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**Project update and progress summary – March 2012**

**Seafood CRC project 2009/723: Principal Investigator: Dean Lisson**

**Project Title: Analysis of Product Differentiation Opportunities for Australian Wild Caught Abalone in China**

**This project is supported by Abalone Council Australia Ltd (ACA) and the Australian Government through the Fisheries Research and Development Corporation (FRDC) and The Seafood Cooperative Research Centre (SCRC)**

This project is designed to measure and benchmark the relative effectiveness of different market development activities for Australian wild caught Abalone in China. It will highlight the options that would be most effective in delivering the objectives of the abalone industry: i.e. to increase the awareness of and preference for Australian Wild Harvest Abalone in the China Market. Increased awareness and preference for Australian Wild Abalone will help to reverse the decline in industry returns and strengthen our position in the marketplace in the face of increasing competition from farmed abalone and other luxury food products.

This project is potentially ground breaking for the industry and addresses the need for a carefully constructed and well coordinated marketing strategy using a distinct Australian trademark that will benefit the entire industry. The challenge for industry is to devise a marketing strategy that will increase awareness, demand and ultimately the value of the product all along the supply chain. The question for industry stakeholders is “what sort of marketing and promotion strategy will work and how can we invest in that strategy to provide increased profits to businesses both here and in China?” In the 45-year history of the industry there has never been a large-scale project focussing on researching and developing markets for Australian wild caught abalone.

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Australian Wild Caught abalone products are sourced and exported from regional areas around the coastline of the five abalone producing states of Western Australia, South Australia, Tasmania, Victoria and New South Wales. Export companies compete against each other to sell their products in the international marketplace and abalone is sold as a commodity – despite Australia’s dominance as a global producer supplying over half of the wild catch production, it is still a spot market player, exposed to the vagaries and challenges of global trade. Additionally, the industry faces increasing competition from the ever increasing (by volume and quality) production of farmed abalone product and other substitute products available in a highly competitive market place.

This project was established following industry concerns regarding:

1. Declining returns to industry during the last decade
2. The massive proliferation of farmed abalone product now available in the market place and
3. The lack of any coordinated, industry-wide strategic focus in the marketplace

This project can be divided into two distinct phases – the first phase is now complete and the second phase is about to commence.

The **first phase** involved *direct recruitment* of restaurants via an activation strategy delivered by the China based market partner Grey Group Asia Pacific (G2 Shanghai). A considerable amount of marketing collateral was designed and tested during this phase of the project to see if it was possible to introduce abalone based dishes into non-Chinese cuisine

restaurants. The collateral was designed to generate interest in Australian wild abalone and to specifically support and underpin the creation of a new industry “brand/mark” entitled “Australian Wild Abalone”. This project phase focused on a small number of premium “top end” restaurants in Shanghai and utilized product provided by three Australian exporters and imported/distributed via two local Shanghai seafood distribution companies.

The **second phase** of the project will involve an increased number of Australian exporters and an increased number of China based Importers/Wholesalers/Distributors and will focus mainly on restaurants currently being supplied with Australian wild caught abalone products. The focus of this phase will be on “activating” the China based section of the supply chain – i.e. seeing if it is possible to increase/enhance the marketing/promotional “activities” of the existing abalone importer/distributor. This phase will be underpinned by generic promotional material/activities/events and the introduction of a unique product provenance technology (nanotag).

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Restaurants in China can be roughly divided into two broad categories – those that focus on traditional Chinese cuisine and those that don’t. The latter category includes all restaurants that do not serve traditional Chinese cuisine – i.e. they offer cuisine styles from other countries or “fusion” cuisine that more often than not, seeks to blend Chinese cuisine with western style cuisine. Currently, almost all abalone consumed whilst “dining out” in China occurs at traditional Chinese restaurants where traditional abalone dishes are prepared and served in the same way that they were decades and even centuries ago.



