

Horticulture Innovation Australia

Final Report

Market potential for value added peach, nectarine, plum and apricot product

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Montague Fresh

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Media Summary

This project investigated the viability of investing in the production and marketing of fresh summerfruit juice in Australia to add value to product that is otherwise discarded.

The overall juice market in Australia was mapped, profiling apparent distribution channel volumes and mechanisms and the requirements to access these as a juice supplier. It also analysed the current competitive landscape in the Australian juice market which a new product would be required to face, and the relationship between juice products attributes and value, and what can be learned from this for creating a new juice product.

Key Findings

- The Australian juice market is highly competitive, with the majority of the market controlled by four key players. The premium juice segment is characterized by a large number of small and mid-size players.
- There is a clear correlation between pack size and price per litre, pointing to the use of smaller sizes as an approach to establish a price premium.
- Retail sales of juice are relatively consistent over the course of the year with a small peak over the summer months.
- Success in the juice market requires the correct bundling of features including pack size, product attributes, branding/marketing and distribution arrangements.
- There are a wide range of product attributes attached to a premium juice product, and individual attributes are not a guarantee of a price premium.
- A premium is more frequently associated with a bundle of attributes, and the highest value is attached to attribute bundles incorporating a 'base', a health attribute, and a 'premium' attribute which adds a unique aspect to the brand.
- Summerfruit has a small presence in the Australian juice market, but where used it has been positioned as a special ingredient.
- Many premium juice brands have effective marketing platforms that include a personal story, attractive packaging and an active social media presence. A new competitor would need to consider the requirements to compete in each of these areas.
- There are a range of pathways to market available for independent juice suppliers, which offer distribution potential for a range of different supply volumes.
- Direct supply to supermarkets offers advantages in simplified logistics and high volume, but new products face challenges capturing sales in a highly competitive juice category.
- Corporate juice suppliers hold significant influence. Securing distribution through this pathway requires large volumes, branding support and a range of juice product variants.
- Use of third party distributors is a common approach for independent juice suppliers, but requires direct competition with other smaller-sized juice players, branding support and moderate volumes.
- The foodservice sector presents an opportunity for smaller-scale supplier with niche products, but direct distribution can require significant investment in delivery capacity.
- Distribution through wholesale markets to greengrocers and foodservice has the lowest volume barrier to entry and offers a number of market positioning advantages.

Technical Summary

The market for fresh summerfruit is under supply pressure, heavily driven by the volume of less than optimum retail grade fruit, typically due to visual defects. If other distribution options can be found for this fruit, it would leave a platform in these fresh fruit markets that is more receptive to further value being added. Juicing this imperfect fruit is an option that would remove volume from the fresh market, which is core to the rationale for investigating this possibility.

Market precedents exist for fresh apple juice, however there are minimal existing examples of fresh summerfruit juice products in either the Australian market or internationally. As a result, summerfruit could present a unique and positive product feature, but also an unknown that requires a marketing investment to gain consumer confidence.

This project maps out the overall juice market in Australia, profiling apparent distribution channel volumes and mechanisms and the requirements to access these as a juice supplier. It also analyses the current competitive landscape in the Australian juice market which a new product would be required to face, and the relationship between juice product attributes and value, and what can be learned from this for a new juice product.

- The Australian juice market is highly competitive, with the majority of the market controlled by four key players. Small suppliers are exposed to high costs and face risks and a precedence of high failure rates. The premium juice segment is characterized by a large number of small and mid-size players.
- There is a clear correlation between pack size and price per litre, pointing to the use of smaller sizes as an approach to establish a price premium.
- Retail sales of juice are relatively consistent over the course of the year with a small peak over the summer months.
- Success in the juice market requires the correct bundling of features including pack size, product attributes, branding/marketing and distribution arrangements.
- There are a wide range of product attributes attached to a premium juice product, and individual attributes are not a guarantee of a price premium.
- A premium is more frequently associated with a bundle of attributes, and the highest value is attached to attribute bundles incorporating a 'base', a health attribute, and a 'premium' attribute which adds a unique aspect to the brand.
- Summerfruit has a small presence in the Australian juice market, but where used it has been positioned as a special ingredient.
- Many premium juice brands have effective marketing platforms that include a personal story, attractive packaging and an active social media presence. A new competitor would need to consider the requirements to compete in each of these areas.
- There are a range of pathways to market available for independent juice suppliers, which offer distribution potential for a range of different supply volumes.
- Direct supply to supermarkets offers advantages in simplified logistics and high volume, but new products face challenges capturing sales in a highly competitive juice category.
- Corporate juice suppliers hold significant influence. Securing distribution through this pathway requires large volumes, branding support and a range of juice product variants.
- Use of third party distributors is a common approach for independent juice suppliers, but requires direct competition with other smaller-sized juice players, branding support and moderate volumes.
- The foodservice sector presents an opportunity for smaller-scale supplier with niche

- products, but direct distribution can require significant investment in delivery capacity.
- Distribution through wholesale markets to greengrocers and foodservice has the lowest volume barrier to entry and offers a number of market positioning advantages

CONFIDENTIAL

Introduction

This project investigated the viability of investing in the production and marketing of summerfruit juice in Australia to add value to a product that is otherwise discarded.

Each year, the Australian summerfruit industry produces over 100 million kgs of peaches, nectarines, apricots and plums. Approximately 5 – 7 million kgs of this fruit is deemed unfit for market, typically due to visual defects and simply dumped. This is done at a cost to the grower with absolutely no return on value.

If other distribution options can be found for this fruit, it would leave a platform in these fresh fruit markets that is more receptive to further value being added. Juicing this imperfect fruit is an option that would remove volume from the fresh market, which is core to the rationale for investigating this possibility.

Market precedents exist for fresh apple juice, however there are minimal existing examples of fresh summerfruit juice products in either the Australian market or internationally. As a result, summerfruit could present a unique and positive product feature, but also an unknown that requires a marketing investment to gain consumer confidence.

This project maps out the overall juice market in Australia, profiling apparent distribution channel volumes and mechanisms and the requirements to access these as a juice supplier. It also analyses the current competitive landscape in the Australian juice market which a new product would be required to face, and the relationship between juice product attributes and value, and what can be learned from this for a new juice product.

Materials & Methods

Fresh Logic, who have deep experience in the management, supply and analysis of fresh food categories across fruit, vegetables, meat and seafood were engaged to undertake the market research and analysis.

The Fresh Logic team used the following methodology to collate the information required and develop the prescribed outputs.

