

North Asia
Centre of
Asia-Pacific Excellence



ecostore

+ safer for you and our world

Ecostore:
HELPING FAMILIES CARE FOR THEIR
HOMES, THEIR HEALTH AND THE WORLD

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THE COMPANY

Ecostore was founded at Mamaki, an ecovillage in New Zealand's far North, in 1993 by Malcolm and Melanie Rands.

Their vision was to create home and body care products using natural ingredients that are healthy and safe for people and the environment. Ecostore manufactures and sells plant and mineral based household and personal care goods such as dish liquids, laundry products, body and hair care, baby products, home cleaning and oral care products. Originally the company was a mail-order business selling environmentally friendly products. The products are not only environmentally friendly but are also good for personal health with consumers reporting health benefits after starting to use or switching to Ecostore products for conditions such as allergies, eczema and asthma.

Most of the products are manufactured in Ecostore's Auckland factory, and a small number are brought in from contract manufacturers in NZ and overseas. In 2019 Ecostore has been named New Zealand's most authentic brand – scoring the net highest overall in terms of value, vitality, visibility and virtue, as well as the leading sustainable brand per Colmar Brunton Better Futures Report. Ecostore's main objectives in product development are consumer safety, innovation and sustainability. In 2014 Ecostore was the first manufacturer in the world to change its range of home & body care packaging to sugar-cane plastic, and continues to produce products packaged in plant based plas-

tic materials. Ecostore have offered 'refill' solutions for over a decade in New Zealand, allowing consumers to refill their product bottles rather than buying a new bottle. Today, over 75 refill stations can be found across New Zealand and Ecostore is committed to further grow the number of refill stations. Furthermore, 99% of Ecostore's packaging is recyclable.

The 'conscious consumer' is becoming the fastest growing consumer segment in NZ and many other international markets. The changing consumer market (towards conscious, natural consumption) and the advances in plant-based chemicals research (creating safer and more sustainable, as well as cheaper products) enables Ecostore products to grow.

Ecostore sells their products in a variety of markets such as Australia, Japan, Taiwan, Vietnam, Malaysia and South Korea, and plans to continue its international growth. Ecostore also currently employs about 120 full-time workers across its businesses in New Zealand, Australia and Japan, and have recently employed their first employee in China. As Chinese consumers demand more environmentally and health friendly products, Ecostore sales in this market are expected to grow at a fast pace. Ecostore's Asian customers are particularly focused on buying products that are safe for their families and the environment.

THE CHALLENGES

Ethics and company values

One of the key values of Ecostore is ethically manufactured products. It is especially important for them not to use animals for testing new products, which has created both opportunities and challenges for selling Ecostore body care products in China. In China, there is a requirement for all cosmetics and personal care products to be tested on animals before they are approved for public consumption through general trade. This meant that Ecostore could only sell this product range through cross-border e-commerce in China, as this type of trade does not require animal testing. As a result, Ecostore focused its entry into the Chinese market on Alibaba's Tmall Global eCommerce platform. However, acquiring new consumers online can present additional challenges, and needs different strategies to build trust

Product safety

Ecostore is known for its use of natural, plant-based ingredients in order to fulfil their goal of manufacturing safe and sustainable products. However, not all plant based ingredients are necessarily safe to use or consume. Certain plant based ingredients can actually be harmful for either the human body or for the environment, meaning that much research and testing must go into creating new products. Ecostore R&D specialists therefore need to take extra care and precautions when extracting and refining ingredients from nature in order to avoid including irritants or contaminants in the final product. This means that the process of creating a new or modified product takes longer, which could create a challenge for the company if it is trying to develop new products quickly.

Asian consumers in various markets can be very thoroughly researched and take time to build trust in products and brands. Consumers can be particularly distrusting towards particular chemicals or ingredients that are not natural or have been linked to particular health concerns. Ecostore has observed different

perceptions of safety and varying benchmarks for product safety in different markets, and have developed market-specific product formulations in markets such as Korea.

Ecostore is also aware of potential issues resulting from unsafe and counterfeit products which may be present in emerging Asian markets. The existence of counterfeit products in emerging Asian markets that may have 'dangerous' ingredients can threaten the reputation of a trustworthy brand, presenting another challenge for Ecostore. Scandals around certain products can easily create hysteria among consumers, which can lead to consumers not buying products that might have similar ingredients or products from brands that have not been involved in the scandals.

In the Japanese market, products are particularly scrutinised for quality and integrity. In some Asian markets, consumers can be less inclined to trust products (or products with ingredients) that are made in other markets, particularly China. According to Hamish McCarroll (2019) the "whole message of safety is quite a different one in Japan" and "safety and quality is synonymous with [made in] Japan". Japanese consumer demand and expect particularly high quality standards. This creates a challenge for companies (including Ecostore) that want to sell their non-Japanese made products to Japanese consumers. They have to ensure the products are manufactured at the highest quality and with an "incredible attention to detail".

This meant that Ecostore has had to change some of its manufacturing and production processes to ensure the highest quality standards are met for the Japanese consumer market. The company has had to invest in new machinery and product packaging and ensure that the packaging remains integral on the lengthy (and sometimes arduous) journey from New Zealand factory to Japanese household, whether via retailer or eCommerce fulfilment.

STRATEGIES

Building partnerships in Asian markets

As a solution to the challenges associated with management of international channel partners, Ecostore carefully develops a partnership strategy that suits the individual market.

