

KANTAR



Benefits of '12 month supply'



March 2022

Independent review was undertaken to assess the value of '12 month supply'

Initial hypothesis going-in was that benefits would accrue from driving both 'Effectiveness' and 'Efficiency' together

- Kantar undertook an analysis of pre-existing independent data; media spend, market share, price realization, brand tracking, market share market performance etc.
- We compared markets that currently had '12 month supply' vs. those that were 'seasonal'.
- Spain was selected to represent markets with '12 month supply'; and Japan and Germany were selected to represent 'seasonal' markets.
- These 3 markets had the most well-defined data sets, and the quality of data dictated when Japan or Germany (or both) were used for comparison.
- Sales volumes are for Green and Sungold combined.
- We investigated a range of hypotheses that this constant supply would drive both:
 - 'Effectiveness' - developing a stronger brand
 - 'Efficiency' - better spend of support monies and supply chain management to yield an improved 'per tray return'



It found that a '12 month supply' is advantageous

The key to unlocking this benefit is 'brand awareness'. Simply put it does not decline sharply where we have '12 month supply'; so, it does not have to be rebuilt each year at the start of the new season. This makes for better returns on marketing investment

There are 3 drivers to maintaining and building this:

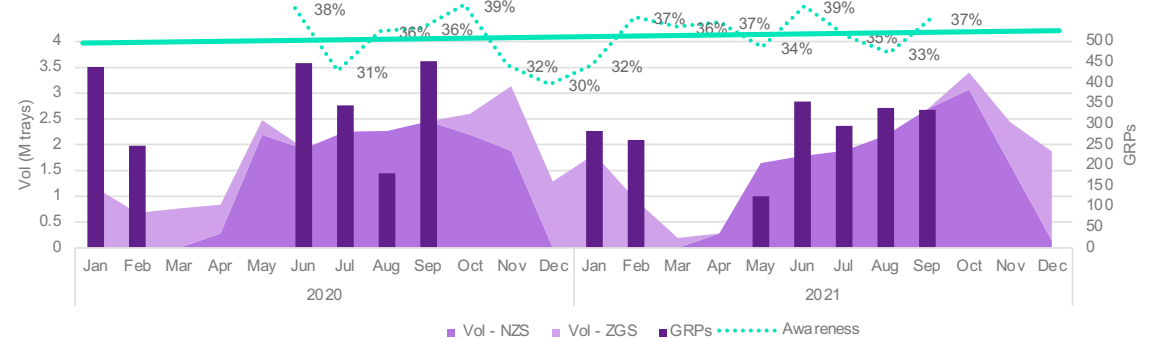
- Fruit is available for longer on shelf so consumers can see and buy it – shown as the solid areas on the charts, with the NZS and ZGS crops illustrated in different shades;
- This enables advertising (and promotion) spend to be deployed more evenly across the year. This is shown as GRPs* in the bars.
- As a result, brand awareness is much more stable. Shown on the green line.

The contrast in the stability of 'brand awareness' between the Spain and Japan – representing 12 month and seasonal markets respectively, is striking. Spain's is more consistent, remaining within the 30% range. Japan's must be rebuilt as it drops from September, until the next season and spend begins.



