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Chinese consumers' perceptions and demand for New Zealand foods: a Post-COVID perspective of Daigous

Gan I, Conroy DM, Phelps T

June 2021

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Joanne Todd - Challenge Director

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Executive summary

Chinese consumers' perceptions and demand for New Zealand foods: a Post-COVID perspective of Daigous

Gan I, Conroy DM, Phelps T
Plant & Food Research Auckland

June 2021

Daigou, a Chinese term meaning 'buying on behalf', refers to a special trading practice of Chinese expats purchasing products from overseas and shipping them back to consumers in China. These Chinese expats, usually consisting of international students, new immigrants, and stay-at-home mums who have friends or connections in China, are called 'buying agents', 'overseas buyers', or just simply 'Daigous'.

As it did to other social and economic activities, the COVID-19 pandemic has also caused lots of disruption to Daigou businesses. As part of the Consumer Insights Programme of the National Science Challenge, High Value Nutrition, 16 in-depth interviews and an online survey were conducted with Daigous in New Zealand, to give a post-COVID overview of the Daigou channel. This study explored Chinese consumers' perceptions and demand for New Zealand food products from the perspective of Daigous, and investigated whether the health and wellness food products they are being asked to purchase have changed in the post-COVID environment.

In New Zealand, Daigou has evolved into a unique international cross-border business model with a sophisticated network capable of seamlessly handling product sourcing, packing, and delivery between New Zealand and China. It was found that milk powder and dietary supplements are the major categories for New Zealand Daigou trading. The majority of Daigous reported orders decreasing post-COVID, while some Daigous saw an increase in orders for dietary supplements, milk powder, and honey. The disruption in international logistics, declined financial wellness and buying power, and concerns of international parcels contracting COVID-19 virus contributed largely to the decline of order amounts post-COVID. Although the operation of Daigou recovered as soon as New Zealand came out of the Level 4 national lockdown, around two-thirds of Daigous reported doing worse than pre-COVID. Despite a drop in order amounts, the majority of Daigous believed that Chinese consumers' trust, and their interest in, and demand for, New Zealand brands and products remains the same, if not increased, suggesting that Chinese consumers' trust in and demand for New Zealand food is relatively resilient.

Although the prospects of Chinese consumers' demand for New Zealand foods is promising, their reliance on Daigou as a regular purchasing channel may decline in the future, as perceived by Daigous, due to severe competition across channels. Nevertheless, the Daigou channel has its unique competitiveness over other channels given its strong trust-based relationships with customers. This study indicates that Daigous play special roles between Chinese consumers and New Zealand food brands. For brands, Daigous collectively form a sales network which could penetrate the Chinese market to an extent that would not be achieved by regular marketing campaigns, in a more trusted and efficient manner. Daigous can also fill the information asymmetry between Chinese consumers and

New Zealand brands by using themselves as the living ambassador to showcase a New Zealand food experience. Furthermore, trusted by their customers, Daigous could become the gatekeepers who may have a great influence on consumers' perceptions and preference for a specific brand or product, either positively or negatively.

This study reveals three core values that Chinese consumers are seeking via the Daigou channel, namely, high quality, authenticity, and cost-effectiveness, which may shed light on this business practice in New Zealand. Product presence at New Zealand local retail outlets is seen as a way to prove New Zealand provenance and authenticity, and local price is crucial in determining how much profit Daigous gain from transactions. Therefore, a thoughtful and balanced channel and pricing strategy is important for New Zealand brands, either new or established, if they want to engage with Daigous, and to leverage the Daigou channel as a way to break into the Chinese market.

Last but not least, for "Brand New Zealand", it is important to maintain the clean green image of the natural environment, as well as illustrating New Zealand people as kind and genuine, from experiences and narratives. New Zealand also needs to be mindful of any forms of exploitation of the New Zealand reputation in the food and beverage space. In addition, it is noteworthy that various aspects of the bilateral relationship between New Zealand and China, including political sentiments, trading ties, and nationalism, may have a more profound influence on Chinese consumers' perceptions of, and preference for, New Zealand products in the future.

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Glossary

Chinese souvenir shops: typically run by Chinese businesses in New Zealand to sell New Zealand (and Australian) products sought after by Daigous, usually capable of handling all the logistics needed to source, sort, pack, and send products for Daigous. Major players own not only chained physical stores, but also online shopping sites and WeChat Mini Programmes. Huayang and Health Element are among those major players in this space.

New Zealand/Australia-based cross-border e-commerce platforms: roughly an online version of Chinese souvenir shops that offer similar product categories and seamless logistics services. Mofadeng (Magic Lamp) and ABM are two major players in this space.

Zhiyou/Direct parcel/Direct posting: individual parcels with requested products processed in and sent from New Zealand, usually airfreight.

Daifa: refers to 'send on behalf' services provided by Chinese souvenir shops or cross-border e-commerce platforms. Daifa offers a one-stop service from product sourcing, packing, and logistics for Daigous, so that Daigous do not need to process customer orders in person.

Bonded warehouse pre-stocked products: designated areas in China where items intended for export are stored while waiting for a buyer. Some Chinese souvenir shops, cross-border e-commerce platforms, and/or their associates may have pre-stocked products at bonded warehouses, and they can send pre-stocked products for Daigous from within China.

WeChat Mini Programmes: 'sub-applications' within the WeChat ecosystem which provide a wide range of features such as e-commerce, task managements, and customer relationship managements etc, that can be run without downloading and installing.

WeChat moments: 'pengyouquan' in Chinese, a social-networking function for WeChat users to post pictures/videos with captions, articles from other WeChat Official Accounts, and a wide range of other sharable resources. Moments are visible to, and can be commented on by friends who are on the users' WeChat contact list and have been granted access by the user. Posts through Moments are the common method for Daigous to promote their service and engage potential and existing customers.

WeChat store: 'weidian' in Chinese, a built-in e-commerce platform within the WeChat ecosystem. Daigous can open a WeChat store to manage orders and customer information.

Little Red Book: 'Xiaohongshu' in Chinese, also known as RED, is a popular social media and e-commerce platform in China. As of July 2019, Xiaohongshu had over 300 million registered users, with 70% of the users born after 1990s (or Generation Z), 80% of the users are females. The number of monthly active users is over 85 million. The app allows users and influencers to post and share product reviews, travel blogs and lifestyle stories via short videos and photos. Xiaohongshu also operates RED Mall, which sells international products to Chinese users¹.

Taobao: one of the biggest Chinese online shopping websites, owned by Alibaba. Taobao facilitates consumer-to-consumer (C2C) retail by providing a platform for small businesses and individual entrepreneurs to open online stores. Overseas Daigous can operate Taobao stores as individual

¹ Wikipedia, link: <https://en.wikipedia.org/wiki/Xiaohongshu>, accessed: 15 April 2021.

overseas buyers. Many of these Daigous' Taobao stores are under the category of Taobao Overseas, which imposes more stringent regulations on store owners to verify their overseas source of products.

TMall: Tianmao in Chinese, the business-to-consumer (B2C) arm of Alibaba's online retail platform. Both local and international businesses can sell brand name goods on this platform. A TMall Flagship Store of a specific brand is usually seen as the official outlet of that brand on TMall platform. In 2014, Alibaba launched Tmall Global as a cross-border marketplace for foreign brands and merchants to sell directly to Chinese consumers.

JD.COM: also known as Jingdong in Chinese, a Chinese B2C e-commerce company, a major competitor to Alibaba-run TMall.

1 Introduction

Daigou is a term derived from the Chinese word '代购' (pronounced 'die-go') which literally means 'buying on behalf of'. The term refers to the trading practice of Chinese expats purchasing products from overseas and shipping them back to consumers in China. The term also refers to overseas-based Chinese who offer Daigou service to consumers in China. Daigous, or Daigou shoppers, sometimes are also called 'buying agents', 'overseas buyers', or 'professional shoppers'.

As a trading operation, Daigou firstly arose in Europe shipping luxury items to the Chinese middle class at a much cheaper price than those sold through authorised channels in China. Demand for Australian and New Zealand food and health products surged dramatically after the Chinese market was hit by a series of food safety incidents over the last one or two decades. For example, the melamine-contaminated baby formula scandal in 2008, which killed at least six babies, was one of the worst among the cases that drove the Daigou demand for baby formula from overseas sky-high². Although the operation of Daigou has been evolving over time, the dominant Daigou categories in Australia and New Zealand remain in the food and health sector.

Daigou businesses are usually run by international students, new immigrants, and stay-at-home mums who have friends or connections in China. As opposed to authorised retailers, Daigous are usually unauthorised individuals who purchase goods on behalf of consumers in China, and charge a small 'commission' for their services. However, some master Daigous have grown significantly and have established formal businesses with proper authorisations. It is estimated there are around 30,000 Daigous active in New Zealand, according to a report by New Zealand Trade and Enterprises (NZTE) in 2019³. Another report by ASB published in 2017 estimated that there were approximately 350 Daigou specialised stores in New Zealand that stocked around 20 to 30 key brands and offered competitive pricing and shipping services directly to China⁴.

Since its outbreak in late 2019, the COVID-19 pandemic has swept the globe and caused enormous disruption to global economic activities. Daigou, as a special model of international cross-border business, has faced challenges brought about by COVID-19, including border closures, national lockdowns, and freight disruptions. Negative consumer sentiments and localism in consumption has also been reported amid the ongoing pandemic^{5,6}, which may also affect the Daigou channel.

As part of the Consumer Insights Programme of the National Science Challenge, High Value Nutrition, this study consists of a series of in-depth interviews and an online survey with Daigous in New Zealand, and gives a post-COVID overview of the Daigou channel. It aims to explore Chinese consumers' perceptions and demand for New Zealand food products from the perspective of Daigous, and investigate whether the health and wellness food products they are being asked to purchase have changed in the post-COVID 19 environment. As for the scope of this study, Daigous were interviewed and surveyed for their views of the Chinese market. The legality perspective of Daigou as an 'unofficial channel' will not be discussed in this report.

² China's thirst for baby formula creating problems for Australian shoppers and staff. December 2018. <https://www.abc.net.au/news/2018-12-11/abc-investigation-uncovers-chinese-baby-formula-shoppers/10594400>.

³ NZTE Report: Daigou Australia, 2019.

⁴ Spotlight on the Chinese e-commerce channel: Daigou. July 2017. <https://www.asb.co.nz/blog/2017/07/spotlight-on-the-chinese-e-commerce-channel-daigou.html>.

⁵ COVID-19 Barometer: Consumer attitudes, habits and expectations revisited. April 2021.

<https://www.kantar.com/inspiration/coronavirus/COVID-19-barometer-consumer-attitudes-habits-and-expectations-revisited>

⁶ Consumer sentiment and behavior continue to reflect the uncertainty of the COVID-19 crisis. October 2020.

<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-COVID-19#>

Specifically, the objectives of this study include:

- To understand how New Zealand food products are distributed to Chinese customers through the Daigou channel;
- To understand Chinese consumers' perceptions and demand for New Zealand food products through the perspective of Daigous;
- To understand the role of Daigous in connecting New Zealand food brands and Chinese consumers;
- To understand the impact of COVID-19 on Daigou activities, and the changes of perceptions and demands of New Zealand food products from Chinese consumers post-COVID (if any).

The report is structured as follows:

Chapter 1 provides an overall introduction to this research with the research background and objectives.

Chapter 2 offers information regarding the methods used in this study.

Chapter 3 presents an overview of Daigou in New Zealand, including the features of Daigous and their customers, the product categories traded, and the operation models of Daigou.

Chapter 4 and Chapter 5 address the issue of trust pertaining to the Daigou channel, including trust in New Zealand food and trust in Daigous.

Chapter 6 reviews findings concerning the roles of daigous between New Zealand brands and Chinese consumers.

Chapter 7 addresses the impact of COVID-19 on Daigou activities and the changes in consumer perceptions and behaviours.

Chapter 8 highlights the opportunities and challenges in relation to Chinese consumers' demand for New Zealand food products in the broader context, and Daigous plan in the future.

Chapter 9 concludes the report with broader discussions and implications to New Zealand food and beverage industry.

2 Methods

Given that little empirical work has been done to understand the Daigou channel in New Zealand, this study adopted an interpretivist approach in order to gain lived experience from Daigous. In-depth interviews were conducted with a range of Daigous to gain a comprehensive understanding of their perspectives and experiences, followed by an online survey with a broader Daigou population across New Zealand to enhance representativeness.

2.1 In-depth interview with Daigous

Sixteen in-depth interviews with Daigous were conducted by a native Chinese-speaking researcher in November 2020, in a face-to-face manner, for about 60–120 minutes, in Auckland. A recruitment notification was circulated through personal contacts and snow-balled within the Chinese community in New Zealand to register Daigous who were interested in participating in this study. Then participants were purposively selected from the pre-registered pool of Daigous to cover a mix of gender, age range, years of experience practising Daigou, and scale of Daigou business. In order to gather insights regarding the changes of Daigou landscape pre and post-COVID, only those who have been practising Daigou before the COVID-19 outbreak were included for selection. The profile of participants is presented in Table 1.

Table 1. In-depth interview participant profile.

#	Participant*	Gender	Age	Year of experience	Daigou scale	Employment status
1	Lucas	Male	36-45	6+	Medium	Full-time employment
2	Cindy	Female	26-35	1.5	Medium	Full-time student
3	Ray	Male	26-35	3	Small	Full-time student
4	Jason	Male	26-35	1	Small-Medium	Full-time student
5	Serena	Female	18-25	5	Small-Medium	Full-time student
6	Jo	Female	26-35	6+	Small-Medium	Full-time employment
7	Vincent	Male	36-45	6+	Medium-Large	Self-employed
8	Johnny	Male	26-35	5	Small-Medium	Full-time employment
9	Sherry	Female	36-45	6+	Medium	Self-employed
10	Wendy	Female	26-35	2	Medium	Full-time employment
11	Lora	Female	46-55	6+	Casual	Full-time employment
12	Aaron	Male	18-25	5	Large	Full-time student
13	Rachel	Female	46-55	6+	Formal business	Self-employed
14	Nicole	Female	36-45	6+	Medium	Full-time working
15	Mia	Female	26-35	4	Small-Medium	Full-time employment
16	Bella	Female	26-35	6+	Formal business	Self-employed

* Names in this column are pseudonyms to protect the confidentiality and anonymity of participants.

2.2 Survey

Based on preliminary findings from the in-depth interviews, an online survey was crafted and administered to Daigous across New Zealand between 13 January and 9 February 2021. The survey sample comprised the pre-registered list of Daigous through the recruitment of interview participants, alongside an online Daigou panel of a professional recruitment agency. The survey questionnaire was conducted in Chinese and translated into English by the Chinese-speaking researcher, then reviewed by the wider research team and another bilingual researcher from the professional recruitment agency to ensure accuracy. In total 205 completions were collected from Daigou respondents aged 18 years and over, who have been running Daigou businesses for at least 12 months, and had active customer(s) within the last 12 months at the time of survey.

2.3 Analysis

All interviews were audio-recorded and transcribed for thematic analysis. All transcripts were firstly open-coded to identify the general patterns that convey meanings, then axial-coded to compare codes generated in the previous open-coding process, to identify meaningful themes. The qualitative analytical package NVivo 12 was used to assist with the analysis process. Statistical package SPSS was used for survey analysis. The expected margin of error for a random sample of this size is $\pm 6.7\%$ (n=205) at the 95 percent confidence level.

The findings presented in this report include quotations to provide a rich description of the views, experiences and interactions of participating Daigous. When cited, pseudonyms are used to protect their anonymity, followed by an indexing number to locate the quotation in the transcript. Findings from interviews and results of the survey were then integrated to provide a comprehensive understanding of the Daigou channel.

3 Daigous in New Zealand: an overview

Based on survey results, this section gives an overview of the Daigou business in New Zealand, including the basics of Daigou population and their customers, the main categories of product traded via Daigou channels, and how Daigou operates in New Zealand.

3.1 Who are the Daigous?

In the survey, 86% of respondents indicated themselves as female. More than half of the respondents have been living in New Zealand for more than six years (Figure 1), and almost half reported being in the business for 3–5 years (Figure 2). Although the survey has screened out respondents who had been practising Daigou for less than 12 months, figures from Figure 2 indicate that Daigou practice could be an enduring business.