#### **Project Phase One: August 2010 to August 2011**

The design of phase one centered on the following questions;

- Is it possible to move Australian wild caught abalone from a generic commodity to a value proposition in an emerging market segment in China
- Is it possible to leverage alternate channels and consumer segments to reduce industry risk and reverse declining returns
- Is it possible to achieve the above outcomes via a restaurant focused marketing program targeting restaurant owners, chefs and other relevant stakeholders like restaurant and Chef Associations, suppliers, gourmets etc in Shanghai

An additional question that we wanted to answer during phase one of the project was:

- Recognising that abalone is mainly consumed in traditional Chinese restaurants under traditional circumstances (both business and family occasions), is it possible to expand the abalone consumption footprint by focusing on the modernization of abalone based cuisine whilst respecting its traditional status within Chinese cuisine and culture?

The first project phase focused on recruiting (i.e. selling abalone to) non-traditional “premium” stand-alone and hotel-based restaurants – these restaurants usually feature fusion style (east meets west) cuisine. The recruitment process focused on restaurants that had very limited exposure to abalone and/or had never utilized abalone as a raw material for their menus in the past. This recruitment strategy was adopted to test the proposition by **G2 Shanghai** that there was an opportunity to expand the abalone consumption footprint – i.e. the emerging well heeled, increasingly sophisticated and globally aware Chinese demographic called the *mass affluents* (upwardly mobile middle class) are seeking out new and exciting cuisine alternatives (to traditional Chinese cuisine) and as such would consider consuming new “fusion style” abalone dishes. This “footprint expansion” strategy was also adopted because some Australian exporters expressed the view (before the project commenced) that they did not want existing Chinese importer/distributor/restaurant relationships “interfered with” via the project. Additionally some exporters expressed the opinion that there was no point in targeting restaurants that were already being serviced with Australian abalone supplied by Chinese importers/distributors.

This phase commenced in August 2010 and was effectively completed in August 2011. During this 12month period, 48 restaurant premises across Shanghai purchased AWA product – many amazing fusion cuisine dishes featuring abalone were developed and trialed. Product was supplied by three Australian export companies; Tas Live Abalone (Tasmania), Esperance Abalone (Western Australia) and Eyrewoolf Enterprises (South Australia). Product sales in Shanghai were coordinated through two China based companies: Shanghai Penguin Trading Company and Honghai Marine products. A portfolio of “import compliant” abalone products was developed and offered to chefs and/or purchasing managers

(featuring frozen, dried, canned or live abalone products) and a consultant chef was available for cuisine development for those restaurants that required assistance in integrating abalone dishes into their existing menus. Almost all product purchased during this phase of the trial was either frozen or dried green-lip and black-lip. Media coverage of the recruited restaurants was extensive with Chinese Lifestyle Magazines (e.g. Restaurant Review, Noblesse, Travel & Leisure, Shanghai Tatler etc) and Chinese newspapers (e.g. Shanghai Times) taking a particular interest in what the recruited restaurants were doing. There was also significant electronic media coverage during the Project Launch events in Shanghai in August 2010. The recruitment of (new) restaurants was suspended in August 2011 – however, almost all of the 48 restaurant premises are still purchasing AWA product on a regular (monthly) basis as of March 2012 when this report was written.

During this phase, restaurants went through a staged recruitment process. The *restaurant recruitment process* takes months from the first contact through to regular ordering of product. From the experience gained via the project to date, much has been learnt regarding the successful “direct” recruitment of restaurants - the recruitment process passes through the following distinct stages:

1. Assessment of “suitable” restaurant for recruitment;
2. Initial contact (by phone)
3. First appointment where program is explained (activation strategy including media plan) and project information brochure is provided to the restaurant
4. Subsequent appointments (usually a further 2 or 3) when product is introduced and subject to assessment (of the likelihood of recruitment), product samples are provided and cuisine development is initiated (consulting chef assists during this phase if required)
5. New abalone recipes are trialled by restaurant usually as “specials” – ordering of product commences on an intermittent “as consumed” basis
6. Subject to successful trials, new abalone dishes are added to the “permanent” menu and regular orders commence – supply contracts are negotiated and established – at this stage the restaurant is fully recruited.

