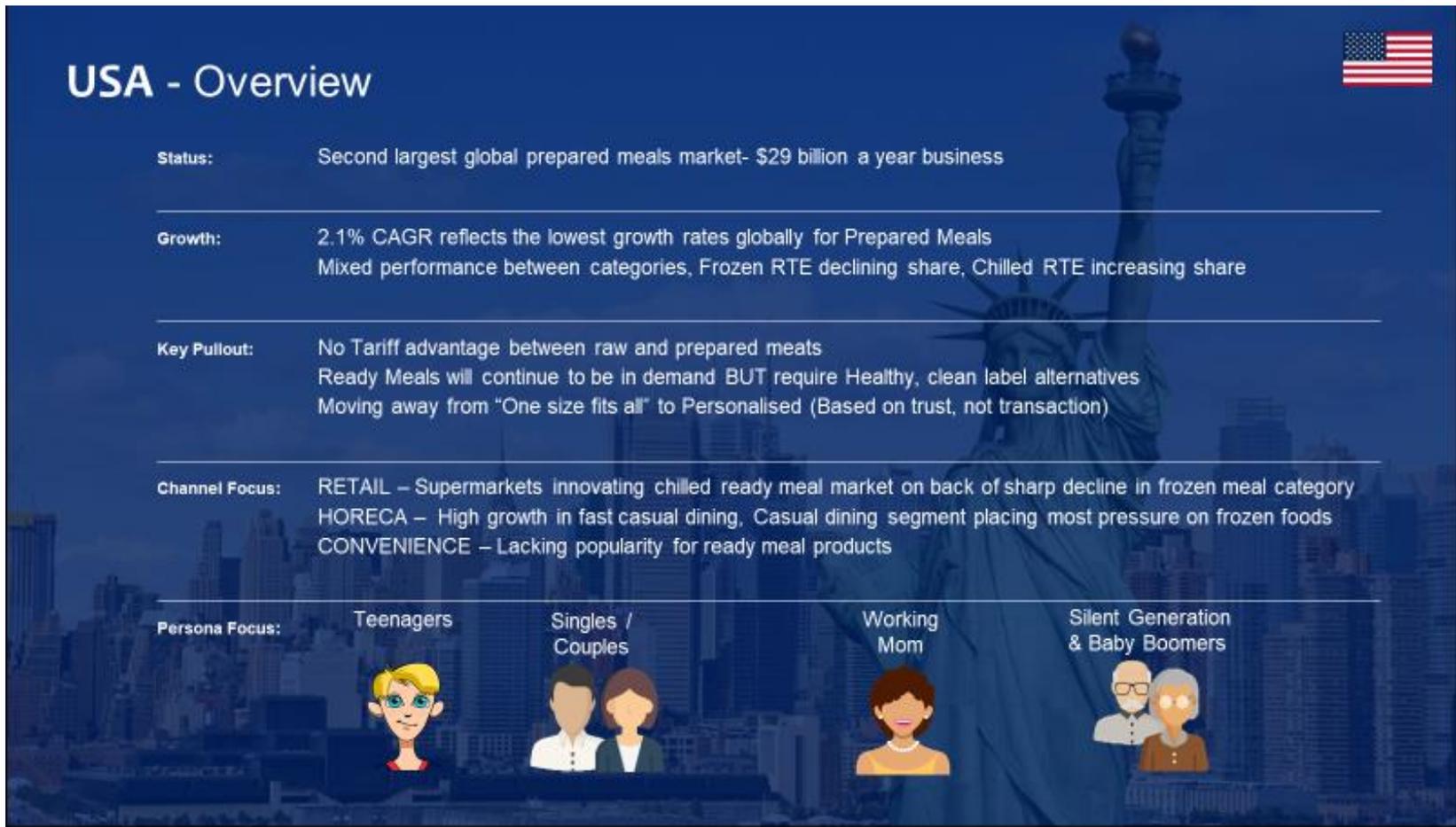


Figure 13: USA - Overview



USA – Personas



Teenager

Demographics:

- Under 15 years are largest consumers of Prepared Meals at 25.3% share

Key Attributes:

Purchased by parent as meal replacement

Trending away from frozen meals; stigma of unhealthiness and unauthenticity

Trends:

- Healthy foods are increasingly valued
- Fresh, natural and pure foods are popular

Key Pullouts:

Wholesomeness is key- no added flavours, preservatives etc. This is true across all personas



Singles / Couples



Demographics:

- 20s & 30s (Millennials)
- Like to cook but like alternative food distribution services

Key Attributes:

Looks for variety in meal offerings

Customised choices are popular

Great taste is important (not "Diet")

Interested and pulled by authentic healthy meals, in all channels (including foodservice operators).

