

## Otago Forward - Project Proposal

**Promoter's Name:** Central Otago District Council / Dr. Malcolm Macpherson, Mayor

**Project Title:** Central Otago Horticulture Brand

concept feasibility proposal

project delivery proposal

### **Project Summary: (Please describe your project in 100-200 words)**

The project will create a collaborative brand that will act as a companion to the fruit growers and exporters in the region.

There are a large number of growers and brands, however these are largely irrelevant to the final customer. In many regards, the bulk of the Otago horticulture crop is treated at a commodity level, and growers are price takers at the end of a long supply chain. The intention is to develop a framework based around the Central Otago "World of Difference" brand that will enable Central Otago product to command a premium within its markets. A brand needs to be much more than a fancy logo. It is the stories and values that will create the opportunity to leverage the natural / physical advantages of the products.

The proposed project is a 2-3 year process that will initially work with a coalition of the willing (interested growers representing some of the largest orchards in the region) and agents; and by proving the benefits, to see the uptake throughout the sector.

The full details of the proposed project are in the attached RSF application document

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**Economic Return / Project Benefits:** (Please indicate how this project will contribute to the Economic Development of Otago. Non Economic benefits can also be mentioned here, but each project must make a specific economic contribution).

**The Central Otago horticulture industry is a \$100M industry.** Experience shows that branded products can earn a price premium and customer preference will lead to additional sales. The long term impact of the project includes:

- 10% price premium within 2 years and 20% premium within 5 years
- 40% participation in the early stages, long term indirect impact on 100% of the industry.
- Direct GDP impact of \$4.16M per annum in early stages and later impact of \$10.4M GDP per annum
- Indirect GDP impact of \$12.M per annum and later impact of \$31M per annum on the regions economic activity.
- Improved profitabiliy leading to an increase in the size / planted area of the industry.

Such an increase would also be likely to require up to an additional 280 FTE employees to support the growth.

The project will include the identification of an integrated value chain that allows for more investment at each stage in creating added-value and premium products that are appreciated by end-consumers.

A strong and shared Central Otago story for horticulture will directly benefit the participating growers and will contribute positively to the positioning of the entire region. It will also provide upstream and downstream benefits throughout the region.

**Project Budget:**

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### Operating

The proposed project is split into four effective stages:

- Mobilisation and preliminary research: completed.
- Brand Strategy refinement:
  - Building consensus with growers
  - On the ground workshops to build grower's own capacity
  - Strategy & Vision

Budget: \$64,000

- Brand Creation
  - Story Creation
  - Naming, logo and identity concepts
  - Design Systems
  - Visual Language

Budget: \$74,000

- Pilot Implementation
  - Trade Shows
  - Website
  - In-Market Promotions

Budget: \$62,000

The total budget for the project is \$200,000.

The intention is to split this into two separate applications; the first comprising Brand Strategy and Brand Creation; the second comprising Pilot Implementation.

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### Potential Champions:

Dr. Malcolm Macpherson; Mayor of Central Otago District is the project Champion.

An advisory group / project team of growers representing approximately half of the regions production has been formed.

The Otago Regional Fruit Growers Committee has endorsed this initiative. While this is not a formal association it represents the majority of pipfruit and summerfruit interests within the region.

### Potential Funding Sources:

The following is suggested as a potential funding split for this project:

|                         | Growers | Otago Forward | NZTE   | Total  |
|-------------------------|---------|---------------|--------|--------|
| 1. Strategy refinement  | \$ 5    | \$ 9          | \$ 50  | \$ 64  |
| 2. Brand creation       | \$ 5    | \$ 9          | \$ 60  | \$ 74  |
| 3. Pilot implementation | \$ 10   | \$ 2          | \$ 50  | \$ 62  |
| Totals                  | \$ 20   | \$ 20         | \$ 160 | \$ 200 |

The key parts of this are:

- Growers and Otago Forward each to contribute \$20K.

Note: there is currently no formal horticulture body that can make funding commitments. However, members of the advisory committee have committed to at least this amount and will promote the initiative within the growers community. It is possible that growers will contribute more than \$20K.

- An application through the RSF to NZ Trade & Enterprise for the remainder (\$160K)
- Phasing of funding to place more emphasis on grower contributions for the second application.