The key project learning’s from the restaurant recruitment process are as follows:

1. The recruitment process takes up to 3 months and requires patience and perseverance on the part of the recruitment “team”
2. The recruitment team needs to include representatives from the Market Activation entity (Grey Group or other Marketing company) and from the Sales entity (representative of the supplying importer/distributor)
3. The Sales “entity” representative must have intimate knowledge of all abalone product forms and must act as the intermediary between the restaurant and the product supplier/distributor
4. The appointment of a “suitable” AWA sales representative (person or entity) is critical to the success of the recruitment process. The sales person(s) needs to be a Chinese national able to speak English and the local Chinese language/dialect – they also need to be very familiar with the product portfolio and need to have a “go getter” salesman type mentality tempered with sensitivity to local cultural practices.
5. Provision of product samples is a necessary part of the recruitment process as the potential client familiarises and experiments with the product and develops new dishes
6. Generally speaking, chefs are very keen to learn more about abalone products and their properties/provenance – they want to understand the “story” behind the product and want to learn about the product variants and the different characteristics of each abalone product type – including in particular, optimal preparation and cooking techniques to get the best out of the product. A comprehensive product information pack is a must – along with proper explanation by a knowledgeable sales representative
7. Chefs and/or purchasing managers want to develop a working relationship directly with the supplier entity/representative who can quickly (and politely) respond if there are product issues or service issues.
8. Chefs and/or purchasing managers are seeking “consistent” quality, fully compliant “legal import” product with appropriate “paperwork”, proven provenance, consistent pricing and reliable “after sales” service
9. The successful recruitment of high profile “premium” restaurants leads to “Food & Beverage Media” interest/coverage which in turn generates further interest in AWA product and further restaurant recruitment – the cycle begins and will perpetuate if properly managed.

Whilst the above points summarise the main learning’s regarding the restaurant recruitment process, the 12 main learning’s and conclusions overall from phase one of this project are as follows:

1. The emerging “upwardly mobile” Chinese middle class (*Mass Affluents*) is steadily growing in number and in wealth. The *Mass Affluents* are increasingly well educated, sophisticated and discerning – they are globally aware, brand oriented and actively seek new “lifestyle” experiences
2. The *Mass Affluents* are embracing new dining experiences as is evident in the proliferation of “new” fusion cuisine restaurants across all Tier One and Tier Two Chinese cities
3. There is an opportunity to expand the abalone consumption footprint in China by encouraging chefs to utilise abalone in a “non traditional” way - non traditional Chinese restaurants can be recruited (to buy abalone) with appropriate “activation” – restaurants that have never had abalone products on their menus can be recruited via a staged process involving product trials, cuisine development, specials menu and finally a permanent place on the menu leading to regular product orders

4. Chefs in “top end” restaurants are eager to expand their *expertise in* and *familiarity with* abalone products – they are “hungry” for the story behind the product and want to acquire specialized knowledge re product handling, storage, preparation and cooking styles and techniques
5. Chinese Food Health and Safety standards are becoming more stringent and ongoing compliance is an issue for top end restaurants – hence the increasing desire for raw materials of proven provenance with appropriate food health certification - possession of non-certified product by restaurants presents the risk of prosecution from Chinese Food Safety Authorities
6. Premium Quality “Independent and Hotel Chain” Restaurants are willing to pay premium prices for premium quality Abalone products that are import compliant and of proven provenance
7. Premium restaurants currently find it difficult to place Australian Wild Caught Abalone as a permanent entry on their menu due to Price, Supply and Quality volatility and a lack of product certification (COO & HACCP)
8. Currently, the seafood supply chain in China is not sophisticated enough to target and develop these opportunities - the single biggest difficulty encountered during this phase of the project was backing up successful activation and recruitment with a willing and capable supply chain
9. An ongoing investment by industry could be used to overcome this service gap and capitalize on the opportunities that are ripe for exploitation.
10. The industry should consider establishing a restaurant and consumer focused promotional strategy for the *Australian Wild Abalone* product portfolio (legally compliant products complete with COO and HACCP labelling). The industry could seek out a suitable Chinese entity(s) to engage in restaurant recruitment, sales and product supply functions – this entity would act as a “go-between” between restaurant and Chinese distributor/wholesaler.
11. The industry should consider developing product variants specifically customised to suit the requirements (quality, convenience, portion size) of the top end restaurant and food service sector.
12. High service levels will provide a source of differentiation - Value Added Products and Services pose an opportunity to expand the category footprint and thus provide differentiation in both the food service and retail environments.

