

Student 4: High Achieved

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Adding value is basically what a business/company does to their product to increase the final price of that product from what their costs were to grow and produce the product, to make the business revenue and to be successful in the market. Adding value is important because without adding value there is no benefit to the business in manufacturing their product because their costs will either be the same or less than what they receive for it in payment. Adding value allows the business to introduce new innovations, with new technology and new techniques, to decrease cost and increase profit. Adding value is done through the value chain, the processes involved from the kiwifruit leaving the vine to the consumer purchasing the produce.

A value chain is a set of activities that a firm performs in order to deliver a product or service to the market. For kiwifruit the chain starts with kiwifruit on the vines and then works its way through the production, processing and shipping sectors. The whole time the company is adding value to the produce through marketing/advertising before it heads to the open market.

Research and development is the first stage of the process where the grower is finding and establishing areas to plant their vines. Finding areas with right soil conditions i.e. the pH levels of the soils, soil structure and nutrient friendly soils, as well as an area with the right amount of sunshine, rainfall etc. Another factor when establishing a kiwifruit crop is that it's close enough to Zespri's processing plants to minimise time between the fruit being picked and it being boxed and sent off to the market. Another part of R&D is finding out which variety is best suited for the area the grower has chosen, also finding out which type of kiwifruit is in highest demand and getting the best return so the orchard can make a profit.

Growing kiwifruit obviously starts with planting the vines and allowing them time to mature enough to produce the right size and the right amount of kiwifruit. Growing involves farming practises such as planting, pruning, thinning, stringing, trunk girdling, spraying, fertilising, frost protection, protection from bugs and diseases, organic matter application, lime application, etc.

New Zealand has a very diverse climate that varies throughout the country, although one thing the entire country must deal with is frost. This is a problem for fruit growers because frost seriously affects the appearance and saleability of a product. So Zespri has devised different types of frost prevention methods. Frosts occur on cold, still and clear nights and last until late morning depending on the severity of the frost. As the heat is drained from the surrounding earth and the air around the plants and fruit, the surface of the fruit pulls the heat from the plant tissue and the air around it. If there is prolonged frost on and around the plant the fruit tissue begins to die off and damage may be done to the actual plant. Frost damaged fruit cannot be eaten or sold so is rendered useless to the farmer. This may also affect the plant's fruit growing potential in the following year.

There are a few different ways that Zespri suppliers use to prevent frost damage. Methods such as actually directly heating the vines or using air agitators to keep a constant air flow over the vines to disallow the frost to settle and freeze. Another method commonly used is frost pots. These use many different types of fuels to heat the entire orchard. Sprinkler frost protection setups are another type of frost prevention and are the most commonly used ... *[Some detail omitted for space reasons.]* A wind machine is basically a large fan which sits at the centre of the area that is meant to be protected. The fan pushes out air which mixes the warm and cold air flows that go around the orchard together creating an overall warmer temperature preventing the frost from settling.

All these methods enable growers to protect their produce and allow them to run a productive business. The frost prevention methods are consumer driven because a consumer wants a constant supply of a good so if Zespri can't protect themselves from frosts and a whole lot of their produce is destroyed they won't be able to meet the demand and consumers will look for an alternative.

Harvesting is the busiest time for a kiwifruit grower. Machines are not used for the actual picking of the fruit; it's all done by hand so the farmer will usually employ extra help during this time for a fast and efficient harvest. The pickers drop their baskets full of kiwifruit into the tractor bins that are then put on a truck on pellets and sent to the nearest Zespri factory.

Zespri has a machine that separates kiwifruit into different size categories for each different variety. This is so the customer gets fruit that is all the same size, so they don't get discouraged by a proportionally smaller piece of fruit. They then also have people on the production line picking out bad fruit throughout the whole process until they are all boxed up and put on the truck.

