Australian Cherry Strategic Marketing Plan 2012-2017

HAL Horticulture Australia

Cherry Growers Australia Inc

EXECUTIVE SUMMARY

The Australian cherry industry has been producing an average of around 9,000~9,500 tonnes annually. Cherries are produced in six states, with New South Wales, Victoria and Tasmania being the three largest producers. Tasmania has had a rapid expansion in plantings in recent years and has a strong export focus due to its relative pest and disease freedom. Both Western Australia and Queensland are small producers and their primary focus is on local markets.

Cherry production is susceptible to weather conditions and the industry is also under pressure from a potential large crop of up to 15,000 tonnes. The industry's GVP is estimated to be around $100 million. The ratio between domestic consumption vs exports is normally 80% vs 20%. The industry has a strong focus on exports especially in anticipation of a large crop. Given the strength of the A$, the industry faces a number of challenges. Additionally given the short harvesting window of the fruit, there is an added layer of pressure for the Australian growers.

With the introduction of US cherries, Australian cherry consumption has grown significantly. US cherries are counter seasonal supply to the Australian fruit.

During the Australian cherry season (Nov~Feb), both major supermarkets combined account for the lion's share of the category turnover, representing about 50% of the category sales. The independent green grocer channel has lost some market share while other banner supermarkets have gained share.

The Australian cherry industry subscribes to two consumer insights tools: AC Nielsen Homescan (this package includes Woolworths scanned data) and a bespoke industry research tool (conducted by Sprout Research) designed to track and monitor relevant marketing program metrics.

Both sets of research tools have revealed that the current target market / frequent and loyal consumers of Australian cherries are females over the aged of 35.

Significant opportunities exist in those under the age of 35 (Young Transitionals) as this market segment is least saturated.

Consumer research has also revealed that cherries are largely an impulse buy, consumers associate the fruit with stonefruit. The key drivers for purchasing cherries are quality and price, followed by the firmness of cherries and wether the fruit is blemish free and the colour of fruit is also another quality cue. Cherry display has an impact on consumer buying the fruit. Cherries are largely consumed fresh (86%), however nearly 7 in 10 consumers have indicated that they also include cherries in fruit salad and around 4 in 10 consumers have suggested that they have cherries for breakfast. Additional usage options should help drive purchase frequency leading to incremental consumption. The availability of point of sale material at retail would definitely increase exposure of the cherry brand leading to further sales. Consumers have indicated a strong liking towards the newly developed 'Australian Cherries' brand.

The cherry industry typically runs on a tight budget of around $200,000 in promoting Australian cherries domestically. Marketing levy investment on cherries is around 0.2~0.3% of the industry GVP. By way of contrast: Bananas invest around 0.8%, Avocadoes typically invests around 1.55% of GVP, Mangoes invests 0.4% of GVP and manufactured snacks usually invest between 5~10% of GVP.

In a snapshot, the industry has trialled with the cherry brand in the following activities:

- Brand development – ‘Love Summer Love Cherries’ – 2008~2010; ‘Cherish the Moment’ – established in 2011/12
- In store activity (sampling and merchandising)
- Consumer web site development
- Public relations
- Enlisting ambassadors – a nutritionist (Kathleen Alleaume) to dial up the cherry health credentials (via the Australian Cherry Report) and also the young Australian yachting sensation Jessica Watson (11/12) who has a wide universal appeal
- National consumer retail promotion (a national Woolworths program through Australian Good Taste with 630 (out of 830) Woolworths stores nationally merchandised and green grocer stores in the 2010/11 season
- POS materials distributed

The key marketing objectives for 2012~2017 are as follows:

	2011/12 Season *(Nov~Feb)*	**By 2016/17 Season *(Nov~Feb)***
Penetration *(the % of Australian households that buy Australian cherries)*	37.1%	42%
Volume AWOP *in kilos* *(total amount of Australian cherries purchased by the households on average)*	1.3 kilos	1.68 kilos
Purchase frequency *(how many times households buy Australian cherries)*	2.2 times	2.8 times
Ave Weight of Purchase	591 grams	600 grams

In order to achieve the above marketing objectives the industry will need to address the following:

- Future marketing campaigns will need to continue to dial up the sense of urgency “100 days of Australian Cherries” and “Cherish the Moment” to address the fun, sensual, visual appeal of the fruit and consistent eating quality.
- Cherries are largely an impulse buy, product presentation and purchase stimuli at the point of purchase are important in driving demand for the fruit.
- Key to addressing the major purchase barriers, fruit quality and price is to work closely with the supply chain to manage these issues.
- Implement guidelines that would ensure product quality consistency. Cherry category management should be in place to ensure that the product is being presented at the optimal level.
- There needs to be a shift from tactical approach to a long-term strategy approach based on a consistent creative platform. The creative platform developed during the 11/12 season encapsulates the cherry brand assets.
- Should the budget allow, advertising will provide the necessary catalyst in building brand equity. Radio and TV advertising have not been incorporated into the marketing program to date due to budget constraints. It is important that an advertising program be launched only if it will have an expected substantial awareness and recall outcome.
- A well planned PR program could gain a significant amount of credible media attention. The PR campaign should cover the cherry positioning, the health and beauty benefits, the inspirational factor without comprising on accessibility, the evocative and urgency factors and other key messages.
- Cherries are largely an impulse buy, so in store activities are of great importance. A merchandising as well as a category management program should be implemented. An in-store activities are quite common, it is important to provide an effective experiential component or even linking in with online/social media medium to ensure a better consumer recall and conversion rate should the budget allow.

It’s recommended that the industry welcomes commercial initiatives where marketing activities will be in keeping with the theme and objectives of the industry and will be in sync with the rest of the campaign. A funding arrangement where the commercial player (eg grower, wholesaler) contributes a % of the total budget and the balance will then be funded through the marketing levy to maximise the benefit to industry. A co-op guideline will need to be developed to ensure transparency.

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Industry Background

The Australian Cherry industry has been producing an average of around 9,000~9,500 tonnes annually with the exception of the 2010/11 season whereby production was down by 25~30%.

Cherry production is susceptible to weather conditions particularly given the high level of care required based on the fragile nature of the fruit. The industry is also under pressure from a potential large crop of up to 15,000 tonnes based on the number of trees planted. Australia is a small cherry producing country by world's standards, responsible for <1% of the world production.

The industry's GVP is estimated to be around $100 million. The ratio between domestic consumption vs exports of Australian cherries is normally 80% vs 20%. The industry has a strong focus on exports especially in anticipation of a potential large crop. Given the strength of the A$, the industry faces a number of challenges.

Additionally given the short harvesting window of the fruit, there is an added layer of pressure for the Australian growers.