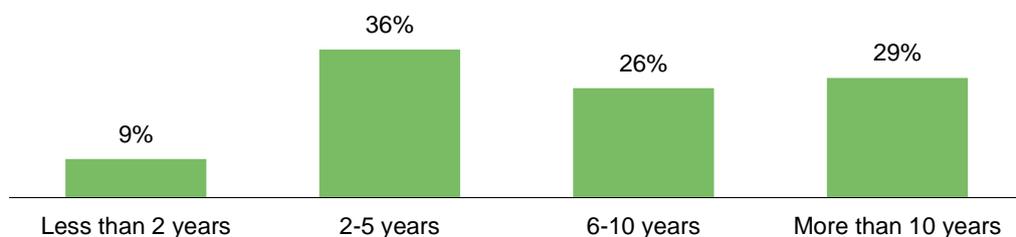


Figure 1 Length of time surveyed Daigous have lived in New Zealand

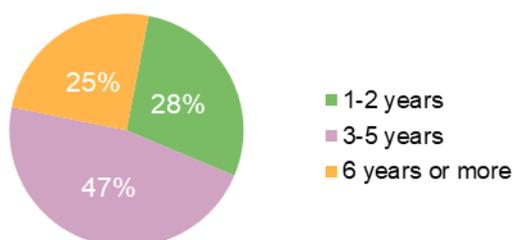


Figure 2. Years of Daigou experience in New Zealand of Daigous surveyed.

Figure 3 shows that half of the respondents were aged 26–35, and a third 36–45. With regards to the visa status, more than half indicated holding a New Zealand or Australian resident visa, while only 9% identified as international student visa holders (Figure 4). Note, the visa status of respondents could be significantly biased by two factors. First, the border restriction due to COVID-19 has kept many Chinese international students out of New Zealand since February 2020, which may have impacted the continuity of the business for many Daigou students. Second, the recruiting criterion of being a practising Daigou for more than 12 months at the time of survey may have excluded many temporary student visa holders who were new players in this space, while many of them may have graduated and transferred to a post-study work visa by the time of survey.

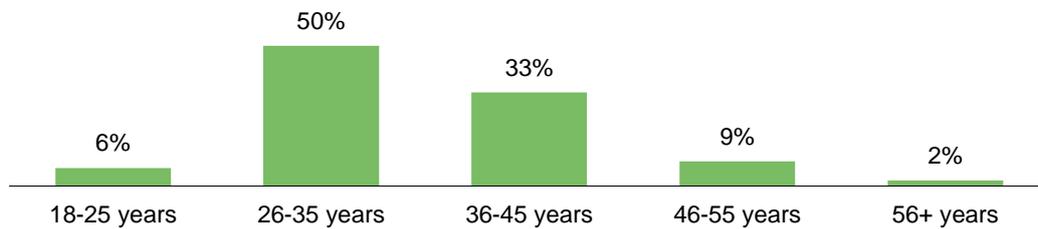


Figure 3. Age range of Daigous surveyed.

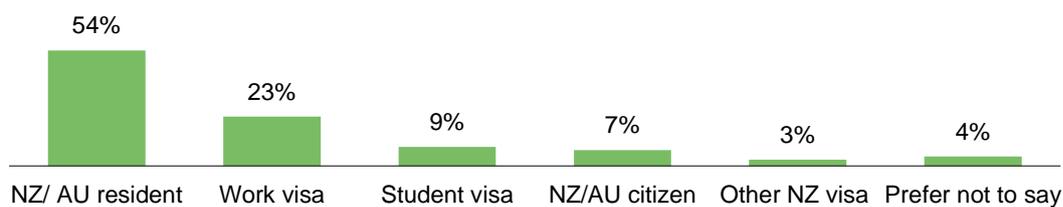


Figure 4. Visa status of Daigous surveyed.

Daigous surveyed in this study tended to be in some form of employment, with 41% reported in full-time employment, and 27% part-time (Figure 5). Most of these Daigous operate their Daigou business in a casual manner, 39% of them maintain less than 10 active customers who regularly buy products from them, and a third of them have a customer group between 11 and 50 (Figure 6). Forty-three percent of surveyed Daigous reported receiving about 5–20 orders monthly (Figure 7), while the majority of Daigou (71%) spend between New Zealand \$0 and New Zealand \$2000 purchasing requested products in an average month (Figure 8).

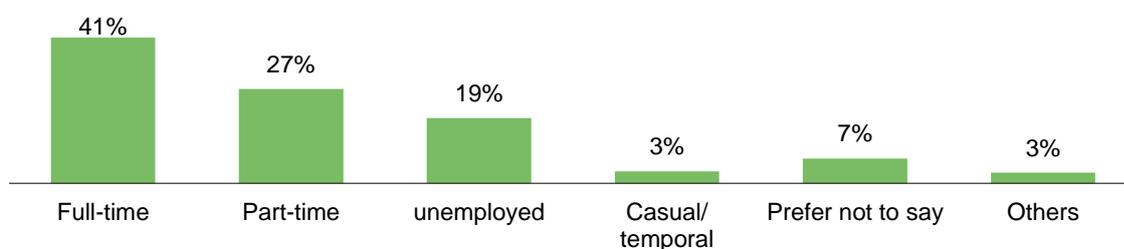


Figure 5. Employment status of Daigous surveyed.

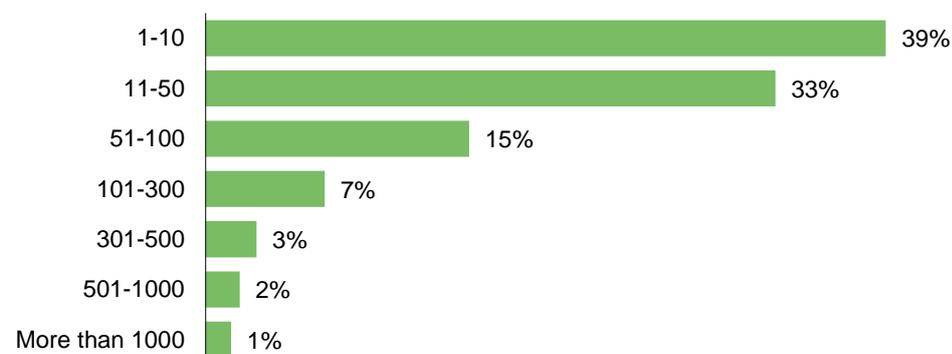


Figure 6. Number of active customers of Daigous surveyed.

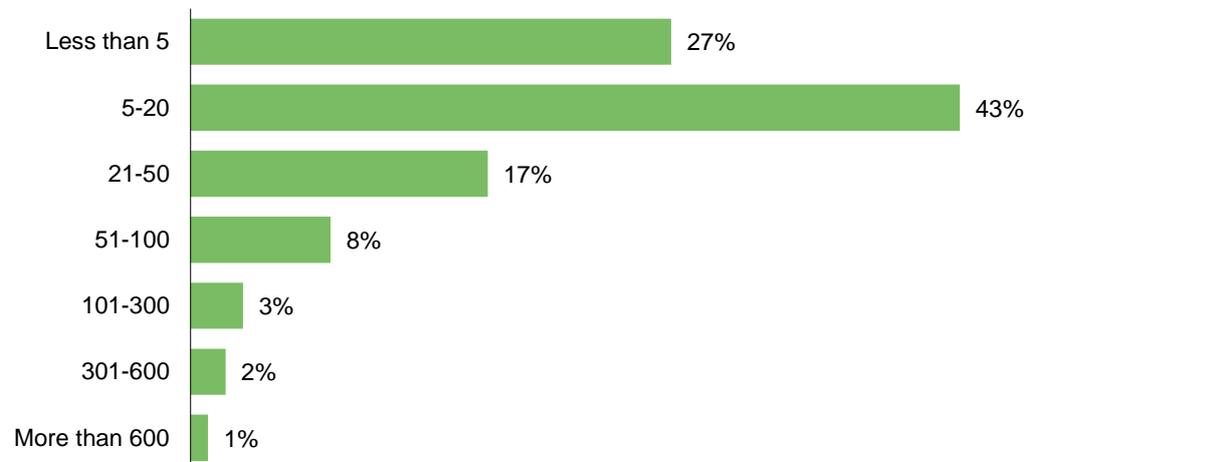


Figure 7. Number of orders received monthly by Daigous surveyed.

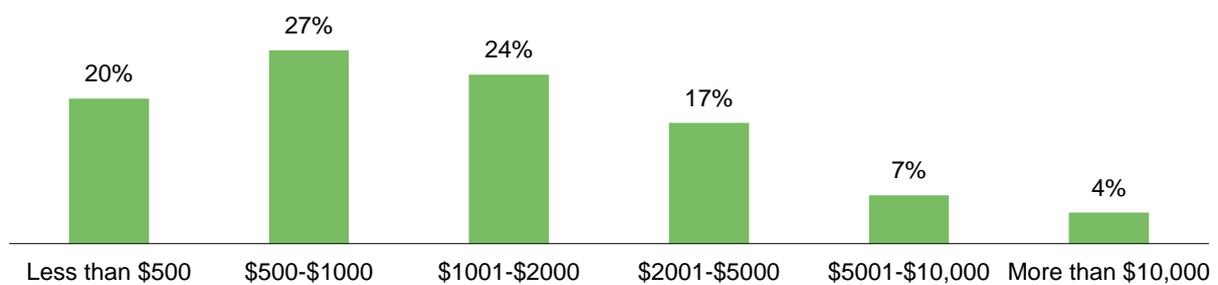


Figure 8. Surveyed Daigous' monthly spend on purchasing products requested by customers.

3.2 Who are the customers?

According to interviews, the most common customer group is 'mums who buy baby products'. These customers are likely to be young mothers who are well-educated, with a higher income, pursuing a high-quality life. Overall, based on survey results, the majority of customers are aged between 25 and 40 years of age (Figure 9).

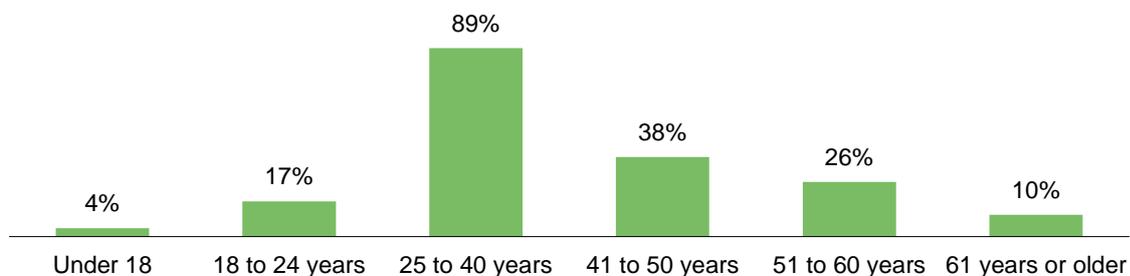


Figure 9. Age groups of customers of surveyed Daigous.

Daigou customers are more likely to be female, evident in that 82% of respondents estimated that more than half of their customers to be female (Figure 10), with 26% of them stating 70–80% of their customers are female, and 24% stating that 80–90% of their customers are female.

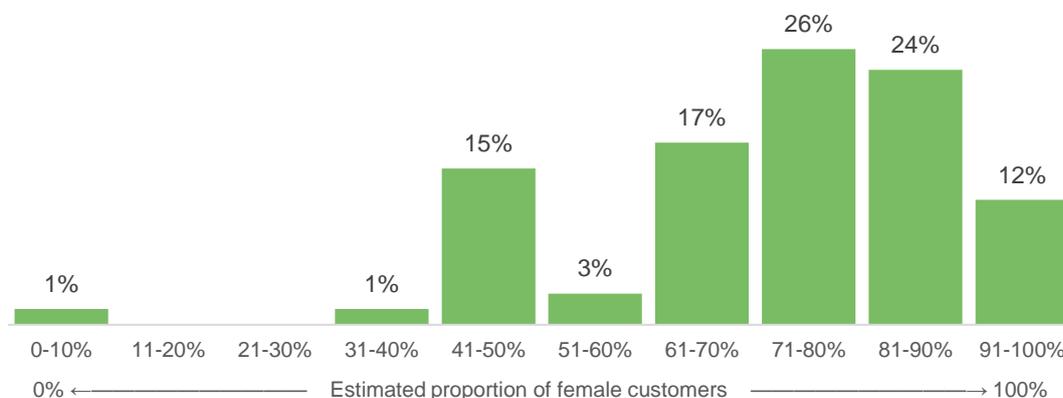


Figure 10. Proportion of male/female customers of Daigous surveyed.

Also, customers are likely to be known personally to the Daigou, and 66% Daigous surveyed estimated more than half of their clients are acquaintances (Figure 11).

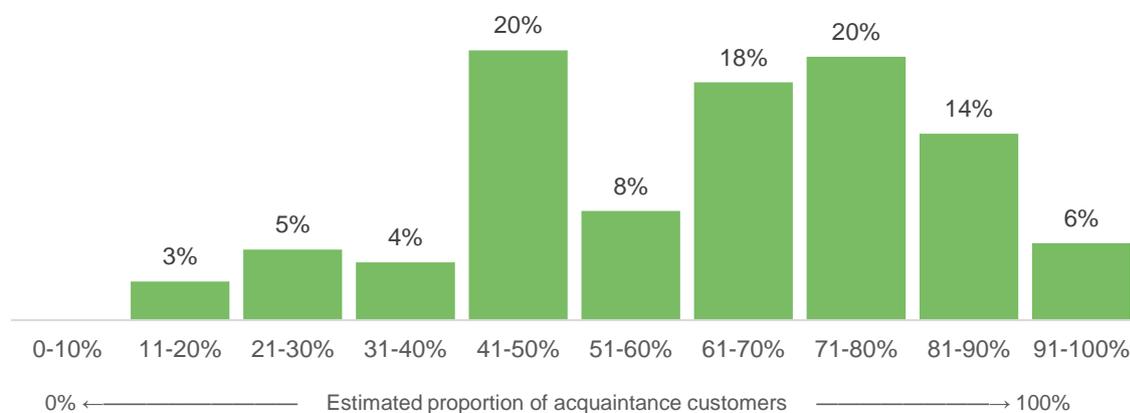


Figure 11. Proportion of stranger/acquaintance customers of Daigous surveyed.

3.3 What are the products traded via Daigou?

Almost all Daigous in New Zealand have food products on their shopping list for customers. As shown in Figure 12, among all food items, milk powder and supplements are the most common categories provided by Daigous, followed by honey. Packaged food, fresh produce, and fresh or frozen meats are less traded via the Daigou channels. Skin care and cosmetics are the major non-food categories that many Daigous are engaging with.

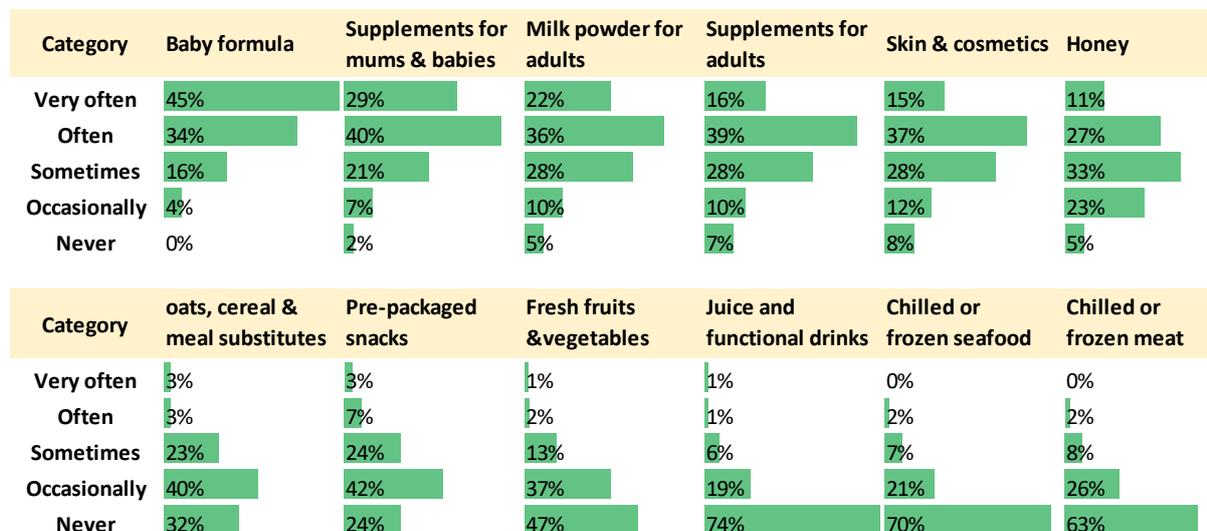


Figure 12. Major product categories purchased by Daigous surveyed.