In Japan, Ecostore entered a joint venture with a large retailer and fashion house that sells Ecostore products through their natural personal care and organic food channels in Japan. A key to the success of this partnership is the natural fit with a similar business philosophy. A Japanese woman living in New Zealand who had been a loyal customer of Ecostore's products initiated the introduction. As part of the joint venture, Ecostore has now a team of seven employees based in Japan (these employees are mainly in sales, marketing and logistics). This helps Ecostore to gain local knowledge, help sell the products and remove the problems associated with selling to partners from a distance. Ecostore has also launched a flagship store in Tokyo (in the Ebisu Station), which recreates the spirit of the Ecostore brand, ensuring that the company values and messages to the Japanese consumers remain consistent with the NZ brand.

Ecostore has also partnered with a local distributor in South Korea. This partnership has been established five years ago and enables Ecostore to sell its baby personal care, laundry and kitchen products in the Korean market. These collaborations not only help Ecostore to grow its sales in Asia but also provide learning opportunities through their expertise and knowledge of specific markets and consumer trends.

With emerging Asian markets, and in particular in China, many consumers experience and even buy products through recommendations of daigou. Ecostore uses daigou networks to promote their products in markets such as China. This includes using daigou who live in New Zealand and buy Ecostore products locally for their friends and family living in China. Importantly, Ecostore also works in collaboration with select larger-scale daigou operators where the company can maintain control over

key product and brand messages.

Furthermore, one of Ecostore's most successful collaborations is with Alibaba's Tmall, who has been one of Ecostore's key trading partners for the last 4-5 years. In recent years Tmall Global has focused on brands and products coming out of Australia and New Zealand in particular, helping Ecostore grow strongly in China. As part of its collaboration strategy, Ecostore also participates in events such as the Singles Day Shopping event, which consistently results in high sales of Ecostore products in Asian markets.

Transparency and responsibility

One of the main strategies Ecostore uses to grow and maintain its customer base is being transparent about the ingredients and processes used for product manufacturing. All of the products have information about how they are manufactured, where the ingredients came from and the complete list of used ingredients. This information is provided even on products such as homecare (cleaning, kitchen and laundry) products that are not required by law to include a comprehensive list of ingredients. Rands (the founders of Ecostore) believe that this transparency is the company's best strength as customers are able to trace any Ecostore product all the way back through the supply chain. Each ingredient used also includes a 'health rating' which is given by an international independent body that investigates health effects of chemicals and minerals. With this transparency strategy, Ecostore has been instrumental in 'converting the industry' by encouraging businesses to produce and sell responsibly labelled and manufactured products.

As part of their strategy to be responsible manufacturers, Ecostore has also launched a number of refilling stations at supermarkets and health stores. At these stations, customers can re-use their previously bought Ecostore product packaging and bottles instead of buying new bottles. Ecostore plan to implement these refilling stations across supermarkets and shops in New Zealand that sell Ecostore products. Consumer

behaviour can be difficult to change, with many consumers preferring to use the disposable plastic bags due to their convenience. Ecostore is aiming to change this consumer behaviour by offering easy, convenient and pleasurable alternatives such as the refilling stations. To reduce plastics pollution and maintain its 'responsible manufacturer' values (that gives the company a competitive advantage), Ecostore is also a signatory to the Ellen MacArthur & UN Environment Program New Plastics Economy Global Commitment. As part of its transparency and responsibility strategies, Ecostore has pledged to make 100% of its plastic packaging reusable or recyclable by 2023, 100% of its bottles are to be made from renewable or recycled content by 2025, to reduce single-use packaging by increasing bulk and refill sales, and to develop a plastic packaging return scheme for reuse as recycled content.

Hero products and product design

For each individual market Ecostore tends to focus on a specific products from their range. In China, the company markets 'hero' products that reflects consumer demand and trends. This product is not necessarily the top seller in other markets such as New Zealand or Australia. The hero products are usually stand out performers in Asian markets but can change over time. Hero products in the Chinese market include Ecostore's ultra sensitive laundry products, while in Japan, top sellers include fabric softener and wool & delicates wash. Having a hero product for each Asian market allows Ecostore to focus on its promotion and sales.

For all of their products, Ecostore highlights the fact that it is a New Zealand brand. This strategy works well in Asian markets where consumers often prefer to buy Western brands they are consider safer, and New Zealand products in particular are perceived to be trustworthy. The New Zealand brand is even successful in Japan (where consumers usually prefer local brands) because it represents sustainability, safety and the green and clean values. The aesthetic of

the Ecostore products is also very attractive to the Japanese consumers, who appreciate the clean minimalistic packaging design. Ecostore has used this preference strategically by designing product packaging with very toned back minimalism in mind. All of their products use white bottles, black and white photography. Ecostore believes that their simple, minimalistic design has 'almost become symbolic of the eco-natural category' in New Zealand, and is an effective strategy when selling their products in Asian markets.

Creating lifelong consumers

Many consumers discover Ecostore when they start looking for baby products. While this product category is not Ecostore's largest, the company often promotes these products when entering a new market. This was also the strategy when Ecostore entered China and the baby products attracted first time mothers and pregnant women by offering a safe and environmentally friendly alternative to domestic baby products. By seeking feedback from young mothers and observing trends and concerns in the market, Ecostore was able to tailor their baby care offering to the needs and demands of their consumers. By using this strategy, Ecostore also discovered that as young mothers use baby care products for their babies they also start to use these products for their own personal care and for the rest of the family. In some Asian markets, Ecostore has also observed a trend of mothers using their baby washing and shampoo products, along a 'safe for baby, must be good for mum' theme!

Ecostore is also taking advantage of 'lifelong consumers' by offering a range of products for all consumer age categories and life stages. As babies grow into children, young adults, adults and seniors they are able to explore and buy relevant products from the rest of the Ecostore brand. To create these lifelong brand-loyal consumers, Ecostore has been developing more products tailored to specific life stages (for example, their recently developed 'Kids' range of products) as part of their strategy to grow in Asian and Western markets.

RESOURCES

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