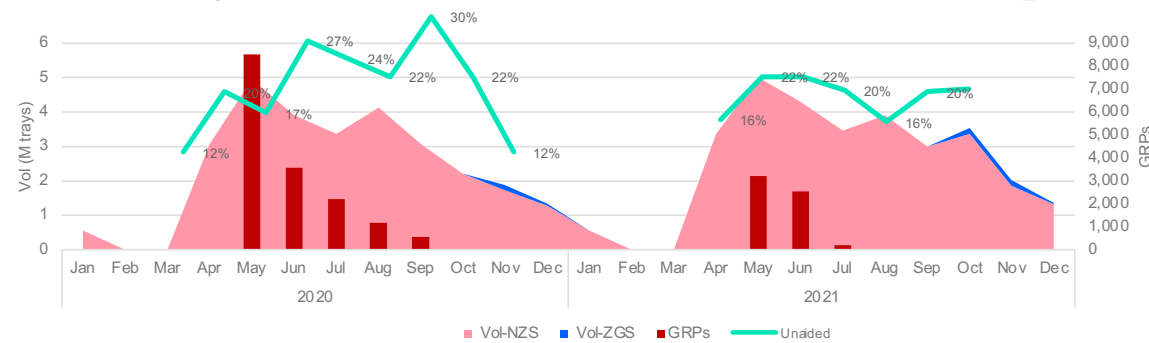
Spain

GRP-Volume-Awareness, ES



Japan

GRP-Volume-Awareness, JP



The 'benefit' equates to c.12-16c per tray for NZS

This is equivalent to a \$25m annual benefit by 2030*

- Having fruit on-shelf for 12 months reduces the need to spend specifically at the start of the NZ season. Funds that would have been used for this can be "saved" to be redeployed to build the business further.
- To restart the season and re-establish the base level of awareness requires 15% of the annual A&P budget.
- Modelling, its outputs represented by the opposite chart, has shown that this equates to c. 12-16c per tray and significant value at annualized volume for NZS.
- This data excludes NZS sales to China. Including China sales, the value would be up to \$40m.

Annual A&P savings estimates Per tray & total annual estimates



* Based on Target Demand

Zespri's brand health also improves in these markets

High product quality and consistent efforts to build a differentiated brand proposition in Spain have led to a strong brand.

Looking at Spain for the last 2 years (opposite chart) on-going monitoring of consumers' attitudes shows that attitudes to the brand are strengthening:

- Zespri is felt to be meeting people's needs better
- The brand's perceived value is increasing – it is seen to be worth more
- The overall closeness people feel to the brand is maintained

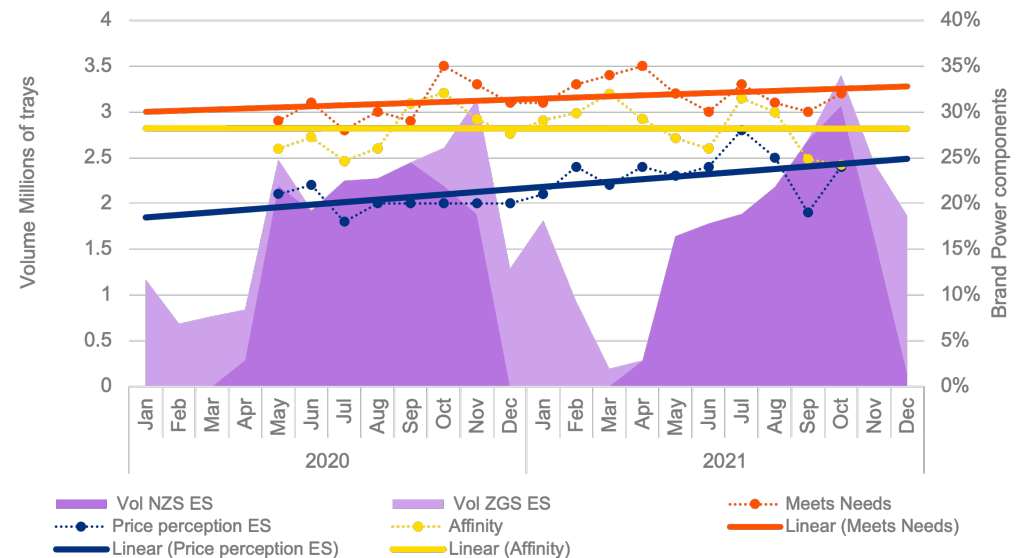
Importantly, Zespri is seen as one brand, regardless of its origin*

- Significantly the consumer does not perceive any difference between NZS and ZGS supply.
- One brand is being effectively built.

The solid areas show trays sold, with the NZS and ZGS crops being shown in different shades.
The bars represent GRPs. The lines show brand awareness.