With the introduction of the US cherries, Australian cherry consumption has grown significantly. US cherries are counter seasonal supply to the Australian fruit.

Cherries are produced in six states, with New South Wales, Victoria Tasmania and South Australia being the four largest producers. Tasmania has had a rapid expansion in plantings in recent years and has a strong export focus due to its relative pest and disease freedom. Both Western Australia and Queensland are small producers and their primary focus is on local markets.

State	*No of Enterprises*	*Hectares* (estimate)	*Maximum Production** (tonnes)
Victoria	*95*	*800*	*4,500*
NSW	*108*	*800*	*4,407*
South Australia	*118*	*590*	*1,500 – 1,800*
Tasmania	*76*	*560*	*4,000*
Western Australia	*70*	*70*	*500*
Queensland	*18*	*20 – 25*	*36*
TOTAL	***485***	***2,845***	***≈15,000****

Table 1: Enterprise numbers, area and maximum production volumes by State based on 2010 figures. * Maximum production includes all production inclusive of non-marketable product / waste.

State	Main production areas
Victoria	*North eastern Victoria, Goulburn Valley, Upper Goulburn / Strathbogie and the southern Victorian area (85%)*
NSW	*Young and Orange. Newer areas include Hillston (early), Mudgee, Wellington, Tumut, Batlow and areas around Orange*
South Australia	*Adelaide Hills (90-95%); Riverland region and the Fleurieu Peninsula (SE of South Australia).*
Tasmania	*Huon / Channel and Derwent Valley (major production regions); the south east districts (including the Coal River Valley and Sorell Tamar region and the north west coast*
Western Australia	*Between Donnybrook and Pemberton (85%); Albany / Mt Barker and Dwelling Up*
Queensland	*Stanthorpe (100%)*

Fruit grown in warmer areas matures much earlier than the higher cooler regions. Hence the combination of different varieties and production regions gives a spread of Australian production from mid October through to late February.

Table 2: Major production areas by State.

	October				November				December				January				February			
Victoria																				
NSW																				
South Australia																				
Tasmania																				
Western Australia																				
Queensland																				

Table 3: Harvest windows by State: darker shades represent main crop volume.

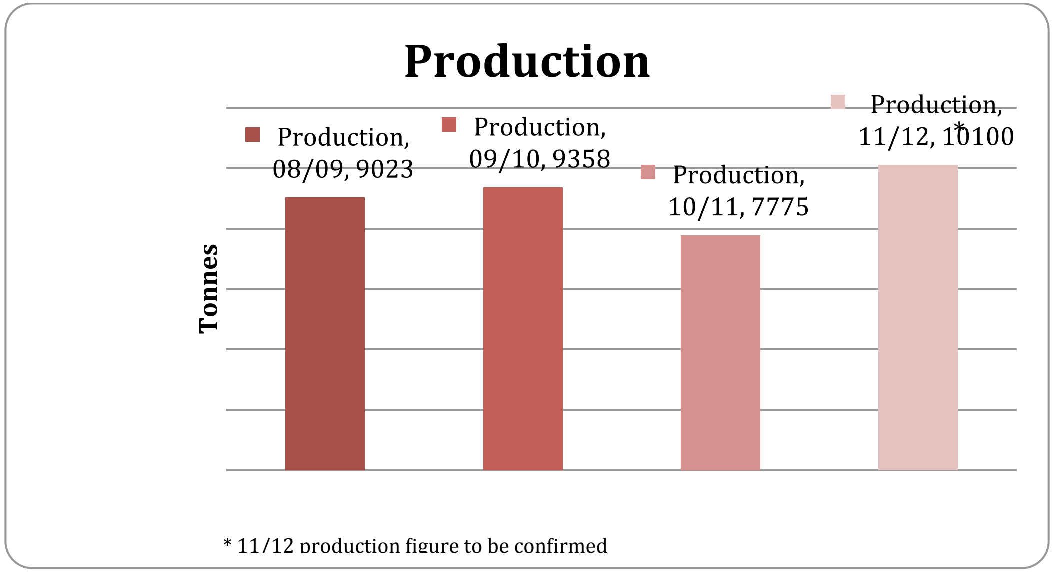
Production

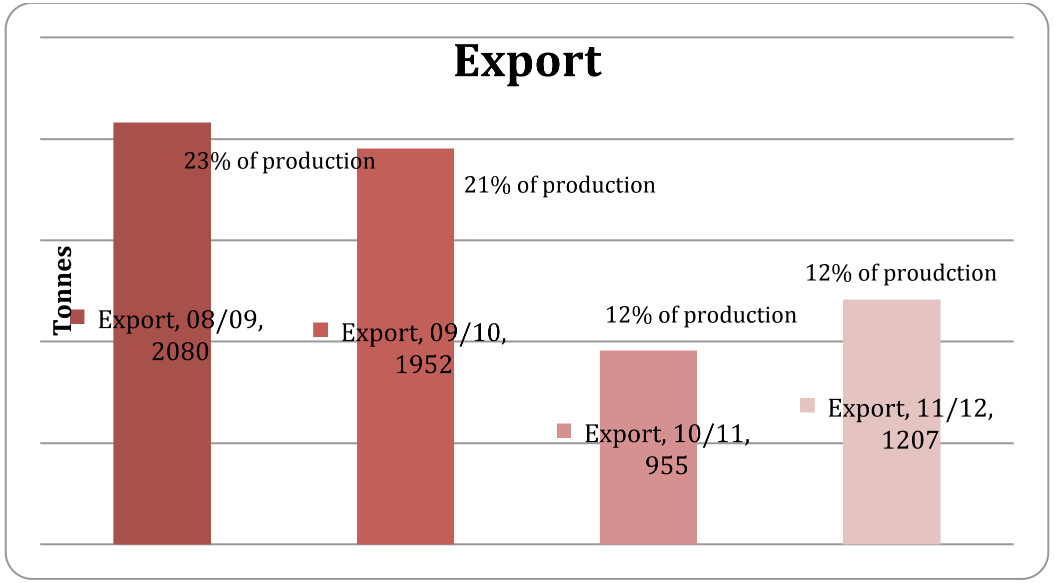
Australian cherry production typically is around the 9,000~9,500 tonnes per annum. Production levels are estimated based on the industry levy collection data. Due to the influence of the extreme weather conditions, the 10/11 season recorded an around 15% reduction in production.

Export statistics are based on the Australian customs information. In terms of exports, the Australian cherry industry typically exports around 20% of its total production. The 10/11 season was an exception whereby, around 12% of its production was exported.

