Chapter 7

Understanding Luxury Food for the Asian Markets Through an Intellectual Capital Lens: The Case of the South Australian Food Industry and the Chinese Luxury Food Market

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ABSTRACT

When entering the food segment with new or existing products, it is essential to avoid commoditization and cost-based competition. This becomes especially important for a new player like the South Australian macroalgae-based food products and food ingredients industry. The extreme top end of these industries in terms on non-price-based competition is the luxury products industry and for Australia the key export market is China. This chapter provides an insight into the luxury food products industry for export to China.

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INTRODUCTION

When entering the food segment with new or existing products it is essential to avoid commoditisation and cost based competition. This becomes especially important for a new player, like the South Australian Macroalgae based food products industry. The extreme top end of the food industry in terms on non-price based competition is the luxury food products industry and for Australia the key food export market is China. This chapter provides an insight into the luxury food products industry for export to China.

LUXURY FOOD

The concept of Luxury is not well defined in the literature and neither is the demarcation between luxury, prestige and premium products. One definition sometimes used in the economic literature is that luxury products are products for which demand increases more than proportionally as income rises. Luxury has been discussed in early texts with an emphasis on ostentatious consumption, flattery of the senses, and non-necessity (see e.g. Mandeville, 1724; Cantillon, 1755; Steuart, 1770). Behind this statement hides a very high level of complexity that can be illustrated by the famous quote:

_Luxury is a necessity that begins where necessity ends._ -Gabrielle Coco Chanel (1883-1971)

“The truth is that we don’t need luxury goods to survive as human beings, but we need luxury goods to fuel the sensations that contribute to our overall appreciation of ourselves and our lives” (Okonkwo, 2007, p. 7). Studies indicate that luxury consumption leads to enhanced positive mood, diminished negative mood and increased satisfaction with life and that this outcome is true for all but more pronounced for materialistic consumers than for less materialistic consumers resulting in a lock-in of materialists in their lifestyle (Hudders, & Pandelaere, 2012).

The literature seems to agree that premium products occupy the top end of the product range and that in the food domain it is about having higher performance on objectively measurable quality attributes as well as having the highest price in the product range of the producer (McNamara et al., 2003). Vigneron & Johnson (1999) defines prestige (which they use synonymous with luxury) products as having the following characteristics:
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