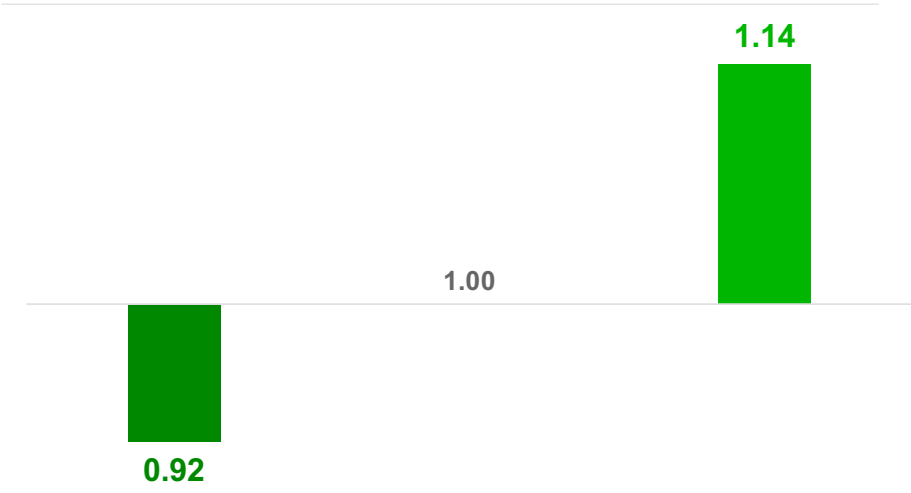


Spain Brand Power breakdown vs. Volume

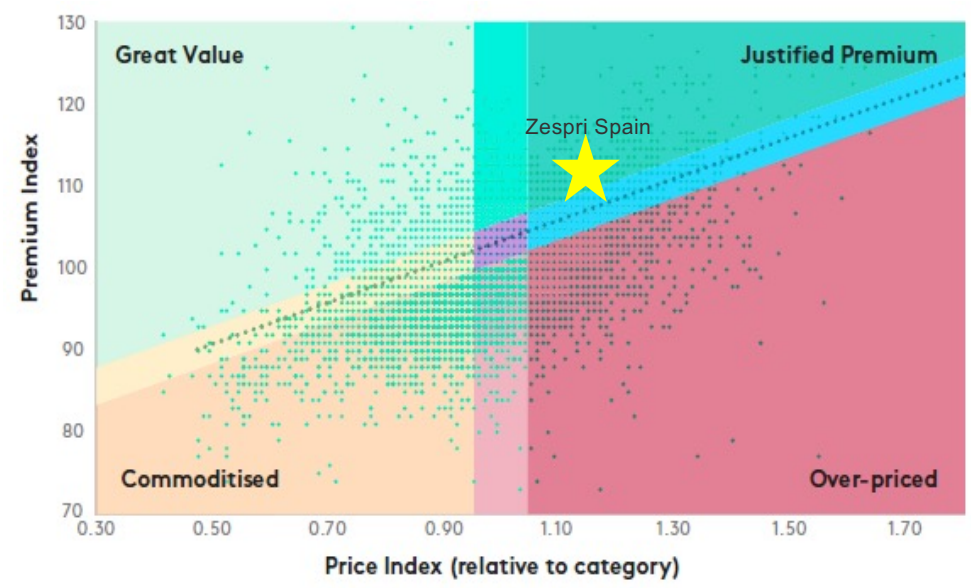


This improvement in brand health is good. Kantar meta-studies show that brands with strong Brand Premium scores command prices on average 14% higher than than brands with lower scores

Top tier Brand Premium achieving brands are bought for prices 22% higher than those in the lowest tier*



Zespri Spain falls into the optimum segment for pricing, but with room to develop further



This means that stronger brand affords an improved 'pricing power'

Which means that there is a lower risk of a commoditization as Zespri look to grow volumes significantly

A strong base for improved pricing has been built in '12 month' markets, with lower price elasticities being achieved, true for both Green and SunGold*.