1. Collate and assimilate all existing data from Fresh Logic and existing sources.
2. Extract relevant juice data from trade databases.
3. Extract and analyse data from Freshlogic's consumer panel responses and DocketData to guide and derive market sizes for juice.
4. Identify the distribution channels involved in distributed beverages
5. Interview a selection of 15-20 buyers/stakeholders from a representative distribution channel to gather their views on a high quality added value juice. (HAVQJ)
6. Identify successful launches of HAVQJ's and draw out implications for the project

Results

The Australian juice market is highly competitive, with the majority of the market controlled by four key players. The premium juice segment is characterized by a large number of smaller and mid-size suppliers.

There is a clear correlation between pack size and price per litre, pointing to the use of smaller sizes as an approach to establish a price premium.

Retail sales of juice are relatively consistent over the course of the year with a small peak over the summer months.

Success in the juice market requires the correct bundling of features including pack size, product attributes, branding, marketing and distribution arrangements.

- There are a wide range of products attributes attached to a premium juice products, and individual attributes are not a guarantee of a price premium.
- A premium is more frequently associated with a bundle of attributes, and the highest value is attached to attribute bundles incorporating a 'base', a health attribute', and a 'premium' attribute which adds a unique aspect to the brand.
- Summerfruit has a small presence in the Australian juice market, but where used it has been positioned as a special ingredient.
- Many premium juice brands have effective marketing platforms that include a personal story, attractive packaging and an active social media presence. A new competitor would need to consider the requirements to compete in each of these area.

There are a range of pathways to market available for independent juice suppliers, which offer distribution potential for a range of different supply volumes.

- Direct supply to supermarkets offers advantages in simplified logistics and high volume, but new products face challenges capturing sales in a highly competitive juice category.
- Corporate juice suppliers hold significant influence. Securing distribution through this pathway requires large volumes, branding support and a range of juice product variants.
- Use of third party distributors is a common approach for independent juice suppliers, but requires direct competition with other smaller-sized juice players, branding support and moderate volumes.
- The food service sector presents an opportunity for smaller-scale supplier with niche products, but direct distribution can require significant investment in delivery capacity.
- Distribution through wholesale markets to greengrocers and foodservice has the lowest volume barrier to entry and offers a number of market positioning advantages.

Discussion

The initial aim of the project was to investigate the viability of investing in the production and marketing of fresh summerfruit juice in Australia to add value to a product that is otherwise thrown away. The project was to address 2 key steps: the market potential for value added stonefruit and the economic viability to set up a supply chain for a value added product.

Fresh Logic in their analysis mapped out the overall juice market in Australia, profiling apparent distribution channel volumes and mechanisms and the requirements to access these as a juice supplier. They also analyzed the current competitive landscape in the Australian juice market which a new product would be required to face, and the relationship between juice product attributes and value, and what can be learned from this for a new juice product.

The Australian juice market is mature and highly competitive, with the majority of the market controlled by 4 key players. Success of the juice market requires the correct bundling of features including; pack size, product attributes, branding / marketing and distribution arrangements. Summerfruit has a small presence in the Australian juice market, but where used it has been positioned as a special ingredient. The inclusion of summerfruit in the juice product could present a unique and positive product feature, but also an unknown that may require a marketing investment to ensure consumer confidence.

There are a range of pathways to market available for independent juice suppliers, which offer distribution potential for a range of different supply volumes.

Direct supply to supermarkets offers advantages in simplified logistics and high volumes, but new products face challenges capturing sales in a highly competitive juice category.

The option that may suit a new specialist juice supplier in the short – medium term is:

- Distribution through wholesale markets to greengrocers and foodservice – this path has the lowest volume barrier to entry for a new juice supplier, and provides a scalable demand base as supply volume increases. This demand base has the capacity to distribute a significant volume of product
- Once volume expands, the option of larger third party distributor could be investigated

Technology Transfer

Fresh Logic, have released a report of their findings which has been released to the industry. Their report "An investigation of the viability of investing in the production and marketing of fresh summerfruit juice in Australia", will be available for viewing on Montague Fresh and Summerfruit Australia's Ltd website from October 1st 2014. A copy of this report will also be emailed to all Australian stonefruit growers in the Summerfruit Australia data base in early October 2014. Montague Fresh will include an executive summary of this report, in their annual mail out of their stonefruit grower pack. This mail out will be sent to growers in the first week of October 2014. The Technical summary will also be published in Summer Fruit Australia Ltd October/ November 2014 E Newsletter.

Recommendations

This report has given a very through analysis of the landscape of the Australian juice market, profiling apparent distribution channel volumes and mechanisms and the requirements to access these as a juice supplier. It also analyzed the current competitive landscape in the Australian juice market, which a new product would be required to face, and the relationship between juice product attributes and value, and what can be learned from this for a new juice product.

However the next steps of this project, would be to work out the economic viability of settling up a supply chain for valued added summerfruit product. This would involve working out the costs associated in launching a new product into the Australian juice market. This analysis would involve working out what "volume of the product would be available on a seasonal basis" and at what price could the product be sourced for? This would obviously vary from year to year depending on yield, growing conditions and demand for the fresh product. The next step would be to potentially work with a "flavor company" to develop the unique blend / flavor profile of the product. The product would then need to be transported to a 'crushing facility' where it would be turned into juice, then shipped to a bottling plant and later stored in a warehouse facility until it is sold. A through analysis would have to be evaluated on the economics of scale, to ensure a competitive retail price could be established.



Final Report: Key Commercial Implications

An investigation of the viability of investing in the production and marketing of fresh summerfruit juice in Australia

February 2014

This report is commercial in confidence



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1 Overview and purpose

This project aims to investigate the viability of investing in the production and marketing of fresh apple and summerfruit juice in Australia to add value to product that is otherwise discarded.

The market for fresh apples and summerfruit is under supply pressure, heavily influenced by the volume of less than optimum retail grade fruit, typically due to visual defects. If other distribution options can be found for this fruit, it would leave a platform in these fresh fruit markets that is more receptive to further value being added. Juicing this imperfect fruit is an option that would remove volume from the fresh market, which is core to the rationale for investigating this possibility.

Market precedents exist for fresh apple juice, and the market awareness of the Jazz variety clearly provide the basis for a linking parent brand for a juice range. However there are minimal existing examples of fresh summerfruit juice products in either the Australian market or internationally. As a result, summerfruit could present a unique and positive product feature, but also an unknown that requires a marketing investment to win consumer confidence.

This project maps out the overall juice market in Australia, profiling apparent distribution channel volumes and mechanisms and the requirements to access these as a juice supplier. It also analyses the current competitive landscape in the Australian juice market which a new product would be required to face, and the relationship between juice product attributes and value, and what can be learned from this for a new juice product.