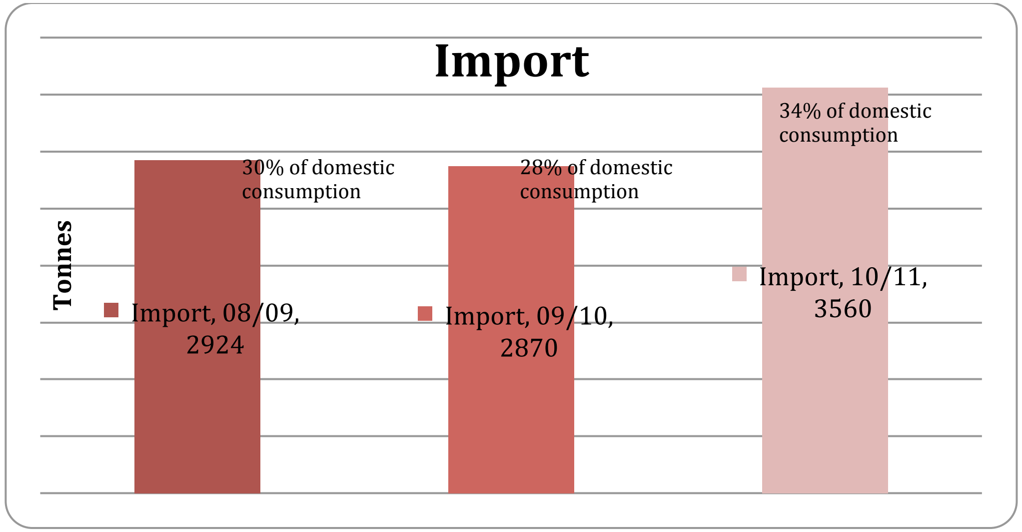
Hong Kong, (with re-exports to other countries and areas such as China), Taiwan, Thailand and to some extent Singapore and the Middle East have been the major destinations for Australian cherries.

For detailed export analysis, please refer to the “Australian Cherry Export Roadmap 2012~2017”.


Production
Tonnes
Production, 08/09, 9023
Production, 09/10, 9358
Production, 10/11, 7775
Production, 11/12, 10100*
* 11/12 production figure to be confirmed


Export
Tonnes
23% of production
21% of production
12% of production
12% of proudction
Export, 08/09, 2080
Export, 09/10, 1952
Export, 10/11, 955
Export, 11/12, 1207

Import statistics are based on the Australian customs information. In terms of cherry imports, the main import country of origin is the USA accounting for around 98~99% of the total cherry imports and the other import destination is New Zealand making up for the balance of the total imports.



Domestic consumption of cherries has largely maintained and the per capita consumption is around 500~600 grams.

Distribution and Retail

The main consumer distribution channels for cherries are as follows: (sources: 2012 Cherry Tracking Study and AC Nielsen Homescan)

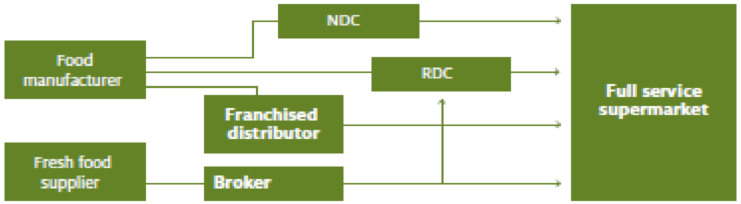
- Supermarkets (major chains)
- Indepdendent stores (banner supermarkets)
- Green grocers (includes multiple owned store by one entity))
- Farmers markets / roadside stalls / weekend markets
- Farm gate sales (pick your own)
- E-commerce / home shopping

It is estimated that there are nearly 10,000 supermarkets and chain stores, independent stores, green grocers and convenience stores in Australia.

Grocery retail stores

This grocery supermarket retail channel has a dominant share of the retail sales of most food and beverage categories. Major chain retailers have large national store networks covering all inner city, suburban and regional centres. Smaller chains or independent banner groups have a less comprehensive coverage of the market.

72. Full-service and other supermarkets



Below is a breakdown of the major chain stores.

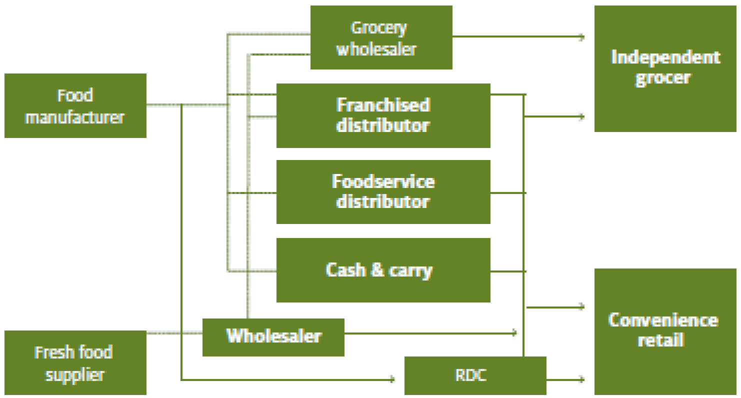
Chain	***Numbers***	***Notes***
Woolworths/Safeway	*840*	*These include full service and limited range supermarkets, but excludes liquor outlets and convenience/fuel stores*
Coles Group	*741*	
Supa-IGA	*450*	*Number of Supa-IGA stores which offer a full service proposition equivalent to major chains. Numbers provided by IGA.*
Aldi	*260*	*Limited-range discount stores*
Franklins	*80*	*This group was sold to Metcash in the last quarter of 2011.*
Costco	*3*	*Stores have a significantly larger floor space than a conventional full service stores. Further stores are to be added.*
TOTAL	***2374***	

Independent food retailers

The independent grocery and convenience store channels have a minority share of the retail sales in most food and beverage categories, offering a limited range of products addressing the convenience needs of passing consumers.

A significant percentage of convenience stores are located within petrol stations, or within suburban strips or village shopping centres. Chains or banner groups of independent and convenience stores are serviced by regional distribution centres.

