

Creating value through brands: the ZESPRI™ kiwi fruit case

Creating value
through brands

Michael Beverland

*Department of Marketing, Faculty of Business and Economics, Monash
University, Victoria, Australia*

383

Keywords *Fruit, Brands, New Zealand, Relationship marketing, Supply-chain management*

Abstract *Agricultural products are generally characterised by their commodity status. After years of poor returns, the New Zealand kiwi fruit industry developed the ZESPRI™ branding program in an attempt to position New Zealand kiwi fruit as an upmarket fruit category that appealed to today's consumers. The brand has recently been released in New Zealand. This research assesses the effectiveness of ZESPRI's strategy and explores the implications for branded fruit produce in general. The level of brand awareness of ZESPRI was found to be low among consumers, however brand awareness could be increased through a relationship marketing program involving targeted marketing and supply-chain management.*

Introduction

Aaker and Joachimsthaler (2000) stated that the development of brands was the only way to remove oneself from commodity status and price competition. Gardner and Levy (1955) defined a brand as “[a] complex symbol that represents a variety of ideas and attributes. It tells the consumer many things, not only the way it sounds (and its literal meaning if it has one) but, more important, via the body of associations it has built up and acquired as a public object over a period of time” (p. 35). Brand equity consists of awareness, recognition, and top of the mind awareness of the product amongst consumers; positive brand associations; perceived quality and brand loyalty. Brand equity will result in price premiums, consumer and trade loyalty, trade co-operation and joint marketing efforts and pride of ownership among the company (Aaker and Joachimsthaler, 2000).

Traditionally producers of fresh produce have seen their responsibility for the product end when their produce leaves the farm gate (Crocombe *et al.*, 1991). White (2000) stated:

Agricultural producers [have] focused on large volume throughput to a large number of independent buyers who purchased unbranded, undifferentiated produce on an *ad hoc*, transactional basis from the supplier who offered the best price and quality at the time (White, 2000, pp. 7-8).

Marketing for agricultural products has often been left up to single desk producer boards that have focused on increasing production efficiency, price competitiveness and product quality in order to develop a competitive advantage (Crocombe *et al.*, 1991). However, Lichtenthal and Long (1998) stated that it was no longer sufficient for agribusinesses to produce a technically superior product. Miles *et al.* (1997) stated that agribusinesses would need to adopt strategic planning models if they are to be successful in the future. These

models will need to address the development of strong brands, a unique selling proposition, the formation of close relationships throughout the supply chain, and the development of a market orientation. A number of researchers have identified a link between these strategies and market success (Katz and Boland, 2000; Hobbs *et al.*, 1998).

After years of poor returns and the inability of New Zealand producers to differentiate their products or earn price premiums for superior quality, Kiwifruit New Zealand (formally the Kiwifruit Marketing Board) developed the ZESPRITM program. Kiwi fruit currently account for 25 per cent of New Zealand's total horticultural exports (Clark *et al.*, 2000). However, little is known about the effectiveness of brands in the fresh produce sector, and the receptiveness of consumers of fresh produce to branded goods in general. Recently, the ZESPRI brand has been launched in the New Zealand market. This paper explores the level of brand awareness within the New Zealand market for ZESPRI, the effectiveness of the strategy employed by Kiwifruit New Zealand, and the implications of these findings for agribusiness in general.

The ZESPRITM story

In 1987 the New Zealand kiwi fruit industry was estimated to account for 60 per cent of total world kiwi fruit sales (Crocombe *et al.*, 1991). Kiwi fruit thrive in New Zealand's temperate climate and for most of the 1980s the industry enjoyed significant cost advantages over other producers. During the 1980s, New Zealand kiwi fruit were marketed through the New Zealand Kiwifruit Marketing Board (NZKFMB). To counteract the power of overseas buyers the government established producer boards with "single desk selling" provisions that enabled them to be the sole marketer and export distributor of their specific products. While the kiwi fruit industry was first developed in New Zealand, the barriers to establishing kiwi fruit orchards elsewhere were relatively low. Consequently, growers in Italy and Chile rushed to plant kiwi fruit. This resulted in the supply of kiwi fruit greatly outstripping demand and prices of kiwi fruit in international markets collapsed. The kiwi fruit industry of New Zealand had failed to protect the use of the name "kiwi fruit" and were unable to differentiate their product from lower cost Chilean and Italian counterparts who could market their product under the name "kiwi fruit" even though it had no association with New Zealand.

Crocombe *et al.* (1991) noted that orchardists incurred high risks, heavy fixed and variable costs, undertook long-term investments, were at the mercy of consumer demand and climatic conditions and received relatively low returns. In summary, Crocombe *et al.* (1991) stated that this industry was a price taker rather than a price maker in export markets. They also stated that the New Zealand kiwi fruit industry might have lost the opportunity to determine its forward path.