This report extends the earlier general findings in HAL project SF13000 into a set of commercial implications for Montague.

2 Key market findings and commercial implications for Montague

Key Market Findings	Commercial Implications for Montague	Page
The Juice Market		
<ul style="list-style-type: none"> The Australian juice market is mature and highly competitive, with the majority of the market controlled by four key players. The premium juice segment is characterised by a large number of smaller and mid-size suppliers. 	<ul style="list-style-type: none"> The Australian juice market is a new product development battleground, with significant barriers a new market entrant would need to overcome. Small suppliers are exposed to high costs and face risks and a precedence of high failure rates. The appeal of a 'new' product is likely to earn initial retail space. However, a successful launch does not guarantee viability beyond 6+ months when other new products may draw consumers' attention and win retail shelf space. Establishing a loyal customer base with repeat purchase behaviour is vital to remaining viable in the medium-long term. Despite the barriers, the ongoing activity in the category and range growth of 'hydration' products (including juices and mineral and specialty water products) is encouraging and presents opportunities. 	10-11
<ul style="list-style-type: none"> Retail sales of juice are relatively consistent over the course of the year with a small peak over the summer months. 	<ul style="list-style-type: none"> The small peak in summer may present the best opportunity to launch a new product. The relative consistency of sales over the year is a positive feature of the market that can support supply and distribution scale and help maintain a loyal customer base. Consideration should be given to ensure the supply of raw materials is also available year round. 	13
Product features and attributes		
<ul style="list-style-type: none"> Success in the juice market requires the correct bundling of features including; pack size, product attributes, branding/marketing and distribution arrangements. 	<ul style="list-style-type: none"> There is little margin for error, as each of these features need to be facilitated successfully, as does the combining of these features. 	
<ul style="list-style-type: none"> There is a clear correlation between pack size and price per litre, pointing to the use of smaller sizes as an approach 	<ul style="list-style-type: none"> Pack size is an important consideration. Analysis suggests new juice suppliers offer at least one product in the 200-350ml range (single serve, ready to drink), and one in the 750ml-1.25l range (multiple serve, take home). These sizes are identified as offering platforms for a price premium as well as suitability for various distribution channels. 	11-12

to establish a price premium	<ul style="list-style-type: none"> Analysis of the current market range suggests an offering of 2-3 juice product variants is the minimum required to secure shelf space and create product presence in the aisle/fridge. These 2-3 products will need to be similar to present a consistent brand image, yet sufficiently differentiated to warrant ranging. While product variance is important for establishing the platform of exposure, it also creates greater cost. In order to maximise flexibility but minimise costs, intelligent bottling and labelling design should be used. Minimising packaging variations between varieties can help control costs. The bottles and labels need to be sufficiently unique and appealing to encourage retailers to give the product prominent shelf space. 	
<ul style="list-style-type: none"> There are a wide range of product attributes attached to premium juice products, and individual attributes are not a guarantee of a price premium. A premium is more frequently associated with a bundle of attributes, and the highest value is attached to attribute bundles incorporating a 'base', a health attribute, and a 'premium' attribute which adds a unique aspect to the brand. 	<ul style="list-style-type: none"> Marketing and product development based on any single attribute is unlikely to be sufficient to attract a price premium. The challenge lies in developing a unique bundle of product attributes to create a point of difference that cannot be easily replicated by competitors. A possible combination for Montague could include: <ul style="list-style-type: none"> Premium attribute: Jazz apple, with its established premium profile, combined with a summerfruit ingredient. Health attribute: This may involve the inclusion of a specific 'health' ingredient (e.g. 'functional botanicals' like Echinacea, Aloe Vera, Ginkgo Biloba, Wheatgrass and Ginseng) or a health claim. Any health claim would need to have an element of uniqueness as there are many common claims e.g. energy, immunity, fibre benefits, X serves of fruit etc. Common use of health claims means uniqueness in this attribute could be considered a strong advantage. Base attribute: This is something that should be included but is unlikely to be given much profile e.g. no added sugar, preservatives or artificial flavours, low sodium/acid. The claim 'not from concentrate' should be used with caution as it can draw 'negative' attention to the use of concentrate. 	14-19
<ul style="list-style-type: none"> Summerfruit has a small presence in the Australian juice market, but where used it has been positioned as a special ingredient. 	<ul style="list-style-type: none"> There is precedence for marketing specific apple varieties (e.g. Pink Lady) as a special ingredient in juice, which serves as an element in the marketing of a premium juice brand. The inclusion of summerfruit in the juice product could present a unique and positive product feature, but also an unknown that may require a marketing investment to ensure consumer confidence. Montague have the advantage of leveraging off the current 	16

	awareness and success of the 'Jazz' apple brand , potentially reducing the 'unknown' aspect of incorporating summerfruit.	
<ul style="list-style-type: none"> Many premium juice brands have effective marketing platforms that include a personal story, attractive packaging and an active social media presence. A new competitor would need to consider the requirements to compete in each of these areas. 	<ul style="list-style-type: none"> In order to both attract and maintain a loyal customer base, and counter the arrival of new competitors, marketing platforms are likely to require continued customer engagement over a period of time. While some suppliers make significant investments in this area, there are lower cost entry level options that are likely to be suitable for smaller juice suppliers, particularly social media engagement. Examples of existing marketing programs from specialist juice suppliers in this area can provide insight into options: <ul style="list-style-type: none"> Nudie: www.nudie.com.au. Includes: web, Facebook, YouTube, Twitter, and Instagram. Charlies: www.charlies.co.nz. Includes: web, Facebook, and Twitter. Emma & Tom's: www.emmaandtom.com. Includes: web, Facebook, YouTube, and Twitter. For a specialist juice supplier investment in this area is likely to form a 'support' function to efforts given to establishing and managing distribution relationships. There are also opportunities for Montague to leverage off existing Jazz marketing activity. 	19-20
Pathways to market		
<ul style="list-style-type: none"> There are a range of pathways to market available for independent juice suppliers, which offer distribution potential for a range of different supply volumes. 	<ul style="list-style-type: none"> There are numerous pathways to market, each with its own opportunities and challenges. Pathways that are less likely to suit a new specialist juice supplier in the short-medium term include: <ul style="list-style-type: none"> Direct to supermarkets. Distribution via corporate juice suppliers. Direct to foodservice using own delivery network. The option that may best suit a new specialist juice supplier in the short-medium term is: <ul style="list-style-type: none"> Distribution through wholesale markets to greengrocers and foodservice (see below). Once volumes expand, the option of larger third party distributors could be investigated (see below). 	21-25
<ul style="list-style-type: none"> Direct supply to supermarkets offers advantages in simplified logistics 	<ul style="list-style-type: none"> Despite its advantages, this option is unlikely to suit a new specialist juice supplier in the short-medium term because of volume requirements and high levels of competition for shelf space. 	