73. Independent and convenience channels



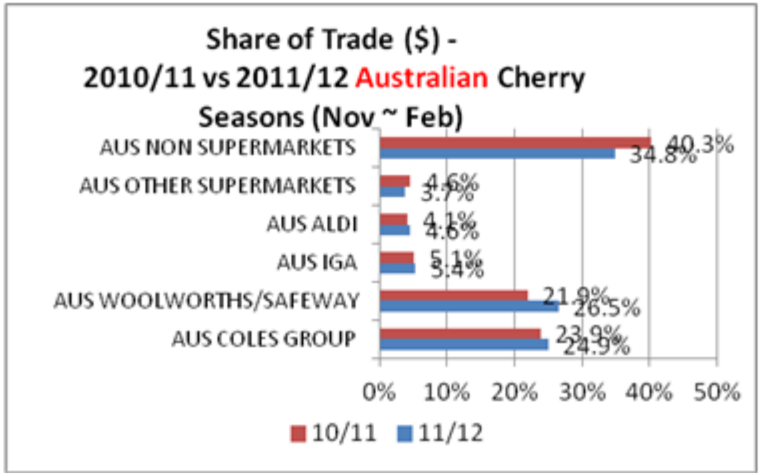
Below is a breakdown of independent food retailer channel:

For at least around 25% of the "other stores" are termed as top up stores where consumers go to buy top up items such as milk and bread. Based on past campaigns, HAL has access to a list of around 330 high turning green grocer stores nationally, as a percentage those 330 stores represent around 13% of the green grocer channels. It's the typical 80|20 rule, whereby it's believed that those 13% of green grocers collectively represent in excess of 50% of the sectoral turnover.

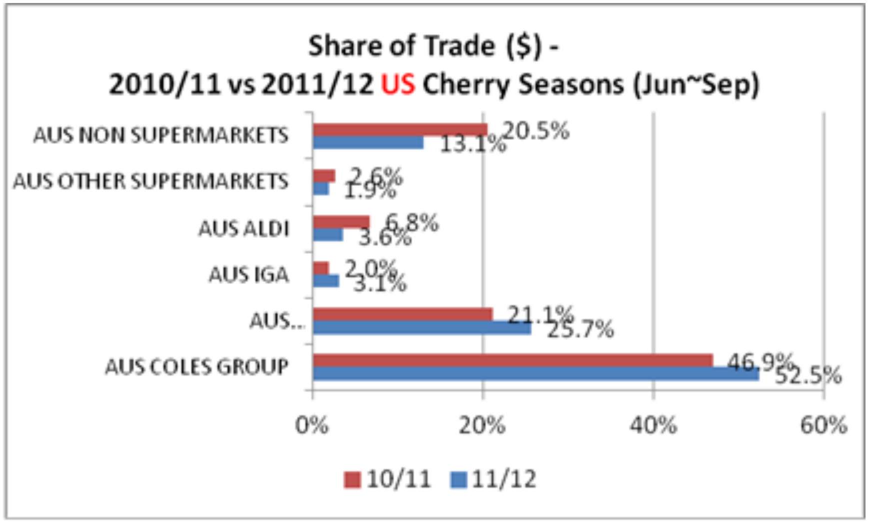
Chain	***Numbers***	***Examples of offering***
Convenience		
Woolworths	*581*	*Includes convenience stores as part of petrol stations (some aligned to a fuel partner) and small convenience stores in city locations*
Coles	*620*	
7-Eleven	*600*	
Other groups	*300*	
TOTAL	***2101***	
Independent supermarkets and food stores		
IGA	*1300*	*Limited-range supermarkets*
FoodWorks	*700*	
SPAR	*260*	
Other stores	*3300*	*25% are 'top up' stores ie corner stores where consumers go and buy milk and bread*
TOTAL	***5560***	

Share of Trade Analysis

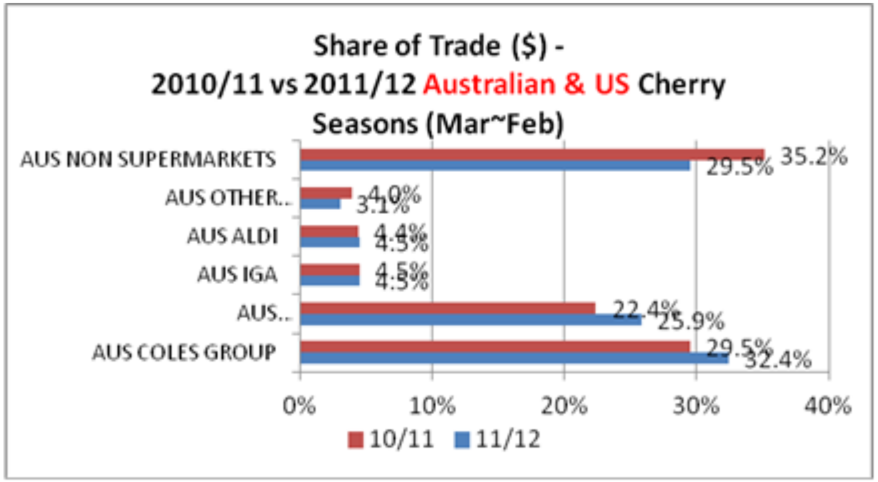
During the Australian cherry season, Woolworths and Coles combined account for the lion's share of the category turnover, representing about 50% of the category sales. The independent green grocer channel has lost some market share while IGA and Aldi have gained share.



During the US cherry season, there is clear market leader that has futher gained market share from the 10/11 season, accounting for over 50% the US cherries sold at the retail level. Other major supermarkets have also gained share from the 10/11 season. The green grocer channel has decreased in importance in this space.



The cherry category (the Australian and US cherry seasons combined) has grown which has translated into increased cherry consumption domestically.



Customer Analysis

The Australian cherry industry subscribes to two consumer insights tools: AC Nielsen Homescan and bespoke industry research (conducted by Sprout Research) designed to track and monitor relevant marketing program metrics.

Customised industry Research – 2012 Cherry Tracking Study: Following the Cherry Consumer Purchase Patterns"

There are two parts to this research:

Part 1 – Telephone omnibus survey – to ascertain purchase frequency & buyer profile – Feb 2012

Part 2 – Customised online survey involving a sample size of 1,200 – to gain in-depth understanding in customer segmentation, purchase drivers and barriers, purchase behaviour, packaging preferences, marketing program evaluation, cherry consumer lifestyle and media preference analysis – Mar 2012

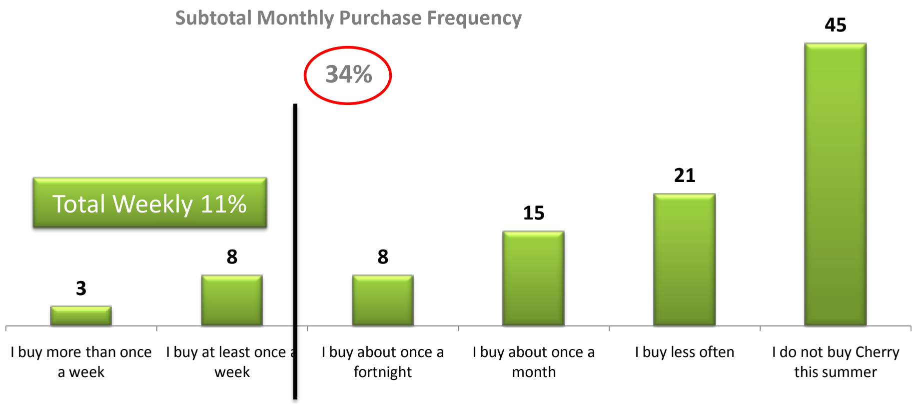
Part 1 – Telephone omnibus survey – to ascertain purchase frequency & buyer profile – Feb 2012

Methodology

- Newspoll telephone omnibus was used to conduct a study of the Individual (as opposed to household) incidence of cherry buying in Australia over the summer of 2011/12. This was the first in-season benchmark study for the cherry industry and will be used as part of future studies.
- The survey was conducted nationally based on a robust sample size and weighting was applied to reflect the Australian population at large.