In response to this, Kiwifruit New Zealand developed a new structure and branding strategy under the name ZESPRITM. The new strategy was an

attempt to develop a market orientation within the kiwi fruit industry. Kiwifruit New Zealand stated:

ZESPRI International is a market-driven, consumer-led international marketing company and, as such, is structured from the market back to the orchard, rather than the other way round.

The brand strategy aims to differentiate New Zealand kiwi fruit, marking it out as a premium product, moving it from the category of perishable commodity into the premium-priced consumer goods bracket. Branding is a key element in the strategy, which aims to grow consumption of kiwi fruit by positioning it as an “exciting mainstream fruit that is eaten daily”. The brand challenge for ZESPRI International was:

- To establish a point of difference between ZESPRI kiwi fruit and other kiwi fruit.
- To identify the global brand equity of ZESPRI – the core product values and the consumer emotional triggers of the brand.
- To find the brand positioning idea that encapsulates all the elements of the ZESPRI brand equity.
- To bring ZESPRI to life – find the brand’s eccentricity – its difference.
- To go beyond traditional research with brand concepts – not only to find out what is, but also what could be.
- Over time, to develop a new category of fruit.

Research indicated that kiwi fruit eaters felt a strong emotional attachment to the fruit. This led ZESPRI to develop the positing statement “puts life into life”. ZESPRI noted “Its New Zealand nature was a very important component of the brand and had to be incorporated, given the equity we had in our country of origin”. The company is committed to remaining based in New Zealand, producing New Zealand fruit. ZESPRI promotes kiwi fruit as a product that can be eaten at any time during the day, whether it is a meal or a snack. The same research showed that consumers were not fully aware of kiwi fruit’s nutritional benefits, so ZESPRI aims to promote this issue in its marketing campaigns. ZESPRI New Zealand kiwi fruit is positioned as the fun, vibrant, healthy, good tasting fruit for all the family. It is valued for its unique nutritional qualities, particularly its rich vitamin C content, its consistent quality, superior taste and environmental soundness. This positioning is contained in Table I, which shows the results of research conducted by ZESPRI International on consumers’ perceptions of fruit and kiwi fruit. The table also contrasts this with the desired positioning of ZESPRI.

ZESPRI International markets four key varieties of kiwi fruit: “Organic”, “Jumbo”, “Gold” and “Green”. These new varieties of kiwi fruit were developed in partnership with the former government owned “HortResearch” (who still own the rights to these varieties of fruit) and ZESPRI International. These new varieties were developed in order to appeal to different markets. For example,

	Positioning	Fruit	Kiwi fruit	ZESPRI
	Personality	Good but unimaginative	Exotic	Charismatic, surprising, enjoys life, intriguing, an inspiration, an achiever
	Values	Wholesome/virtuous	Vitality	Real, genuine integrity, originality, healthy and active
	Rewards	Good for you	Good for you	Feeling good about life
	Functional benefits	Healthy enjoyment	Refreshing taste, healthy enjoyment for many eating occasions	Refreshing taste, healthy enjoyment for many eating occasions
	Attributes	Taste, nutrition, convenient ready to eat	Taste, nutrition, ready to eat	Taste, nutrition, quality, ready to eat, appearance

Table I.
ZESPRI's desired positioning relative to fruit and kiwi fruit

the "Jumbo" (not released in New Zealand) variety is designed to be placed in children's lunchboxes. The "Gold" variety was designed primarily for Asian markets where the colour gold has positive connotations. This variety is also sweeter, which also appeals to Asian consumers. The "Organic" variety was developed in a response to consumer demands for organically grown produce. Until recently, ZESPRI branded kiwi fruit were not sold in the New Zealand market. However, in 2000 ZESPRI International launched approximately 38,000 tray equivalents (out of a total of 59,400 trays as at June 1999) of primarily "Green" branded fruit into the New Zealand market (Kiwifruit International, New Zealand, 1999). The fruit would retail at NZ\$1.99 for a bag of ten (the bag would not be branded with the ZESPRI logo). Prior to this, kiwi fruit had been largely sold as bulk produce, with little or no branding or packaging. Despite the lack of product availability, ZESPRI had a high profile in New Zealand. A number of television documentaries aired on national news programs had highlighted the development of the strategy, new types of fruit, and the research program. The company is targeting adult consumers aged between 18-50. The overseas success of the program (increasing grower returns and kiwi fruit prices) has also received widespread news coverage. More importantly, the program and brand were well known in the New Zealand fruit trade.

The export program has so far been successful in increasing returns to growers. The 1999 *Annual Report* for Kiwifruit International stated that adjusted orchard gate return (the key measure of profitability for growers), was NZ\$257.9 million up from NZ\$157.6 million in 1997. This equates to NZ\$23,753

per hectare in 1998 compared with NZ\$15,386 in 1997. The ZESPRI “Gold” kiwi fruit was successfully test marketed in Japan, the UK, and New Zealand. Global net revenues from sales of kiwi fruit were NZ\$695 million, up 29 per cent on the previous season. Net distributable returns to growers were up 27 per cent to NZ\$410.6 million as against NZ\$323.3 million in 1997-1998. The report stated that although the exchange rate was weak, success had come from increased volumes and values of kiwi fruit sold (Kiwifruit International, 1999).