Overall, with respect to what brands/products Daigous would like to offer to their customers, there are two aspects of evaluation. Firstly, Daigous investigate and evaluate the brands and products: whether the brand/product is established or new to the market, is it Kiwi-owned or has it been acquired by Chinese owners, the brand/product's local presence and consumption in New Zealand, product functionality and customer reviews, the 'real provenance' of ingredients and manufacturing etc. Such investigation helps Daigous to determine whether the brand and its products are safe to recommend to customers, because Daigous do not want to risk their own reputation by offering unsafe, unauthentic, or ineffective products to their customers. Profitability is the other aspect to consider. Daigous will evaluate the price margin based on customer demand and personal input: how many customers are asking for this brand/product, how much time is needed for sourcing the products, how much pre- and after-sales service will be involved etc.

Individual Daigous will have their personal resources and preferences, and subsequently, develop their own approaches towards product ranges. Some Daigous tend to offer a full service to satisfy every customer and every request (such as Sherry and Rachel), while some tend to work around a more limited product and service range to save their own time in carrying out their Daigou activities (such as Wendy and Aaron).

Across interviews, Daigous expressed a moderate interest in exploring new brands and new products. Profitability is the primary motivation for Daigous to invest in new products, as Vincent said, "sometimes we attend a new product launching event and then decide to promote that product, because we think it is profitable, and its market potential, because it has little market share now, so if we think it has a good potential, then we will take it on board" (Vincent, 230). Some Daigous also remarked that "we'd love to introduce new products, because Chinese love new stuff, they would like to buy new stuff. We'd love to introduce new products to customers, but if the brand fails to gain traction, it's the brand's business" (Bella, 264). Some others were more reserved with new brands or new products because "if the new product is not a hot seller in China, and there is limited marketing in China, why should I invest my time to do marketing for it" (Wendy, 250).

As shown in Figure 13, in the survey, the majority of Daigous also expressed a neutral to positive attitude towards niche or new food brands or products that are of low awareness among customers. In contrast, a large number of Daigous surveyed were not willing to make recommendations to their

customers for products that are only sold in Chinese souvenir shops, products that require specific supply chain facilities (e.g. cold chains), and products that are fragile or could be easily misshaped during transportation (e.g. biscuits).

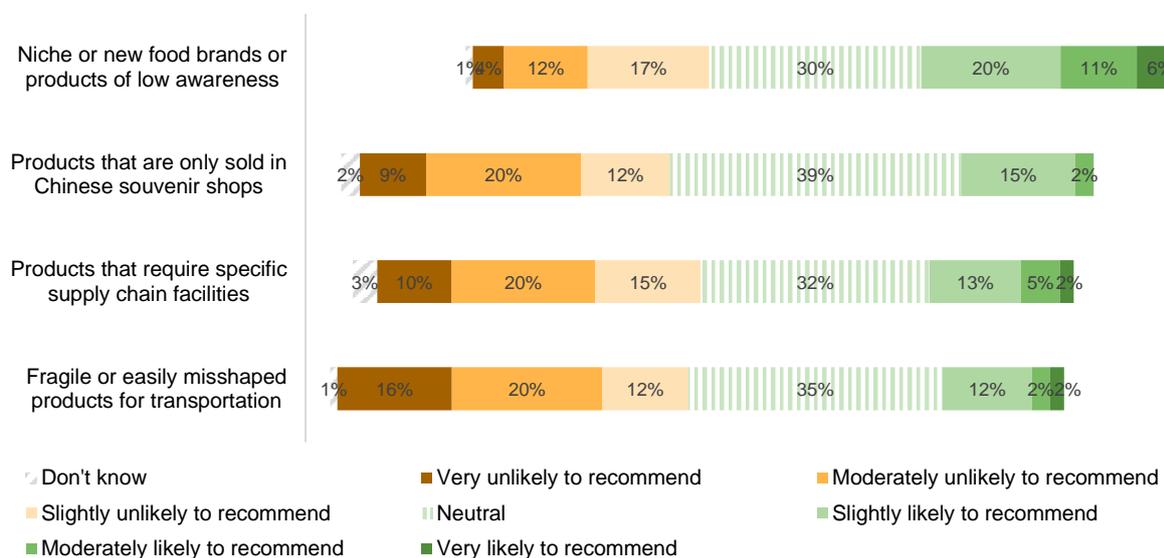


Figure 13. Likelihood of product types being recommended by Daigous surveyed.

3.4 How Daigou operates in New Zealand?

The operation of Daigou comprises three key processes, namely, product purchasing, packing, and delivery (sending). In the most 'traditional' Daigou operating manner, an individual will source requested products from local retailers, pack all items into a parcel, and send the parcel to customers through international express. All these picking, packing, and sending processes traditionally used to be done by the Daigou in person. Over time, this way of Daigou operation has been changed by the proliferation of 'Chinese souvenir shops' specialising in commonly sought-after items through Daigous, including milk powder, supplements, and skin care products. Many of these souvenir shops also operate online through websites and WeChat Mini Programmes, and offer daifa service to assist Daigous with the entire 'pick-pack-send', saving them the trouble of having to process each order they receive from customers. Some specialised New Zealand/Australia-based cross-border e-commerce platforms have also emerged in recent years and offer daifa services for a wide range of New Zealand/Australian brands and products sought by Chinese customers.

Overall, Daigou products are most commonly sourced via Chinese souvenir shops, which could mean shopping physically at the stores, placing orders online through their shopping sites or WeChat Mini-Programmes, and through one-on-one contact with a store staff member (Figure 14). Local retailers, especially chain supermarkets, and pharmacies, are also popular shopping venues for Daigous to source products requested by customers. New Zealand/Australia-based cross-border e-commerce platforms are on the rise among Daigous as an emerging method to source products and handle customer orders in a more virtual manner.

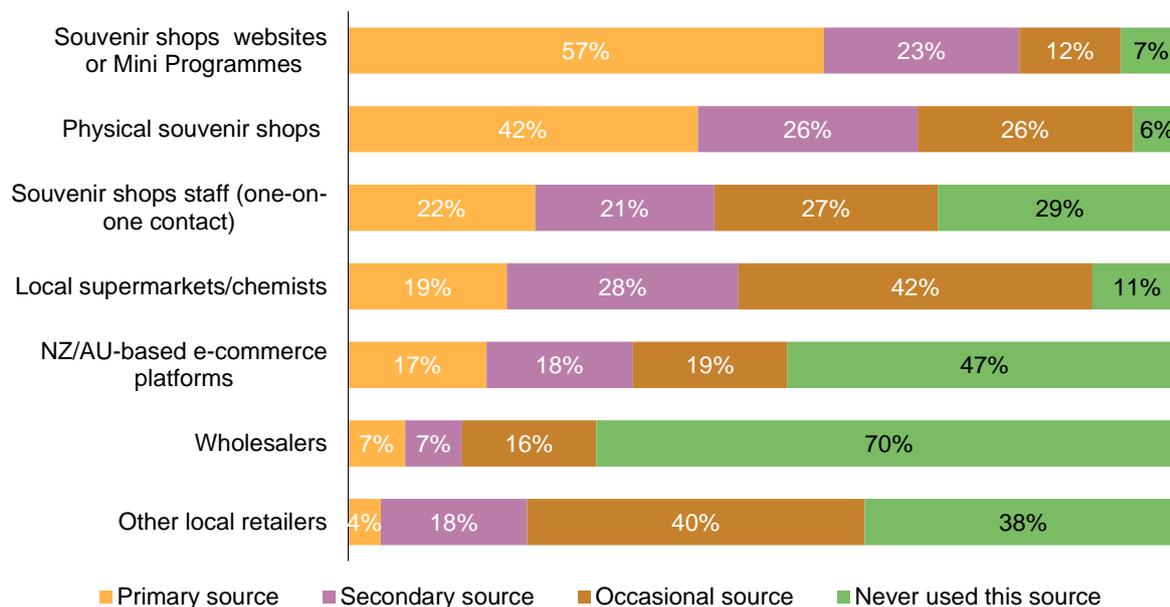


Figure 14. Surveyed Daigous' purchasing channels for products.

After sourcing products, the most common package and delivery method is via a daifa service provided by souvenir shops, or e-commerce platforms (Figure 10). As daifa service has become more popular, fewer respondents reported that in-person packing and sending remain their primary delivery method. With the daifa service, Daigous are able to source and send products to customers from Australia, and/or from a bonded warehouse in China, via the daifa platforms' distribution networks. Some Daigous have also developed various types of partnership with domestic channels, which enable them to bulk-buy and pre-stock products in China, then re-pack and send individual parcels from within China at a later stage according to customer orders.

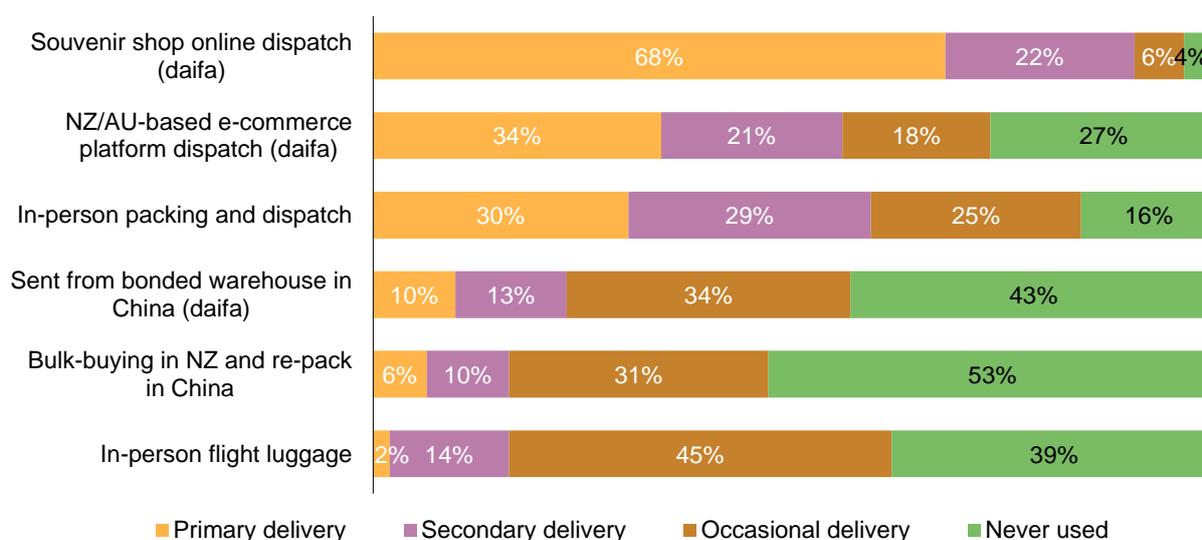


Figure 15. Daigous' methods for product packing and delivery.

Figure 16 illustrates how Daigou businesses are commonly operated in New Zealand, from receiving orders from customers to the delivery of individual parcels from New Zealand. In addition to on-demand individual parcels sent from New Zealand, it is also possible that some Daigous may pre-stock products that are popular, and/or on sale, before receiving a specific order, and send these products in bulk back to China (to be received by a family member or a business partner in China), and then re-pack and deliver from within China when an order received.

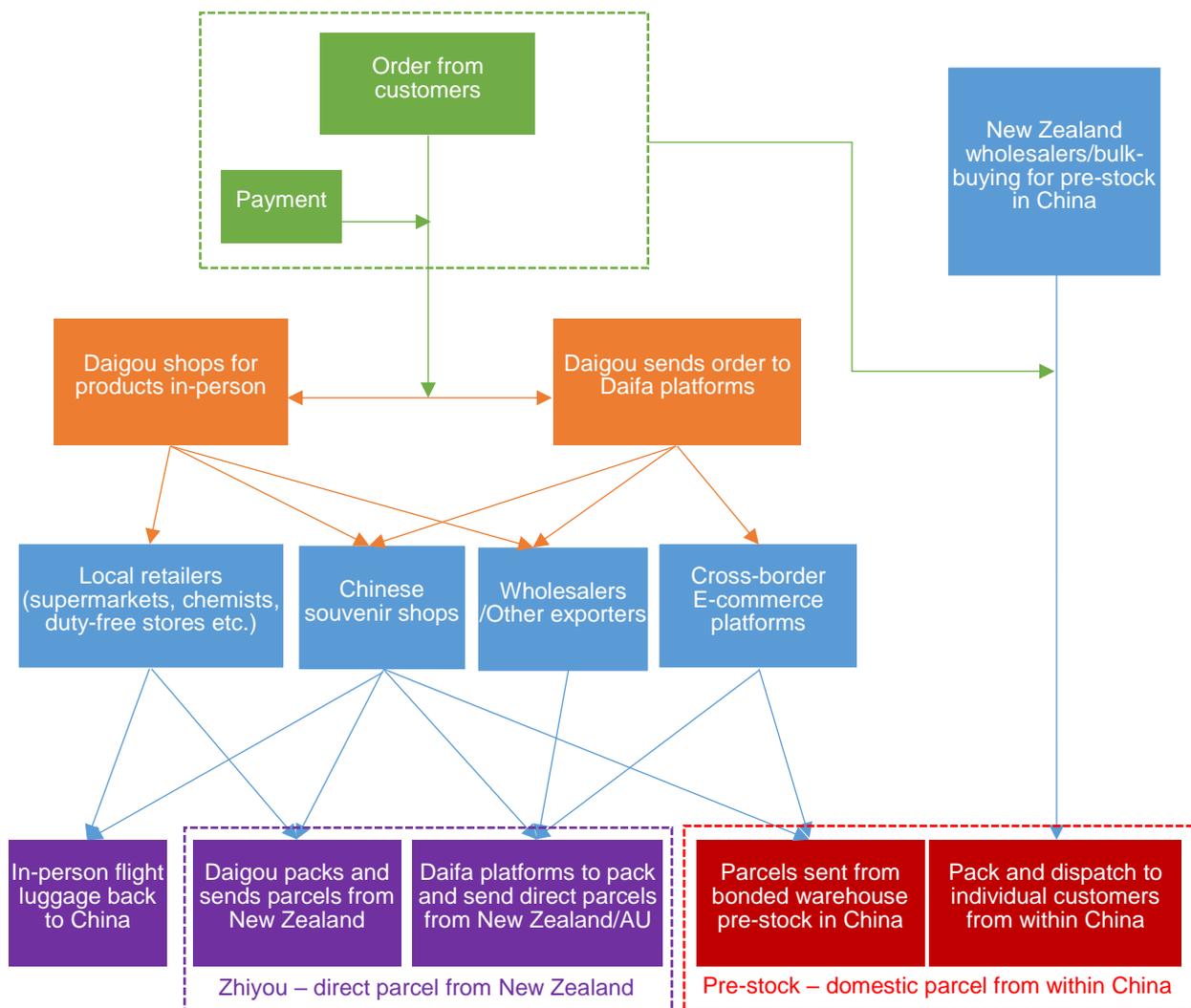


Figure 16. An illustrative process of Daigou operation in New Zealand.

4 New Zealand food image and trust

This study explores Daigous' perceptions of New Zealand food, and Daigous' views of their customers' perceptions of New Zealand food. A 'trust story' concerning New Zealand food is unveiled through the interactions between Daigous and their customers. Findings reveal a New Zealand food image in the eyes of Daigous and their customers, and highlights how messages of New Zealand food are communicated by Daigous to construct and enhance a trustworthy 'New Zealand food image' among their customers.

4.1 New Zealand food in the eyes of Daigous

Regardless of the length of their stay in New Zealand, all interviewed Daigous reported positively on their perceptions of food in New Zealand, through day-to-day life or interactions with the New Zealand food industry. These personal stories and experiences could be used by Daigous to showcase New Zealand food superiority to their customers, which will be discussed in Section 4.3. For Daigous, the perceived entirety of the New Zealand food system, the kindness of New Zealand people, the overall high trust culture in New Zealand, and the clean green image of the New Zealand environment are the four pillars that support their trust in New Zealand food. It is also noteworthy that about a third of the Daigous commented that New Zealand is less advanced in production techniques and workmanship.