- The closer the price elasticity is to 0, the smaller the negative impact on sales from a price increase. For a 1% price increase, we expect a reduction in sales volume by between 0.1% and 0.3%.
- In addition, there is no statistical difference between the Brand Premium that Zespri commands in consumers' minds across the ZGS and NZS crops. Again, underlining that Zespri is viewed as single brand by its buyers.

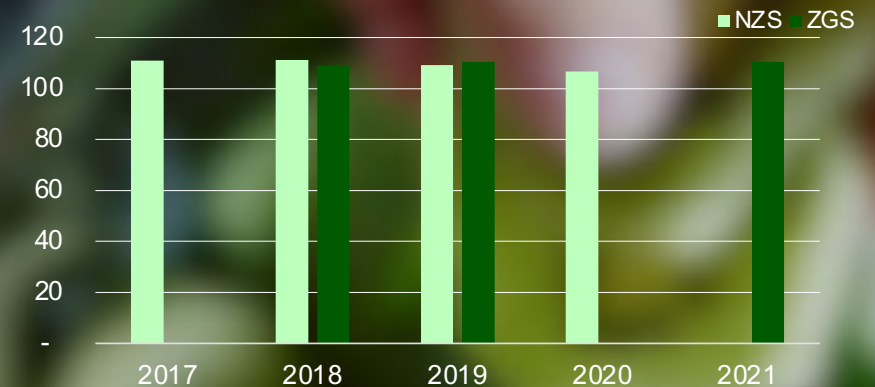
This benefit could be spent either to drive premiumization, especially if volumes do not increase significantly, or reduce risk of commoditization if the volumes do.



	Green	SunGold
Spain Consumer Price paid (Kantar)	0.1	0.3

Price elasticity
(inelastic: +1% price = <1% change vol)

**Spain Brand Premium by season



*Source: Kantar Price Elasticity Modelling 2020. Calculations based on -10% price changes using the 2021 base scenario in the simulator

**Source: Kantar Brand Power/Brand Premium reports. Numbers above 100 represent a added value over existing market share.

One last benefit uncovered is that velocity of sales is more predictable

This lower deviation of ‘sell-through’ enjoyed by these markets means there is more stability

Many factors affect velocity of sales, and comparison between markets with very different retail environments is particularly difficult.

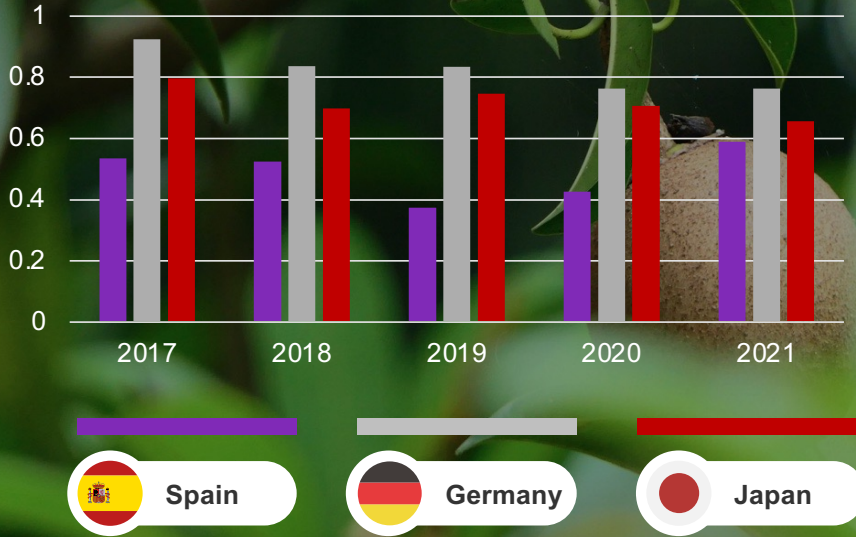
Nonetheless, it is a useful directional indicator of sell through.

The chart opposite compares the sales velocity in Spain (representing EU ‘12 month’ markets) versus Germany and Japan (representing non ‘12-month’ markets).

Spain has a consistently lower deviation from the average than Germany or Japan.

This means the ‘12 month supply’ market is more stable throughout its supply chain.