Method

The research was conducted in two phases. First, a series of qualitative interviews were conducted with a distributor, ZESPRI International’s Market Analyst, Brand Manager and Regional Manager for Australasia (who provided background material). The aim of these interviews was to gain some background material on to the ZESPRI story, perceptions of how successful the brand was, and the views of the major trade buyer in New Zealand (who accounts for 90 per cent of all produce distribution in the country). A secondary aim was to explore the branding topic with the aim of highlighting key issues to be measured in the survey. Following this, a draft mall intercept survey was developed and pre-tested amongst a small pilot group of consumers. Data was collected outside three major supermarket chains (there was no difference in the results due to location) in Auckland New Zealand. The sample was taken from a population of adult (18 years and above) kiwi fruit consumers. The survey was split into five sections:

- (1) kiwi fruit-eating habits;
- (2) kiwi fruit-purchasing habits;
- (3) brand awareness;
- (4) perception of ZESPRI; and
- (5) demographics.

The questions contained a number of fixed option and five-point Likert scales. In total, 106 surveys were completed. The surveys were coded and entered into SPSS for analysis.

Findings

The results of the qualitative interviews are presented below in Table II. Overall the interviewees agreed that branding fresh produce was worthwhile and was an important part of guaranteeing quality and building customer loyalty, although with regard to the ZESPRI brand, the respondents agreed that the brand was young with end consumers. The ZESPRI representatives believed there was significant brand awareness amongst the trade, a fact confirmed by the distributor, although he believed that ZESPRI branded fruit needed to be supplied all year round, wanted brands exclusive to his chain, and noted that with all the recent media attention being focused on the new varieties, that consumers confused the name “ZESPRI” with the new varieties

Table II.
Results from the
qualitative interviews

Interviewee	Brand equity for fresh fruit	Brand equity for ZESPRI	Is there merit in branding fresh fruit?	Are New Zealanders brand loyal?
Distributor	<p>Growing awareness of branding</p> <p>Branding represents consistent quality</p> <p>Cost is still an issue</p> <p>Keen to see growth of brands in store</p>	<p>Misconception that ZESPRI was the new name for a kiwi fruit variety. This is slowly changing and people now recognise that the brand stands for high quality NZ kiwi fruit</p> <p>Need a 12-month supply of ZESPRI</p>	<p>Yes. We aim to work with producers to develop brands that are exclusive to our chain</p>	<p>If people like the brand then they are loyal, however if the price is too high, they will go without the product</p>
Market analyst International Brand manager ZESPRI International	<p>Brand equity is a reassurance that helps the customer purchase, but doesn't directly lead to the purchase</p> <p>Brands of fruit need to be linked to images of high quality and consistency</p>	<p>There is some recognition in more developed markets such as Germany and Japan, but not much else</p> <p>High recognition at trade level and in time trade will help build brand equity with consumers</p>	<p>Branding is the only means of separating your product from similar products in the same category. It is also the only link that consumers can form with your company.</p> <p>Brands help to reinforce messages such as quality, country of origin, variety and can add an emotional dimension to the process</p>	<p>New Zealanders still trying to understand brand</p>

of fruit, rather than viewing it as a new brand (this was slowly changing). The interviewees believed that branded fresh produce is new to most New Zealanders and therefore they may be unwilling to pay a large price premium for branded fruit. The distributor also pointed out that while brands may be able to get a premium, the premium cannot be too large, and sellers will need to make sure that consumers recognise what the brand stands for. Finally, the distributor was keen to work in conjunction with suppliers of produce to develop brands and branding programs. This view was different to that of the ZESPRI representatives who believed that trade would make consumers aware of the brand. This is reflected in the ZESPRI strategy, which does not market directly to the trade. The fact that the distributor was keen to see the growth of brands in store, wanted to work with suppliers, and believed that brands needed to take into account cost (suggesting that value, not quality *per se* might be a better positioning statement) suggests that there is an opportunity to develop relationship marketing programs at a business-to-business level between ZESPRI International and distributors.

The demographic characteristics of surveyed consumers are outlined in Table III. There is an over representation of females in the sample, although this was not considered a problem given that ZESPRI International considers females an important target market (especially for "Green" kiwi fruit). The

Item	Percentage
<i>Gender</i>	
Female	57
Male	43
<i>Age</i>	
< 20	3
21-35	61
36-50	22
> 50	14
<i>Employment status</i>	
Full time	84
Part time	12
Not employed	4
<i>Household status</i>	
Single no children	46
Married with children	34
Married no children	14
Single with children	6
<i>Combined household income</i>	
< \$20,000	4
\$21,000-50,000	26
\$51,000-80,000	27
> \$80,000	43

Table III.
Demographics of
sample

location of data collection may also have influenced this result, as females still do the majority of the food shopping in New Zealand. We felt this would not adversely impact on the final result, as understanding the perception of the ZESPRI brand among the people making the purchase decision was important. The differences between females' and males' perception of the brand and its attributes are shown in Table VIII. As Table IV illustrates, females were more likely to consume kiwi fruit at home than males. There is a reasonable representation of all ages, income levels and household status.