4.1.1 The entirety of New Zealand food system

In the interview, Daigous shared positive personal experiences with food in New Zealand across various food chain actors, which collectively indicates the entirety of the New Zealand food system in their perception. For Daigous who are lay consumers themselves, their perceptions primarily come from day-to-day experience with food in New Zealand, which mainly takes place at food outlets such as supermarkets. For example, Rachel commented that "*day to day I interact with supermarkets, I go shopping almost every day, I see how they operate, how I buy stuff and sometimes return stuff, and they sometimes discard stuff, I feel they are indeed doing a good job*" (Rachel, 242). Supermarket food recalls, in particular, are seen as a signal of safety monitoring being in place:

Anyway I think food here is indeed very good. A sense of trustworthiness, whenever you buy dairy, fruits, you go to supermarkets, especially kiwi supermarkets, and everything looks very fresh. ... Sometimes food products are found problematic and supermarkets will recall, which makes me feel reassured. Even though you may by chance buy something bad, it will be recalled. So overall food safety is really good, I think. (Cindy, 106).

Furthermore, local retail outlets, including supermarkets and pharmacies, are seen as gatekeepers of food safety and quality, as Rachel commented: "*with regards to food safety, I hold more confidence in supermarkets [as opposed to Chinese souvenir shops], because the screening system of supermarket is pretty reliable*" (Rachel, 248-250). In particular, local retailers are seen as important for filtering out counterfeits: "*usually you shop in supermarkets and you won't get a counterfeit. ... Supermarket functions as a gatekeeper, it will be badly impacted if a counterfeit is reported by customers*" (Nicole, 202-206).

It is evident that one of the most important aspects of Daigous' trust in the New Zealand food system is the belief of 'no food fraud in New Zealand'. Jason explained why he feels very reassured by

New Zealand food: *"I don't have to worry and I can buy things with my eyes closed. Because there's very low tolerance for counterfeits or non-compliant things here, I believe New Zealand has a very low tolerance for such things so there's no space for counterfeits"* (Jason, 196). He further pointed out that the New Zealand government has been taking the lead in guaranteeing the entirety of the New Zealand food system. He said, *"it was the government making huge effort at the beginning and finally created such an environment, and nurtured people's trust in products and confidence in safety"* (Jason, 200).

Daigous' interactions with various other food businesses were also positive. For example, Jo referred to her experience working for McDonald's: *"the food list was checked regularly, checking its shelf life etc. Sometimes the entire drawer of food was disposed of because it had been sitting outside exceeding a certain period of time"* (Jo, 186). She described such process as very *"reliable"*, *"strict"*, and *"very good monitoring"*, and *"the knowledge I learned from this experience gives me an extra layer of sense of security, at least I know the food that I put into my mouth is good, is safe"* (Jo, 188). Lucas also talked about his experience as a coffee shop owner in the past: *"city council has good monitor over food safety, either food in small restaurants or those sold on shelf. ... There are also in time responses to problematic foods, and the tracking is pretty well in place"* (Lucas, 108). Even on the farm or in the pack house, Bella shared her working holiday experience that *"we workers took disinfection seriously, yeah, we did all this well, and everyone was very compliant"* (Bella, 200).

The entirety of the food system does not guarantee a perfect and flawless practice. Some Daigous are cautious about the food inspection process: *"New Zealand government does keep an eye on every industry, however the frequency of inspection is once a year. Most of the problems are investigated because someone reports the issue"* (Lora, 78). Nevertheless, the entirety of the New Zealand food system is also reflected in the way problems are handled: *"I trust the government here, and the monitoring as well. If there is any problem it will be reported immediately"* (Lucas, 116).

4.1.2 The kindness of people and high trust society

Many Daigous also recognise New Zealand as kind people, and New Zealand as a high trust society, with some stating this as the primary reason for their trust in New Zealand food. The kindness of New Zealand people supports the anticipation that food businesses would not be purely profit-driven and opportunistic at the expense of food safety and consumer health. For example, Lora claims that *"everybody says Kiwis are very kind people, kind people are naturally trustworthy, they won't put stuff like melamine or Sudan dyes into foods"* (Lora, 10). Jo also believes that it is because New Zealand people are kind *"they don't have a mind of counterfeiting, and everyone wants to offer the best"* (Jo, 190). Instead of making money from illegal operation, Lora further commented:

Kiwis are so kind and they never think of taking advantages of others, they just want to do their best to get the best product. Many of them work for their hobbies and pleasures rather than making money, they want people to enjoy the food they make. (Lora, 46).

Some Daigous also referred to the trust culture in New Zealand, which extends beyond the food sector. Serena, for instance, despite her zero to minimal understanding of New Zealand food safety regulation, trusts New Zealand food without a specific reason, because *"in New Zealand people just trust each other"* (Serena, 130-134). Rachel also believes that *"I feel safe as long as the food is produced by Kiwis"*, and she calls it *"a gut-feeling type sense of trust in the Kiwi culture"* (Rachel, 240-242).

In general, New Zealand is perceived as a society of honesty. In New Zealand, *“there are rules here and everyone has the spirit of rules, seldom will people try to break the rule”* (Lucas, 110), and *“you will be given the benefit of the doubt, unless you are caught and then you will be punished”* (Johnny, 154). Being honest and transparent with problems is particularly important for Chinese consumers, which is illustrated in the following comparison between China and New Zealand:

There are also lots of good stuff in China, but you can't tell apart the good ones from the bad. Especially when there is a problem, it won't be reported to the public. Usually only good news will be reported and bad news held back; thus you can't differentiate the bad ones. Whereas in New Zealand, at least people are brave enough to reveal what's wrong. (Johnny, 150).

4.1.3 Clean green environment and quality food

Daigous are very impressed with the natural environment in New Zealand. As one Daigou commented *“New Zealand's biggest competitiveness is its natural resources and its natural stuff”* (Ray, 18). The clean green image of New Zealand also contributes significantly to Daigous' trust in New Zealand food. Many associated the premium quality of New Zealand food to its growing environment and growing methods. One of the most frequently mentioned features of New Zealand's environment was “pollution-free”, which ensures that New Zealand food produce will be safe and pollution-free as well:

New Zealand food has its great competitiveness. We are a country of agriculture, we are pollution-free, or minimal pollution, not many industries on the islands, the climate is perfect, so our produce, dairy, and meat are also excellent for the export market. Yeah, New Zealand is a big rural area without pollution, the land of idyllic beauty, and the land of the long white clouds. (Sherry, 168).

Here in New Zealand, with the beautiful landscape, good quality water and air, and the produce from this pollution-free soil is for sure no problem – if still not assured you can even buy organic. Yeah, you can be very assured with food stuff here, like vegetables have not much residue on it. (Vincent, 174).

Daigous recognised that New Zealand has been successfully taking advantage of its natural image, for example, *“New Zealand as a country places great emphasis here, for example, the frontline interface New Zealand Tourism uses 100% pure New Zealand as its slogan, which makes people feel that the whole country is the pure Middle Earth, thus its food production of course is also very pure”* (Ray, 58). Jason also said that *“‘pure and natural’ is the selling point of many New Zealand products, including meats, supplements, and skin care products. Meats are labelled as ‘grass-fed’ and ‘natural’, or other descriptions alike”* (Jason, 196-198).

4.1.4 Less industrialised production and workmanship

Despite lots of praise for New Zealand food with regards to its naturalness, purity, and other traits, about a third of Daigous interviewed held a less positive view of the production technology and craftsmanship in New Zealand. This is partly due to the impression that New Zealand is advanced in agriculture, horticulture, and husbandry, but not so advanced in industrialisation and modern production technology, *“after all, New Zealand is a small country, its production equipment is not as advanced as other developed countries”* (Lucas, 168). It is not uncommon for Daigous or their clients to spot packaging, labelling, or other defects with the products, for example,

I'm not sure whether it's because they are too focusing on the product ingredients, perhaps they only take care of ingredients. Can you also pay some attention to packing? ... Sometimes the product may have no desiccant packet inside; when the customer receives it, she may think, 'what's wrong? There was always desiccant packet before, but this one isn't, are you sending me a counterfeit?' Or sometimes 'why there are two packets in one bottle? Are you sending me a counterfeit?' Then we have to ask the company, 'Oh we are so sorry, sometimes we do miss it out.' (Bella, 206).

One of the interesting stories was from Wendy, whose perception of New Zealand products was slightly changed as lots of packaging defects were found among her Daigou service. She calls it “the fading New Zealand halo” as she gets to know more about the production process in New Zealand:

To be honest, at the very beginning I thought all New Zealand made is very high quality. I come from China and from a Chinese consumer perspective, I once thought New Zealand products are of very high quality, cause the New Zealand branding campaign in China always promotes New Zealand as a country with very strict quality control. But later on I know that New Zealand is short of production capacity and thus relies on manual processing a lot. Man-made is of course not as accurate as machines. Later I learned that a few brands have problems like empty capsules and other mistakes... you may find each batch is different, the printing and the fonts are different, and the hand labelling... so how can you ensure the quality? In the eyes of consumers these are signs of substandard quality. So after living here for a long period, I find myself not that confident in the product quality now. I was talking about the external packaging beforehand, but since the packaging is that worrying, how would the production be like? I'm not very much confident. (Wendy-266).

In most cases, with Daigous' explanations, sometimes supported by a statement from the brand, these minor defects do not actually impair customers' perceptions of New Zealand food safety and quality. However, the perceived disadvantages of a lack of modern production techniques could be detrimental to the premium positioning of New Zealand food among competitors worldwide. For example, Sherry noted that New Zealand product has a problem with its positioning in the market:

New Zealand is too left behind of industrialisation. I know of some wealthy people, and I feel like they are giving New Zealand product a go with reluctance ... They are so wealthy that they have different requirements. But New Zealand is just simple and honest, so we have a problem with our product positioning. Now I only target the middle class who want both good quality as well as cost-effectiveness, we are able to offer what they want. But those really rich people may look down on our products. To be honest, I do feel this way. (Sherry, 236).

4.2 New Zealand food in the eyes of customers

In Daigous' descriptions, their customers' perceptions of New Zealand food is similar to that of the Daigous, but in a more stereotypical manner. In general, the clean green image, the quality of food products, and the high standard of food regulation of New Zealand are well recognised by Chinese consumers. However, most Chinese consumers do not have first-hand experiences with food in New Zealand and are distant from New Zealand. Thus, many Chinese consumers seek information such as whether the products are consumed by New Zealanders, and use this as a cue to signal the authenticity of the products, and trust enabler.

4.2.1 Natural environment and product reputation

According to Daigous' observation, the '100% Pure New Zealand' campaign is a big success in promoting the clean green image of New Zealand so that *"in the eyes of Chinese consumers, New Zealand is a pure place, and New Zealand brands itself to the world with the slogan Pure New Zealand, thus everyone imagines New Zealand as a grand prairie with blue sky and white clouds, clean and free of pollution"* (Wendy, 16). The association between the pure environment and New Zealand food is also well established:

The 100% Pure New Zealand campaign is rolling out in China as well, so almost everyone in China, including those who never visited New Zealand before, knows that New Zealand is a place of blue sky, white clouds, and green sceneries, free of pollution. Everyone says that New Zealand is a giant natural oxygen bar, New Zealand oxygen is sold on TV, New Zealand water is exported to China as well. ... This is the reputation of New Zealand. As they see a New Zealand product they will immediately think this is pollution-free, and there are no chemical additives in it. (Lora, 10).

The most valued product traits related to the growing environment are "pollution-free", "pure" and "natural", which sometimes may not be directly associated with a 'premium' position, as Bella remarked *"in their eyes, New Zealand products are pure, natural, 100% pure and natural. Not that New Zealand products are premium, but pure and natural, green and organic"* (Bella, 184).

Some product categories, such as dairy, honey, and red meat, are seen as more 'New Zealand stereotypical': *"I think honey and milk powder are the two labels of New Zealand, which are very popular among Chinese"* (Jason, 12); and *"mentioning of New Zealand, consumers will definitely think of its dairy products in the first place, won't they? And New Zealand's beef and mutton"* (Vincent, 50). Supplements, on the other hand, are more associated with Australia: *"perhaps Australian supplement brands are more popular. ... New Zealand seems to have no competitiveness in this area"* (Serena, 40), and *"Australian supplements are heavily hyped, thus awareness of Australian brands rises.... Almost all of them ask about Australian brands, if they want supplements"* (Serena, 92).

Nevertheless, Daigous also reported that they receive positive reviews from their customers with regards to New Zealand products, especially with functional foods and supplements. For example,

Indeed there is positive feedback on the product functionality. The repurchase of honey is the most evident, for gastrointestinal health. They would say, hey, two more bottles of honey, please! Then I say, well, here you are, how are you going with the honey? Yeah, they reply, all good, thus I'd like more. (Jason, 190).

These days [brand name] products are gaining traction, their products have some unique features, and in general customers give positive feedback on them. (Rachel, 40).

4.2.2 Robust New Zealand food system

From Daigous' descriptions, many customers also hold a positive view of New Zealand's food safety in terms of its surveillance system and the food industry's compliance, and *"in customers' eyes they believe that New Zealand has very strict safety control"* (Wendy, 290). The New Zealand government is seen as a key player here: *"New Zealand's food regulation is a fundamental endorsement of its food products, which is a governmental endorsement for everyone to be assured of the food quality here."*

Without a doubt, customers buy with peace in mind" (Vincent, 82). And again, the control of food fraud is essential to Chinese consumers' perceptions of the New Zealand food system: *"there's no counterfeit in New Zealand – I'm sure whether this is true or not, but they believe so"* (Ray, 52).

It is noteworthy that, although Chinese consumers' trust in New Zealand food system is overarching, the level of compliance of brands could be perceived differently. In general, Kiwi-owned brands are considered more trustworthy, although sometimes customers may mistake the owner. For example, *"customers recognise these as foreign brands, and believe that foreign brands will have better quality control. This is the traditional mind-set, and they don't know that some of these brands are owned by Chinese"* (Lucas, 100). A number of Daigous expressed their customers' concerns with the New Zealand/Australian brands or companies being acquired wholly or partially by a Chinese owner. They are worried that the quality of products may be not as good as before, due to the general distrust in Chinese businesses being fully compliant and committed to quality assurance. For example, Nicole recalled some emotional responses from customers after a former Australian brand was acquired by a Chinese owner, and some customers preferred to no longer buy this brand:

Before [brand name] was acquired by Chinese, its liquid collagen was a best seller; after the acquisition, I didn't sell many of this product. ... To be honest, I'm not saying that my customers bought [brand name] products only before the acquisition; they bought among a range of brands. But when the news of the acquisition went public, some customers came and asked me, hey, [brand name] has been acquired [by Chinese], hasn't it? You can feel obviously through the way they asked that they cared about a brand being acquired. In fact, being acquired or not, just that the owner has been changed. If the new owner was a foreigner, possibly they would never ask. ... Even myself are a little bit worried that its quality control may fall short [after acquisition]. (Nicole, 32).

4.2.3 Products consumed by local customers

One of the common questions Daigous received from their customers is whether the product in question is available in New Zealand local supermarkets and pharmacies, and whether Kiwis purchase that product. Being consumed by New Zealand consumers means the product is up to New Zealand standard and that it is popular in the domestic market. For Chinese consumers, product presence at local outlets is a signal of safety assurance more than premium quality, as illustrated in the following quotes:

They highly recognise those sold in local supermarkets and pharmacies. If a product is not found in pharmacies or supermarkets, they will hesitate. For instance, Anchor milk powder, with which I started off in the early days, it's not that Anchor milk powder outcompetes others, but it's on shelf of supermarkets, and customers would think, look, it's sold in supermarkets, and local people drink this as well. So they would believe that this product is absolutely no problem. (Vincent, 260).

Many customers on Taobao will ask me to recommend stuff that are consumed by New Zealand locals. ... Not that those consumed by Kiwis are really better than other stuff, just that these [products accepted by locals] are not products that just want to make quick and dirty money. Because there are so many such things now. (Rachel, 268, 272).

