

FOOD & BEVERAGE SECTOR INSIGHTS



Growth expectations for the Food & Beverage sector are higher than average, but strategies employed to achieve growth are on par. How will the Food & Beverage sector achieve extraordinary growth without employing extraordinary strategies?

HOW ANZ SUPPORTS THE FOOD & BEVERAGE SECTOR

ANZ is committed to supporting the Food & Beverage sector. By bringing together our Commercial & Agri divisions, we connect businesses across the entire supply chain in New Zealand, Australia and throughout Asia Pacific.

As the New Zealand bank with the largest international network, we connect customers to people and insights across the globe and help business owners to establish connections that will enable them to grow their international operations.

ABOUT THE ANZ BAROMETER

The ANZ Privately-Owned Business Barometer is an annual survey of New Zealand business owners. In 2012, we received 4,011 responses from non-agribusiness owners including 187 responses from businesses who identified food & beverage as their main sector.

One quarter of respondents in this sector are under 40 years of age and 30 percent are located in Auckland. Two-thirds of respondents had turnover of less than \$1 million in the last 12 months and 92 percent expected positive growth in the next 12 months.

The Food & Beverage sector in New Zealand is one of the best placed to grow in the current environment. A range of contributing external factors are in place – growth markets on our doorstep, government commitment to supporting the sector, and a global reputation and premium brand that allows us to command a premium price.

Business owners in the sector see the opportunity – 16 percent are looking for high growth in the next 12 months. However, compared with other businesses looking for high growth, there are some questions about whether the businesses are positioned to achieve this growth. With a growing interest in the sector from foreign-owned businesses, owners need to ensure they are positioned to achieve their growth aspirations.

GOING GLOBAL

In a market the size of New Zealand, any business looking to achieve growth above 25 percent, even in a three year period, should be looking at international expansion. While the number of businesses already operating internationally is higher than average in this sector (25 percent compared with 19 percent of all businesses), those that are aspiring to operate overseas account for only 13 percent. This is despite government identification of Food & Beverage as a critical sector and looking to increase export of value-added Food & Beverage, to help drive the export-led economic recovery.

The major concerns of Food & Beverage businesses operating internationally are getting paid (41 percent compared with 30 percent of all businesses), lack of scale and insufficient financial resources. There is an attitude that businesses aren't big enough to go international, yet when we talk to businesses who took the leap of faith, we hear repeatedly that real growth only came when they went international.

AN INDEPENDENT PERSPECTIVE

The other significant issue around international expansion is a lack of knowledge about destination markets, whether this is distribution channels or cultural differences.

Businesses who have expanded overseas tell us of the immense value they obtain from other business owners who went before – in fact, other business owners are the second highest source of advice after New Zealand Trade and Enterprise.

Yet Food & Beverage business owners are the least likely to use advice of any sector in the ANZ Barometer. Two-thirds did not use any independent advisers in the past 12 months and half of the respondents thought cost was a barrier to seeking advice. But if owners are concerned about the cost of advice, they should also be considering the opportunity cost of not getting advice.

We hear from owners that an independent adviser who brings specific skills and insights, as well as an impartial perspective, add exponential value to the business in comparison to the cost of the advice. In particular, business owners looking to expand internationally can often do so quicker and more cost-effectively by sourcing expertise both in New Zealand and in their destination market. Does the sector seek the right kind of advice around markets, trade risk and capital structuring for businesses operating internationally?

KEY RESULTS FOR THE FOOD & BEVERAGE SECTOR

How the Food & Beverage sector compares with other New Zealand businesses:

- > 16 percent expect growth of about 26 percent in the next twelve months, compared with a seven percent average across all businesses.
- > 30 percent are expecting growth above 26 percent over three years, double the average of all businesses.
- > One in four are operating internationally and 13 percent aspire to, consistent with the total results.
- > 34 percent have used an adviser in the past 12 months, lower than the total of 44 percent.
- > 34 percent have an annual plan and 21 percent have a longer term strategic plan, in line with total responses.

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