Annual run-rate noisiness index



Lastly, it is also a potential safeguard. Not moving to '12 months' could create a vacuum that encourages competition

This then has the capacity to commoditise the market, marginalise Zespri's retail relationships and pose a wider strategic threat beyond Europe

COMPETITON

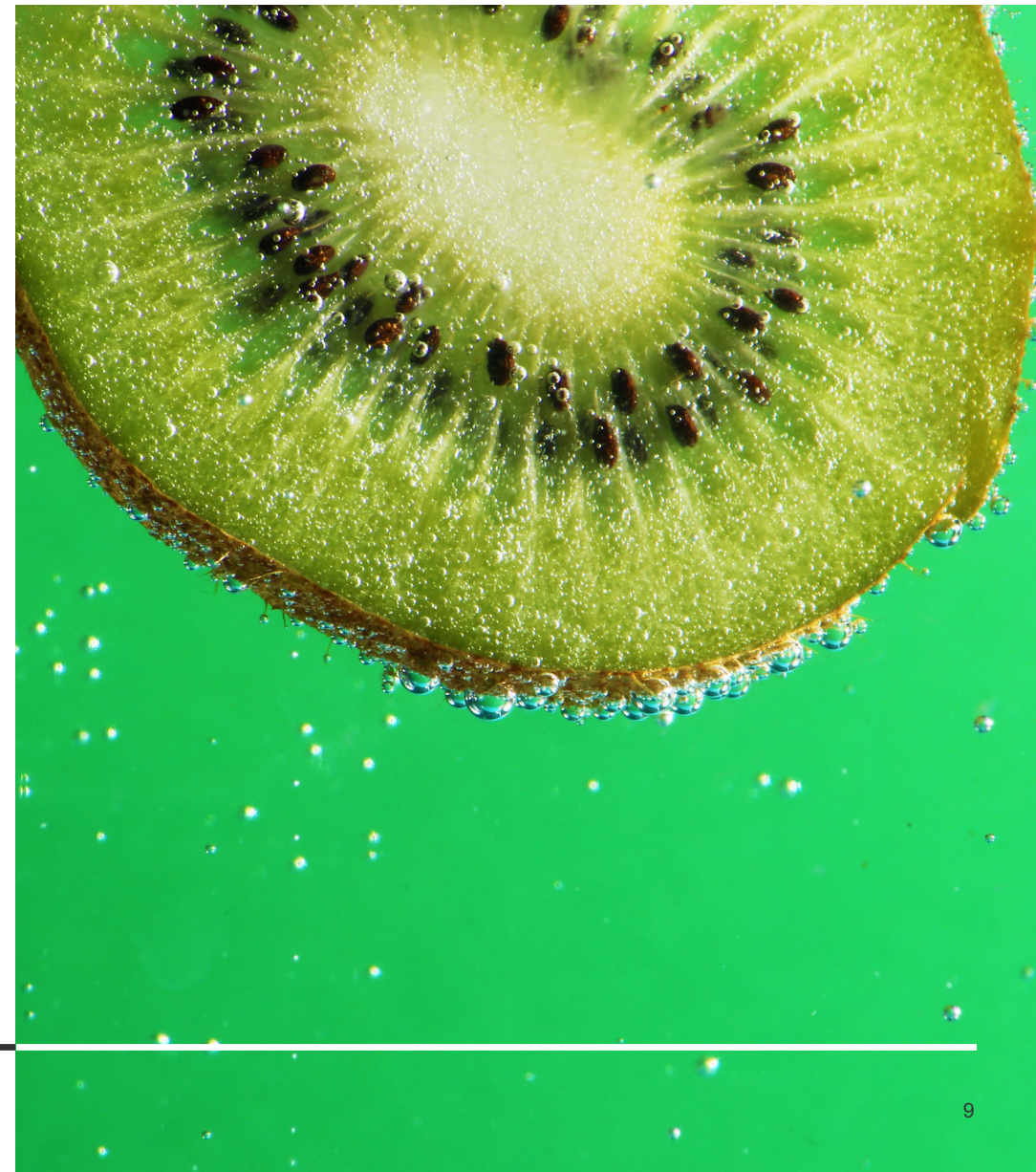
If Zespri do not supply the pent-up demand for this high margin fruit someone else will, whether its northern hemisphere suppliers independently or they collaborate with other southern hemisphere producers. This will be encouraged by the trade.