All of the above key findings clearly point to the need to enhance the existing supply chain to possibly incorporate the following components:

- A. *Quality Assurance Code of Practice* - For the project and subsequently the Australian Wild Caught Abalone Industry – Includes product, supply chain and service codes of practice
- B. *New Product Research and Development Program* – Project must be in a state of continuous innovation to develop a suite of customised and down stream processed value added products for the Food Service and Retail Sectors that is market driven. Includes product form, application of modern technologies and packaging
- C. *Product Compliance Program* – Develop technologies and protocols to streamline product compliance and provide safer and more reliable market access and to reduce the leverage the “Grey Channel” has over the industry
- D. *Industry Market Orientation Program* – Develop and execute a program that engages industry participants and establishes a sustainable market oriented perspective
- E. *Service Model Development* – Develop a service model that engages with the China Market sufficiently to provide the Australian Wild Caught Abalone Industry with a **sustainable competitive advantage** over other abalone industries and potential substitute industries
- F. *Commercialisation* - Develop the required intellectual property and performance metrics to align the project as a commercially viable business model
- G. *Place of Origin Brand Development* – Establish a Place of Origin Brand as a repository for the developed IP and as a sustainable Value Chain Management and Marketing Model for the Australian Wild Caught Abalone Industry, using the industry (AWA) trademark as its logo.

Phase One of the project has created a portfolio of “hard” and “soft” assets – these are as follows;

1. An industry Mark entitled “Australian Wild Abalone” – An application for formal registration of the identifying industry mark (Australian Wild Abalone) has been lodged with the Australian Trade Marks office. Proceedings required for registration of the industry mark in China are also well progressed. Consideration is currently being given to registering the industry mark in other countries.
2. A B2B website [www.australianwildabalone.com.cn](http://www.australianwildabalone.com.cn) The website consists of the following pages; Page 1; About AWA Project & Industry Mark: Media Centre – Press Releases & photos: Page 2; General Introduction to Australian Wild Abalone – place of origin & nutrition facts: Page 3; AWA New Cuisine, Page 4; AWA Product Specification – dried, IQF green-lip, IQF black-lip, IQF brown-lip, canned, live: Page 5; Contact information
3. Restaurant contacts database (chefs and F&B Managers) within Shanghai and Guangzhou