and high volume, but new products face challenges capturing sales in a highly competitive juice category.		
<ul style="list-style-type: none"> • Corporate juice suppliers hold significant influence. Securing distribution through this pathway requires large volumes, branding support and a range of juice product variants. 	<ul style="list-style-type: none"> • While these suppliers hold significant influence as a result of their large distribution networks and ownership of beverage fridges at retail and foodservice level, this option is unlikely to suit a new specialist juice supplier in the short-medium term as a result of the volume requirements and the competitive positioning against corporate juice suppliers' own range. 	
<ul style="list-style-type: none"> • The foodservice sector presents an opportunity for smaller-scale supplier with niche products, but direct distribution can require significant investment in delivery capacity. 	<ul style="list-style-type: none"> • The highly competitive foodservice sector presents an opportunity for smaller-scale suppliers, as foodservice operators look to use new premium juice as a point of differentiation. • This option can work for a launch but requires significant investment into in-house distribution capacity which can pose a challenge to its financial viability. • However, there may be option to form an arrangement with existing specialist juice suppliers and share distribution costs. 	
<ul style="list-style-type: none"> • Distribution through wholesale markets to greengrocers and foodservice has the lowest volume barrier to entry and offers a number of market positioning advantages. 	<ul style="list-style-type: none"> • In order to overcome the challenges of launching/distributing through a full-service supermarket, a new juice product could initially be distributed to greengrocers and foodservice outlets with in-house capacity, leveraging off existing fresh food distribution networks such as wholesale markets where available. • This option has the lowest volume barrier to entry for a new juice supplier, and provides a scalable demand base as supply volume increases. This demand base has the capacity to distribute a significant volume of product. • It also offers positive market positioning because of the consumer perception of greengrocers as high quality, and because juice products can be positioned close to fresh fruit both at wholesale and in store. • Effort should be given to building relationships with distributors including maximising the opportunities for greengrocers to collect juice from the wholesale market at the same time as collecting apples/produce. There is also scope to encourage greengrocers to distribute to foodservice operators in their area, as is the case in other categories such as eggs. • If 10% penetration was achieved with greengrocers in the 	

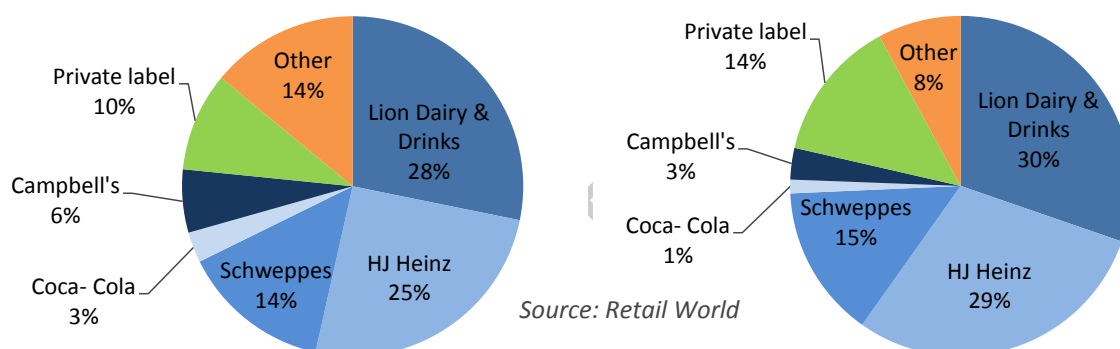
	<p>Melbourne metro area, 1,700l would be required each week.</p> <ul style="list-style-type: none"> • If 1.5% penetration was achieved with café and restaurant outlets in the Melbourne metro area, 1,600l would be required each week. • This equates to a customer base of 50 greengrocers and 100 foodservice outlets, and potential annual volume of 170,000-180,000l with sales at wholesale price levels of approximately \$520,000. 	
<ul style="list-style-type: none"> • Use of third party distributors is a common approach for independent juice suppliers, but requires direct competition with other smaller-sized juice players, branding support and moderate volumes. 	<ul style="list-style-type: none"> • Once volumes expand, it would be advisable to undertake a thorough investigation to assess the business case of using larger third party distributors. • This is a common way for independent juice suppliers to reach convenience stores, foodservice outlets and greengrocers. However, this pathway requires direct competition with other smaller-sized juice players, as well as significant branding support and moderately high volumes. • Consideration should be given to: <ul style="list-style-type: none"> ○ What, if any, benefit(s) could be obtained by leveraging off the third party distributors' broader retail networks and greater efficiencies. ○ How a specialist juice supplier and its products would be treated and what priority they would receive compared to other products carried by the distributor. ○ What margins could be obtained and what fee would be charged by the distributor. ○ How the product would be presented to retailers. 	

3 Juice market profile

3.1 Competitive landscape

The Australian juice market is mature, and is characterised by a well-populated product range in all distribution channels. This is illustrated in particular at the retail level, which ranges more than 60 juice brands and over 800 individual products. These products range in price from **\$0.99-12.84/l** with **an average price of \$3.91/l**, and have pack sizes ranging from 200ml to 3l. This analysis is based on a profile of the current juice range offered by Australian retailers.

The market is dominated by 4-5 major players, which offer a range of products and have large stakes in juice market distribution mechanisms. Of the total fruit juice and fruit drinks market, these large enterprises account for 70-80% of volume and value, and this group is comprised of both corporate marketers and retailers offering own brands.



The major players profiled above offer a range of brands covering different market segments, and these are detailed below. It is important to note that while Coca Cola Amatil does not hold a large share of the juice market under its own brands, it controls the majority of distributor owned beverage fridges in the route trade, and therefore has a significant position in the market.