Results

Cherry Purchase Incidence 2012



As a result of the Omni Telephone Survey Sprout Research can report the following:

… 11% of respondents claimed to purchase Cherries at least weekly this summer. That is between November 2011 and February 2012.

… At least 1 in 3 (34%) are purchasing cherries at least monthly.

… While 45% claimed not to purchase cherries at all.

Nielsen Homescan Data Analysis – In home consumption

2012	**Regular 11% or 1.79 million people** **(weekly)** 67% are female, 33% are male 54% are 50+ and 23% are aged 35-49 15% are 25-34 and only 8% are 18-24	
	Regular 23% or 3.9 million people **(fort-month)** 52% are female, 48% are male 40% are 50+ and 29% are aged 35-49 17% are 25-34 and only 14% are 18-24	
	Irregular 21% or 3.6 million people **(less often)** 60% are female, 40% are male 42% are 50+ and 33% are aged 35-49 15% are 25-34 and only 10% are 18-24	
	No Buyers 45% or 7.7 million people 42% are female, 58% are male 38% are 50+ and 27% are aged 35-49 20% are 25-34 and only 15% are 18-24	

Methodology

- Homescan data is collected from a panel of 10,000 Australian households that are both geographically and demographically representative of the Australian population at large.
- The households that are part of this program are supplied with a scanning guide an also an electronic device that allows them to capture what goes into their shopping basket.

Results

Based on analysis of the 11/12 season homescan data they following groups are the main buyers of cherries:

- Independent Singles (1 person households, no children, 35+)

Predominantly female households, split between older and younger consumers, most consumers get to this life stage either through divorce or from never have been married. 79% of this group are over 50 years of age, paid off their mortgage, and typically have a lower than average annual income. In addition, this has the lowest levels of internet access than any group (39%). With the 21% who are at the younger end of their life, you will find these consumers living in apartments, are often working in professional white collar established careers dinning out with friends or working late in the office.

- Established Couples (2+ person households, no children, aged 35-59)

This group is a mix of empty nesters, those who have not had children or those who still have adult children (>17) at home. Many are dual income families reaching their peak earning potential with above average household incomes split between those who own and are still mortgaging their home. They tend to live in large houses and can afford the often 3 TVs, internet access and mod cons our busy lifestyles have become accustom to.

- Senior Couples (2+ person households, no children, aged 60+)

Companionship, rather than age, most influences the behaviour of this group. You might find the husband reading the latest issue of Reader's Digest as his wife knits in her chain. They are quite active, but not as active as Established Couple households. In addition, Senior Couples are more likely to still live in the family home, a larger house left over from family life with children. At 86%, this life stage has the highest level of home ownership.

The cherry buyer base is older adult skewed. Collectively, the above 3 consumer groups based on life stage segmentation account for around 70% of the cherry buyers' population and they are also responsible for the bulk for the cherry sales. These same 3 groups combined account for around 58.5% of the total Australian population.

The following table is a detailed analysis of the cherry purchasing behaviour of the Australian households based on lifestage.

Purchase patterns for each of these segments in terms of frequency of purchase and $ spend per purchase are shown in the chart below.

Cherry *(During the Australian Season Nov~Feb)*								
Market Segment	% of Pop	Pop Size ('000 HH)	Penetration	# of Buyers ('000)	Distribution of Buyers	AWOP ($)	Sales ($'000)	Contribution to Sales
Start Up Families	6.3	513.9	33.8%	174	5.8%	7.3	1,268.00	4.0%
Small Scale Families	9.6	778.2	35.3%	275	9.1%	8.1	2,225.11	7.0%
Bustling Families	14.8	1,203.2	37.3%	449	14.9%	8.5	3,814.75	12.0%
Young Transitionals	10.9	884.3	24.0%	212	7.0%	8.4	1,782.75	5.6%
Independent Singles	22.5	1,829.8	33.9%	620	20.6%	10.4	6,451.14	20.4%
Established Couples	18.7	1,516.1	39.4%	597	19.8%	10.9	6,511.04	20.6%
Senior Couples	17.3	1,402.9	49.1%	689	22.8%	13.9	9,574.65	30.2%
All Shoppers	100%	8,128.9	37.1%	3,016	100%	10.5	31,666.93	100%

To take both spend and frequency into consideration, it is best to look at each market segment's average weight of purchase (AWOP) where

AWOP = Spend per Purchase x Frequency of Purchase

Significant opportunities still exist in all the different market segments based on the penetration analysis. Comparing to other fruits in season such as table grapes and summerfruit, whereby the level of penetration for some market segments is as high as in the 80 percentage points band. Across the board, households with adults between the age of 35~59 and households with adults of the ages of 60 or more are most heavily saturated (ie the % of households in those segments that are currently buying cherries comparing to the other segments). The Young Transitionals is least saturated (24%) and their AWOP is on the lower side of $8.4.

Data would not include purchases that are not brought home and purchases by businesses. It is not advisable to use aggregate sales statistics in this table for monitoring absolute dollar sales. ACNielsen Homescan Data is only used for trending and benchmarking purposes.

Demographic	Definition
Young Transitionals	Head of HH < 35 yrs old No children <= 17 yrs old
Small Scale Families	HH with oldest child 6-11 yrs old
Start-up Families	HH with oldest child < 6 yrs old
Bustling Families	HH with oldest child 12-17 yrs old
Senior Couples	2 more adults => 60 yrs old No children <= 17 yrs old
Independent Singles	1 person adult HH >= 35 yrs old No children <= 17 yrs old
Established Couples	2 or more adult HH 35-39 yrs old No children <= 17 yrs old

Purchase Statistics – Nielsen Homescan Analysis

- The availability of counter seasonal supply cherries from the US has increased the entire cherry pie.
- Over the last 12 months (to Feb 2012) an additional of 380,000 Australian households purchased cherries; this represented an increase from 39.4 to 44.4% of household penetration.
- The average Australian household bought cherries 2.9 times over the 12 month period, spent around $13.7 and around 1.3 kilos.
- During the 11/12 Australian cherry season (Nov~Feb), 37.1% of Australian households bought cherries comparing to same time last year, the penetration went up by around 10%. The average number of times that households bought cherries remained at 2.2 times.
- Both major supermarkets combined accounted for over 50% of the cherries sold while the Australian fruit was in season over 11/12, while the green grocer channel decreased in share of trade from 40.3% (10/11) to 34.8% (11/12).