4. China based Industry Association contact database – including the Shanghai Restaurant Association, Guangdong Restaurant Association, Shanghai Fishery Trade Association, China Hotel Association, China Dining Industry Association, China Cuisine Association
5. Established relationship with China Based Global Marketing entity – Grey Group: G2 Shanghai
6. Established relationship with prominent China based Media organisation – Moisson
7. Established relationship with China Based Market Research company – Market Analysis Partners (MAP)
8. Established relationship with China based Gourmets and Cuisine Opinion Leaders (Shanghai & Guangzhou)
9. Specially commissioned AWA artwork by prominent Shanghai based artist Nui Ann (for use with marketing collateral). Nui Ann is a famous contemporary Chinese artist based in Shanghai – she has created a series of paintings featuring a stylised story based narrative about wild abalone, divers and the ocean. This artwork has been used extensively in all of the marketing collateral and contextualises the connection between Chinese culture and abalone in a subtle but powerful manner.
10. Image file of new abalone cuisine dishes – these images capture the passion and imagination manifested by the recruited chefs to the “new” abalone cuisine.
11. AWA Exhibition platforms and display collateral – this resource can be utilised for any participating exporter to promote their products in a visually exciting manner under the AWA banner.
12. Supply Chain Quality Assurance Code of Conduct consisting of 5 modules – Supply Partner, Distribution Partner, Sales & Marketing, Accounting, Data Capture & Reporting, Product Recall/Withdrawal
13. Media articles in a range of print publications – Restaurant Review, Noblesse, Travel & Leisure, Shanghai Tatler, Shanghai Daily, Restauranteur, Wine Press, World Cuisine, China Food Manufacturing Journal

As of March 2012, total accumulated sales of AWA product via the 48 restaurant premises has nearly reached the AUD \$200,000 milestone. Despite the suspension of restaurant recruitment in August 2011, there are ongoing sales of approximately \$14 000 per month of dried and frozen black-lip and green-lip. These sales are to restaurants that did not have abalone on their menus prior to being recruited to the AWA program. Aside from the sales themselves, there has been a very substantial PR Exposure value of AUD \$370,000 generated (G2 Shanghai figure) via the various AWA PR activities that have occurred since the project commenced – i.e. print and electronic media combined. These PR activities were not paid for by the project but rather were generated by media interest in the project itself.

The decision in August 2011 to suspend further restaurant recruitment was based on a number of factors:

1. Declining support (temporarily!) from the Market Partner Grey Group (G2 China – Shanghai) due to a dwindling project team (resignations and sickness of key players)
2. Ongoing difficulty in recruiting a suitable AWA Sales Representative to work with G2 Shanghai in the restaurant recruitment and servicing role.
3. The need to engage a larger number of exporters, importers and distributors to enable any further up-scaling of restaurant recruitment

In an attempt to address point 3 above, the project team approached a broader group of Australian abalone exporters in late August 2011 for assistance in supplying product for the project. This request was met by a group of abalone exporters calling themselves the “Primary Exporter Group” or PEG. This group consists of the following companies: Ralph’s Tasmanian Seafoods P/L, Tasmanian Seafoods P/L, Dover Fisheries P/L, Western Abalone P/L and Lonimar P/L.

The PEG met with AWA project team leaders in Melbourne on the 21<sup>st</sup> of September 2011 to discuss how the PEG could become involved in the project. Following this meeting, it was agreed to organise a trip to Hong Kong and mainland China to meet with key seafood importers – the primary purpose being to discuss the AWA project with the importers with a view to directly engaging some of them in phase 2 of the AWA project.

This research trip took place during mid November 2011 (7/11/ to 15/11/2011). Delegation members were as follows: Jayne Gallagher (Seafood CRC); Dean Lisson (ACA Ltd); Mark Webster (Ralphs Tasmanian Seafoods P/L); Wayne Haggard (Lonimar P/L); Spiro Markantonakis (Dover P/L). Delegation members visited key abalone importers in Hong Kong, Shenzhen and Shanghai. A report has been written summarizing the outcomes of the trip and an excerpt is included below.

The PEG has also proposed the introduction of “Nanotag” labelling of AWA products. Nanotags can be used to prevent counterfeiting and product theft and “in effect” will provide a product provenance verification tool that purchasers of AWA product can utilise to satisfy their desire to source genuine Australian wild caught abalone products for their restaurants. The provision of Nanotag technology to project suppliers is being managed via ACA/CRC project 2010/776. Please refer to [www.nanotag.com.au](http://www.nanotag.com.au)

The project team will now work with the project suppliers (i.e. the PEG plus Tas Live Abalone, Esperance Abalone and Eyrewoolf Enterprises) to facilitate the provision of AWA product (legally compliant product with nanotag verification) via the established China import supply and distribution chain provided the selected importers/distributors are supportive.