Table IV highlights that the majority of the sample is not regular users of kiwi fruit, although we believe that this result may have a lot to do with the seasonal nature of kiwi fruit. In order to get a high percentage of everyday users; kiwi fruit would have to be available all year round (a fact highlighted by the distributor interviewed). The New Zealand kiwi fruit season runs from May to December and New Zealand consumers are unlikely to buy imported kiwi fruit (see Table V). The majority of respondents used kiwi fruit as a general

Descriptor	Percentage
<i>Frequency of use</i>	
Every 3-6 months	64.7
Once a month	18.8
Several times a week	15.3
Everyday	1.2
<i>When do you eat kiwi fruit?</i>	
General snack (any time of the day)	62.8
Desert	15.0
Breakfast	9.3
Lunch	4.7
Morning tea	3.5
Afternoon tea	3.5
Dinner	1.2
<i>Type of kiwi fruit eaten^a</i>	
Green	74.5
Gold	30.2
Organic	16.0
<i>Who eats kiwi fruit in your household</i>	
Female adult	48.8
Male adult	37.2
Children under 18	14.0
<i>Place of purchase</i>	
Supermarket	67.1
Fruit and vegetable store	31.7
Other	1.2

Table IV.
Use of kiwi fruit

Note: ^a More than one answer was possible to this question

Descriptor	Mean	SD	Creating value through brands
------------	------	----	--

snack food. Given that “Gold” and “Organic” kiwi fruit have only just been released in limited numbers into New Zealand, the response for “type of fruit eaten” was expected. However, the high usage of “Gold” fruit suggests that ZESPRI International has a potential winner on its hands with this variety and should consider increasing the amount of fruit available in New Zealand. Adult females eat the majority of fruit. ZESPRI targeted females partly in the belief that they would buy kiwi fruit for their children, however there is little evidence of this occurring. Perhaps ZESPRI would be better off highlighting the health benefits of the fruit to adults, as well as giving greater emphasis to the nutritional and health benefits of kiwi fruit use for children. As was expected most consumers purchase their kiwi fruit from supermarkets and fruit and vegetable shops.

Table V highlights some key aspects of consumer behavior in relation to kiwi fruit. Interestingly, region of origin was not that important for kiwi fruit buyers. It may be that consumers expected kiwi fruit to come from New Zealand, or it might be that the past failure to differentiate the product has meant that consumers are unaware of the differences between overseas and local kiwi fruit. The method of production is relatively unimportant, although given consumer

concerns about non-organic production, the “Organic” range may be better targeted at consumers who express these concerns and are willing to pay a premium for organically grown fruit. Consumers were relatively price sensitive when it came to kiwi fruit. However, the majority of consumers do not buy on price alone, with freshness/quality and seasonality the two biggest motivations for purchasing kiwi fruit. Consumers were unlikely to pay extra for a preferred brand of fruit (nor were brands seen as that important), although they may pay extra for quality, freshness, and in-season fruit. Most consumers eat kiwi fruit because of its health and nutritional benefits, and taste. ZESPRI has incorporated these issues into its advertising campaigns. Convenience was also relatively important and perhaps more emphasis on this could be incorporated in advertising campaigns aimed at positioning kiwi fruit as a snack food (this would also require packaging changes).

Table VI highlights the level of brand awareness for ZESPRI. Less than half of the respondents had seen the ZESPRI logo, suggesting that the company still has much to do to establish awareness of the brand (and supporting the claims of the interviewees). Although ZESPRI does not have the level of brand awareness of other fruit brands this may be due to the relative newness of the brand. Seen in the context of low levels of marketing (consisting so far of sponsorship and promotional events), a 48.1 per cent awareness rate is quite high and bodes well for the future of the brand in New Zealand. Given that ZESPRI branded fruit have only recently been introduced on to the New Zealand market it is no surprise that most people have seen the ZESPRI logo on fruit labels, packaging and promotional material rather than through more traditional marketing mediums such as television and newspapers (which have yet to be developed).