Trends:

- Snacking in place of meals is common and impacting on HMR demand
- Trend away from frozen to fresher meals

Key Pullouts:

How to cater for snacking with prepared meals?
Use of "thawed for your convenience" may be an option



Working Mom

Demographics:

- Female – (30-45 years old)
- Career focus - Short of time
- Wants healthy options for children without hassle of preparation

Key Attributes:

Values health

Calorie count is important

Time poor – needs convenience

Premium quality over price

Trends:

- Trend towards cleaner labels (nothing artificial etc.)
- Quality is most important factor

Key Pullouts:

Premium health foods are popular
How to integrate healthy appeal into a chilled ready meal offering- avoid image of frozen food



Silent Generation & Baby Boomers

Demographics:

- +50 and 65-80+
- Second largest Prepared Meals consumption at 24% share

Key Attributes:

Spend more on groceries than eating out than younger generations.

Eat at full-service restaurants more than convenience

More frugal with price than younger generations

Trends:

- Seeking out new flavourful and wholesome options
- Low in fat, cholesterol, sodium and/or Carbs is becoming important although "Premium" and "Homemade" resonate

Key Pullouts:

Healthy food and wellbeing is important but less so than for younger generations

Figure 14:USA - Personas

8.2 South Korea Market Analysis



Figure 15: Korea - Overview



Korea – Personas



Singles

**Demographics:**

- Singles – (20s & 30s)
- Delaying families for self
- Office worker - Long hours
- Often live alone
- 1/3 of households by 2030

Key Attributes:

Office worker- convenient lunches

Likes 'mum's cooking' food

Time poor – needs convenience

Good food that meets budget

Trends:

- Social dining becoming popular
- Demand for home-style meals
- Modifiable meals popular

Key Pullouts:

Keeps up with current trends
Likes new food experiences
Makes effort to stay within budget



Couples with Children

Demographics:

- Married (30-45 years old)
- Office worker - Long hours
- Fewer couples are having children

Key Attributes:

Rising household income drives premium products

Busier lifestyle drives convenience products

Concern over food safety drive health foods

Trends:

- Convenience stores and Bento boxes
- Valuing healthy, functional foods

Key Pullouts:

High demand for HMR foods that are healthy
Premium food offerings are popular



Single Seniors

Demographics:

- 65+ age group
- 7 million retirees
- Largest aging population behind Japan

Key Attributes:

Better value food products

Strong belief in healthy eating, driving national focus on health

Low mobility- convenience

Trends:

- Convenience stores and Bento boxes
- Less mobility – home delivery popular

Key Pullouts:

Seniors favour food with added health benefits
Looking for high value affordable products
Large market to service

Figure 16: Korea - Personas

9 Sprint Outcomes

The following section of the report further details the key outcomes arising from the design led innovation sprint and further how those outcomes were then used to inform and set the direction for the business modelling method then applied.

It was revealed that the challenge to solve depicted in Figure 17, how the divergent ideas were coordinated to arrive at a clear outcome in Figure 18, then how the different approaches would be tested in the second stage of the sprint prototyping Figure 19.

From the innovation sprint - the challenge to solve...