Customised Online Consumer Research Findings – March 2012

Methodology

- A customised online survey was conducted in March 2012 to gain in-depth understanding in customer segmentation, purchase drivers and barriers, purchase behaviour, packaging preferences, marketing program evaluation, cherry consumer lifestyle and media preference analysis.
- The survey was conducted nationally based on a robust sample size and weighting was applied to reflect the Australian population at large.

Results

- Cherries are largely an impulse buy.
- Consumers associate cherries with stonefruit.
- The key drivers for purchasing cherries are quality and price, followed by the firmness of cherries, wether the fruit is blemish free and the colour of cherries.
- Cherry display also has an impact on consumer buying the fruit.
- Cherries are largely consumed fresh (86%), however nearly 7 in 10 consumers have indicated they also include cherries in fruit salad and around 4 in 10 consumer have suggested that they have cherries for breakfast. Additional usage options should help drive purchase frequency leading to further consumption.
- Consumers have low awareness of the origin of cherries. However, most consumers buy cherries in summer while the Australian fruit is in season and they tend not to buy cherries during winter when the US fruit is in season.
- Locally sourced cherries, better understanding of the health benefits of cherries and attractive cherry displays have been identified as drivers that would encourage consumers to buy more of the fruit.
- People who currently do not buy cherries have indicated reasons for not buying are centred around price, quality and value perceptions.
- Supermarkets continue to be the preferred purchasing channel.
- Generally speaking, consumers have a very low level of awareness of any fruit advertising (<10%). When the research was done in March 2012, Apples and Avocadoes were rated as the highest recalled.
- The availability of point of sale material at the retail level would increase the exposure of the cherry brand.
- Consumers have indicated a strong liking towards the newly developed 'Australian Cherries' brand.
- Regular cherry buyers are more inclined to be older female buyers.

PAST MARKETING CAMPAIGN SUMMARY

The cherry industry typically runs on a tight budget of around $200,000 in promoting Australian cherries domestically. In a snapshot, the industry has trialled with the brand in the following activities:

- Brand development – 'Love Summer Love Cherries' – 2008~2010; 'Cherish the Moment' - 2011
- In-store activity (sampling and merchandising)
- Consumer web site establishment
- Public Relations
- Enlisting ambassadors – a nutritionist (Kathleen Alleaume) to dial up the cherry health credentials and also the young Australian yachting sensation Jessica Watson (11/12) who has a wide universal appeal
- National consumer retail promotion (a national Woolworths program through Australian Good Taste, with 630 (out of 830) Woolworths stores nationally merchandised and green grocer stores in the 2010/11 season
- POS materials distributed

Australian cherry consumption has been rising since the increased availability of the counter-seasonal supply US cherries.

MARKETING OBJECTIVES

The key marketing objectives are:

- To drive consumption of fresh Australian cherries by increasing market penetration from the (the % of Australian households that buy Australian cherries), weight of purchase (how much cherries in weight consumers buy each time) and frequency of purchase (how many times they buy cherries). Specifically monitor the following performance matrices:

	2011/12 Season **(Nov~Feb)**	***By 2016/17 Season*** **(Nov~Feb)**
Penetration (the % of Australian households that buy Australian cherries)	*37.1%*	*42%*
Volume AWOP **in kilos** (total amount of Australian cherries purchased by the households on average)	*1.3 kilos*	*1.68 kilos*
Purchase frequency (how many times households buy Australian cherries)	*2.2 times*	*2.8 times*
Ave Weight of Purchase	*591 grams*	*600 grams*

- To promote the health credentials associated with cherry consumption

TARGET MARKET

Based on the analysis of both homescan data and also the customised consumer research; the main buyers of cherries are:

- Older females, main grocer buyers aged 35+

Opportunities exist in the younger market segment, disregarding gender those that are aged between 25~34 and without children. This market segment is under penetrated comparing to the other segments.

PRODUCT POSITIONING

Product Profile

- A special everyday treat
- Eat them fresh and enjoyed them in a fruit salad or have them for breakfast
- Enjoy Australian cherries while they are in season. They only last 100 days! Dial up the sense of urgency.
- They are to be consumed on your own and also to be shared with family and friends
- They are great for your health

Product Values

Cherries are for enjoyment. They represent summer, Christmas and fun times shared. They can be used at different moments of consumption – breakfast, lunch, dinner, snacking, grazing. Not only are they versatile, cherries are extremely good for your health. Have them to your heart’s content.

Product Personality

If cherries were a person, it would be someone who is considered as fun, healthy, active and playful.

Product Positioning

- Cherries are for different moments of consumption
- Cherries mean summer, Christmas, holidays filled with fun memories, linked to good times spent with friends and family
- The season is short, Australian cherries only last 100 days. So, enjoy them while they last

Product Promise

A special everyday treat that can be incorporated into every facet of your balanced and healthy lifestyle.

Product Essence

A fun and special everyday treat.

MARKETING STRATEGIES

Marketing Communication Strategy

The role of marketing communication is:

- To reinforce brand appeal by reinforcing "The Australian Cherry Season Last Just 100 Days – Cherish the Moment."
- To provide support and at times provide practical solutions in removing purchase barriers thereby increasing consumption

There needs to be a shift from a tactical approach to a long-term strategic approach based on a consistent creative platform. The creative concepts developed in the 010/11 season should be further explored and consolidated to ensure that the brand positioning is established in the minds of the consumers.

Learning from other successful campaigns like Bananas "make those bodies sing" and Avocadoes "Add an Avo" should be applied to ensure the success of the brand positioning.

The entire campaign will be designed in three phases.