Descriptor	Percentage
<i>Have you seen the ZESPRI logo?</i>	
Yes	48.1
No	51.9
<i>Branded fruit awareness</i>	
Sunkist (Oranges)	67.0
Chiquita (Bananas)	63.2
Dole (General)	61.2
ENZA (Apples)	57.5
ZESPRI (Kiwi fruit)	48.1
Yummy (General)	20.8
<i>Where have you seen the ZESPRI logo?</i>	
Labels	31.1
Packaging	18.9
Promotional material	17.9
TV	8.5
Magazines	7.5
Newspapers	5.7
Bill boards	4.7

Table VI.
Brand awareness

Tables VII and VIII below highlight consumer attitudes to ZESPRI as a brand. Consumer reaction to the brand name and brand attributes was neutral at best. Given that ZESPRI is targeting adults aged between 18-50, the mixed reaction to the ZESPRI name, the association of quality with that name, and the view of the brand as “energetic and lively” is of concern. Consumers understood that kiwi fruit had high nutritional benefits and agreed that ZESPRI needed to have a stronger marketing presence in New Zealand. They were also keen to try new varieties of kiwi fruit. However there was a negative reaction to the slogan

Creating value
through brands

Descriptor	Mean	SD
ZESPRI is a suitable brand name for NZ kiwi fruit	2.70	1.04
ZESPRI represents high quality NZ kiwi fruit	2.69	0.96
You would purchase ZESPRI over other branded kiwi fruit	2.90	1.05
ZESPRI NZ kiwi fruit had high nutritional benefits	2.20	0.78
You agree with the brand's slogan "ZESPRI puts life into life"	2.76	0.87
The ZESPRI brand is lively and energetic	2.48	0.95
ZESPRI should have stronger marketing presence in NZ	2.06	0.91
You would try new varieties of kiwi fruit if you recognised the ZESPRI brand	2.44	0.95

Table VII.
Attitude to brand
(1 = strongly agree,
5 = strongly disagree)

Descriptor	F Female positive response ^a	F Male positive response	F Female neutral- negative response ^b	F Male neutral- negative response	Total
ZESPRI is a suitable brand name for NZ kiwi fruit	30	12	41	23	106
ZESPRI represents high quality NZ kiwi fruit	29	11	41	25	106
You would purchase ZESPRI over other branded kiwi fruit	27	9	43	27	106
ZESPRI NZ kiwi fruit had high nutritional benefits	49	21	21	15	106
You agree with the brand's slogan "ZESPRI puts life into life"	18	8	53	27	106
The ZESPRI brand is lively and energetic	39	15	31	21	106
ZESPRI should have stronger marketing presence in NZ	42	28	28	8	106
You would try new varieties of kiwi fruit if you recognised the ZESPRI brand	43	19	27	17	106

Notes: ^a Results for this question were recorded using a five-point scale with 1 = strongly agree, 5 = strongly disagree. Positive results represent all recorded results that registered a 1 or 2 to the question at hand; ^b results for this question were recorded using a five-point scale with 1 = strongly agree, 5 = strongly disagree. Neutral to negative results represent all recorded results that registered a 3-5 to the question at hand

Table VIII.
Cross tabulations of
ZESPRI program with
gender

“puts life into life”. Consumers were also unlikely to prefer ZESPRI to other branded kiwi fruit. However, the demand for more marketing activity, the neutral reaction to the name and brand attributes suggests that the brand is in the early stages of development in New Zealand (see Table II for the distributor’s view). ZESPRI could build their marketing campaign on the nutritional benefits of the fruit and through the release and promotion of new products (rather than focusing solely on “Green” kiwi fruit).

Discussion

From the results we can see that ZESPRI still has some way to go to gain brand leadership in New Zealand, and towards reaching its desired positioning (see Table I). The brand has a relatively high level of awareness given the low levels of marketing in New Zealand[1], but ZESPRI needs to do more if the brand is to gain the level of awareness of other fruit brands. Within the trade, brand awareness for ZESPRI is apparently high and trade customers also understand the link between the brand and product quality. This suggests that the ZESPRI program has only retained the positioning of kiwi fruit in relation to the functional benefits and attributes, rather than achieving the desired positioning for the brand (see Table I).

The high uptake of “Gold” kiwi fruit suggests that more work needs to be done on ZESPRI’s brand architecture (see Figure 1). Rather than stressing the generic brand “ZESPRI”, the company could place greater stress on the