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## **Project Phase 2: September 2011**

A report was written at the end of the Importer trip (November 2011) making a series of recommendations.

**Below is an excerpt from that report:**

### ***PART 1: Summary of discussions with Seafood Importers***

#### ***Hong Kong***

1. *Work on the market access issues as a priority*
2. *Price is too high – consider dropping the price. Need to stabilize the price*
3. *Promotion is welcome and encouraged – but do it in partnership with the importers (they will invite their wholesalers and distributors to a special event)*
4. *Produce material that promotes the benefits of Australian Wild Abalone (healthy, sustainable, natural/organic)*
5. *Nanotag is a welcome initiative*

#### ***Shenzhen***

1. *Resolving market access is the number one priority – in particular getting consistency in declared value (and make sure that it is a reasonable value – not higher than the actual price!)*
2. *Price is very high at the moment – but understand that it is largely out of our control i.e. Exchange Rate*
3. *China market for Abalone is very mature – people know and understand Australian wild abalone product*
4. *Promotion should be low key and focus on education through the importers to their wholesalers and distributors (information on the story of Australian Wild Abalone would be most welcome)*
5. *All products are smuggled in from Hong Kong at the moment. No legal access*

#### ***Shanghai***

1. *Price is very high at the moment – Chinese are paying more than they ever have (in their own currency) need to make sure that the price does not go up too high or substitute product may fill the gap*
2. *Resolving the declared value issues – getting consistency in declared value- would be valuable to the importers*
3. *Selling direct to restaurants has been tried and failed by others (Boston Lobster)*
4. *If promotion is done need to make sure that the product quality and supply is consistent*
5. *Promotional materials that the importers can give to their wholesalers and distributors would be welcome (information about the attributes of Australian Wild Abalone is important e.g. DVDs, posters etc)*
6. *Fusion restaurants do provide an opportunity to expand the customer base but don't expect large sales*

### ***PART 2: Summary of other discussions***

*In addition to discussions with importers a number of other discussions were held – Austrade, Grey Group, Restaurant involved in the AWA project. A summary of the main points made by these organizations is provided below:*

#### ***Austrade***

1. *Need facts and figures to support any market access discussions between Australia and China*
2. *DAFF, DFAT and Beijing Embassy staff would take the lead in any discussions about market access*
3. *Industry wide promotion has worked for other sectors (e.g. wine, meat and dairy) in conjunction with the individual companies promotional efforts. This is all done in association with Chinese based importers.*
4. *Need to make sure that you involve and educate the supply chain (importers and their wholesalers and distributors) as a priority with less emphasis initially on consumer*

5. Austrade is developing their ideas for 2012 (40<sup>th</sup> anniversary of diplomatic relations between China and Australia) and would welcome input from the Australian Abalone industry
6. Don't put in your own office in China at this early stage. Use Austrade facilities at least initially

#### **Grey Group**

1. Recognise that there have been successes in the project but that the supply side has not been there to support the market activation efforts. In an attempt to fill gaps some mistakes were made.
2. Restaurant feedback was passed to George Chung
3. Focus should be on building on the platforms created so far i.e. the digital platform, the PR platform and contacts (relationships) established with chefs. Agreed this should be used to drive interest up the chain only.
4. Confirmed direct selling is not scalable and therefore would not work
5. The market activation should stop while supply issues are sorted out and as a priority work with the importers – provide information to them and help them drive it through the wholesale and distribution system
6. Grey and Moisson need a revised brief from ACA/CRC regarding the next stage of the project. This should be done once the Australian industry has an agreed plan. Don't rush in!

