Australians Crave Innovative Confectionery

I ts 19 million residents make Australia the 51st largest country. But the country's sweet tooth ranks No. 9 worldwide for chocolate consumption and No. 11 for sugar confectionery (everything sweet).

In Australia's fiscal year 2001 (July 2000-June 2001), the country imported $189 million worth of confectionery (sugar, chocolate and chewing gum), out of the total $1.25 billion sold. The United States supplied $20 million worth of these imports, making Australia our 15th largest confectionery market, with chocolate sales of $13 million, sugar $6 million, and gum $1 million.

Nine out of 10 Australians regularly consume confectionery, 80 percent of it in the chocolate and sugar categories.

Three major multinational companies—Cadbury, Nestlé and Mars/Kenman—account for more than 75 percent of the market, though Lindt has the fastest growing boxed chocolate sales. Wrigley's has an unassailable 98-percent share of the chewing gum market.

About 55 percent of confectionery sales are through supermarkets. The supermarket segment has been growing, which is of some concern to the industry, as this segment produces lower margins for manufacturers and offers fewer opportunities for impulse sales!

The remaining 45 percent of confectionery is sold through outlets such as milk bars (coffee shops), convenience stores and specialty shops.

Strategies for Market Entry

With Australian consumers already receptive to U.S. products, a new supplier's principal concern is finding a reputable agent, distributor or import broker—preferably one experienced with confectionery sales in both major wholesale and supermarket chains.

It pays to advertise and help retailers with merchandising. Exhibiting at Australian food shows also draws new customers. And if you are introducing unique or innovative products, be prepared to join forces with an Australian company to introduce them.

Distribution Is Straightforward

In Australian grocery retailing, there are two major distribution channels, the independent distributor and chain supermarkets.
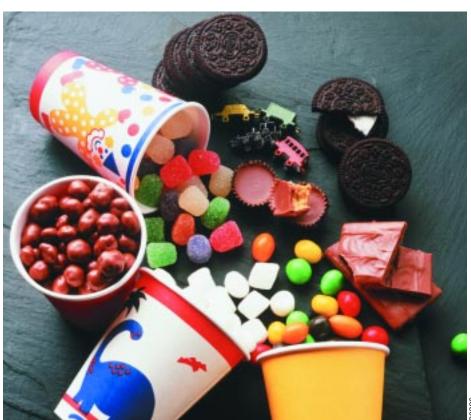
Confectionery accounts for up to 5 percent of retail grocery business. It is the third largest seller after cigarettes and soft drinks in convenience stores.

Metcash is the dominant wholesaler and distributor in Australia and sells to independent supermarkets, small chain supermarkets and banner groups (independent stores that purchase and market under the same name).

The major supermarket/discount store chains usually have their own distribution networks, and also sell to some of the smaller grocers.

Profiling Consumers

Confectionery buyers tend to be between 24 and 49 years old and more affluent—consumers in the top 10 per-
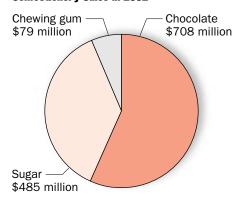

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cent of income buy almost twice as much as those in the lowest 10 percent.

Australian consumers are now reversing a long trend toward less frequent, larger shopping trips. As they shop more frequently for fewer items, they are also demanding more innovative and convenient confectionery products (single-serve portions are expanding). As impulse buys account for 70 percent of confectionery purchases, it is important for suppliers to market their products to attract the consumer's attention.

Functional food products (those with a specific positive nutritional benefit, like energy bars) appeal to the Australian consumer looking for added benefits. The sugar-free sector is currently valued at close to $9 million and is growing steadily. Since consumers are attuned to functional products that promise a reduction in the risk of disease and promote well-being, they are searching for products that are better for them, taste great and can be consumed on the run.

However, it is still the chocolate bar

Chocolate Led Australia's Confectionery Sales in 2002*

Chewing gum $79 million

Chocolate $708 million

Sugar $485 million

Market totaled $1.245 billion.

*Australia's fiscal year: July 2001-June 2002.

sold at retail that drives growth and market share, with only children's products experiencing declines.

Expenses To Expect

All goods imported into Australia must be cleared by customs. The importer is responsible for obtaining formal customs clearance. Confectionery duty rates are set at 5 percent. There are other costs you will also need to consider:

• AQIS (the Australian Quarantine and Inspection Service) conducts random inspections of confectionery items. Suppliers are responsible for charges of $20 to secure release, and $37 for every half hour of inspection and analysis.

• Customs charges $136 for a shipment coming by sea or air, and $542 for a shipment imported through the postal system.

• Australia imposes a 10-percent goods and services tax on confectionery products.

• Convenience store markups are the highest in the retail sector, at about 40 percent. Supermarkets tend to be much less. Slotting fees and space management fees vary greatly and can be negotiated. Larger supermarkets tend to charge more because they offer more shelf space.

Market Access

Australia's control over food safety and food standards requirements is generally straightforward. If customs rules are followed, the food entry process usually runs smoothly.

Food imported into Australia must comply with the Quarantine Act 1908, the Imported Food Control Act of 1992 (food safety) and the code of FSANZ (Food Standards Australia New Zealand).

The FSANZ code requires English labeling that includes:

• Description of product
• Manufacturer and importer details
• Country of origin
• Batch/lot codes
• Use-by date
• Net weight of contents
• Ingredients
• Nutritional content
• Warning statements, if needed
• Presence of biotech ingredients, if any

For further details, go to: **www.food-standards.gov.au** ■

This article is based on a report prepared by a contractor for the Office of Agricultural Affairs at the U.S. Embassy, Canberra, Australia. Tel.: (011-61-2) 6214-5854; Fax: (011-61-2) 6273-1656; E-mail: fas@optusnet.com.au

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