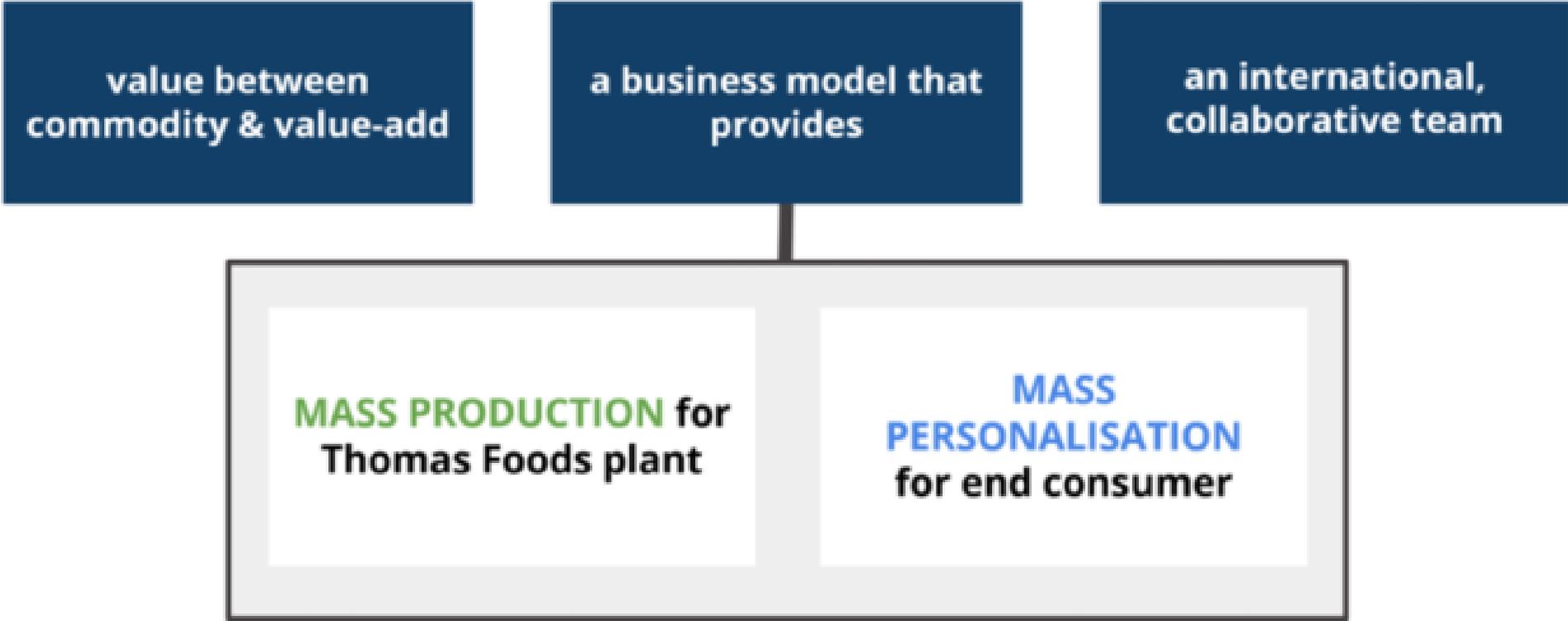


Figure 17: Sprint challenge

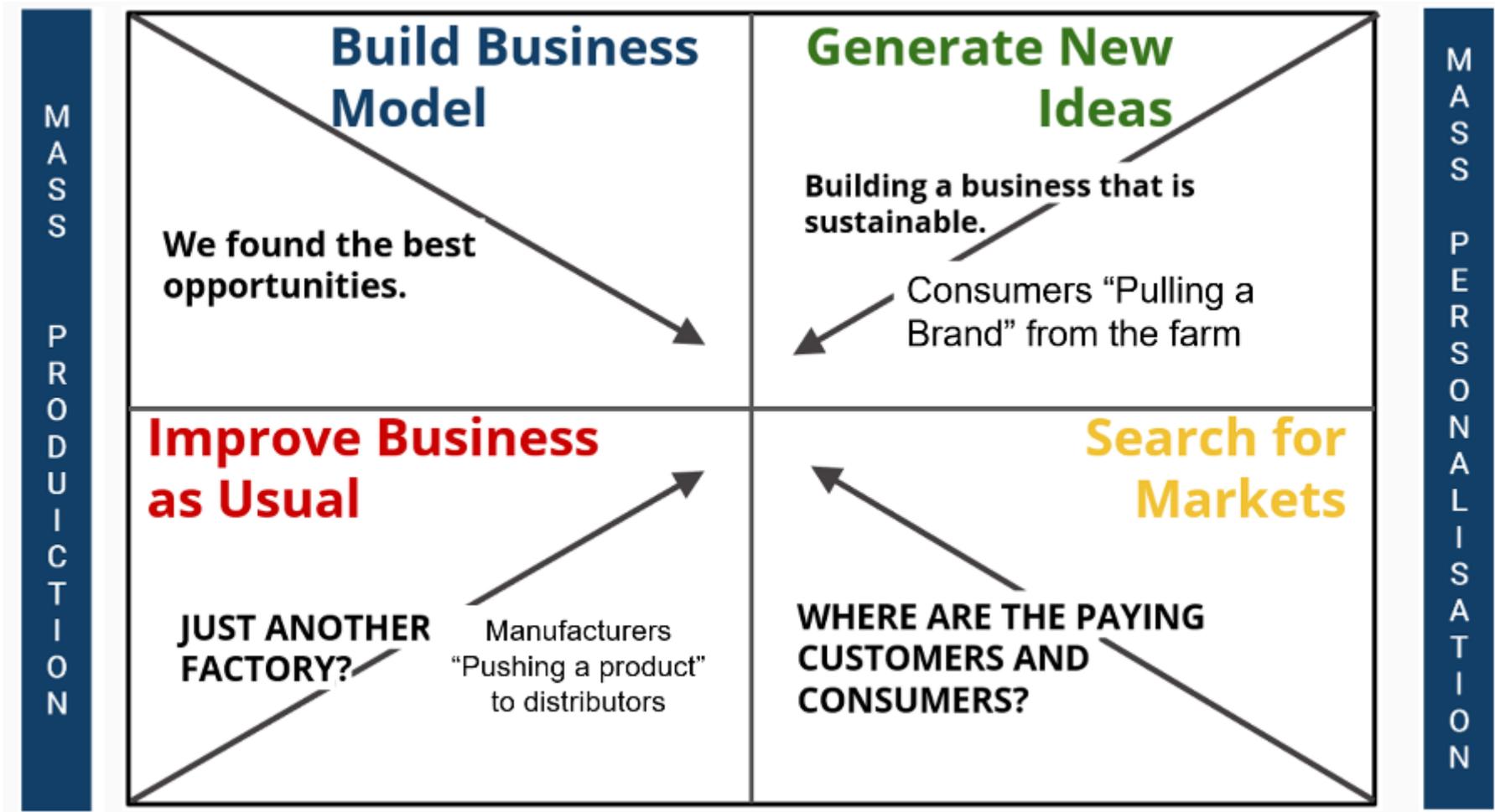


Figure 18: Mass Production & Mass Personalisation

Different Strategies | Different Competitive Advantage