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### What do you want from Otago Forward:

1. Endorsement of this project towards Regional Strategy Funding
2. Maximum \$20,000 funding from the Otago Forward Project Budget; split in 2 amounts:
  - \$18,000 in support of the 1<sup>st</sup> application to NZ Trade & Enterprise RSF in October 2009
  - \$2,000 in support of the 2<sup>nd</sup> application in May 2010.
3. Support and feedback as may be required from time to time.

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| How is this project aligned to the <b>Areas of Focus</b> as outlined in the Regional Economic Strategy (see following pages for guide)?  |  |
|--|--|
| <b>Alignment to Areas of Focus</b>   | <b>Please rate between 1-5 (1 = poor, 5 +=excellent)</b> |
| Improving the Commercial Base  | 4  |
| Connectivity   | 5  |
| Co-ordination  | 5  |
| Capability   | 5  |
| China  | 3  |
| <p><b>Further information</b></p> <p>This project aligns with the priority theme area “Growers Mega Cooperative”.</p> <p>Specific comments that relate to areas of focus:</p> <ul style="list-style-type: none"> <li>● <b>Improving the Commercial Base</b><br/>                     The purpose of this project is to increase the profitability of the pipfruit and summerfruit industries in Otago. At one level this will seek to ensure that the industry has a future. Ultimately, by increasing returns the opportunity will be to significantly and sustainably grow the sector. As the sector grows there are opportunities for businesses throughout the region that service the industry (for example, several engineering firms in Dunedin have significant contracts with growers).</li> <li>● <b>Connectivity</b><br/>                     A key aspect of the project is the concept to develop a value chain, whereby the current model of a number of parties looking to “buy low / sell high” is replaced by a model where the growers exercise more control and discretion over a number of post orchard gate activities.<br/><br/>                     There is also the opportunity to increase connectivity with other productive sectors within the region, including wine, tourism, honey and specialty products such as preserves, olive oil, saffron etc...</li> <li>● <b>Co-ordination</b><br/>                     Otago Orchardists have been largely individualistic. This individual approach has led to fragmented and sometimes counter-productive practices. By developing a shared marketing and branding programme there are huge opportunities to see a more coordinated industry.</li> <li>● <b>Capability</b><br/>                     There are a myriad of ways in which fruit gets to market. However, growers have generally focused on the production phase and left sales and marketing to others. By undertaking this initiative it will increase the capability of growers beyond the orchard gate. It will also create capability within the region around marketing systems for product.</li> </ul> |  |

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- China

The Otago horticulture industry is based on export. Central Otago apples, cherries and apricots are exported to a wide range of countries. The ongoing development of the Chinese market is very important to the future development of the industry, as will the relationships that need to be fostered.

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| How is this project aligned to the <b>Evaluation Criteria</b> as outlined in the Regional Economic Development Strategy?<br>(see following pages for guide)  |  |                            |  |
|--|--|----------------------------|--|
| <b>Evaluation Criteria</b>   | <b>Please rate between 1-5<br/>(1 = poor, 5 +=excellent)</b> | <b>Evaluation Criteria</b> | <b>Please rate between 1-5<br/>(1 = poor, 5 +=excellent)</b> |
| Return on Investment   | 5  | Quick Wins                 | 4  |
| Sustainability   | 5  | Existing Champions         | 5  |
| International Focus  | 5  | 5 Drivers of Growth        | 5  |
| Demographic Valley   | 4  | Increasing Average Income  | 5  |
| <p><b>Further information</b></p> <p>This project is ultimately about getting more from the same efforts; in other words significantly increasing productivity. There is only so much that can be done by working harder to stay in the same place.</p> <ul style="list-style-type: none"> <li>• There is potential for an excellent return on investment. A 10-20% increase in gross receipts is forecast.</li> <li>• It is a sustainable solution that will not use more scarce resources.</li> <li>• The Otago horticulture industry is very much based on exporting.</li> <li>• As well as direct labour requirements (generally the work suites those in the demographic valley) there is an issue that many orchardists are facing regarding succession planning; with diminishing returns and an uncertain future leading to a lack of new generation orchardists coming through. The development of marketing and branding expertise is also likely to attract skilled people to the region.</li> <li>• Measurable benefits are expected to be recorded within 2-3 years.</li> <li>• This project has the strong endorsement and support of the Central Otago Mayor and the District Council.</li> <li>• This project is about innovation, increasing business activity, developing new skills into the industry, providing opportunities for greater investment, while still recognising the right and ability of individual operators to compete.</li> <li>• Increased returns will directly contribute to increased incomes and more employment opportunities.</li> </ul> |  |                            |  |

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### **Who will deliver this project?:**

Central Otago District Council will work to facilitate and provide admin support for this project with the grower project team. This will be a grower owned initiative; and the Council will ramp down its assistance as the industry takes more ownership. The project team comprising representatives of the industry will be involved at all stages.