#### **Restaurants**

1. Very interested in the attributes of Australian Wild Abalone (healthy, sustainable, natural)
2. Would be very interested in doing a specific promotion for the product and getting feedback with a view to differentiating themselves in the competitive restaurant market
3. Had repeatedly advised that they were interested in buying product but there was no follow up from the project.
4. Initial product requirements would be small but if successful could result in regular repeat orders (albeit still at a relatively low level)

#### **Other General observations and comments:**

1. Price reductions have been observed in all seafood products, including high end products. Australian abalone is the only exception to this.
2. Trading terms (3 months) are offered to restaurant customers, therefore further emphasizes that the importers and their distribution chains must be used. We do not have the resources to follow up on payments.
3. Very small deliveries (live product) were observed at the wet markets. The orders included other products. Only two Abalone were packed in each order.

#### **PART 3: DRAFT Recommendations**

Based on the discussions and other observations made by the members of the delegation the following recommendations are made for the consideration of ACA, CRC and AAA.

##### **PROJECT MANAGEMENT**

To move the project forward, a Business model/plan based around the following recommendations must be put in place, clearly defining all procedures and steps that must be adhered too. Each phase must also be signed off before the Project proceeds to the following stage. All stages must proceed in order.

A management group should be formed comprising members of ACA and PEG to work with CRC on developing and implementing the business model/plan to ensure full accountability and transparency.

##### **MARKET ACCESS**

First priority is to gather as much information as possible from all relevant sources in order to develop a plan to address key market access issues (including declared value and use of SO2)

- Talk to HK ambassador (Sydney), Beijing Embassy staff (Ambassador, James, Amy and the two customs staff) DFAT, DAFF to test out the idea that we send a letter regarding the "buying" price of abalone. Need to bear in mind to take it softly.

- Investigate the option suggested by Austrade that we try to get a side deal negotiated in the FTA discussions
- Check progress in pursuing the case to allow the use of sulphur dioxide in canned product at an internationally acceptable safe level (Japan's limit is suggested as a justifiable MRL). AAA is pursuing this issue. Question is what has been done so far? CRC is funding Cath McLeod to do a risk assessment and prepare the technical argument to pursue the issue (please refer to comment on sulphite risk assessment below).

**[Sulphites in Canned Abalone - Risk Assessment has been completed]**

[The permitted level of sulphites/SO<sub>2</sub> in canned abalone is 0 ppm in China's food regulations and 1000 ppm in Australia's food regulations. China is a major importer of Australian canned abalone, both directly and via Hong Kong, and enforcement of the 0 ppm sulphites/SO<sub>2</sub> in canned abalone has resulted in trade failures. A risk assessment to underpin a maximum level of 1000 ppm in canned abalone has not been previously undertaken, nor has evidence of the levels of sulphites/SO<sub>2</sub> in Australian canned abalone been collated. A risk assessment was commissioned by the ASCRC which aimed to collect information on current industry practices and to estimate the food safety risk of sulphites/ SO<sub>2</sub> in Australian canned abalone. The risk assessment has now been completed and provides an objective basis for potentially negotiating import requirements for canned abalone into China with respect to implementation of a permissible sulphite level (as opposed to the current 'nil' tolerance approach).]

Action as deemed necessary once all the information has been gathered.

**AWA WEBSITE**

Get the website developed as a priority. It must be professional and provide the information needed to help exporters and importers. It would help in other markets as well (Japan, Singapore) Initial actions:

1. Change pictures to more generic ones and unbranded products.
2. Add video
3. Have Chinese (simplified and traditional), Japanese and English
4. Links to approved and registered exporter/processor websites
5. Appoint an Australian based web developer
6. Add a page that details the restaurants that are serving AWA product
7. Add a page that details the importers in each city. Individual agreement/permission to be sought.