Figure 3: Major juice players and their brands

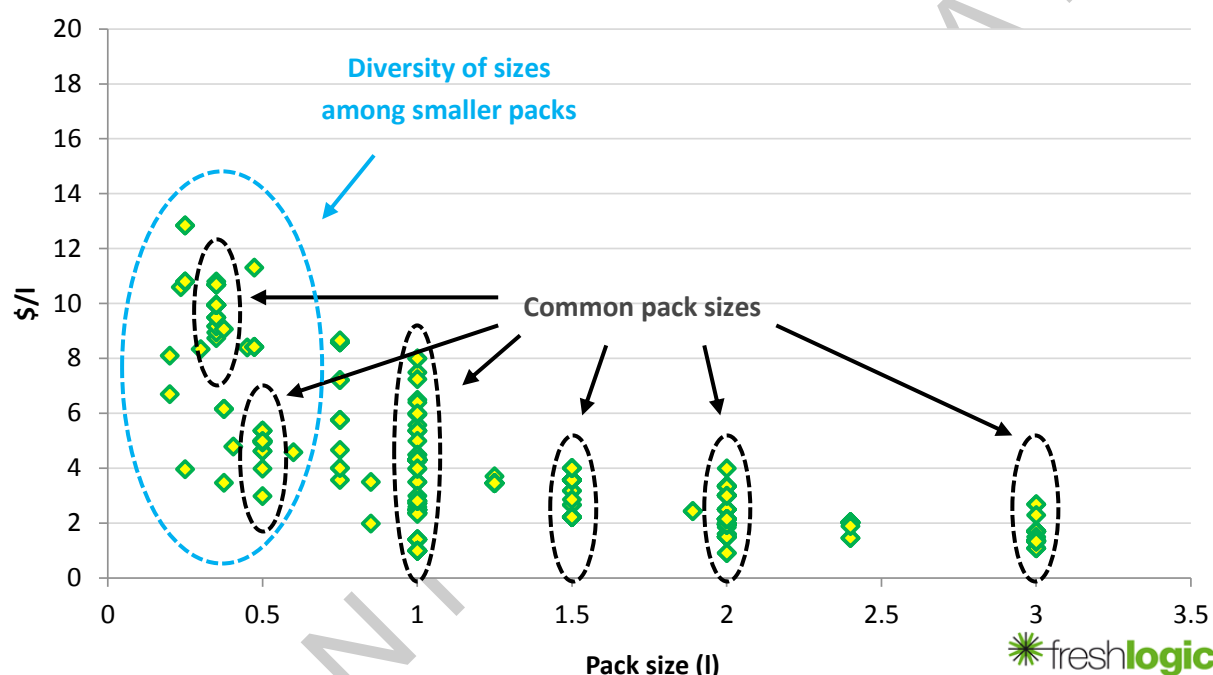
Lion Co	HJ Heinz	Schweppes	Coca Cola Amatil
<ul style="list-style-type: none"> - Berri - Daily Juice - Berri Australian Grown - Just Juice - Prima - Berri Super Juice - Mildura - Berri Prima - Sunnyboy - Zooper Dooper - Summit - Kyneton Springs - Berri Quelch 	<ul style="list-style-type: none"> - Golden Circle - LOL - Original Juice Co - Ocean Spray 	<ul style="list-style-type: none"> - Apple Time - Orange Time - Extra Juicy - Glo - Kokomo - Pop Tops - Smart Juice - Spring Valley 	<ul style="list-style-type: none"> - Appletizer - Crusta - Grapetizer - Goulburn Valley - Fruit Box - Ardmona

While the majority of the juice market is controlled by four key players, the 'premium' juice segment is characterised by a large number of smaller and mid-size suppliers. Of the top 20 premium juice brands, those with the highest average price per L, less than one third are owned by the four large corporates listed above.

3.2 Product range

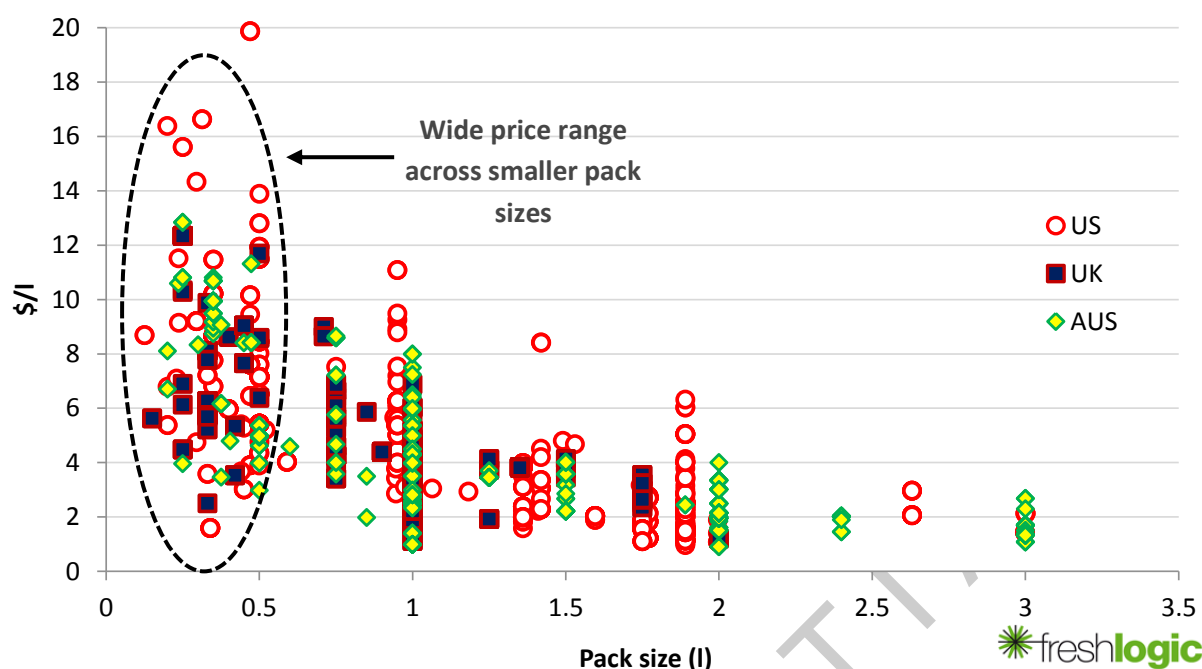
The Australian juice market offers a broad range of pack sizes, with several common pack sizes emerging from an analysis of the available retail offer, profiled in the chart below. As the analysis shows, there is a clear correlation between pack size and price per litre, pointing to the use of smaller sizes as an approach to establish a price premium. This analysis refers to single products only and excludes products sold in multi-packs.

Figure 4: Australian juice retail range profile



Australia's juice range can be considered mature, and exhibits similar breadth to the retail ranges in the US and UK markets, and a consistent relationship between pack size and price per litre, as the analysis below shows. Both the US and UK markets offer a larger range of juice products with pack sizes less than 200ml.

Figure 5: US-UK-Australia juice range profiles in comparison



The analysis below has focused on two distinct pack size ranges in the market, 200-350ml and 700ml-1.25l, identified by Freshlogic as the prime targets for a new premium juice offer based on price and suitability for distribution channels. While pack sizes of 1.25-2l are also quite common, on average they generate a lower price per litre.