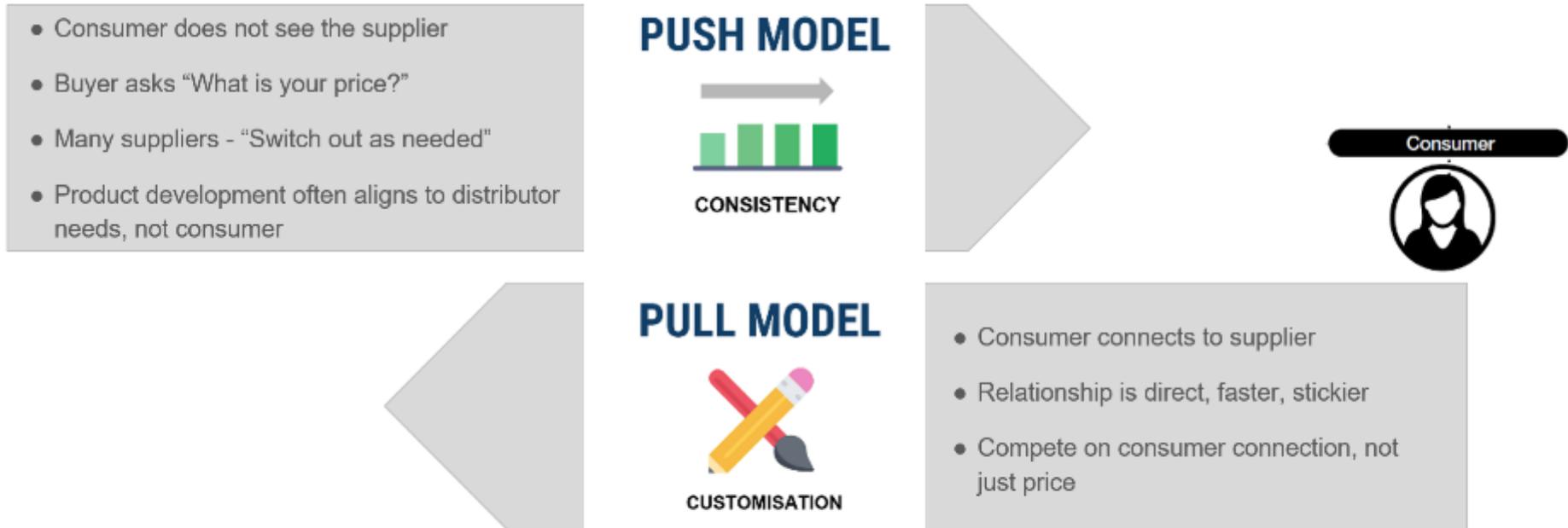


Figure 19: Push & Pull Model

10 In-market investigation

The methods used to develop strategies informed by the in-market investigation are included here.