<u>Phase 1: Testing Year 1 & 2 (2012-14)</u>

- Establish and expand on the "Cherish the Moment" brand positioning
- Capitalise on the brand assets associated with Cherries such as summer, fun, enjoyment, fond childhood memories ..etc
- Focus on removing barriers to purchase: consistent fruit quality, minimize price variability via better crop management, implement a category stewardship / program
- Continue to improve supply chain relationships
- Develop marketing communication messages that have a broad appeal to both adults and households with children

Phase 2: Relaunch Year 3 (2015)

- Assess target market definition – households with children vs adult skewed (those aged between 18~34 or young transitional (households <35 yo with no children) approach
- Depending on the outcome from the target market assessment, the marketing communications may need to be refined
- Relaunch "brand" nationally using key learning from Phase 1 and also coupled with the target market assessment

Phase 3: Expansion Year 4 & 5 (2016-17)

- Build the program to strengthen and reinforce key messages
- Consider and plan out new research studies when required

Creative Strategy

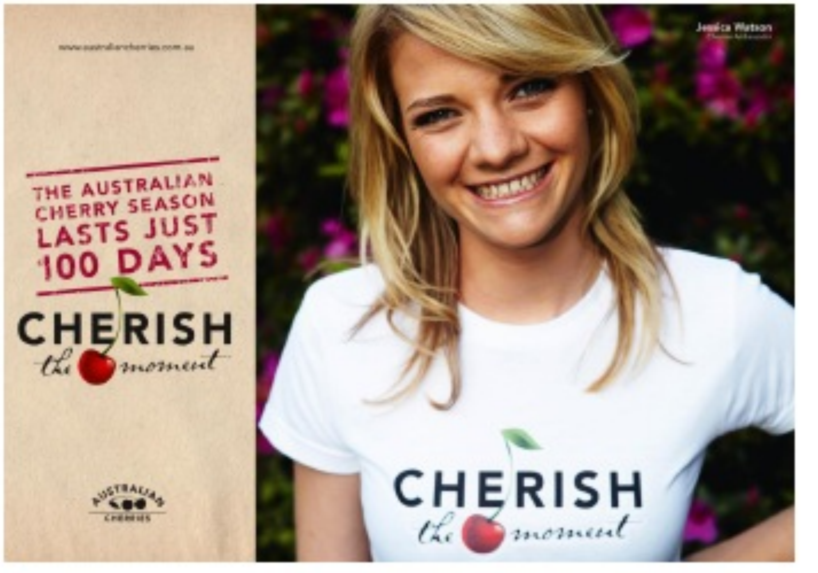
The creative platform developed during the 11/12 season encapsulates the cherry brand assets. The "Cherish the Moment" positioning platform has a strong and broad appeal to the various target segments.

It is highly recommended that this positioning platform be further explored.

The creative strategy supporting the campaign will continue to include evocative imagery of different people cherishing their unique cherry moments. Overlaying his emotional communication is a rational message that reminds consumers that the peak Australian cherry season lasts just 100 days and now is the time to “Cherish the moment”.

THE AUSTRALIAN CHERRY SEASON LASTS JUST 100 DAYS

CHERISH the moment



Cherries are still very much an impulse purchase item so it is of great importance to ensure that consumers are reminded about cherries particularly at the point of purchase. In-store material will need to be evocative and also portray a sense of urgency.

Promotion Strategy

<u>Advertising</u>

Should the budget allow, advertising will provide the necessary catalyst in building brand equity.

Radio and TV advertising have not been incorporated into the marketing program due to the budget constraints. It is important that an advertising campaign be launched only if it will have an expected substantial awareness and recall outcome. Should budget limitation be an issue, advertising may not necessarily be included in the overall campaign.

A forecast of possible future marketing levy budgets would be helpful in evaluating the feasibility of such a campaign. When planned strategically, advertising will communicate key messages and provide awareness for sales promotional campaigns.

<u>Public Relations</u>

A well planned PR program could gain a significant amount of credible media attention.

In addition to the standard media activities, other non-traditional PR activities will be explored to further gain media traction and draw attention to our key messages.

The PR campaign will cover the cherry positioning, the health and beauty benefits, the inspirational factor without comprising on accessibility, the evocative and urgency factors and other key messages.

Primary focus of the PR campaign should be nation-wide and include TV coverage wherever possible.

In-Store Activities

Cherries are largely an impulse purchase item, so in-store activities are of great importance. A merchandising as well as a category management program should be implemented. As in-store activities are quite common, it is important to provide an effective experiential component or even linking in with online / social media medium to ensure a better consumer recall and conversion rate should the budget allow.

The campaign will cover the positioning, theme, health and beauty benefits associated with cherry consumption, storage and selection tips, increase purchase volume and frequency and enhance in-store display.

Non-Traditional Activities

Other activities may be conducted to further communicate the positioning and other key messages.

Co-Op Marketing Strategy

It is recommended that the industry welcomes commercial initiatives where marketing activities will be in keeping with the theme and objectives of the industry and will be in sync with the rest of the campaign.

Not withstanding current commercial arrangements a funding arrangement where the commercial player (eg grower, wholesaler) contributes a % of the total budget will be required. The balance will then be funded through the marketing levy. This will provide more mileage on the campaign.

A co-op guideline will need to be conformed to for those entities interested in applying. This will need to be facilitated by screening and assessing by a reviewing panel that is representative of the industry's interests.

ADDRESSING THE OVERARCHING INDUSTRY OF STRATEGIC OBJECTIVES

Objective	**1.To build a competitive supply of quality Australian cherries to ensure that consumers can confidently purchase consistently high quality fresh cherries at retail level**
Strategy	**1.2.Improve post harvest handling and presentation of fruit**
Program **Option**	**Category Management Throughout the Entire Supply Chain** Implement a category management program involving the entire supply chain. The industry commissioned category managemer initiatives focussing at the retail level in 10/11 and 11/12 seasons. A comprehensive category management will have to involve t entire supply chain from paddock to plate. The key challenges facing the industry are that: • the quality of cherries being retailed can be inconsistent, • wastage at the retail level can be quite high • retail shelf life can be improved by providing further retailer education Retail merchandising of cherries still remains the main barrier to improving fruit quality and increasing consumer demand. Even with the optimum temperature management through the supply chain, when cherries are removed from bulk packaging and placed into loose retail displays, they can lose their saleability in a short period of time. An integrated approach throughout the supply chain addressing the following needs can be most beneficial in improving the quality of cherries: • Extend shelf life and improve quality • An approach that can be easy to use and accepted by retailers and consumers • A solution that is both cost-effective and visually attractive One industry, the Australian lychee industry has pioneered an integrated solution that involves packaging innovations. The proje

	LY12003 is heading into the third stage of implementation (2012/13 season). This project demonstrates significant cost savings t retailers bottom line and this project concept has being tested in a selected number of Coles retail outlets and has received high commendations from the retail chain. This will be rolled out in Coles stores that carry out this particular produce line nationally. A project similar to the above mentioned concept could be developed that addresses the Australian cherry's industry's needs.
Outcomes	• Increased production • Improved pack out rate • Improved quality consistency • Reduced wastage leading to improved profitability • Increased cohesion throughout the chain supply chain