3.2.1 200-350ml range

Products in the 200-350ml 'single serve' pack size earn a significant price premium over larger packs. There is less consumer focus at this size on the per litre price, as the per item price is still relatively low and is comparable to alternate snack/top up options. This pack size offers a product suitable for foodservice and convenience stores, as well as for greengrocers and supermarkets with facilities to sell chilled 'ready to drink' beverages.



There are more than **10 brands** at a retail level offering products in this size range, which also has a strong representation in the route trade and full service cafes/restaurants because of its 'consume in one sitting' size. Retail prices for 200-350ml size juice products range from **\$3.96-12.84/l**, with an **average price of \$9.77/l**.

3.2.2 700ml-1.25l range

The 700-1.25l range is a smaller 'take home' pack size offering 3-5 serves, and while generally selling for less than single serve pack sizes still earns a price premium over sizes larger than 1.25l. This pack size is suitable for retailers offering consumers a take home option.

There are more than 32 brands at a retail level offering products in this pack size. Retail prices for 700ml-1.25l size juice products range from **\$0.99-8.94/l**, with an **average price of \$4.08/l**.



3.2.3 Product offering

Many brands offer products in more than one size, which typically includes a single serve product combined with a larger multiple serve product, and caters to both the ready-to-drink and take-home markets. This is the case with popular premium juice brands such as Preshafruit, Charlie's and Nudie, with Emma & Tom's recently announcing plans to launch a 1l product to add to their range of 350-450ml products.

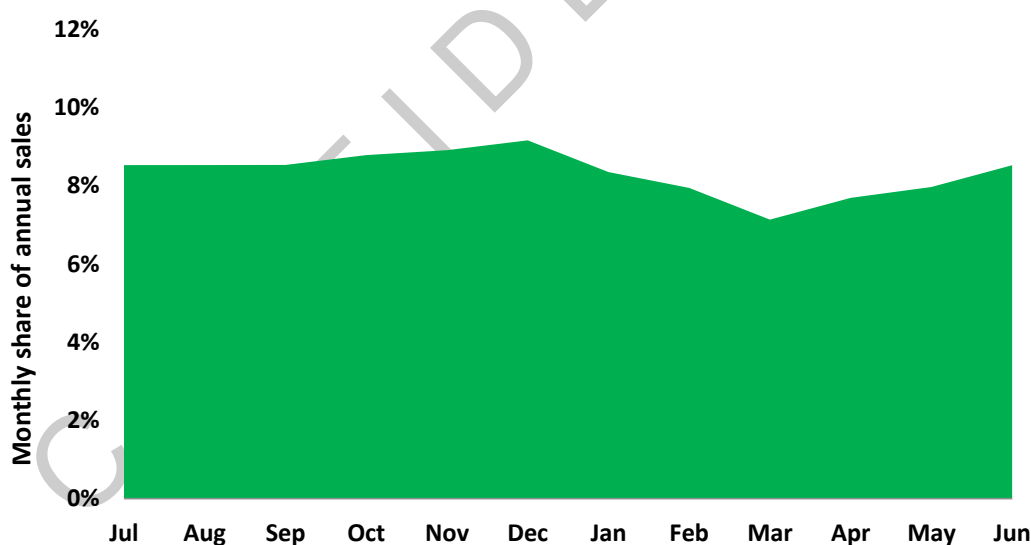
In addition, many brands offer a range of juice varieties within each pack size, with some offering up to eight different juice varieties. Some brands also offer multiple types, such as fresh juice, smoothies or sparkling juice. Even brands such as POM Wonderful, which focuses on a core 100% pomegranate juice product, offers a pomegranate and blueberry juice to complement this primary offering.

Providing a variety of sizes and juice flavours allows a juice offer to appeal to a broader range of consumers. It is also necessary in terms of securing retail shelf space by creating enough of a profile on the shelf to compete with other juice products on offer.

3.3 Seasonal sales patterns

Retail sales of juice are relatively consistent over the course of the year with a small peak over the summer months.

Figure 6: Juice seasonal sales profile



Key findings:

- *The Australian juice market is highly competitive, with the majority of the market controlled by four key players. The premium juice segment is characterised by a large number of smaller and mid-size suppliers.*
- *There is a clear correlation between pack size and price per litre, pointing to the use of smaller sizes as an approach to establish a price premium.*
- *Retail sales of juice are relatively consistent over the course of the year with a small peak over the summer months.*

4 Juice attribute value

Juice brands utilise a wide range of product attributes in their marketing materials, and while some are more commonly associated with premium products, incorporating particular attributes is no guarantee of achieving a price premium.

Analysis of juice branding materials points to several tiers of product attributes, some of which can be considered 'base' attributes which are common on the majority of products (both premium and lower value products), and some of which trend towards the premium end of the juice market. The majority of premium juice brands use 'bundles' of product attributes rather than single claims.

In addition to product attributes, successful premium juice products require the support of effective marketing and distribution networks.

4.1 Common attributes

Some marketing claims can be considered 'base attributes' or lower tier attributes, with the majority of products evident on the market incorporating them. While these attributes are unlikely to attract significant attention on their own, the absence of these attributes can potentially make it more difficult to attract a price premium.

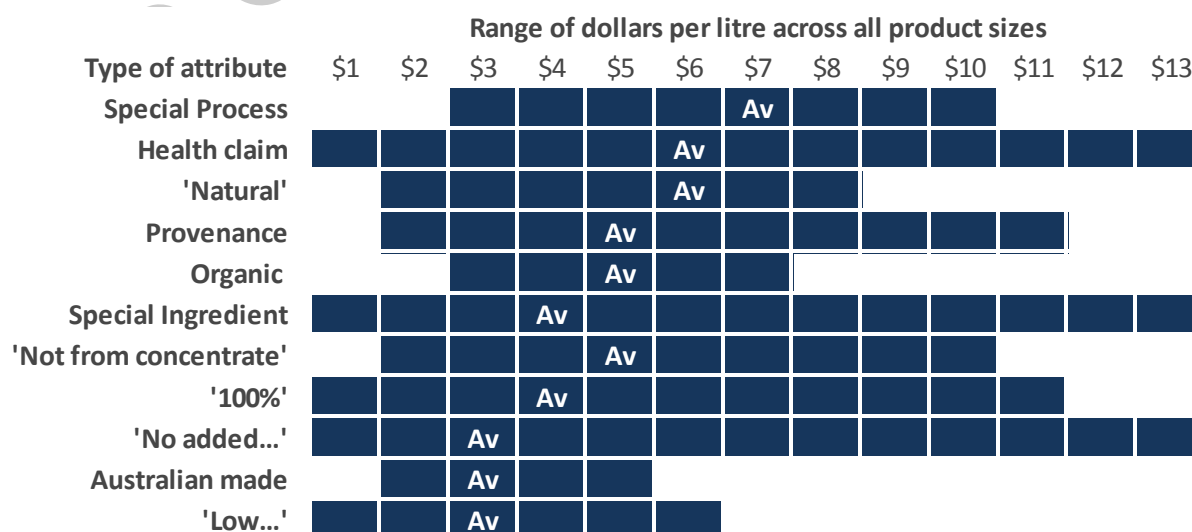
A prime example of this is the 'no added...' attribute, which may refer to no added sugar, additives, preservatives, artificial colourings or flavourings. The commonality of this attribute is consistent with broader consumer attitudes towards 'additive freedom', which rates as an important criteria in purchasing decisions. This is profiled in the analysis below from Freshlogic's Mealpulse™ consumer panel.