10.1 Supply Chain Analysis

Mapping the supply chain prepared for the prototyping activities where product concepts, coupled with estimated finished product costings were tested in market.

The questions asked considered how the new business will create a competitive advantage in supplying the end consumer over the longer term.

The strengths and weaknesses within the Stakeholder business at each stage from raw material production to consumer buying behaviour were also considered in detail during prototyping.

Trends in market towards chilled and fresh considered collaboration in supply chain. The advantages this will create for the plant and collaborators was quantified during in-market prototyping.

Competitive advantages were also considered including different strategies required for each.

10.2 Prototyping

Prototyping in market was prepared in each country with channel buyers and supported business model and sales growth forecasting. Similarities in some consumer behaviours between markets were identified during the sprint and from the product specific market research.

10.3 Leveraging capabilities across the businesses

The demand for value-added meat products is wide and varied, well beyond what a new Australian factory can produce. Success in growing sustainable sales relies on several factors along the value chain in addition to understanding the consumer's needs including:

- Strength of relationships
- Flexibility to integrate products into existing supply chain processes and consumer markets
- Branding and market positioning strategies that consider the consumer's needs. For example, what mix of products (Proteins and finished meal solutions) is required to achieve a new branded retail presence?

The diagram in Figure 20 summarises the existing push methods for connecting product to consumers and relies heavily on the relationships with channel buyers highlighted in red. This strategy is critical to the first few years of the plant's success in increasing sales volumes.

Alternative “Pull” strategies using digital selling and delivery platforms have been discussed as emerging channels throughout this document. These alternative pull strategies shift power from the relationships the plant has with channel buyers, directly to the end consumer and are summarised in Figure 21.