Supermarket honey is a hot-sale, because I state 'this the honey that Kiwis take'. ... If a product is sold in the supermarket, then everyone may buy it, and only those products that are popular among customers will be sold in the supermarket, thus they think it's very

reliable. Last time I visited my sister-in-law as she gave birth, and I took photos of all products that her baby eats and uses, then share these with customers, look these are what Kiwi babies eat and use. I note that each time when I say something is a Kiwi choice, there are much more inquiries from customers.So I quite like to say so, but I can't say so with every single product. (Mia, 216-224).

Presence at local retail outlets is also important to signal New Zealand authenticity for Chinese consumers. This becomes increasingly important as Daigous noted that there are many 'so-called' New Zealand products swarming in the Chinese market. For example, Jo is aware of such a business practice that *"some people in China may acquire a New Zealand local brand or a company, and register a New Zealand address, but they may actually have all the production processed in China, only that they relate themselves to New Zealand"* (Jo, 270). Many Daigous reported that from time to time they would be asked of some "so-called" New Zealand brands which they are not able to find in New Zealand local market. From the customers' standpoint, Daigous shared that *"if the products are sold to Chinese consumers only, they would feel weird, is it just milking the Chinese market? How about the quality? Why isn't it sold in New Zealand?"* (Wendy, 228).

4.3 How is New Zealand food communicated to customers via Daigous

Daigous interviewed shared a high level of trust in New Zealand food, and such trust gives them confidence in offering Daigou service of New Zealand food to their customers. The reputation of New Zealand food is something that Daigous tend to make use of to leverage sales, in explicit or subtle ways of communication as they interact with their customers. Given that Daigous are living in New Zealand, they have all-round experience with New Zealand food, which they can share with customers as personal stories. For example, Jo used to share her daily life on WeChat moments. Through her posts *"they will see the environment in New Zealand is indeed very good, which could have some positive impact on their perception on New Zealand foods"* (Jo, 32), and *"sometimes a casual photo of cattle feeding on grass rather than given artificial feedings, stuff like that, to indirectly communicate the messages to customers"* (Jo, 204).

Food experience is also something that Daigous may share with their social networks in China. For example, Ray said *"I will talk to my friends in China about things like the taste of fruits in New Zealand"*, and his observation that *"I don't see my homestay family particularly wash their vegetables"* (Ray, 72), which will enhance people's impression of 'pure New Zealand'. He further pointed out that *"they have already thought very highly of New Zealand products, and with my personal story their confidence will be enhanced"* (Ray, 76).

With social media and live streaming technologies, Daigous are also able to present New Zealand food to their customers more directly. For example, Cindy will 'bring' her customers to New Zealand supermarkets through her photos and videos. When shopping in the local supermarket, she takes photos of supplements and functional foods, and shares with customers: *"locals take supplements too, and they easily get these from supermarkets. It indicates that these products are very embedded into local lifestyle, thus customers feel even better with such products"* (Cindy, 180); and *"we take videos and show our customers how local supermarkets look like, and share stuff like I find a new flavour of yoghurt this week... They are quite interested in your life experience in New Zealand, and through sharing their trust in New Zealand products will be enhanced"* (Cindy, 110).

Apart from daily food experience, Daigous also share their knowledge of New Zealand food regulation with their customers, especially when challenged by concerns of counterfeits. For example, Jason has been investigating New Zealand food standards and monitoring systems since he started the Daigou journey, and he talks his customers through his knowledge:

Some customers may ask whether there are counterfeits in New Zealand, yeah, I'll talk them through, in New Zealand we don't worry about counterfeits, we just choose what we need. There's no counterfeits in New Zealand, I always say so. I'll also explain that New Zealand has its monitoring system, a very strict system for baby formula, and there are standards for supplements, there are sales monitoring and quality assurance. And the naturalness of our products. I'll talk them through all these. (Jason, 208-212).

One of the controversial topics concerning New Zealand food regulation is the Risk Management Programmes (RMP). Some Daigous see RMP as an advantage of the New Zealand food system over Australia, while some others think the opposite way and see RMP as an obstacle, especially when RMP has been extended to wider animal product categories for export, including honey and bee products. Cindy is an advocate of RMP and uses it as a selling point to address customers' concern with counterfeits: *"only companies with RMP certificate can send your order over to you, thus RMP is a highly trustworthy system for them. ... Because customers in China is mostly fearful of counterfeits, thus their trust in New Zealand baby formula is largely relying on this RMP policy, I think"* (Cindy, 76). Bella, holds the opposite view and worries that RMP could concern customers: *"under RMP we can no longer mark on the package, customers may suspect, is it genuine or fake? Trackable RMP warehouse? It's so easy to fake a tracking number in China"* (Bella, 226).

Nevertheless, even Daigous who themselves do not trust in RMP choose to tell part of the truth. They reserve their speculation to themselves, and use RMP as a governmental endorsement of New Zealand food safety and authenticity. For example, although Bella personally sees RMP as *"just bulls**t and useless"*, she admits that *"I can't say so to customers. No way. I have to say, RMP is great and the most useful, everything is trackable. ... I say, New Zealand is the safest, the most stringent, you will never buy counterfeit here. I have to say this way"* (Bella, 234-238).

5 New Zealand authenticity and trust in Daigous

This section describes the other side of the 'trust story' of New Zealand food, which highlights Chinese customers' trust in Daigous as a reliable channel to source authentic New Zealand products.

Compared to other purchasing channels, Daigous see themselves as 'naturally' in a more advanced position to gain initial trust from customers, because Daigous are New Zealand-based, and Daigous usually start off their business from people they know of or are related to. Furthermore, Daigous develop their reputation and maintain customer trust through satisfactory services and utilise 'endorsement' from brands of products that they are offering to customers. In line with interview findings, survey data indicate that the most important aspect to customers' trust is Daigou's connection to New Zealand, with 90% of respondents believing that "living, studying, or working in New Zealand" is either extremely important or moderately important for their customer to trust them (Figure 17). Meanwhile, 83% of respondents see recommendations from acquaintances or existing customers as extremely or moderately important for customer trust-building. The importance of the local presence of requested products is also highlighted in Figure 17, with 72% of Daigous reporting moderate or extreme importance of products being consumed by local consumers, and 58% reported the importance of products being sourced from local retailers.

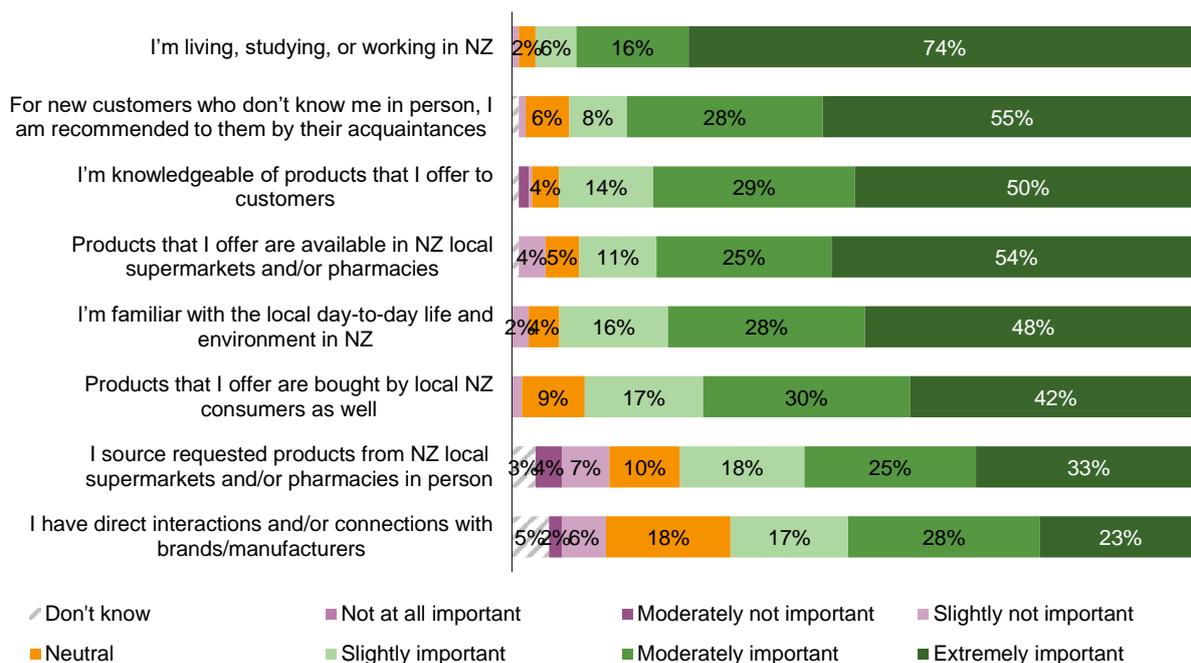


Figure 17. Important conditions for customers to trust a New Zealand- based Daigou.

5.1 Evidence of living in New Zealand

The evidence of a Daigou physically living in New Zealand is critical for many customers in order to generate trust in that Daigou. This means customers are convinced that the Daigou is able to source any requested products from local retail outlets, and the products requested are indeed sent from New Zealand. Jason gave a comparison between Daigous operating in New Zealand and in China, illustrating the importance of a Daigou's physical access to New Zealand local products:

Some people practise Daigou in China, so naturally customers will doubt about how they source the products, or why you can practise Daigou while in China. For me, it's simple, since I'm in New Zealand, naturally I have access to New Zealand products, and I know about New Zealand products, this is just a natural process. New Zealand is just a word as they see it, but I can unfold New Zealand to them with details. (Jason, 276).

Another Daigou, Cindy, also reflected on the difficulties that she confronted by not being in New Zealand due to the border restrictions imposed by the COVID-19 pandemic:

For strangers to give their orders to you, they must believe that you are actually in that country. This year I'm out of New Zealand, those strangers who don't know me, don't know that I'm doing my PhD in New Zealand, they wouldn't have much trust in me. They don't know you and may see you as a scammer. If you are in New Zealand, people may be more assured that you are indeed over there, studying or working, and at least the product is sent from New Zealand. (Cindy, 14).

Cindy's customers were informed of her situation of being stuck in China, however she managed to keep some orders sourced online from Chinese souvenir shops but told customers that "we ask friends in New Zealand to buy the products for you" (Cindy, 18), so as to maintain customers' belief that products are still securely sourced by a trustworthy person in New Zealand.

To prove physical presence in New Zealand, the common practice among Daigous is to share their daily life in New Zealand through WeChat moments. For example, Aaron remarked that he seldom gets asked what he does in New Zealand and how he can promise authenticity of the products, because he will constantly share his life in New Zealand on WeChat: "I'll update my WeChat moments, for instance, I'll post where I go for lunch today, what I'm doing right now etc, yeah, share some snapshots of my life here. Sometimes some customers will even comment on those posts" (Aaron, 58). Once they have convinced customers they do not tend to have to continue:

Now I don't need to emphasise that I'm living in New Zealand, old clients know well about that. Now I post occasionally, mainly on special holidays or festivals. I'm very busy these days, but previously while working full-time on this business, I would purposively do it in a very sophisticated way. Back then, through posting on WeChat I was to deliver messages that, firstly, I'm living in New Zealand, and you shall be assured that what I buy for you is indeed purchased here, not from someone else in China. Secondly, I have my family here, my kids are with me, and I have a proper job here. So that customers can have more trust on me. (Nicole, 224-228).

5.2 Existing interpersonal relationships and WOM

Most Daigous start off their journey by converting acquaintances into customers, and heavily rely on word-of-mouth (WOM) of existing interpersonal relationships to gain initial trust from new customers. Some Daigous reported that they tried to acquire new customers from outside of their personal networks, however the results were not always positive. For example, Aaron tried to advertise himself through public online forums:

I tried to promote in some public online forums but it was not helpful. They don't know who you are, and there's no friends or relatives who can introduce you. So, I still mainly rely on WOM from acquaintances [to expand customer base]. (Aaron, 110).

With regards to trust building, Daigous have observed differences between new customers referred via WOM and those acquired from public domain traffic (e.g. customers who randomly visit Taobao stores). In the pre-sales interaction, 'referred customers' tend to seek specific information from the Daigou such as personal experience of the brand/product, because these customers have carried over a certain level of initial trust via WOM; whereas 'random customers' initially are concerned to verifying the credibility of the Daigou because they do not have the same level of trust in the Daigou as the referred customers do. Nicole, who operates Daigou on both WeChat and Taobao, explains as follows:

Those introduced by friends are very much different from those attracted by Taobao Store. Those introduced by friends will trust you straightforward, whereas those from Taobao are more cautious about counterfeits or stuff, they tend to ask a lot and sometimes not very polite to you. ... Those introduced by friends pay more attention to the ingredients. Which is the best for my baby, can you recommend to me? Or, do you also feed your baby with this brand, have you tried this before? They ask these questions. Whereas those from Taobao will ask, is this an authentic product? Can you show me the receipt? Can I have a look at your passport? They ask questions like that, even wanting to see your passport. They ask more about your private stuff rather than the product per se. (Nicole, 32-34).

Vincent also gets new customers referred to him by his mother who operates a physical store to sell baby products. He reports the different mind-sets of customers between those introduced by his friends, and those from his mother's physical store.

Those from the store are normal customers, but those introduced by friends have already had some sort of connection with you, so they have different mind-sets. Introduced by friends, they do need something, and once they are introduced to you, they will just buy from you if they see the product as suitable for them. Whereas those from the store are more of a wait-and-see attitude, and they need more comparison. Those introduced by friends will have developed some trust in you as they trust in their friends. (Vincent, 96-102).

As the linkage between the Daigou and the referred customers gets weaker in the circle of WOM, the initial trust carried over through WOM will decline as well. Thus, Daigous may need to provide extra information to enhance trust from customers. For example, Wendy utilises her WeChat customer group as a way to demonstrate transparency and maintain trust.

Even introduced by friends, if they don't know you in person, they will still have all sorts of questions. If they question me, I'll tell them that I can guarantee that my products are genuine, and you can contact me if you have any problem. And I have a customer WeChat group, there are more than 400 customers in the group, who are customers who previously bought something from me. You can question in the group with any problem, so everyone will be aware of if any other customer notes something wrong with my products. (Wendy, 46-48).

5.3 Customised and in-person services

Daigous offer services such as taking photos/videos of shopping venues, marking on product packaging, and any other requirements from customers to prove that products are purchased in

New Zealand, and sent from New Zealand. These services not only compensate for the lack of direct trust and connection between Daigous and new customers that they do not personally know, but also function as a token to prove that products in the parcel are not replaced by counterfeits during shipping. Again such services are more important at the beginning of the customer relationship. Once the Daigou gains reputation and is trusted by the customer, such requirements become redundant. For example,

At the beginning, stranger customers in particular, may ask, can you take a photo? Sure will do. So if the customer request so, I'll go in person for the first order. Yeah I'll do that if asked by customers. But afterwards they don't require that anymore, because they have bought from me, and they don't have that concern anymore. (Wendy, 120-122).

Some Daigous insist on offering customised services as a way to retain customer trust and loyalty. For example, Rachel states that she will try her best to satisfy customers with whatever they require, either services or products; and Sherry also believes that 'in-person' service guarantees the best Daigou experience for her customers, which is essential for customer loyalty:

Now I take photos with a local newspaper of the day. If you'd like to sign on the packaging or make whatever marks, yes will do. If you want videos, no problem I can do that. All these bits and pieces in the services. Usually if you source your products from a big online platform of a Chinese souvenir shop, say, you'd like a block of chocolate, and it could run out of stock. But if you buy from me, let me know whatever you want, I'll get everything all together in a parcel for you. I have really very excellent customised service. (Rachel, 120).

I will buy in-person from the stores, I will have a look at the expiry date, sometimes I also take photos. I do promise my customers that I'll do all this in person. If you let the online platform to process for you, then you are hands-off. But this way takes lots of time, so I don't have a very large customer base. (Sherry, 112, 116).

It is possible that sometimes Daigous may 'fake' evidence to enhance customers' impression of how Daigous provide 'in-person' service. For example Mia was very concerned when she started using the online platforms of Chinese souvenir shops to have orders processed and dispatched for her, instead of doing all this herself. She worried that the souvenir shops may give out clues of the original price, and she does not want customers to note that she is not processing their orders in person. She explains that customers "may need to maintain a sense of trust" through in-person Daigou service, "it's fine if they do trust you, but still...if I was the customer, I certainly will like the Daigou to do all these in person" (Mia, 52). In practice she carefully organises 'evidence' of her in-person service:

Even now they still believe so [in-person service]. ... I will not mention who sends the parcel, and ... sometimes I'll post some videos when I'm packing parcels for my company, and say, I'm so busy packing these parcels, so tired. And sometimes when I did process orders at Chinese souvenir shops in person, I saw there were lots of orders and parcels from other Daigous, and I would shoot those stuff and say, so exhausted I managed to handle so many orders! (Mia, 48-50).