They will build their business on price being unlikely to build a brand from scratch. This will undermine the total market and Zespri's realization; either directly through price wars or indirectly, in the eyes of the consumer, through commoditization.

The growth impetus may give them critical mass enabling them to eventually impact Zespri's markets outside of Europe.

RETAILERS

Zespri currently 'punches above its weight' as it is leading the growth and investment the high margin 'fruit bowl' category. Not moving to '12-month' could be seen as a lack of intent to capture the opportunity. Retailers' reaction could be twofold; firstly, they may encourage other partners to fill-in and secondly simplify the relationship to one that is less strategic and ultimately less advantageous to Zespri.



Overall, '12 month supply' is advantageous.

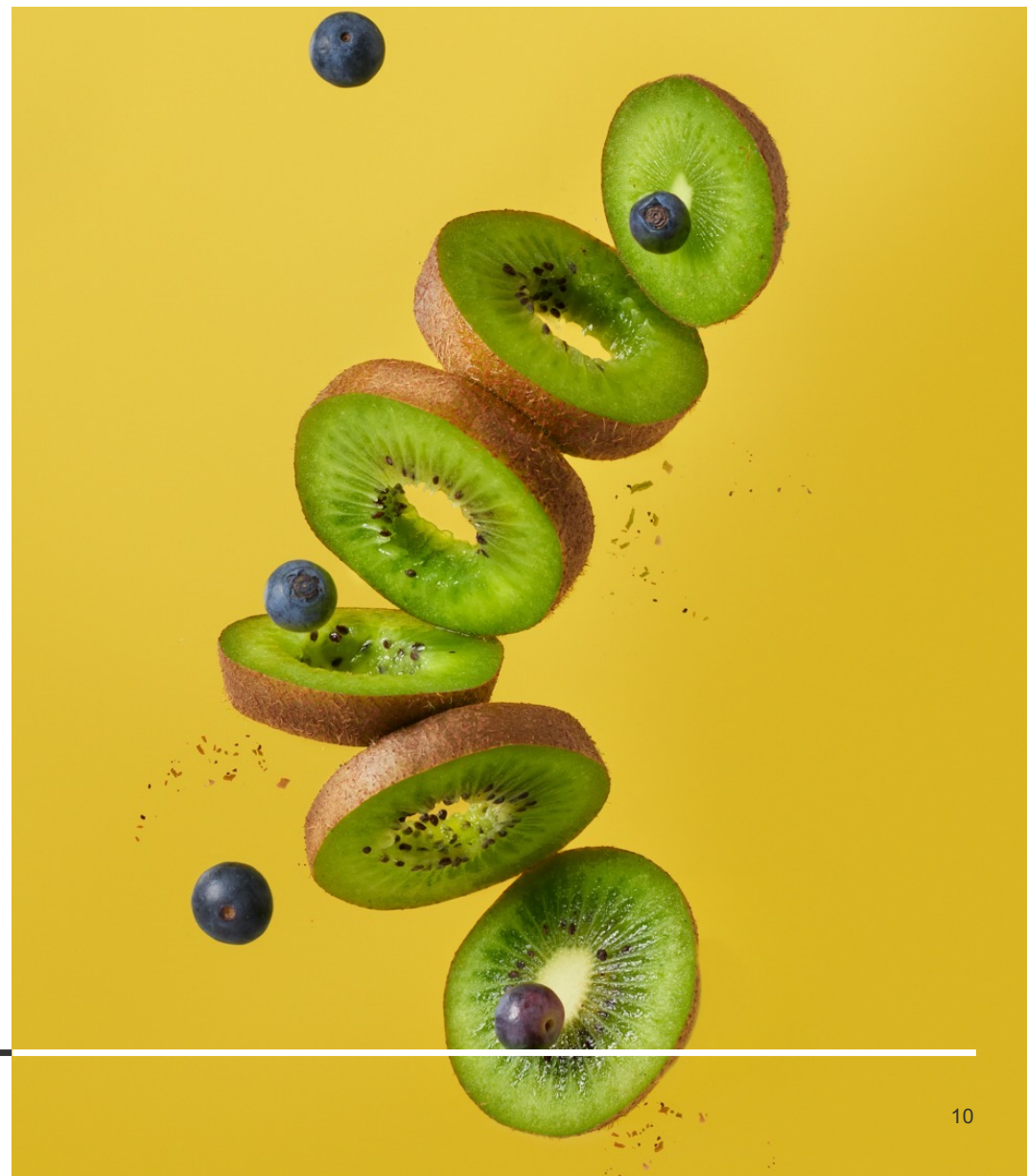
It will be a key enabler to the smooth capture of the planned significant volume increase