Retail Power - Incumbent Channels - Push Strategy

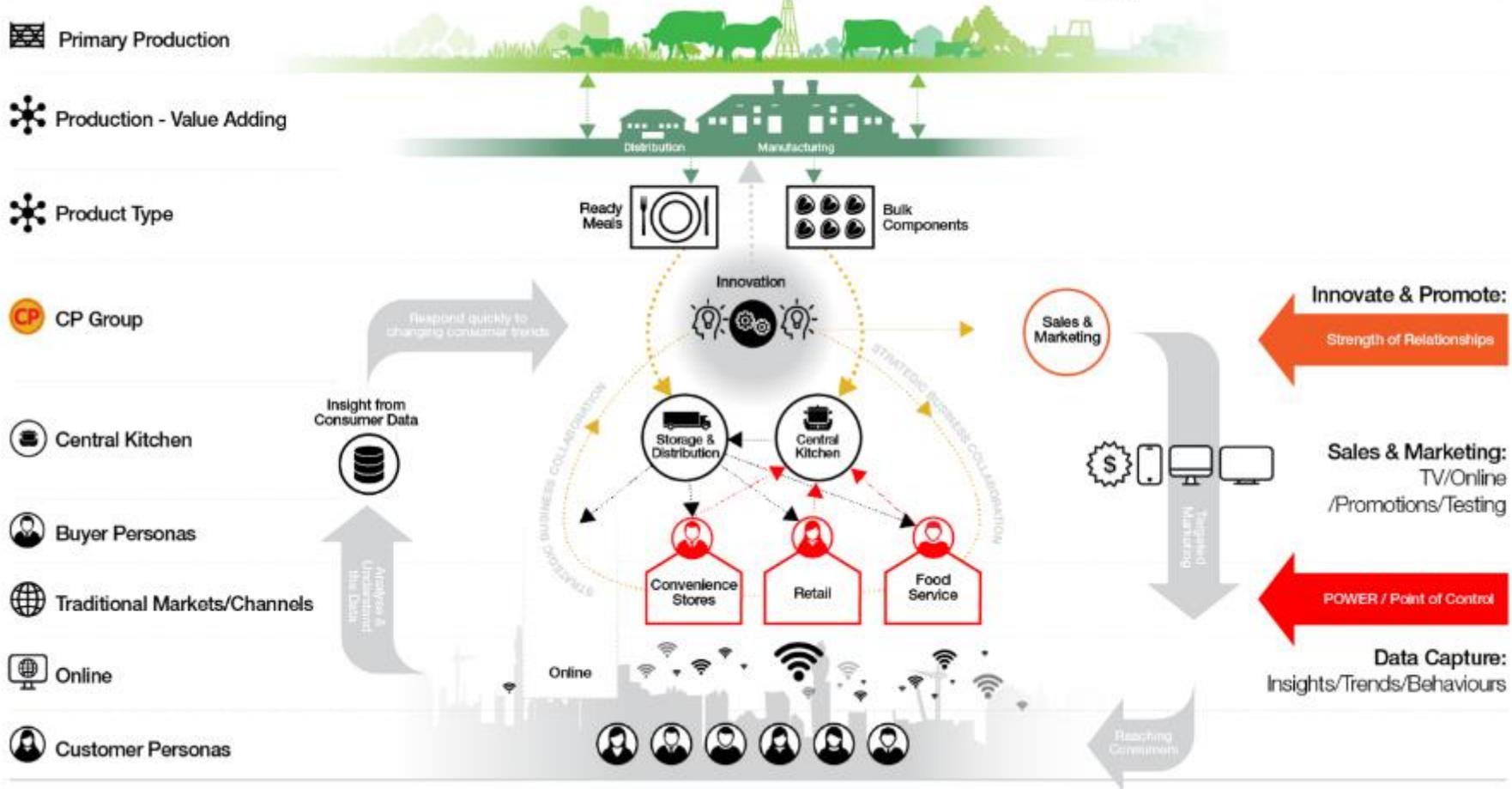


Figure 20: Importance of channel leader relationships during factory development

Consumer Power - Mass Personalisation - Pull Strategy