5.4 'Endorsement' from Brands

Many Daigous reported that they were invited to attend a wide range of events, such as new product launches, product training, and factory tours, which were hosted by local brands who would like to engage the Daigou channel. Daigous stated that they would share their attendance to these events and used this as a way to showcase the close relationship between themselves and the brands.

Being invited to these events can help Daigous to convince their customers that they are recognised by the brand, thus they become more trustworthy to customers. For example,

Customers may think that I'm actually doing pretty well, and they will give me a thumbs-up [to my posts], or comment that hey well done you are invited to this event. Psychologically they may feel I'm approved [by the brands], because other Daigous may not have such chances, or they may think you must be some sort of big player so that you get invited. (Aaron, 182).

Daigous also enhance customer trust by demonstrating the closeness with the brands.

It makes customers more trusting in me, say, I have such a direct connection with the brand, and any problems with the product I purchase can be directly communicated with the brand, thus there are no issues whether the product is fake or not. (Wendy, 342).

As Daigous are close to the brand, the interactions between Daigous and brands may also help to draw customers closer to the brands through Daigous' sharing of their experience with the brands. For example, Jason believes his interactions with the brand will help establish brand awareness among his customers:

I think brands shall increase interactions with Daigous. Through these interactions you fulfil the vanity of Daigous, or the sense of honour – I have direct connections with the brand – and this promotes trust. Secondly, through this way Daigous will post on their WeChat moments, and this helps to establish brand awareness directly. Cause this is not just hard advertising, it is me as a Daigou to experience and share my personal experience. The audience will read these posts as stories and may be curious of the brand and want to learn more. (Jason, 290).

Apart from photos of Daigous attending the events, there are also other materials which function as evidence of 'endorsement' from the brand, such as certificates;

For example I take some photos of me visiting the factory, and share them in my customer groups, this is kind of an endorsement, isn't it? And certificates from brands, brand authorisation certificate, are proofs of you being approved, aren't they? These will help enhance customer trust. Sometimes being invited to events hosted by the brands is just a kind of endorsement for you. (Vincent, 220).

Mia also attends these events and shares with customers to “show that I’m professional” (Mia, 94):

Now many brands will organise training sessions to engage Daigous, introducing product ingredients etc. Once I attended a training session hosted by [brand name], they talked lots about the ingredients of various products, although I forgot some already, and they gave me a certificate, which feels really professional. It’s indeed very helpful. ... After training I feel like I’d more likely to recommend that one to customers, because I’m more familiar with it. (Mia, 92).

6 Beyond the channel: the role of Daigous between customers and New Zealand brands

For New Zealand brands, Daigou is beyond a distribution channel. Findings from interviews reveal more complex relationships between Daigous, their customers, and New Zealand brands. Collectively Daigous can form a sales network that reaches out to consumers who may not be covered by regular marketing schemes. Trusted by their customers, Daigous are also gatekeepers who have significant influences on customers' brand and product choice. Moreover, Daigous themselves are living examples for their customers with relation to an authentic New Zealand food experience.

6.1 Daigous as salespersons and customer representatives

Daigous identify themselves as special salespersons who rely heavily on personal networks to attain customers for New Zealand brands. Daigous are different from conventional distribution channels in several ways. Firstly, Daigous are decentralised in terms of their geographic origins and personal networks which seldom overlap with each other. Rachel, for example, sees individual Daigous as “a distributor of a city”, and “think about the huge population in China, a suburb of my hometown city may have a bigger population than the entire New Zealand. ... Your TMall flagship store doesn't necessarily cover as many customers as Daigous do” (Rachel, 178). Vincent further pointed out that “Daigous are networks of relationships, which means a relatively stable group of customers, sales would be stable as well; whereas Taobao stores attract random customers only” (Vincent, 254). Collectively Daigous form a decentralised sales network across China, especially making good connections to lower-tier cities where consumers' awareness of New Zealand brands is also lower and not regularly covered by conventional advertising schemes. Cindy presents a good example here:

My parents never heard of Anchor before, but they know it well now. And they chat with their colleagues and tell them, 'this is really good milk powder, I never had better milk powder than this before'. If I never lived in New Zealand and I wasn't a Daigou, they wouldn't know about this brand for the entire life. ... We open up a window for customers from small cities, even towns and villages, get them to know about, and buy from us New Zealand brands and products. These are places and people that New Zealand brands would never be able to reach out to. We become the tentacles of New Zealand brands and help them to expand their markets. (Cindy, 188, 204).

Although Daigous can help New Zealand brands penetrate the Chinese market, participants also admitted that Daigous as a sales channel could be disruptive and uncontrollable to brands. Sometimes Daigous can become market and price disruptors who tend to compete at low prices to keep and fight for more customers: “you sell for \$10, I can do \$9.5. You go with \$9.5, I then \$9, thus the margin also gets lower and lower.... Daigou is an uncontrollable channel for the brand; because the brand can't control each Daigou's pricing decision” (Johnny, 200). Speaking from her own experience, Mia also mentioned that Daigous would disrupt the pricing strategy of a brand (Mia, 298), because Daigous may set prices differently from each other, or Daigous may set different prices for different customer groups. For brands, Daigous are also disruptive because Daigous are not necessarily loyal to the brands. They are not officially bonded to any specific brands. Instead, the relationship between Daigous and the brand could be fragile, as Rachel commented:

Sometimes Daigous are like locusts, eating up one field then go ahead to another. They always chase after new hot spots and never seriously think about how to sustain and

keep on. Just like the Royal Nectar face mask, which was a best-seller in the past, was quickly replaced by new stuff. That face mask was so hot in the past, but people always chase after new things. (Rachel, 44).

The third feature of Daigou, as compared to conventional channels, is that Daigous are capable of being excellent customer representatives who can quickly respond to inquiries and resonate with emotions. Daigous can develop closer personal relationships with their customers than other distribution channels do. For example, Vincent sees his customers as friends and he knows well of the needs and demands of these customers: *“we know the health conditions of regular customers who buy a lot of supplements, once they have any inquiries you can just recommend whatever suits them”* (Vincent, 134). When facing issues such as slow logistics, Daigous can also better resonate with customers with their personal emotions, for example, Sherry said *“I’ll keep my good attitude and try to push the logistics, and I talk to customers, I say ‘I’m very angry seeing it being so slow”* (Sherry, 280). As such, Daigous can retain a high level of customer loyalty, and *“sometimes there could be issues with the product or the after-sales service, but that doesn’t matter, they will choose to trust you, and forgive”* (Vincent, 140). Such loyalty is more attached to Daigous than to the brands/products, as Jason commented that *“Daigous are the trusted party, ... Daigou as an individual person never changes, and I see this as the advantage of Daigou through in-person conversations, instant communications, and with emotional resonance”* (Jason, 78).

6.2 Daigou as the advisor and gatekeeper

Daigous reported they often play the role of advisor and help their customers to identify brands or products that suit customers the best, and provide information that their customers are not aware of. When customers are not clear about what they need, they seek advice from Daigous. This is more common for new customers, for example,

Previously there were a couple of elderly customers came to me and asked, ‘I heard from your dad that you’re in New Zealand, and there are many healthy food products over there, anything suits me?’ They don’t know much, but they want to buy some, thus they will come and ask me. (Cindy, 92).

Apart from generic recommendations, Daigous are often approached by customers to ‘validate’ specific product items that customers learn about from social media or other marketing outlets. For example, *“sometimes they may choose what they see from The Little Red Book, which could be not suitable for them. [They may ask me] ‘it’s said this is really good, do you know is that true?’”* (Nicole, 80). In many cases, Daigous’ personal experience with a specific brand or product will be convincing for customers, for example, Sherry shared that *“often people will ask me about one product or the other, ask whether this is a good one. I can’t say it’s good or not, because I never use that one before. But I’ll tell them what I’m using is very good, and in most cases they will be convinced by me, and buy from me”* (Sherry, 64).

Furthermore, Daigous act as gatekeepers for customers and could block out brands and products that they would not like their customers to purchase for various reasons. For example Daigous can help customers to differentiate “fake New Zealand brands/products” from “authentic New Zealand brands/products”, usually through clues such as presence in local retail outlets, or reputation among local consumers. Many Daigous share similar experience with regards to “so-called New Zealand brands or products” inquired after by their customers, and commonly Daigous tend to be reserved with such brands or products. Some Daigous will investigate further so as to inform their customers:

Sometimes they get to know some so-called New Zealand products in China, but it be just a New Zealand trademark, or claimed as New Zealand product in the advertisements. ...Lots of stuff that I can't find here. ... So, when they ask me to buy such things, I'll look up the brand, its country-of-origin, whether the product sold in New Zealand and made in New Zealand, any differences from the Australian version etc. I'll take a look at the brand background, and through my personal perspective, to see if this product is well accepted in New Zealand, are there many people buying it. Sometimes I go shopping in the supermarket and I will wander around the pharmaceutical aisle as well, and check if the product is sold in New Zealand. Yeah, like a field investigation, and a self-education. (Jason, 40).

In some cases, Daigous may deliberately exclude some brands or products that have some forms of conflicts of interest. For example, Mia shared her unpleasant experience with one of the baby formula brands and how she decided to prioritise other brands since she felt disrespected by the brand representative. She stated that “*Some brand representatives are very arrogant, very much so. ... If you don't treat me with respect, well, so many baby formula brands out there, I can just sell [another brand name] instead*” (Mia, 292).

Given the strong relationship with their customers, Daigous themselves can become market influencers who can make or break brands in China. Some Daigous shared cases where they were turned down by a brand, mostly because of a disadvantaged pricing strategy to Daigous, and together many Daigous chose to leave this brand and promote another competitor brand instead.

There was one year that [brand name] sold at a lower price on its TMall flagship store, lower than what we had from local wholesalers. We local souvenir shops were very worried and we decided, let's not sell [brand name], let's turn to [another brand name]. [Brand name] was shocked. It got it wrong. It assumed it could make more money by facing the customers straightforwardly, however they forgot the power of Daigous. (Bella, 168).

6.3 Daigous ambassadors of New Zealand brands

Daigous are trusted friends and living ambassadors who actively share their lived experience with customers. They use metaphors such as “a window”, “a bridge”, or “extended tentacles” to describe their role in exposing New Zealand to their customers from various aspects. They tell vivid stories of New Zealand life and New Zealand products, which could be more convincing and tangible to customers than conventional marketing campaigns. For example,

I'm a small window for customers to know about New Zealand. I'll give them a specific introduction, which I think is way better than advertisements on Taobao, which is more straightforward, and it's the building up of trust, and the resonance of emotions. I talk to them about the 100% pure New Zealand, New Zealand's unique products, and how everyone is buying them, all these will be much more effective than promoting on Taobao. ...For them New Zealand could be just a name, but I can give a vivid illustration. (Jason, 274-276).

Compared to conventional channels, the in-person communication and the personal narrative approach are considered most powerful in delivering an authentic New Zealand image through Daigous:

We Daigous are living creatures here, we can share our feelings and experiences with the brand, which is no way that a TMall store can offer to the customers. What you can get from TMall are customer reviews. But on TMall, no way you can have real in-person communication. ... also my services, helping out pre-sales questions, and my sharing of New Zealand life; all these are not what TMall can offer. Customers want to know about the pastoral of New Zealand milk powder, fine, I can take scenic photos of cattle when I'm on a road trip, and share with them. You see this is where New Zealand sheep and cows are raised. No way TMall can do this. So Daigous can demonstrate New Zealand and New Zealand products in a more vivid and authentic way through the sharing of their lived experiences. (Cindy, 186).

Daigous are also natural advocates of New Zealand brands and products. As customers trust in Daigous, they also tend to trust in the brands or products that are recommended by Daigous: “even though I deliberately not to back any brand, but for those who buy the products, I'm actually backing the brands. ‘Well, you think good of them [the brands/products]’, or ‘you give me the impression that you think this is a good product’” (Jason, 288).

In this sense, Daigous living in New Zealand are spokespeople and ambassadors for New Zealand brands who disseminate brand messages to Chinese consumers in a trustworthy manner, and diminish information asymmetry between the two parties. In light of the counterfeit-avoidance mind-set among Chinese consumers, Daigous play a significant role to compensate for the lack of first-hand experience of New Zealand brands and products, and to ensure New Zealand provenance and authenticity. Some Daigous see this as a special format of marketing to take advantage of Daigous' market influence: brands need to firstly raise brand awareness among Daigous and the wider Chinese population in New Zealand, then using Daigous as the bridge to reach out to consumers in China. Wendy's comment is a good illustration of this:

Every Chinese in New Zealand could turn into a Daigou. ... Chinese consumers may happen to know someone in New Zealand. When these consumers see a new hot New Zealand brand, their first reaction may not to ask someone to buy the product from New Zealand, but asking whether you know about this brand in New Zealand. If that person in New Zealand says no, then the brand has no future. ... If the person says yes I know about this brand, then although this person may not be a Daigou, consumers in China may still be assured that New Zealand people know about this brand, then they can buy it from Taobao. It's just your natural reaction that if you now want something which is said very popular in America, and you happen to have a friend over there, you would just ask your friend, do you know about this? What's the price there? (Wendy, 366-368).

7 Impact of COVID-19 on Daigou activities

This study captures various aspects of COVID-19's impact on Daigou customer perceptions, demands, and the operation of Daigous, and further records how Daigous are coping with the challenges of COVID-19.

7.1 Impact on customer orders and perceptions

According to the survey data, the majority of Daigous reported orders decreasing post-COVID, as detailed in Table 2. Dietary supplements, milk powder, and honey saw increases in orders among some Daigous post-COVID. Demand for these categories seems to be more stable than others. Chilled or frozen seafood and meat saw the largest decrease in orders post-COVID, however, these were the least frequently ordered products from customers before COVID-19.

Table 2. Change of orders across different categories post-Covid.

Categories	Order increased	Order didn't change	Order decreased
Supplements for adults	14%	25%	62%
Milk powder for adults	10%	34%	56%
Supplements for mums & babies	9%	28%	63%
Honey	9%	25%	65%
Baby formula	9%	32%	59%
Skin & cosmetics	6%	26%	68%
Pre-packaged snacks	5%	21%	74%
Fresh fruits & vegetables	5%	17%	79%
Juice and functional drinks	6%	20%	74%
Oats, cereal & meal substitutes	4%	19%	77%
Chilled or frozen seafood	2%	8%	90%
Chilled or frozen meat	1%	15%	84%

One of the most frequently cited reasons for the decline in order amounts was customers' concerns for international parcels contracting the COVID-19 virus during transportation from overseas to China (Figure 18). The survey data show that parcels contracting the virus was a commonly found concern among customers, with almost half of Daigou respondents believing that their customers are either extremely or moderately concerned. In addition, 40% of Daigou respondents also saw customers worrying about overseas products contracting the virus from manufacture workers in countries with high infection rates.

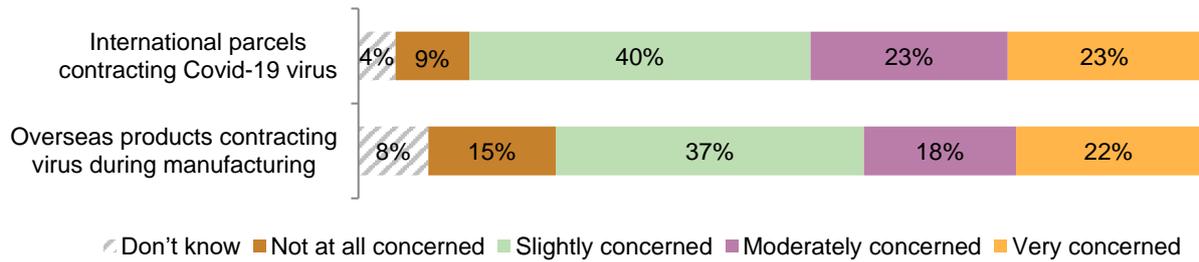


Figure 18. Daigou customers' perceived concerns about international parcels contracting COVID-19 virus.