Figure 7: Consumer food-related attitudes

Higher tiered or 'premium' attributes, those attached to products receiving the highest prices, include examples such as a special manufacturing process, a health claim, inclusion of a special ingredient, or provenance. However, even these 'premium' attributes can be found in both higher value and lower value juices, as seen in the analysis below. Products which promote a special process have a price ranging from \$3.40-9.95/l; those promoting a health claim have a price ranging from \$1.40-12.80/l; those including a special ingredient range from \$1.30-\$12.80/l, and those promoting provenance range from \$2.15-11.30/l. This implies that many products use individual attributes, and that the inclusion of a single attribute alone is not enough to guarantee a premium. The challenge lies in creating a unique approach to these attributes and creating a point of difference that cannot be easily replicated by competitors.

'No added...'
Health claim
Special Ingredient
'Not from concentrate'
Provenance
'100%'
Special Process
'Natural'
Organic
Australian made
'Low...'

Higher frequency of use

Figure 8: Attribute relationship to product price

The chart above highlights the key attribute types featured in juice products' on-pack marketing in the Australian retail market, and profiles the range of prices and the average price associated with products that incorporate these attributes. This analysis considers each attribute on its own and does not consider combinations of attributes or the influence of product size. Common attributes analysed above are profiled here in more detail:

Special process: The special process attribute refers to a particular manufacturing process highlighted in on-pack marketing, such as Preshafruit's high pressure processing (HPP), which forms a core part of the brand's identity. This attribute is tangible and often unique, making it easier to communicate as a premium quality in branding.



Special ingredient: There are an increasing number of 'special' ingredients being included to differentiate juice products. These can include a 'special' product used as the juice base, such as red grapefruit, Pink Lady apples or pomegranate, as well as additional ingredients which complement the juice base, such as acai, lychee, rhubarb, passionfruit, aloe, spirulina or ginseng. There appears to be a trend towards including special ingredients for specific health benefits, such as chlorella and Echinacea. 'Special' ingredients can be hard to define, and the successfulness of this attribute is influenced by the effectiveness of communicating a credible point of difference.



Apples and oranges are the most common base products. Where summerfruit (apricot, nectarines, peaches and plums) is used it tends to be as a complement to a base flavour. Summerfruit is not used extensively in the Australian juice market, but where it is used peach is the most common, and it is framed as a special ingredient. Summerfruit is used more extensively in the UK and US markets, with peach remaining the most commonly used.



Provenance: A number of brands promote a provenance aspect including specific orchards/locations, such as Harcourt Apple Juice (Barkers Creek), Nippy's (100% South Australian Family Owned), Juicy Isle (Tasmania) and POM Wonderful (Californian POM Wonderful pomegranates). In addition, some promote an Australian made/grown/owned attribute. The reference to some aspect of 'Australian' is relatively common and relates to consumer interest in 'local'. Many higher value juices extend this to incorporate the 'story' of a particular orchard or region to add further differentiation. Some products promote an imported ingredient, such as Californian pomegranates. Another factor which is often found among successful premium juice brands is the presence of a personal story or personal profile.



Health: Many brands promote a health message with their on-pack marketing. Examples include contributions to recommended fruit and vegetable serves per day (V8 and Nudie), 'builds immunity' or 'boosts energy' (Smart Juice and Boost Juice), 'functional botanicals' (Emma & Tom's), antioxidants (Ocean Spray, POM Wonderful), high levels of vitamins and minerals, as well as many others.



Organic: This is not particularly common in the mainstream juice range in Australia, although a number of brands do include a specific organic line, such as Juicy Isle, Pureharvest and Sunraysia. As profiled in Figure 7, the interest in organics in Australia generally ranks below other ethical considerations.

Not from concentrate: This attribute is commonly included in both higher value and some lower value juices, including Berri, Charlie's, Cawston Press, Harvey Fresh and Reboot Juice.

No added...: Many products incorporate this attribute, which may include no added sugar, no added preservatives, additives, etc.

Low...: Some brands make specific claims regarding low levels of sugar, sodium, acid, calories or GI level.

'Natural': Although 'natural' lacks a clear definition, some brands use the word 'natural' in their promotion, such as Bickfords, Cedar Creek or Goulburn Valley.

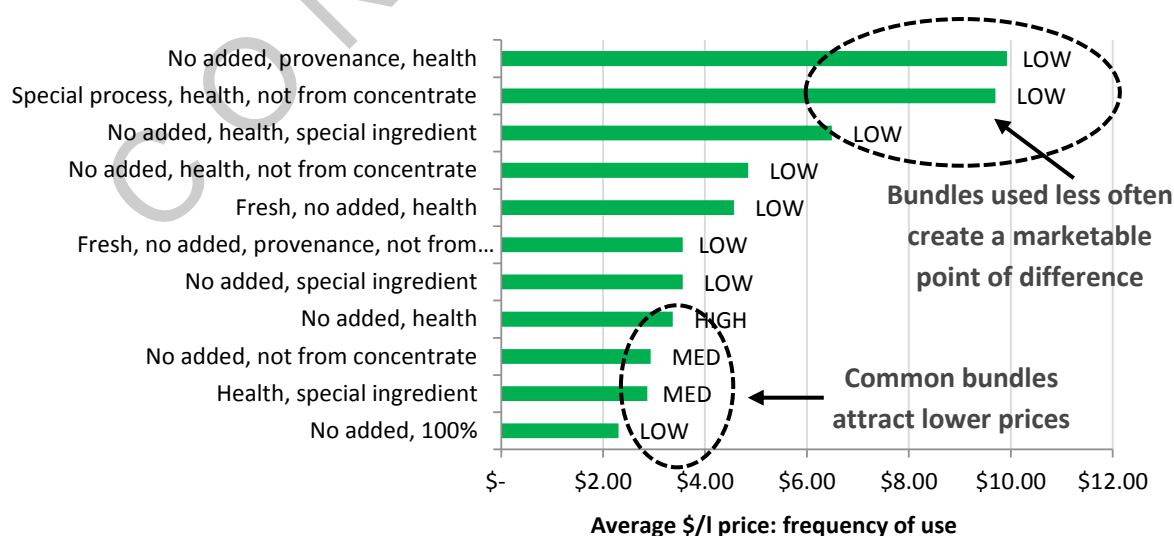
100%: Some products promote market themselves with a purity claim such as '100% apple juice'.