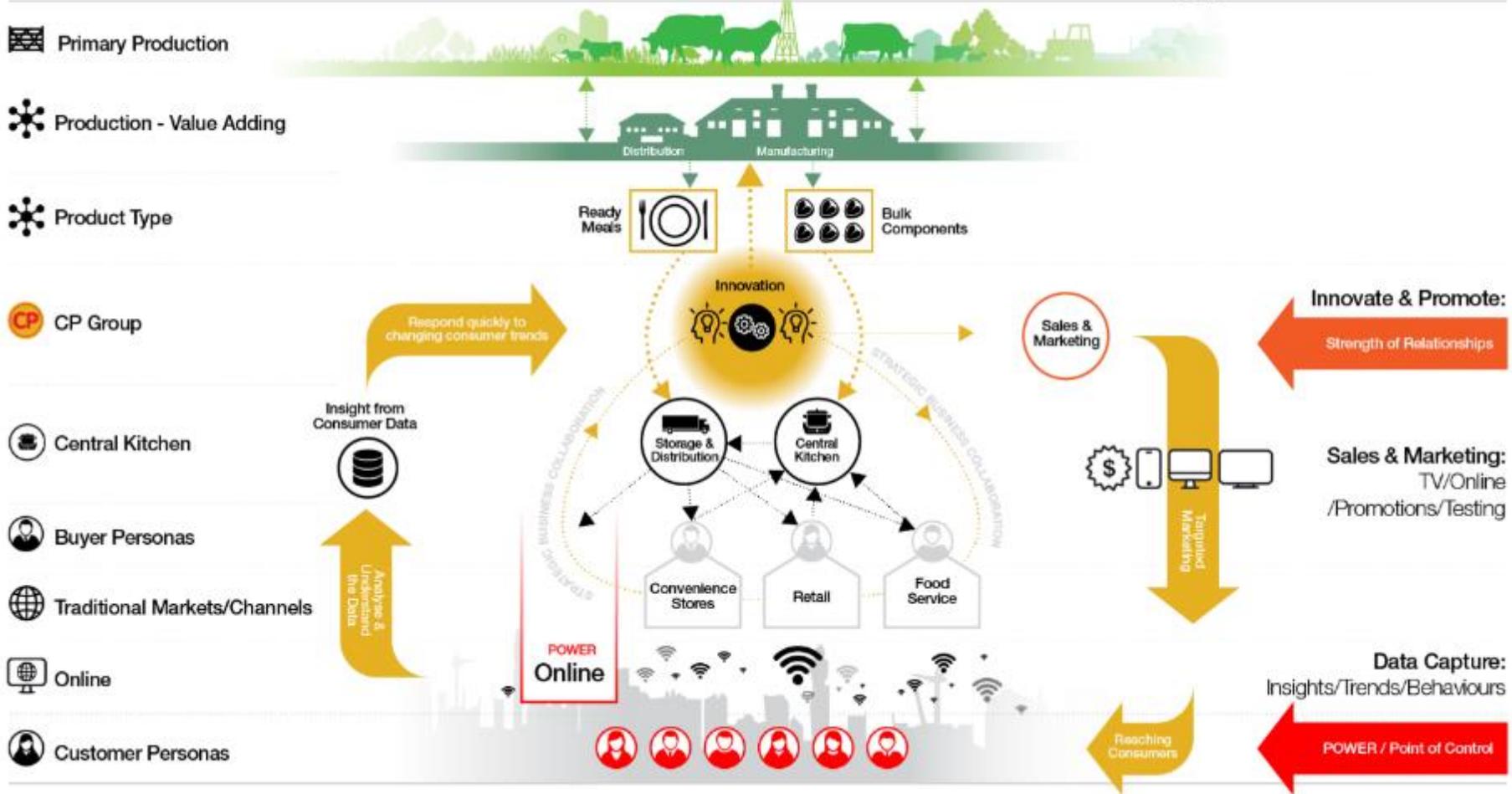


Figure 21: Power shifts away from traditional channel leaders as consumer technologies connect products directly with the end consumer