Daigous also reported that customers' overall buying desire (76%), buying power (72%) and financial wellness (69%) all saw large declines post-COVID (Figure 19). In line with the survey, many Daigous in the interviews also observed declined demand for non-essential products such as chocolate and other snacks, while items such as infant formula were seen as essential and customers tended to increase their stock of products because they worried that disruption in international airfreight may delay delivery. Some functional foods or supplements for specific health conditions, such as joint care, were also seen as essential by some customers.

Overall, 46% of Daigous perceived that customers are now less reliant on the Daigou channel to buy New Zealand food products, and a quarter of Daigous believed their customers are buying New Zealand products more frequently from domestic channels rather than via Daigous. In contrast, 51% of Daigous surveyed found their customers' attention to physical health increased post-COVID, and 57% reported an increase in demand for immunity-related products.

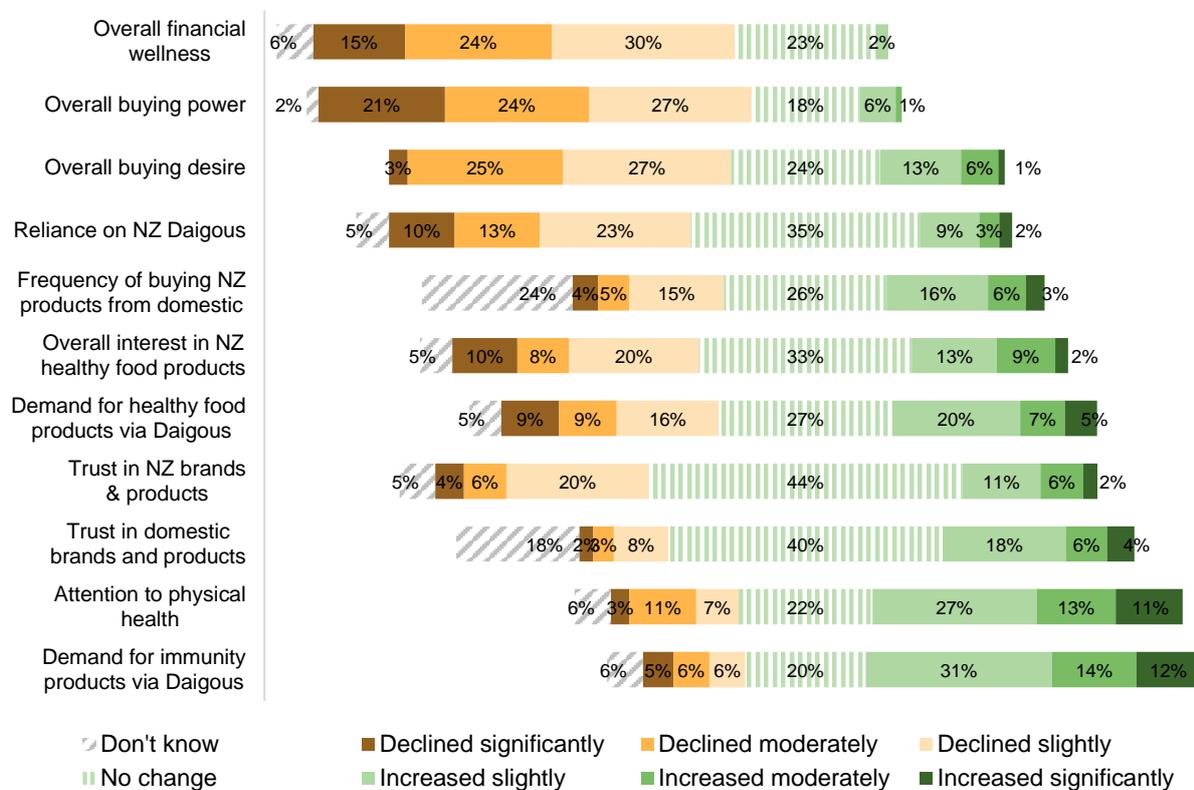


Figure 19. Daigous' perceived customer purchasing changes post-COVID.

With respect to the impact of COVID-19 on customers' perceptions, the majority of Daigous believed that customers' trust in New Zealand brands and products remains the same (44%), or has increased (19%), while 30% of them felt customer trust in New Zealand has declined post-COVID. Overall, 38% of Daigous also saw a decline in customers' overall interest in New Zealand health food products, while 24% saw an increase in interest. One third (34%) of Daigous reported a decline in customers' demand for New Zealand healthy food products via Daigous, while 59% believed the demand remained the same, or became even stronger. Compared with a slight decline in trust in New Zealand, 28% of Daigous saw Chinese domestic brands and products had gained more trust from customers.

7.2 Impacts on the operation of Daigous

In addition to the impact on customers' purchasing power and demand for New Zealand food via Daigous, the overall operation of Daigou business in New Zealand was also disrupted by COVID-19, mainly during the first lockdown in New Zealand when all non-essential businesses were closed. However, this impact seemed to be temporary and resumed quickly when the country came out of the first lockdown. Jason shared that *"during the first wave of lockdown I didn't dare to get into a souvenir shop, and many of them were closed", yet "the second lockdown was all good, there were less limitations and the psychological impact was small too"* (Jason, 218, 224). Vincent also said *"the second lockdown had little impact because souvenir shops remained open. As long as the stores are open, and logistics are in order, there won't be any major problems"* (Vincent, 56).

The disruption in international logistics caused by COVID-19 has had a more long-lasting impact on Daigous. Mia reported that *"freight cost has increased, and profit drops, so I become unwilling to sell some of the products (with higher freight cost). I found myself even losing some of my own money for several orders because of the increased freight rate"* (Mia, 138). The other impact of disrupted logistics was the prolonged delivery cycle, *"in the past it normal took two weeks, sometimes even within a week; now it takes a month or two. And freight rate is much higher, customers see this as an extra cost, and they might be unwilling to buy"* (Bella, 152). In this instance, customers may choose to buy products from other channels, *"since the waiting window is so long, some customers are running out of stock, but the baby needs formula milk, thus customers have to turn to other brands, even domestic brands"* (Wendy, 174). Some Daigous preferred to temporarily suspend their services because of logistics issues: *"Delivery is prolonged but customers understand that well. ...but I suspended my service during lockdown because I don't want my customers to wait for too long, because if I were the customer I'd be very unhappy to wait that long"* (Jo, 152).

Some Daigous also reported that product prices had gone up, and local production and supply were also impacted to some extent. Bella said that *"sales drop quite a lot and we don't dare to stock too many. Unit price has gone up, and the supply of some products has fell short. Alpha fish oil factory has cut off many workers during lockdown since there was no order. Now they have to ask workers to come back, but there is a gap in supply"* (Bella, 138).

There were also some changes in the Daigou population. For example, Bella noted fewer Daigous visiting her souvenir shop and processing orders for Chinese customers. Jason also observed that *"the Daigou population is declining, at least in the short term it's declining. Because many Daigous are international students, and the overall sales of Daigou channel much have dropped significantly"* (Jason, 56). However, he also shared that some people have entered into the Daigou space because their original occupations were severely hit by the pandemic, such as tour guides and the wider hospitality sector. One example is Serena, COVID-19 who became more involved in Daigou activities because she became unemployed during lockdown, and with assistance from her mother's retail

stores and online platforms she managed to “grow from a casual business into a larger scale during the pandemic” (Serena, 44).

7.3 Coping with COVID-19 and business recovery

The COVID-19 pandemic has spread across the world quickly and unexpectedly, leaving many Daigous feeling ‘powerless’. Lucas said that “nothing much we can cope with the pandemic”, and he noted that “many companies are aware of the financial difficulties this year, and they rolled out quite some specials and promotions to boost the sales” (Lucas, 88), thus he follows brand promotions to boost sales. Some Daigous also tried to raise customers’ attention to health, for example, “during the pandemic (lockdown), so I tried to stimulate their health consciousness and demand for products by introducing health-related knowledge to my customer group” (Sherry, 226). However Sherry also admitted that “I don’t really try hard to cope with the difficult situation”, because “I don’t have a physical store and don’t have employees to pay, yeah, so don’t make much effort to restore the business” (Sherry, 226).

Compared to small-scale Daigous, those who run the business as a living tended to respond to the pandemic more proactively. For example, Bella who recently took over a souvenir shop from the previous owner, had to broaden her range of products and services to retain her customers:

I think this is a step backwards – in the past we mainly sold supplements and functional foods, not products from supermarkets. Now I have no way but to shop from supermarkets, buy from duty-free shops, to see what’s on sale in the supermarket, and tell customers, hey, this is on sale, come and buy some, buy within this week! In the past I never exhausted myself by doing this, because supermarket goods have much lower profit margin, and I was not at all attempted to make money from that, since I could make more money from selling other stuff. Now I have to fight for any penny. Some other souvenir shops have started selling eggs, clothes, fresh produce ... eggs mainly selling to local customers here; fish maw, sea cucumber, and some fresh produce to customers in China. (Bella, 154).

In addition, some Daigou businesses have had to cut operational expenses, such as moving online to save on the rental cost of a physical office.

Many Daigous stated in the interviews that business was gradually recovering from the pandemic, yet only very few had fully recovered to the same or better performance as before the outbreak of COVID-19. As seen from Figure 20, the majority (64%) of Daigou businesses surveyed reported doing worse post-COVID, and 9% of survey respondents reported performing better post-COVID, according to the survey.

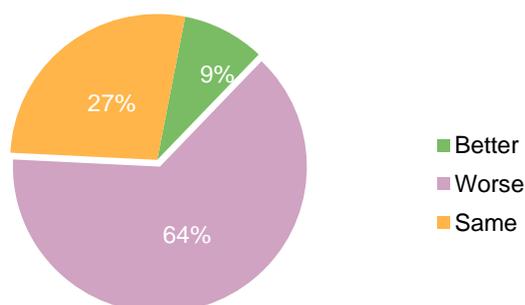


Figure 20. Surveyed Daigous' business performance post-COVID.

8 Thinking about the future

This section summarises how Daigous perceive Chinese consumers' demand for New Zealand food products in the post-COVID era, and uncovers the opportunities and challenges that may influence such demand and the ways to meet such demand. In general, Daigous are mostly confident in the demand for New Zealand healthy food products from China in the future. Most Daigous plan to maintain or expand their businesses in the next two years.

8.1 Demand for New Zealand food

Although overall sales of New Zealand food products through the Daigou channel have dropped over the pandemic period, Daigous believe the reputation of New Zealand food remains high among Chinese consumers, especially in the healthy product category. The demand for New Zealand healthy food products in the future is backed by the growing health consciousness among Chinese consumers. A couple of Daigous mentioned that their customers are very health-conscious, for example, *“they are in the mid-age now, so they keep a watchful eye on health maintenance and healthy food products, and we chat over this topic frequently”* (Sherry, 4). Daigous are positive that *“after the pandemic, people are more and more aware of the importance of health”* (Nicole, 174), and *“as long as China recovers from the pandemic, they will keep buying New Zealand foods.... And immunity products will be the mainstream. Healthy products, such as immunity, vitamins etc will be the big trend in future”* (Mia, 186).

This applies not only to supplements and functional foods, but also wholefood products, demand for which Daigous expect will also grow in the future, especially among the elderly population, who have considerable disposable money and are very health-conscious:

Many people don't have an issue with spending money. Now many get rich, and worry about death, thus health is the most important for them. They are willing to spend money, actually they are spending thousands of money on this. Especially those elderly people, they are retired, they have money but nowhere to spend it, thus they spend a lot on keeping healthy. Square dancing is one thing for the body, but they also believe in food, supplements and functional foods, and healthy food products, including whole food. Now in China there are oats, corns, cereal and other foods imported from Australia. Not only supplements and functional foods, and normal foods, including meat and fish, New Zealand steak is also sold in China for hundreds of CYN a piece. They don't have an issue with spending money, but the key is how to ensure it's not a fake product. (Lora, 16).

With regards to the health benefits that consumers are seeking, some Daigous observed that customers are becoming less driven by specific needs related to personal health concerns, but more by a buying desire, and by the generic 'wants' for products that are considered beneficial to health as hyped by social media, or just following the behaviour of others. For example,

One of the changes that I observed is that, in the past people were clear that they wanted calcium, zinc, or DHA supplements, but now they become less specific about what they want, say, I'd like some multivitamin products. They may get it on the shopping list casually, just feeling like to buy it, like doing shopping in general that people may buy something that everyone else is buying. Even for calcium tablets, many people are not actually in need of that, but they have been hyped by the Little Red Book, or from other

social media platforms or friends, and feel they would also like to buy something alike. Yeah, at the beginning people have specific demands, for kids, or for themselves, to supplement calcium or whatever. Now it's more the case that they just feel they want it, not necessarily for calcium or any other purpose, more like a psychological need, I think. Now China is recovering from the pandemic, and people's buying desire comes back as well. Yeah, kind of the feeling that people get some extra money and they would like to spend it on something. (Jason, 108).

Another reason for Daigous being optimistic is the huge market size of China and the potential of Daigous being able to reach out to lower-tier cities. Vincent, for example, commented that:

I think [the demand for New Zealand food and healthy products] will keep growing, for sure. After all the proportion of overall consumers who buy New Zealand product is still relatively small. Yeah, there's a big potential of demand, the full potential of Chinese market hasn't been really released yet. After all, it's a big population, a big economy. (Vincent, 64).

Daigous also recognised there is still a need for Daigou as a channel for Chinese consumers to buy authentic New Zealand food products. Despite the Chinese government's enormous efforts to implement more stringent food safety regulations over recent years, concerns about food safety and food fraud remain prevalent amongst Chinese consumers. Some Daigous call this a 'precautious mind-set' among domestic consumers that '*they think there is a possibility of coming across counterfeits, or there could be some doggy under-the-table type of stuff in the middle, so subconsciously they just speculate and doubt, regardless of it being a fact or not*' (Jason, 10). These concerns will encourage consumers to purchase directly from New Zealand via Daigous to ensure authenticity, rather than taking the risk of buying counterfeits from domestic outlets that offer New Zealand products through conventional import processes. Consequently, Daigous believe there is still a space for their role:

Customers think there are both authentic and fake products in China, because there are always counterfeits reported on the media, so they got really frightened. They'd rather find someone in New Zealand to buy for them, asking a Daigou to buy on behalf, although it could cost more, but at least there's a guarantee of authenticity. Many people in China think this way, that they would rather get a more expensive but real one. Therefore I believe there's still some space for Daigou, and brands shall save that space for Daigous as well. ... Unless one day either Taobao or TMall can fix the problem, when TMall or any other e-commerce platforms can guarantee 100% counterfeit-free, fine, no need for Daigous then. However they can't make it. In China it's the truth that there're real and fake products sold altogether. (Bella, 170-172).

In addition to the promise of authentic New Zealand products, in many cases Daigous also win customers by offering a more competitive price, although such price discrepancy has reduced in recent years. As Jo mentioned, her main selling point is cost-effectiveness, and that '*Daigous offer good stuff with a lower price*', because "*in general, I think, in China, cost-effectiveness remains the prevalent mind-set among average consumers*" (Jo, 330). Despite some exceptions, Rachel also commented that in most cases, Daigous can still retain customers as they offer a lower price compared to domestic channels:

Customers believe in direct post, believe that direct post guarantees authenticity. And direct post also costs less for the majority of products. Many brands that are available in China

are sold at a higher price, and we sell at a lower price, except for some brands like [brand name] which is cheaper than us on its TMall flagship store. We're cheaper in most cases, cheaper than TMall flagship stores. Many brands save the space for Daigous, which I think is a fair [fair] approach. (Rachel, 182).

8.2 Bilateral relations and nationalism

Daigous are sensitive to the potential impact of bilateral relations between New Zealand and China on their Daigou activities. If bilateral tensions rise, the political atmosphere, public opinion and nationalism in China will not only make barriers for trading, but also evoke negative sentiments among Chinese, which will subsequently affect customers' attitudes towards, and willingness to buy, New Zealand products. Bella and Lora gave examples from some other countries which have a less positive bilateral relationship with China, and discussed the implications for New Zealand with regards to the negative impact of bilateral tensions on consumer emotions:

These years I feel New Zealand maintains a positive trading relationship with China. Now there are some issues but overall it's positive, better than Australia and America. So I believe there won't be any problem with [Chinese consumers' demand for New Zealand products in the future] as long as New Zealand doesn't go out of its way and China doesn't retaliate, and Chinese keep the good impression of New Zealand. (Bella, 188).