It is also a potential safeguard against commoditization of the market, reduced retailer influence and encouragement of wider competition

In summary

- The annualized 'tray' benefit amounts to \$25m by 2030
- It delivers a stronger brand
- There is increased 'pricing power'
- It leads to a more predictable supply profile

These advantages will underpin Zespri's ability to capture the significant predictive volume growth; which noted separately will lead to further savings due to economies of scale.





Thank you

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Appendix



Quantitative Methodology: Data Sets

Data used in modelling drew from a combination of Zespri, Kantar, and third party data sets

Key data sets:

- Kantar Brand measurements
 - Power, Awareness, Premium
 - Based on Kantar panel data
- Sales volume/run-rates
 - Weekly historical run-rate
 - Forward projection annual
- Advertising & promotion data
 - GRPs by market historical
 - By-channel/by-market spend
 - (historical + projection)
- Pricing data
 - Euromonitor category
 - Zespri internal
- Market/competitor data
- Fruit Loss
- Local/macroeconomic factors
 - PPP-GDP per cap.

Core markets analysed



Top markets used for projecting results (based on Kantar brand tracker)



Quantitative Methodology: A&P

Efficiency of advertising & promotion based on variable forecast scenarios

Advertising & promotion

We modelled advertising & promotion against key influencing variables (listed in Key Data Sets) to project the estimated spend required to support a given future production volume.

From this we derived scenario-based factors that can conditionally estimate the return on investment for A&P spend, both in terms of sales, and in terms of long-term brand strength.

This spend was found to have a non-linear relationship to sales volume, i.e. there are economies of scale that make A&P spend more efficient when there is more fruit produced, and when the availability of fruit is more stable through the year.

These statistical relationships were used to model future potential savings given conditions estimated by Zespri.

The per-tray range given is based on differences in A&P spend, and production volume in a blend of plausible forward-planning scenarios.



Quantitative Methodology: Brand & Pricing

Price analysed with a focus on brand as a key variable

Pricing

A highly-detailed pricing impact model and report commissioned by Zespri from Kantar in 2020-21 was used as a basis. This analysis uses multivariate regression, tuned using machine learning, to model optimal pricing based on n-dynamic scenarios.

The relationships determined in this work between brand attributes and price, were combined with analysis between brand attributes and seasonality of kiwi availability and marketing.

Thus, estimates could be produced of potential pricing opportunity, caveated by strategic context, based on future estimated changes in fruit availability to consumers.

KANTAR

Strategic Pricing:
How we meet 5YP targets

Germany and Spain NZ Seasons
2021 to 2023

Andrew Riddale, Windy Ar
Worldpanel Division
February 2021



Multi Variate-Machine Learning approach

Recognises that there are **other influencing factors on growth** than just price – these approaches look to isolate the price effect on sales by controlling for noise created by other influencing variables / market activities

Observed Data Based

We can be confident that observed data reflects how shoppers react to price changes and these approaches allow us to control for other influences – however they rely on good quality data and can only look at changes that are close to what has been observed before