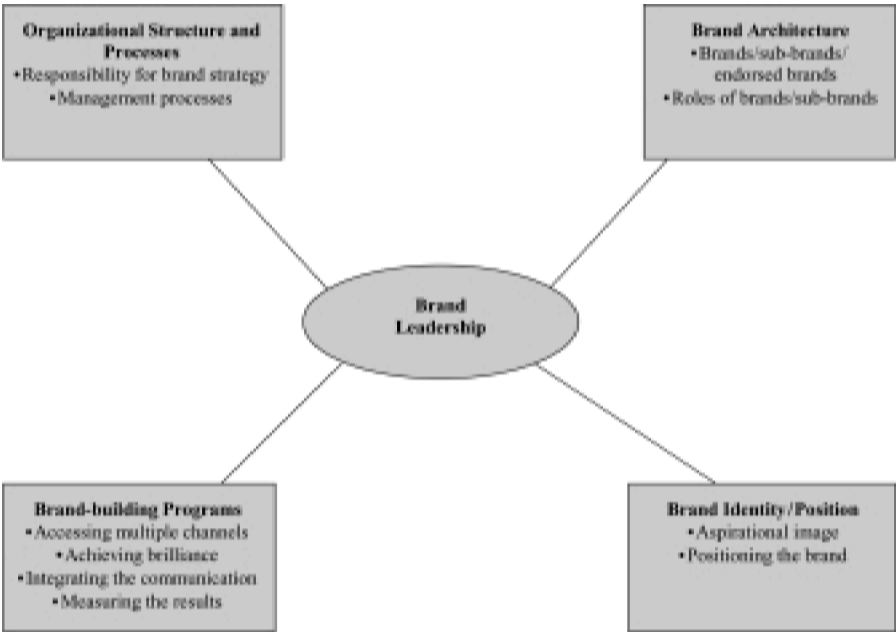


Figure 1.
Brand leadership

Source: Aaker and Joachimsthaler (2000, p. 25)

individual varietal sub-brands and build up the generic brand awareness over time. Building sub-brand awareness would require the development of targeted marketing campaigns. The “Organic” kiwi fruit could be targeted at consumers concerned about non-organic production and should be placed in natural/organic food shops. Both “Green” and “Gold” fruit should be targeted at adult consumers more so than at children. ZESPRI also needs to carry out further segmentation work in order to improve the targeting of its brands to kiwi fruit consumers.

Although consumers are unlikely to pay extra for the fruit, the majority of kiwi fruit consumers do not purchase on price alone. One way of getting a premium would be to stress the benefits of convenience, quality and freshness through an advertising campaign. Highlighting the entire range of new products may also help build the view that ZESPRI is indeed innovative, energetic, and surprising.

The packaging of the fruit in the local market also leaves a lot to be desired. Rather than packaging them in the convenient six packs used in overseas markets, the fruit is packaged in netted bags of ten and branded with a small sticker on each piece of fruit. This is hardly in keeping with ZESPRI’s desired image or positioning as an up-market convenient snack food. Given that convenience was an important factor in driving kiwi fruit choice, ZESPRI should use the same packaging in New Zealand as it uses in overseas markets[2]. This would provide greater opportunities for promotion and brand advertising as well as help position the product as a high quality, convenient fruit. It would also help ensure that ZESPRI reached its desired attribute positioning (see Table I) on the issue of design.

Aaker and Joachimsthaler (2000) stated that the key factors in developing brand leadership included the development of a range of consumer, distributor, and organisation related programs. These are shown in Figure 1. What is clear from this figure is that focusing on marketing direct to consumers is only a small part of developing an effective brand. Producers will need also to focus on developing brand support structures within the organisation, a range of sub-brands, close relationships with distributors, and other members in the value chain. This suggests that a relationship marketing strategy will be more effective for developing a brand than a traditional transactional (one off, mass marketing) approach (Gronroos, 1996).

The development of relationships with strong retailers is critical because these retailers often have significant power and more importantly, strong brand equity among their customer base (Hughes and Merton, 1996). The development of relationships throughout the entire supply chain utilising principles of supply-chain management (SCM) has received increased attention from agribusiness researchers (although none have made the link between SCM and brand equity). Folkerts and Koehoort (1998) found that modern customers were more self-assured and were making new demands on agricultural producers. This required radical change through the transformation of the

traditional food supply chain from a product driven to a market driven chain. Chain reversal required:

The redesign and repositioning of the complete food supply chain and of every company (link) in this chain. In this respect, a food supply chain is defined as a set of interdependent companies that work closely together to manage the flow of goods and services along the value-added chain of agricultural and food products, in order to realize superior customer value at the lowest possible costs (Folkerts and Koehosrt, 1998, p. 385).

ZESPRI's promotional material highlights the marketing work that it is doing with the end consumer of kiwi fruit and the quality programs that it has developed from orchard to pack house. However, there is little mention of the distribution chain. Despite earlier announcements about the need to develop a market driven strategy (see "The ZESPRI story"), it appears that ZESPRI has not yet undergone chain reversal. Figure 2 highlights the current distribution set up for ZESPRI in New Zealand.

Figure 2 shows that ZESPRI relies on the trade (distributors) to manage its kiwi fruit category in stores, and help market the product to retailers (reflected also by a comment in Table II). If ZESPRI wants to develop strong brand positioning within stores, via in-store promotions, separate shelf positioning, as well as make consumers aware of the fruit (through cross promotional advertising with the retailer), then they need to put more effort into marketing directly to retailers. This may also help ZESPRI develop own-label products for supermarkets, in-store marketing campaigns and gain better product positioning within a store. Currently ZESPRI branded fruit are located next to other non-branded kiwi fruit. This means that consumers get to compare the prices of ZESPRI and non-ZESPRI fruit (the author has seen this occur in Australian supermarkets). At this point it is very easy for consumers to distinguish between different fruit on the basis of price (particularly given the low levels of brand awareness, brand content, and poor packaging design). If the aim is to establish a whole new fruit category, then ZESPRI labelled fruit