Objective **Strategy**	**2.To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply** **2.1.Conduct research to inform marketing strategies and identify opportunities for product development**
Program Options	The Australian cherry industry has implemented a consumer research framework (project numbered CY11023). The program aims to the industry the ability to assess its levy investment in addressing the industry's strategic objectives. This research framework is to be carried out over 3 years, utilizing R&D funding. The first stage of this research work has already occurred. Please below the outline of the research components: **Stage 1 – Feb / Mar 2012** This research included a national phone survey to ascertain the purchase frequency. Additionally, a customized online survey was conducted to gain more in-depth understanding in the areas of market program evaluation, customer segmentation, drivers for and barriers to consumption, quality definition relating to cherries and packaging innovation. This research will also provide a basis for benchmarking against the industry's strategic objectives. **Stage 2 – March 2013** The second stage of this project will include qualitative research (focus groups) followed by an online quantitative survey. The focus group research will be designed to investigate the following: • Market segmentation • Purchase drivers: triggers to purchase • Understanding the usage occasions • Understanding the definition of quality • The impact of pricing, value perceptions • Packaging innovations

	• Buying behavior at point of purchase (impulse vs planned) • Purchase barriers and incentives • The ideal cherry consumption experience The second part of this stage will be an online survey designed to benchmark against key industry objectives. This will include measuring the performance of the 2012/13 marketing investment program and use the findings to further evaluate against the industry strategic plan. Stage 3 – March 2014 The final stage of this consumer research project will be a continuation of the previous research initiatives. This will be developed to evaluate the industry's strategic objectives and to benchmark performance over time including investigation areas such as: • ROI on the industry's marketing program • Enhanced knowledge throughout the supply chain This research will be integral to the development of future industry plans.
Outcomes	It is anticipated that this research framework will assist the industry with the following priority areas in: • Improving its ROI on the industry's marketing investment program • Helping growers in enhancing their knowledge in preferred cultivars (based on associated fruit characteristics) by consumers • Enhancing knowledge of the supply chain • Understanding barriers to consumption • Improving supply chain's knowledge in market segmentation • Assisting the industry with its investment decisions covering both R&D and marketing objectives

<table>
<tr><td>Objective</td><td>2.To facilitate a profitable production sector by increasing demand for Australian cherries in line with increasing supply</td></tr>
<tr><td>Strategy</td><td>2.2.Drive growth in target domestic market through effective market development and promotion</td></tr>
<tr><td>Program Option</td><td>Assuming that the cherry marketing budget remains at the current $200K level, the following type of activities are recommended:

Public Relations
Develop a well integrated PR strategy in order to achieve the following:
Build high awareness of cherries from the beginning of the season through to the end of February
Position cherries as the quintessential summer fruit
Generate positive consumer, retail trade and industry exposure for cherries
Increase consumer demand for cherries in the Australian cherry season
Possibly using the following tactics:
Recruit a high profile industry ambassador such as the young yachting sensation, Jessica Watson as was the case for 2011/12, who
epitomises the attributes of cherries to generate a newsworthy hook for the media
Build a comprehensive media package including usage ideas, vibrant photography to engage a wide span of media
Organise a season’s launch event to generate valuable editorial content
Retailer Collaborative Marketing Activities
Individually engage each one of the wholesale and retail channels namely supermarkets and retail banner chains, the green grocers (via the wholesale markets). Develop strategies for engaging the various retail channels in order to gain their buy-in. The process starts from:
The season’s wrap-up meetings, providing the retailers with valuable information such as the industry commissioned consumer research findings, category management findings.
Followed by next season’s planning meetings. Each chain needs to be provided with a unique proposition.</td></tr>
</table>

	• The agreed plan(s) will then be signed off by both the retailers and the industry. **State Promotions** Each state (6 in total, NSW, VIC, QLD, SA, WA and TAS) is provided with an allocation of funding to enable the state associatior to conduct state based promotional activities. **Point of Sale (POS) Material Production and Distribution** To ensure that cherries get sufficient exposure at the point of purchase (cherries are largely an impulse buy), the availability of POS would encourage the independent green grocers to build impressive displays.
Outcomes	Increased per capita consumption of Australian cherries in line with increasing supply and at a rate of return equivalent or better than 2011/12 farm gate prices by monitoring the key measurements below: • Household penetration (Nielsen Homescan) • Household purchase frequency (using Nielsen Homescan) • Individual purchase frequency / 'loyalty ladder' (using Sprout Research) • Purchase weight (Nielsen Homescan) • Woolworths scanned data

BUDGET FORECAST

The tables below outline the different levy funding levels based on different crop volumes and based on different levy collection levels.

3 cents scenarios

Tonnage	Levy collected	Marketing spend
9,000	270,000	229,500
10,000	300,000	255,000
11,000	330,000	280,500
12,000	360,000	306,000
13,000	390,000	331,500
14,000	420,000	357,000
15,000	**450,000**	**382,500**

4 cents scenarios

Tonnage	Levy collected	Marketing spend
9,000	360,000	306,000
10,000	400,000	340,000
11,000	440,000	374,000
12,000	480,000	408,000
13,000	520,000	442,000
14,000	560,000	476,000
15,000	**600,000**	**510,000**

5 cents scenarios

Tonnage	Levy collected	Marketing spend
9,000	450,000	382,500
10,000	500,000	425,000
11,000	550,000	467,500
12,000	600,000	510,000
13,000	650,000	552,500
14,000	700,000	595,000
15,000	**750,000**	**637,500**

Based on homescan data, we know the following:

- There are 8.2 million Australian households
- Currently around 35~40% of Australian households buy cherries
- Each household buy around 500~600 grams of cherries per trip
- Over the span of the Australian cherry season, on average each household tends to buy cherries 2.2 times
- It's estimated that homescan data captures around 65% of the total domestic consumption

If the industry were to realise up to 15,000 tonnes of cherries and if the industry were to export 50% of its crop as stated in its industry mission; the Australian cherry industry will need to increase its household penetration (ie more Australian households buying cherries) and / purchase frequency (ie the number of times that each household purchases Australian cherries on average).

Competition and Product Comparisons

Marketing expenditure on cherries through the industry marketing levy is around 0.2~0.3% of the industry GVP. By way of contrast:

- Bananas invest around 0.8% of GVP
- Avocadoes typically invest around 1.55% of GVP
- Apples and pears invest around 0.7% of GVP
- Mangoes invest 0.4% of GVP
- Manufactured snacks traditionally invest between 5~10% of GVP

The export situation and domestic consumption are largely but not exclusively influenced by the following factors:

- The strength of the Australian dollar
- Seasonal crop variation
- Weather events

In terms of increasing the marketing levy available to the industry apart from the levy collected, the industry could also potentially look at other options such as VCs, Sponsorship opportunities, other government grants. Where possible the industry program should leverage off other marketing opportunities such as working collaboratively with retailers.