**INITIAL PROMOTION IDEAS**

1. Educational pack that details the health benefits, managed fishery (sustainability) clean and green, natural attributes, nanotag aspects of the AWA product (the value proposition to the importers)
2. Plan an Abalone (or Australian Seafood) "specific" trade event over two days in Hong Kong in conjunction with importers (invitations from them to their trade), nominated chefs etc. Invite China based importers
3. Investigate newspaper and television (above the line) advertising (as part of an overall promotional strategy)
4. Although we are looking to promote to "other" newer style restaurants, the fact is that one we visited, the chef had previous abalone cooking experience. It would therefore require considerable training and education if possible to get "new" chefs to the standard required.
5. Get video footage to use on website and at other promotion events
6. Develop a PR/Media strategy – target airline magazines etc
7. Maintain the current recruited restaurants – give them the list of AWA suppliers, with contact details. Give the list of restaurants to all approved and registered exporters.
8. Continue Nanotag development and roll out

As mentioned above, the **second phase** of the project will involve an increased number of Australian exporters and an increased number of China based Importers/Wholesalers/Distributors and will focus mainly on restaurants currently being supplied with Australian wild caught abalone products. The focus of this phase will be on "activating" the China based section of the supply chain – i.e. seeing if it is possible to increase/enhance the marketing/promotional "activities" of the existing abalone importer/distributor. This phase will be underpinned by generic promotional material/activities/events and the introduction of a unique product provenance technology (Nanotag).



As of March 2012, the nanotag trial is very close to commencing – participating processors are firming up orders of the nanotag wands based on predicted product volumes for 3 months worth of sales. Ian Allen from Nanotag has been working closely with Karen McNaughton (Principal Investigator for ACA/CRC project 2010/776) as she works with the processors (via visits to their premises) to explain the technology and assist each processor to understand how it works and how to integrate the technology into their processing lines.

The EX numbers of each export entity have been “printed” onto the proprietary tags which contain the words “Australian Wild Abalone” and a stylised map of Australia. Each processor will have their own proprietary tag with their own unique EX number. Product buyers in the importing country will be able to examine the tags with a special “magnifier” to verify product provenance. The customised tags will be incorporated into “wands” which will be used to place the nanotags onto the selected products. It is anticipated there will be some targeted promotional activities to roll out the nano-tagged product in Hong Kong and China.

Project team members and participating processors met in Melbourne on February 15, 2012 to discuss the next phase of the project. There will be a management committee established which will be responsible for steering the project through the next phase which will include the roll-out of the nanotags and some promotional/educational activities within the supply chain through to the end user. A dedicated B2B website will also be established as an educational tool for purchasers (and potential) purchasers of AWA products.

The challenge for this next phase of the project will be for the exporters (and the project team) to successfully energise and activate selected Chinese importers to engage in new promotional activities centred around the nanotag rollout and a fresh round of AWA promotional activities.

Another challenge will be to identify and quantify (i.e. measure) the effectiveness of this new approach that will centre around engagement with China based importers and their regional and local distribution partners.

There remains approximately \$700 000 in unspent funds available for the second project phase – a project plan for the second phase will be constructed with input from the newly established project management committee. The original aims of the project remain relevant and consistent with the planned activities of the second phase.

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There have been a number of occasions since phase one of the project was “completed” where industry stakeholders have been provided with project updates. These are as follows:

- Project Briefings at the 5<sup>th</sup> National Abalone Convention at Hamilton Island (21<sup>st</sup> to 23<sup>rd</sup> July 2011) to all convention delegates.
- Project briefing to ACA Board at Hamilton Island on 20th July 2011.
- Project briefing to Tasmanian Abalone Council AGM at Launceston on 15<sup>th</sup> October 2011.
- Project briefing at meeting of the Primary Exporters Group in Melbourne on Wednesday 21<sup>st</sup> of September 2011.
- Project briefing notes provided at a meeting of the Abalone Association of Australasia meeting in Wellington on Friday the 25<sup>th</sup> of November 2011.
- Project team members and participating processors met in Melbourne on February 15, 2012 to discuss the next phase of the project.
- Project briefing at meeting of the Abalone Association of Australasia on Thursday the 16th of February 2012 in Melbourne.

Further project briefings are planned during 2012 in South Australia, Western Australia, New South Wales and Victoria.

Dean Lisson: March 2012