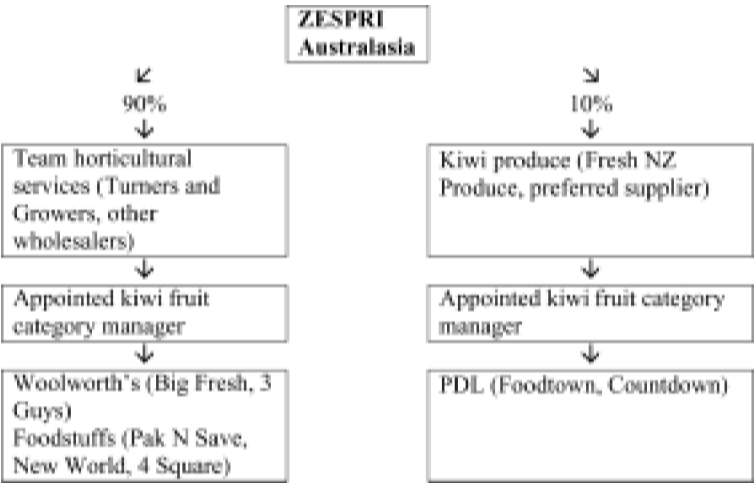


Figure 2.
Distribution structure of
ZESPRI in New Zealand

should be positioned apart from the non-labelled kiwi fruit. However, doing this can only be achieved with the support of the retailer.

ZESPRI's stated aim is to increase returns to growers. However, to do so may require a longer-term view that includes working with members of the supply chain, rather than focusing solely on pull strategies (raising consumer awareness). This will require ZESPRI to move away from the auction system of sale. If the ZESPRI strategy increases kiwi fruit prices on open markets, members of the distribution channel may not be able to pass on those increases to other members of the chain, or in light of the findings, the end consumer (and consumers may be unwilling to pay extra for brands). This may mean that in the long term, kiwi fruit prices may fall (this problem faces many agricultural producers, see Beverland, 2001), as demand falls, and retailers and distributors reduce orders for the fruit. A better strategy may involve the use of SCM principles. For example, rather than focusing on increasing prices to growers, they could aim to increase the value of the brand, and allow growers to own shares in the company (like the New Zealand Dairy Board). Part of this would involve developing price and supply contracts with distributors and retailers rather than selling at auction. This strategy has been used by Merino New Zealand, the wine industry, and the New Zealand Game Industry Board to increase brand equity and returns, as well as ensure a sustainable long-term market positioning (Beverland, 2001). Kiwifruit New Zealand do intend to develop contractual relationships with suppliers of fruit, however it is not clear what the strategic intention of these contracts is. We would suggest that these contracts be aimed at decreasing price and volume uncertainty for ZESPRI, kiwi fruit distributors, and retailers.

All of this may be difficult to achieve within a compulsory single desk seller structure. This structure has come under increasing strain in New Zealand, and a number of reports have called for the removal of this monopoly protection (Beverland, 2001). Currently Kiwifruit New Zealand and ZESPRI are controlled by growers who are used to the commodity cycle of pricing and may not accept the lower, albeit steadier returns, necessary for long-term survival (Beverland, 2001). Privatising this structure would enable ZESPRI's brand value to be captured via shares held by growers. Privatising this structure may also be necessary to develop a global brand. Given that ZESPRI is bound to develop the New Zealand industry, they cannot source fruit from other countries, licensing other countries to produce its four new varieties of fruit is different. As a result they emphasise country of origin (COO) as a source of competitive advantage. Whilst the origin of kiwi fruit may be seen by ZESPRI as important, research shows that country of origin (COO) effects are at best neutral, particularly when consumers have access to information about price, quality and brand name (Agrawal and Kamakara, 1999). These authors found that COO has no effect on prices, after considering the price differences between brands due to differences in quality. ZESPRI International intends to develop an all year round marketing campaign, but this may backfire if there is a lack of year round supply (as such a campaign may create demand that the industry

may not be able to supply. This is a problem confronting a number of agricultural industries (Beverland, 2001)).

Developing global brands requires a constant level of year round supply (Beverland, 2001). As noted in Table I, distributors would like an all year round supply of the fruit, however the seasonal nature of fruit production means that this is not possible if ZESPRI relies solely on New Zealand produced fruit. One has to ask whether the real value of the fruit is derived from its "New Zealand ness" or from the production and quality systems used by New Zealand growers[3]. If it is the later, then franchising these systems to foreign growers may help build the brand.

The producer board structure may also limit the ability of Kiwifruit New Zealand to retain control of new varieties such as "Gold". Clark *et al.* (2000) noted that HortResearch could license Northern Hemisphere producers to grow the Hort16A (Gold) variety in order to enable a 12-month global supply of the fruit. Clark *et al.* (2000) make it clear that HortResearch is moving to develop constant streams of cash flow through royalties derived from their patents (due to reduced levels of government funding) and are unhappy that many of their industry partners are hesitant in trying to develop royalties from offshore. Pressure on future research funding means that HortResearch may make this move sooner rather than later. Finally, the producer board structure does not allow for diversity in the marketplace. It is possible for producer boards to source globally (where their growers allow) and the New Zealand Dairy Board has done this effectively. Smaller producers who may want to develop niche brands focused around their region of origin are denied the opportunity since producer boards usually opt for a "one size fits all" strategy.