Many people hold some thoughts of American products though. The political sentiment in China is against America, and the political atmosphere will affect your feelings. You American products! I won't buy it. There are also sentiments against Japan which have an impact on some people as well. They see America as the bad guy, so they don't buy American products. With regards to the reputation of New Zealand, New Zealand people are usually kind and nice, and many Chinese who visited New Zealand before all have an impression of the kindness of New Zealand people. (Lora, 10).

Although most Daigous agreed that New Zealand and China are in a relatively positive bilateral relationship, they noted that nationalism sentiments are growing in China, not towards New Zealand specifically, but towards foreign products in general. Mia also observed nationalism among her customers, and expressed her concern about the consequences of the New Zealand-China relationship becoming more strained:

Many of my customers are uncles and aunties who share articles on WeChat moments that we shall protect [domestic brand name], and we should not buy foreign products. I can imagine that this mind-set will make them more favourable of domestic products. ... to be honest, if New Zealand went into a really bad relationship with China, myself wouldn't be wanting to buy New Zealand products, I'd rather buy domestic ones. (Mia, 324).

Rachel also noticed that Taobao as a platform has restricted traffic to stores that are operated by overseas buyers, and domestic channels have become less active in promoting foreign products in general, as a result of the increasing nationalism among Chinese consumers. Such sentiments may override consumers' perceptions of the good quality of foreign products:

Everyone says that we shall buy domestic products, don't buy foreign products. ... Yesterday I noted a domestic salesperson who posted a piece of advertisement of a

foreign product, and I saw another person commented that “how dare you now to promote foreign products”? This is the case. Not because you’re from New Zealand, it’s because you’re from overseas. ... If not because of nationalism, it’s will be fine, because many people still think good of the quality of foreign products. (Rachel, 188, 226, 232).

In addition, there are also some nuances in the public media space which may potentially affect Chinese consumers' perceptions of overseas products and undermine their trust. A number of Daigous mentioned that domestic media tend to exaggerate negative reports on foreign products, which may cause anxiety among their customers:

One of the challenges is that, in the past people considered all foreign stuff better than domestic ones, now many believe domestic products are also quite good. ... Another challenge, however, is that in China, there are some negative reports on foreign products, perhaps because of the government or the commercial standpoint, I’m not sure, but I think such negative influence is quite serious, very much serious, as it’s different from the mind-set that I just personally don’t like this product. (Jason, 280).

Agreeing with Jason, Lucas also believes that these negative reports on foreign brands could be a consequence of political tensions in the trading space. He commented:

From time to time there are news reports that China has caught whatever bacteria in baby formula from whatever country. You know the trade war between China and America, there definitely will be some bad testing results once New Zealand and Australia take their standpoint with America. The bacteria may be still within the safety standard, however on the news it wouldn’t be phrased that way. ... It would only say that there bacteria in the milk powder, and what are the consequences of these bacteria. As such consumers get very worried after reading this. We have to wait for the statements from the brand, because the brand needs to keep their business, and they will clarify. Then we send the statement to the customers. (Lucas, 136).

8.3 Competition across channels

Many Daigous reported increasingly severe competition across various distribution channels of New Zealand products. Within New Zealand, Daigous now have more diversified channels from which to source products required by customers. Although some Daigous insist on the traditional way to source products from physical stores and process the parcel in person, many Daigous have partly, if not completely, moved online and have customer orders processed and dispatched via New Zealand-based e-commerce platforms. These New Zealand-based e-commerce platforms save Daigous from the laborious in-person process of orders, but Daigous are also aware of the potential risk of losing consumer trust by skipping the in-person process. It is also possible that some customers may bypass Daigous and become customers of these e-commerce platforms. Due to the competition and shrinking profit margin, Daigous are less encouraged to continue the previous in-person service mode. Some Daigous, such as Jo, have even decided to invest less time in the Daigou business:

In recent years, well, it’s been quite some years now, that Daigou has become a very professional practice, with some become a formal business, and developed into bigger scale. They get a lower wholesale price as they buy more, thus their price is much lower than us as individual buyers who buy at a retail price. In addition, there are no bars for

one to start on Daigou, thus more and more people have entered into this space, which caused more competition. Thus I feel not worthy of putting so much time in it. (Jo, 20).

Within China, Daigous are facing severer price competition from domestic e-commerce platforms too. It is common that Daigous are challenged by customers who cite a lower price from Taobao stores or other channels, and ask for a discount. The typical response from Daigous is the guarantee of authentic New Zealand products sent from New Zealand:

Some Taobao stores offer really really low price. If customers compare us with those stores, I would tell them, if you are assured that you will get an authentic product from New Zealand, then go for it. If you are not sure, you'd better think it over. How do you know who's operating that Taobao store, how their products are sourced? This is the competition over price, but we're definitely more guaranteed of authenticity. (Cindy, 206).

The most significant impact, however, comes from the pricing and channel strategy of the brands. In recent years, more and more New Zealand brands (and Australian brands) have launched flagship stores on TMall, JD.com, or other e-commerce platforms in China, offering Chinese consumers easier access to the products of these brands. When on sale or promotion, they can offer a more competitive price than Daigous. Thus, many Daigous have realised their business is not as profitable as in the past:

It's not because of the pandemic but also the general environment, and everyone says that Daigou is not as easy a business as before. Firstly it's impacted by the cross-border e-commerce as more and more people get familiar with TMall International or other cross-border e-commerce platforms, and they can go that way rather than placing an order through WeChat. Secondly there are more people get into the Daigou space which has resulted in severe competition; in addition, some people start to sell counterfeits. And the price of counterfeits, you know, you can never outcompete that price. (Johnny, 30).

Many Daigous see it as a trend that New Zealand brands will reach out to consumers through their own channels and skip Daigous, as Bella commented: *"this is the strategy of some New Zealand companies, they want to skip Daigous and don't want us to make money, they want to reach out to Chinese customers straightforwardly, they want consumers to buy directly from their stores"* (Bella, 168). Mia saw the opportunity for Daigou in the future only *"because there are always some brands not available on Taobao, and you have lots of stuff from supermarkets for Daigou. But it'll be more and more difficult to keep the business running"* (Mia, 320). And even supermarkets and other retail brands may go online in China: *"don't you see Countdown has launched its TMall flagship already? ... they can see products that are sold in New Zealand supermarkets, and they can order as well, very convenient and Daigou is no longer the only way"* (Lucas, 28).

In addition, there is competition from Australia and other countries. It is common that New Zealand Daigous include Australian brands in their service, and some even source products from Australia directly. Rachel noted that *"New Zealand Daigous are very used to follow whatever Australian Daigous are selling, which makes Australian brands get more and more recognition"*, and *"as long as we can source a cheaper Australian version of the product, we tend not to sell the New Zealand version, which leads to New Zealand brands becoming less and less competitive"* (Rachel, 38). From the perspective of consumers, Nicole reported that *"some customers ask me about American products. After all, New Zealand is small, and sometimes they would prefer products from big countries, such as Australia, and indeed Australia produces much more healthy products than us"*. She also suggested

that New Zealand shall “*keep positioning at high quality and purity, and functionality and effectiveness*” (Nicole, 162).

8.4 Daigous' plans for the future

Although challenged by severe competition and the COVID-19 disruption, many Daigous interviewed said they would keep their businesses as long as demand is sustained. In the survey data, the majority of Daigous were looking to either expand or maintain their business in the next two years (Figure 21). To be specific, 47% of surveyed Daigous plan to grow their customer base, and 42% plan to expand their product range. More than a third of Daigous expressed their intention of enhancing promotion activities (36%), increasing interactions with brands/manufacturers (36%), and using daifa service more frequently (36%). Also, 35% of Daigous surveyed plan to develop next-level Daigou persons who buy products from a master Daigou in bulk, and resell to their own customer networks. Increasing pre-stock of products in China is a plan for 25% of respondents. Approximately a quarter of respondents are looking to reduce their time and energy on Daigou activities.

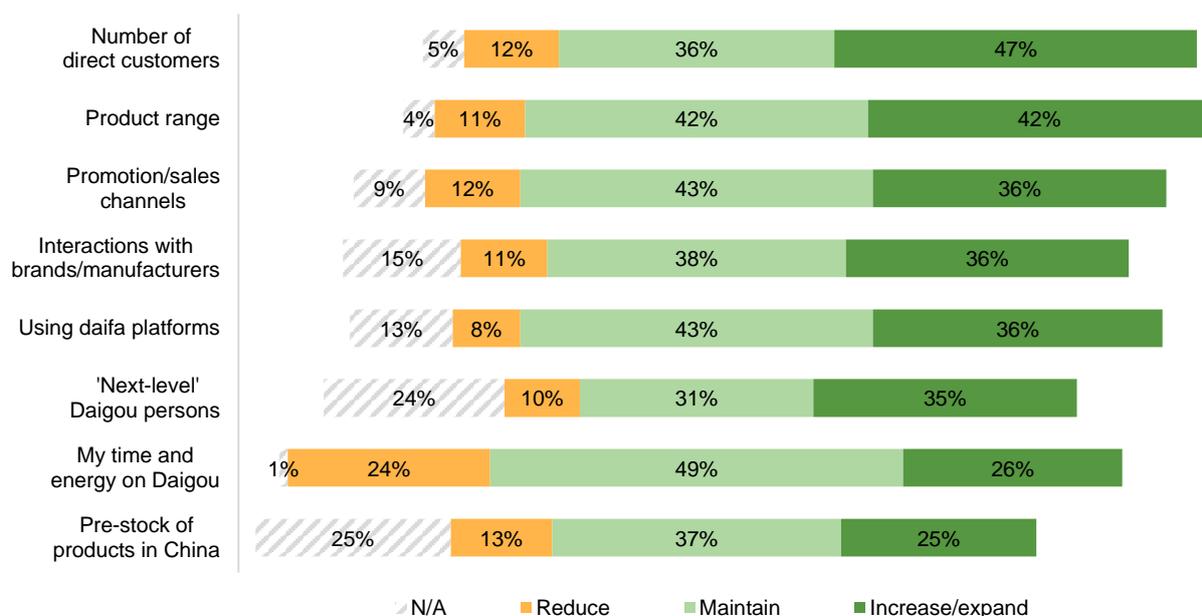


Figure 21. Daigous' plans for their activities in the next two years.

9 Discussions and implications

This study explores Chinese consumers' perceptions and demand for New Zealand food products from the viewpoint of Daigous – people who are asked by Chinese consumers to buy New Zealand products on their behalf. Daigou is a unique interface between New Zealand brands and Chinese consumers. This special distribution channel has been constantly evolving as the social-cultural environment changes over time. In New Zealand, food products, especially milk powder and dietary supplements, are the major categories for Daigou trading. A sophisticated network with the capability to seamlessly handle product sourcing, packing and delivering has developed over time to serve the Daigou channel. While the traditional in-person way of Daigou service is preferred by many customers, a large proportion of Daigous have partly, if not completely, moved online to process customer orders with various daifa platforms.

In Daigous' views, Chinese consumers have established a 'New Zealand food image' which consists of four crucial elements, namely, (i) the clean and green growing environment with little pollution (and less industrialisation); (ii) pure and natural ingredients and high quality food products; (iii) strict food regulation and safety standards; (iv) high level of food industry compliance and caring for consumers. In addition, there is a comprehensive notion of 'authentic New Zealand food', which comprises the following elements: (i) New Zealand provenance of key ingredients; (ii) processed and manufactured in New Zealand; (iii) owned/operated by Kiwis; (iv) monitored by New Zealand government; (v) sold in New Zealand local outlets; (vi) consumed by New Zealand local customers.

With respect to Chinese consumers' demand for New Zealand food, the thriving of Daigou business in New Zealand reflects three core values that Chinese consumers are seeking via the Daigou channel, namely, high quality, authenticity and cost-effectiveness, in addition to a more personalised relationship and customised service. With the rising awareness of health among the huge population in China, Daigous confidently predict great potential demand for New Zealand high quality healthy food products. Compared to the ongoing safety concerns with domestic food, Chinese consumers' trust in New Zealand as having provenance of high quality food products is almost an institutional-based taken-for-granted. The prevalence of counterfeits in China, on the other hand, has driven consumers away from conventional domestic retailers towards more personal-based channels for more secured authenticity. In addition to the quality and authenticity assurance, in most cases Daigous offer a lower price than domestic channels, under the current cross-border e-commerce policies of China and New Zealand. Sourcing food and health products from New Zealand-based Daigous, therefore, becomes many Chinese consumers' preferred solution to satisfy food safety and quality, authenticity, and competitive pricing.

Daigous play special roles between Chinese consumers and New Zealand food brands. Through personal networks, Daigous are able to penetrate the Chinese market to an extent that would not be achieved by regular marketing campaigns, in a more trusted and efficient manner. Daigous can also fill the information asymmetry between Chinese consumers and New Zealand brands by using themselves as living ambassador to showcase a New Zealand food experience. Trusted by their customers, Daigous could become gatekeepers who may have a great influence on consumers' perceptions and preference for a specific brand or product.

The COVID-19 pandemic has disrupted Daigou activities in New Zealand as it did to other economic activities across the world. Yet the COVID-19 disruptions to Daigou operation seem to be temporary. Given the prompt responses of both China and New Zealand to contain the virus, the supply chains and logistics which are crucial for Daigou operation are quickly recovering. The declined buying power among Chinese, and their reliance on the Daigou channel to source New Zealand products, on the

other hand, seem to be recovering more slowly. The decline in customer orders is widespread across various product categories, and across the Daigou population. However, the demand for products that are perceived to be beneficial to immunity saw a great increase, because of the rising attention to physical health amidst the COVID-19 pandemic. Despite the sales drop post-COVID, it is evident that Chinese consumers' trust in New Zealand food is relatively resilient. New Zealand is still a preferred provenance for healthy food products for Chinese consumers, although the reliance on Daigou as a regular channel to source New Zealand food might have declined in the current circumstance. Nevertheless, Daigou remains a business model operating on trust between Daigous and their customers. The strong trusting relationship between Daigous and their customers remains an advantage that cannot be easily taken over by other conventional channels.

There are some implications for New Zealand brands and products with regards to Chinese consumers' perceptions and demand for New Zealand food and health products in general and via Daigou specifically.

First, as social and economic activities are recovering from the COVID-19 pandemic, Chinese consumers' demand for New Zealand food and health products is promising for now and in the future, given that New Zealand is established among Chinese consumers as a preferred provenance of high quality food products. Furthermore, consumers require proof of product provenance to ensure authenticity, i.e., they want proof that these products are sold in New Zealand, and consumed by New Zealanders. Daigous then become the information source to verify that brands and products are being consumed by local people in New Zealand. Although Chinese consumers' trust in New Zealand food is relatively resilient, as demonstrated in the pandemic, it is noteworthy that various aspects of the bilateral relationship between New Zealand and China, including political sentiments, trading ties, and nationalism, may have a more profound influence on Chinese consumers' preference for New Zealand products in the future.

Secondly, for new brands or new products wanting to establish their business in China, one of the strategies is to go from local to overseas. Creating their presence at New Zealand local retail outlets is a way to prove their New Zealand provenance and authenticity. Further, reputation among local consumers will be one of the most convincing ways to demonstrate product popularity and quality. In this regard, Daigous are not only part of the local consumers but also the window to demonstrate the presence of this product among New Zealand consumers. Integrating Daigou into the overall channel and pricing strategy will be helpful to tap into the market from the beginning.

Thirdly, for established brands, maintaining the balance between Daigous and other conventional channels in China is important for optimising the benefits that Daigous can bring. Maintaining a good relationship with Daigous and leaving enough space for Daigous to gain profit from transactions will keep Daigous as active sellers rather than driving Daigous to a competitive brand.

Last but not least, for "Brand New Zealand", it is important to maintain the clean green image of the natural environment, as well as illustrating New Zealand people as kind and genuine from experiences and narratives. New Zealand also needs to be mindful of any form of exploitation of the New Zealand reputation in the food and beverage space. For example, the proliferation of 'so-called' New Zealand brands (that registered in New Zealand but largely have ingredients sourced from and/or products manufactured in other countries) may have a detrimental effect on authentic New Zealand brands.

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