*[Packing, storage and transport stages omitted for space reasons.]*

Zespri advertise both through online advertising and on TV as well as newspapers, billboards, sponsorship and many other forms of advertising. A large part of the marketing strategy is Zespri's Quality policy. Zespri is

committed to understanding their customers' needs and providing them with products that meet or exceed mutually agreed specifications. In order to meet this goal Zespri has a list of expectations they rely on their suppliers to comply with to grow the best fruit and the best business they can. This list is straight from the Zespri site and it is the requirements they ask their suppliers to follow.

- Know and comply with the Zespri product quality standards, policies, specifications and procedures. [Five other expectations omitted from here.]

These expectations Zespri has come up with to work in with their suppliers as best they can to produce the best product they can and create a good working environment through the whole process. This a consumer driven innovation because a consumer likes to know their purchase was dealt with correctly in the weeks leading up to being put on the shelf. The consumer knows the product was produced and processed 99.9% by kiwis in a good working environment.

The majority of Zespri's sales are exports to other countries, most to Asian countries. The produce Zespri exports is the top-quality fruit, the best they have. Then there's the fruit that goes around the shops in NZ. These kiwifruits are usually smaller and possibly even the less desirable fruit produced.

The kiwifruit range is made up of different breeds or varieties of kiwifruit produced by Zespri and their suppliers. The varieties available now are green, organic, sweet green, sungold and the gold kiwifruit. Zespri green kiwifruit was first developed in NZ by Hayward Wright in the 1920s. It is an oval shaped fruit with a brown, fuzzy skin. The green or gold inside has a white core and small, black seeds surrounding the core. Zespri green kiwifruit is a sweet and sour combination of flavours. The business has devised these new breeds/varieties of kiwifruit to accommodate the different preferences of their customers.

Consumers are always looking for new foods to try and no doubt get sick of the same old Zespri kiwifruit varieties. Consumers don't always have the same idea of an ideal kiwifruit so adding to the range increases the diversity of flavours encouraging a larger market to come about. This is a form of innovation because they are trying to increase demand for their product by appealing to new consumers. Zespri has adjusted their range and invested in making new varieties to satisfy customers' needs to increase demand. Zespri is also currently testing and attempting to produce a breed with a red inside. This is occurring at the research and development stage of the value chain. The red-fleshed kiwifruit will be like nothing ever seen before. Old kiwifruit breeds are typically either dark or light green or golden toned varieties. Zespri has some very sharp business minded employees as well as some incredibly smart agricultural and regular scientists on the job to find a market to sell the red kiwifruit to and create a functional plant that will grow this new breed. The market being targeted is China because red in the Chinese culture is associated with fire and symbolizes good fortune and joy. Red is found everywhere throughout the Chinese New Year and other holidays and family occasions. So, for these reasons Zespri has decided that if they can produce a red kiwifruit, the Chinese market will associate the fruit with happiness and good fortune.

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Zespri have a competitive advantage over their competitors in the sense that they are the largest producer of kiwifruit in New Zealand and they have so many kiwifruit farms supplying and supporting them. Because Zespri has such a large presence in the world and separate markets around the globe, the main markets being targeted are Asian countries especially China. A big part of Zespri's success story is based on their willingness to adjust their product to meet the consumers' needs. They have done this by bringing out new flavoured, textured, acidity-levelled and different coloured fruits to comply with the consumers' demands or the new or old trends that require different qualities in a fruit. What consumers are looking for these days is food that will 'heal' them or make them feel healthier or look better or even just feel better about themselves. Consumers feel as though they will be healthier and live a longer life if they eat well. Zespri has pounced on this notion by promoting their new varieties as full of vitamins and important natural sugars for a healthy life.

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China is a very wealthy country with very rich people living in it. These richer consumers in China have demanded foods like kiwifruit to be delivered to their door within days of being picked for the freshest produce possible. If Zespri can sort out some system to make this happen their profit margin will be massive.

Zespri have many other innovations, such as their packaging and transporting systems put in place. They have good advertising methods set up to get their product all through the country and into the international market.

In conclusion, Zespri is a very innovative business that is working with its markets and applying current trends and consumer wants to change their old product or create new products to make their business successful and therefore profitable. They have found the markets throughout the world demanding their product and they are targeting these markets by appealing to the customer and satisfying consumer needs.