Conclusion

The development of fresh produce brands is a relatively new phenomenon in world markets. The attempt by Kiwifruit New Zealand to position New Zealand kiwi fruit as a high quality, distinctive fruit category is to be applauded and encouraged. This research is exploratory, and raises more issues than answers. Further research should be conducted on consumers' reactions to branded fruit. Further case studies of successful brands should also be developed. Research on the relationship between push and pull marketing strategies, and SCM, in regards to strategic re-positioning should also be examined. Based on this research, agribusiness brand strategies need to include better targeting of consumers, strong links with distributors and retailers, and where relevant, research laboratories. The focus may also need to move away from increasing prices to growers in the short term (similar to complaints about the narrow focus of big companies on quarterly earnings) to developing long-term brand equity. This can only be done through stabilising prices and moving away from the auction system. Producer boards may have an important role in negotiating such contracts and in bringing growers and buyers together, but may also limit the ability of producers to take the necessary steps to develop a global brand.

Notes

1. The brand is generally marketed using promotional type activities such as sponsorship, news stories, and in-store advertising (the small product stickers on the fruit). No targeted advertising or mass marketing is carried out.
2. In export markets such as Australia, ZESPRI is clearly identifiable by its packaging. ZESPRI is packaged into convenient six packs, which includes an eating tool (a plastic tool that cuts the fruit and allows you to scoop it out), the design of which was based on consumer research that highlighted that kiwi fruit were generally cut open and scooped out. Product related information, as well as offering the opportunity to run competitions or offer endorsements are also included in these packs.
3. The need to develop global brands is apparent even in an industry such as wine where the region of origin can lead to important product differences. This has resulted in a number of large producers such as Robert Mondavi or BRL Hardy placing greater emphasis on global brands as opposed to region of origin (Beverland, 2001).

References

- Aaker, D.A. and Joachimsthaler, E. (2000), *Brand Leadership*, The Free Press, New York, NY.
- Agrawal, J. and Kamakara, W.A. (1999), "Country of origin: a competitive advantage", *International Journal of Research in Marketing*, Vol. 16, p. 255-67.
- Beverland, M.B. (2001), "Relationship marketing and commodities: the repositioning of New Zealand agriculture in world markets," paper presented at the 10th Biennial World Marketing Congress, University of Cardiff, 27 June-1 July.
- Clark, D.N., Pavlovich, K. and Simpson, B. (2000), "The Horticulture and Food Research Institute of New Zealand Ltd", *Case Research Journal*, Vol. 20 No. 2, pp. 25-60.
- Crocombe, G.T., Enright, M.J. and Porter, M.E. (1991), *Upgrading New Zealand's Competitive Advantage*, Oxford University Press, Auckland.
- Folkerts, H. and Koehoort, H. (1998), "Challenges in international food supply chains: vertical co-ordination in the European agribusiness and food industries", *British Food Journal*, Vol. 100 No. 8, pp. 385-8.
- Gardner, B.B. and Levy, S.J. (1955), "The product and the brand", *Harvard Business Review*, March-April, pp. 33-9.
- Gronroos, C. (1996), "Relationship marketing logic", *Asia-Australia Marketing Journal*, Vol. 4 No. 1, pp. 7-19.
- Hobbs, J.E., Kerr, W.A. and Klein, K.K. (1998), "Creating international competitiveness through supply chain management: Danish Pork", *Supply Chain Management*, Vol. 3 No. 2, pp. 68-78.
- Hughes, D. and Merton, I. (1996), "Partnership in produce the J. Sainsbury approach to managing the fresh produce supply chain", *Supply Chain Management*, Vol. 1 No. 2, pp. 4-6.
- Katz, J.P. and Boland, M. (2000), "A new value-added strategy for the US beef industry: the case of US Premium Beef Ltd", *Supply Chain Management*, Vol. 5 No. 2, pp. 99-109.
- Kiwifruit International, New Zealand (1999), *Annual Report*.
- Lichtenthal, J.D. and Long, M.M. (1998), "Case study: service support and capital goods – dissolving the resistance to obtaining product acceptance in new business markets", *Journal of Business and Industrial Marketing*, Vol. 13 No. 4/5, pp. 356-69.
- Miles, M.P., White, J.B. and Munilla, L.S. (1997), "Strategic planning and agribusiness: an exploratory study of the adoption of strategic planning techniques by co-operatives", *British Food Journal*, Vol. 99 No. 11, pp. 401-8.
- White, H.M.F. (2000), "Buyer-supplier relationships in the UK fresh produce industry", *British Food Journal*, Vol. 102 No. 1, pp. 6-17.