It is proposed to engage Brian R Richards Ltd (BRR Ltd) to undertake the actual project management. BRR Ltd was responsible for the development of the original “World of Difference” brand and has extensive relevant experience working with private companies and collaborative sector groups to develop branding strategies. This includes the creation of the Wine Guild, Cervena Venison brand, Te Puni Kokiri Maori development brand, Wool Industry Network, Envy Apple brand, Jazz Apple brand, Icebreaker, Orca, Steinlager Pure and work in progress with Otago Institute of Value Chain Studies and Aquaculture New Zealand. Where there are significant components of work that involve other expertise or are best delivered locally (for example website deployment, in-market promotions and printed materials) it is proposed to put these out to tender.

### **How will the project’s progress be measured?**

At an aggregate level progress can be measured at a regional level through independent sector econometric reporting (eg, BERL). At a more practical level, there are many variables that impact on the profitability of horticultural crops from season to season. Ultimately, the outcomes will be measured at the market / shop floor, where branded product can be directly compared and reported against other product.

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### Alignment to Areas of Focus

Please indicate how this project complies with the recommended areas of focus as outlined in the Otago Regional Economic Development Strategy. These areas of focus are listed below. Please note that not all projects will align to all areas of focus, however greater alignment with areas of focus is an indicator that projects are suitable for inclusion in the Regional Economic Development Process.

#### **Improving the Commercial Base**

Refocusing to an innovative approach to production and the weightless economy, supporting and driving entrepreneurs and innovation, improving focus on commercialising knowledge and intellectual property, investigate feasibility of alternative industry to facilitate diversification.

#### **Connectivity**

Projects to strengthen ports, airports, transport links. Strengthening virtual access to Otago by providing high quality broadband across the region

#### **Coordination**

Focus on better linkages – working together as a region and in cooperation with surrounding regions. Invest in projects which add value at the intersection or combination of current areas of strength, eg agriculture and tourism, education and agriculture, etc.

#### **Capability**

Improve the region's capability by attracting talented people to the region and retain them by providing attractive centres, interesting activities, entertainment and cultural experiences. Focusing on the enabling projects, such as world-class broadband and wireless services which make our region an attractive place to live. Improving public transport, public amenities, attractiveness and appearance of the centres.

#### **China**

Build on existing relationships with China. Focus and coordinate current relationships and activities to benefit Otago as a whole. Investigate feasibility of business links with China which build on our current strengths and their current and future demand profile.

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## Alignment of Evaluation Criteria

Please indicate how this project aligns with the Evaluation Criteria outlined in the Otago Regional Economic Development Strategy. i.e.:

### ROI

- Indicate return on investment and project pay back period

### Sustainability

- Indicate environmental and financial sustainability.

### International Focus

- Indicate the project’s ability to link to overseas markets and generate overseas earnings.

### Demographic Valley

- Indicate ability to attract skilled individuals and those people in the key age groups of 25-45 to Otago.

### Quick Wins

- Indicate ability to deliver results in a 1-2 year time frame

### Existing Champions

- Indicate who will drive this project. Do they have the networks and the resources to ensure this projects success?

### 5 Drivers of Growth

- Indicate how this project stimulates the recognised growth drivers, ie innovation; stimulating enterprise (or business activity); skill development; access to investment – (both private and public) and competition.

### Increasing Average Income

- Indicate how this project will contribute to our goal of raising the average income of Otago residents.

| ROI       | Sustainability | International Focus | Demographic Valley | Quick Wins | Existing Champions | 5 Drivers of Growth | Average Income |
|-----------|----------------|---------------------|--------------------|------------|--------------------|---------------------|----------------|
| Excellent | Excellent      | Excellent           | Good               | Good       | Excellent          | Excellent           | Excellent      |