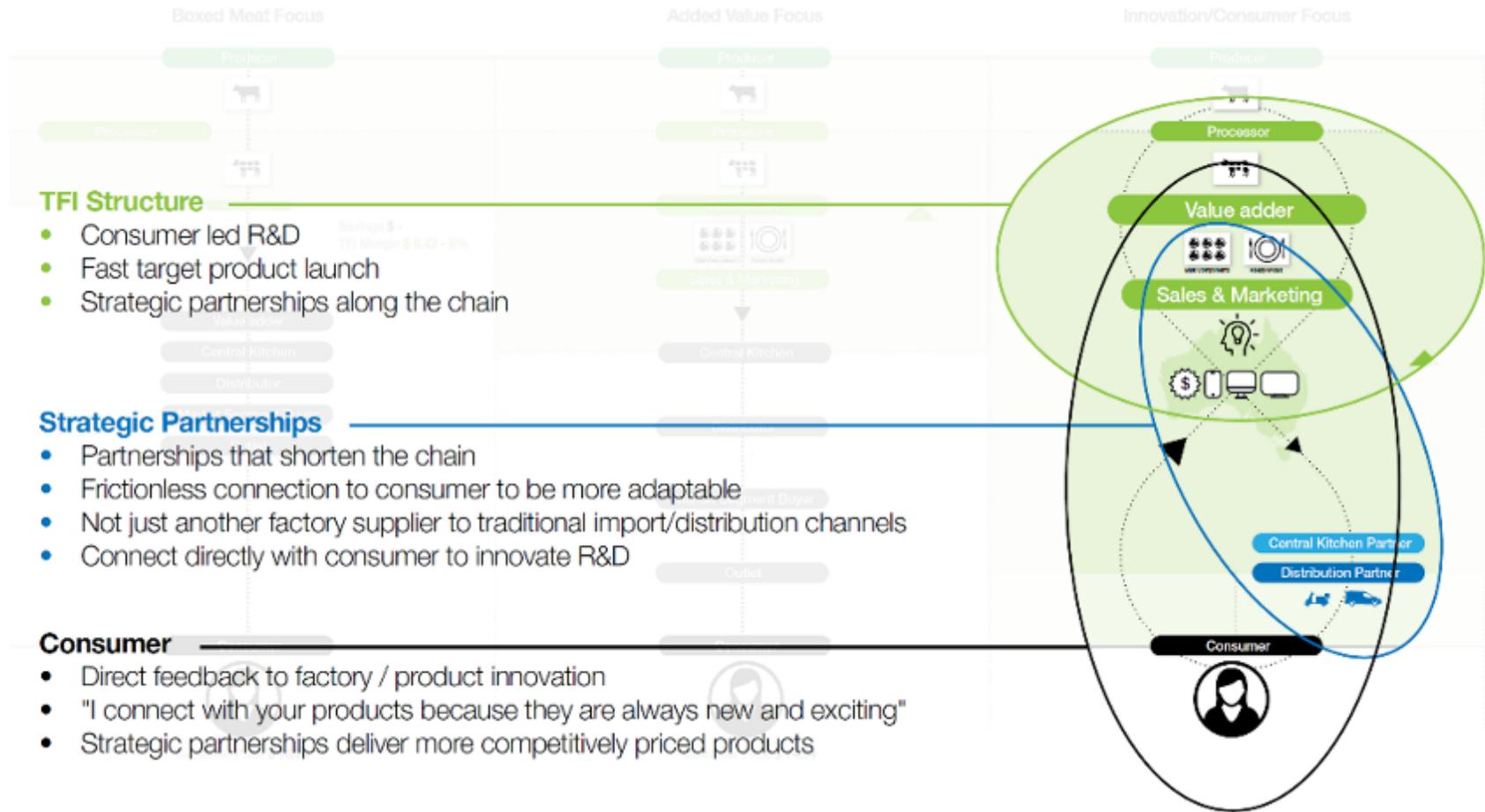


Figure 22: Integration of learnings to support a pull strategy

11 Table of Tables

TABLE 1: PRELIMINARY MARKET MIX ASSESSMENT MATRIX.....	9
TABLE 2: MARKET MATRIX TO DETERMINE BEST MARKETS FOR EXPORT.....	20
TABLE 3: MARKET MIX CRITERIA USED TO CONSIDER COMPETITIVE DRIVERS WITHIN PRIORITY MARKETS.....	23
TABLE 4: SALES CHANNEL ANALYSIS WITHIN MARKET.....	24
TABLE 5: MARKET ANALYSIS FRAMEWORK TO SUPPORT IN-DEPTH ANALYSIS OF PRIORITY MARKETS BY SALES CHANNEL AND SPECIFIC PRODUCTS.....	25

12 Table of Figures

FIGURE 1: DESIGN LED FRAMEWORK.....	8
FIGURE 2: MARKET MIX CRITERIA IMPORTANCE TO OVERALL SCORE.....	11
FIGURE 3: MULTIPLE DATA SOURCE TRIANGULATION METHOD USED TO ASSESS EACH MARKET AND CHANNEL.....	13
FIGURE 4: EVIDENCE THAT DESIGN LED THINKING APPROACHES CREATE SIGNIFICANTLY MORE VALUE.....	16
FIGURE 5: STRATEGICALLY COMBINING KEY INNOVATIONS ALONG THE CHAIN WILL CREATE GREATER COMPETITIVE ADVANTAGE.....	17
FIGURE 6: VALUE CHAIN ANALYSIS IN PREPARATION FOR A SPRINT EXERCISE SESSION.....	27
FIGURE 7: SKETCHING THE VALUE CHAIN ANALYSIS IN PREPARATION FOR THE SPRINT EXERCISE ON DAY 1.....	28
FIGURE 8: DOUBLE DIAMOND METHODOLOGY.....	29
FIGURE 9: DIVERGENT THINKING VS. CONVERGENT THINKING.....	30
FIGURE 10: CONSUMER INSIGHTS FROM DIGITAL SOCIAL LISTENING INFORM MARKET, PRODUCT AND CHANNEL STRATEGIES.....	32
FIGURE 11: JAPAN - OVERVIEW.....	33
FIGURE 12: JAPAN: PERSONAS.....	34
FIGURE 13: USA - OVERVIEW.....	35
FIGURE 14: USA - PERSONAS.....	36
FIGURE 15: KOREA - OVERVIEW.....	37
FIGURE 16: KOREA - PERSONAS.....	38
FIGURE 17: SPRINT CHALLENGE.....	40
FIGURE 18: MASS PRODUCTION & MASS PERSONALISATION.....	41
FIGURE 19: PUSH & PULL MODEL.....	42
FIGURE 20: IMPORTANCE OF CHANNEL LEADER RELATIONSHIPS DURING FACTORY DEVELOPMENT.....	45
FIGURE 21: POWER SHIFTS AWAY FROM TRADITIONAL CHANNEL LEADERS AS CONSUMER TECHNOLOGIES CONNECT PRODUCTS DIRECTLY WITH THE END CONSUMER.....	46
FIGURE 22: INTEGRATION OF LEARNINGS TO SUPPORT A PULL STRATEGY.....	47