4.2 Attribute bundles

Many high value products evident on the Australian market communicate a 'bundle' of attributes in their branding, most commonly two or three key attributes. The analysis below suggests bundles used by premium products most often combine a health attribute, a 'base' attribute of either 'not from concentrate' or 'no added', and a 'premium' attribute such as a special process, a special ingredient, or a provenance message. Bundles of attributes that attract the highest prices are used less frequently, indicating product uniqueness is connected to price.

Figure 9: Common attribute bundles and their average prices (\$/l)



4.2.1 Product examples

Below are two examples of how brands have combined attributes to generate a price premium.

Emma & Tom's

High value brand Emma & Tom's incorporates the following attributes:



- No added...: No added sugar, no preservatives and nothing artificial.
- Provenance: Made in Australia, supports Australian farmers and local charities.
- Health: Naturally low in calories, aids hydration, high in dietary fibre, each bottle contains at least 2 portions of whole fruit, and contains vitamins and minerals.
- Special ingredient: The Life Juice range contains “functional botanicals” such as spirulina, rosehip, ginseng, kelp, alfalfa and chlorella. They also include numerous special ingredients for flavour such as peach puree, passionfruit, elderberry, green tea and grape seed extract.
- In addition they promote: ‘All natural’, minimal processing, flash pasteurisation and cold filling, and not from concentrate.
- Their products are also supported by effective marketing, a personal story, and attractive packaging. They are active on social media (blogs, Facebook with 3,000 likes, Twitter and YouTube), and they support charity events and competitions.
- Their juice range currently consists of single/double serve (330-450ml) products, including Quenchers (spring water and juice), Life Juices (whole fruit smoothies) and premium organic sparkling juices. These are supported by complementary products; Life Bars made from preservative-free dried fruits and raw nuts and fruit-flavoured Wellbeing Water.

POM Wonderful

POM Wonderful, a high value juice product, also promotes a bundle of attributes, and is supported by a complementary offering including fresh POM Wonderful-branded pomegranates. Attributes include:



- Provenance: 100% Californian pomegranates.
- Special Ingredients: Pomegranates.
- Health: Rich in antioxidants and nutrients.
- Complementary ‘fresh fruit’ offer: Fresh Californian POM Wonderful pomegranates. Globally they also offer juice blends, POM tea, POMx antioxidant supplement and 100% pomegranate juice concentrate.
- In addition, they offer recipes and cocktails, and have an active social media presence, with 117,000 likes on Facebook globally.

4.3 Product size and attributes

When considering the influence of product size the following is apparent:

- **200-350ml pack size:** Health stands out as a common attribute in this pack size. Other higher tiered attributes such as provenance, special process and special ingredient occur at a medium level of frequency. Products claiming ‘not from concentrate’ have a lower average price in this pack size.
- **700ml-1.25l pack size:** ‘No added...’ is used frequently, and there are higher average prices for products incorporating a special process, health, special ingredient or provenance attribute.

4.4 Comparison to the UK and US Markets

When comparing the Australian market for premium juices to the US and UK markets, the following findings are apparent.

4.4.1 Attributes

- In general the US and UK markets offer a similar range of juice attributes and both also use a bundling of attributes.
- The focus of some attributes differs, however. The US market has a greater focus on protein, iron and vitamins other than vitamin C (e.g. B vitamins). There is a greater focus on 'calories' (e.g. 45% less calories) and the promotion of products suitable for lactose intolerance and for detox purposes. The US market also has a greater representation of organic juices.
- As with the Australian market, the use of 'not from concentrate' and 'no added...' is common.
- The UK and US markets also offer an extensive range of 'special ingredients', with interesting inclusions being kiwifruit, 'banana free', flaxseeds, Yerba Mate, and cherry.
- A higher number of products promote special processes, including the use of flash pasteurisation.

4.4.2 Range profile

- In general the US market supports a larger range of products than the Australian market, and both the US and UK markets offer a broader range of juice products less than 200ml.
- All three markets offer a range of multi-pack juices. In general the US offers multi-packs with a larger number of individual units (e.g. six, eight or 10) at a lower average price than the Australian market, while in general the UK market offers multi-packs with a smaller number of individual units (e.g. three, four, and six) at a higher average price than the Australian market.

4.4.3 Premium product example

The US brand Blue Print sells at \$25/l or more, and incorporates a range of juice products with multiple special ingredients such as cashew, vanilla, cinnamon and agave; beet, apple, carrot, lemon and ginger; kale, apple, ginger, spinach, romaine, cucumber, and parsley. They are cold pressed juices, '100% raw', organic, and non-GMO certified.



4.5 The importance of marketing

In addition to the inclusion of attributes, successful premium juice products require the support of effective marketing and packaging which needs to communicate points of difference and make a connection with the consumer to support repeat purchases.

Some premium juice brands have been successful in connecting with the consumer through the presence of an interesting personal story, which can be considered an extension of the provenance attribute. Prominent Australian examples include the stories of company founders at the brands Nudie, Emma & Tom's and Charlie's. Similarly, Boost leverages heavily off the profile of founder Janine Allis, while Reboot is strongly connected to the radical weight-loss story of Joe Cross.

The packaging also supports this connection with a personal story. Nudie, Charlie's and Boost all present a youthful and fun image.



Many brands are active in social media. Nudie has 77,000 Facebook likes, for example, while Charlie's has 56,700, Preshafruit 3,700, and Emma and Tom's 2,900. Many brands are also active on Twitter, YouTube and Instagram, and maintain interactive websites with competitions, events and blogs. Resources are required to remain active and continue to generate interest on social media in order to counter the arrival of a new competitor.

4.5.1 Retailer promotions

Promotions of juices as part of retailers' advertising activity are dominated by corporate juice suppliers. Analysis of Freshlogic's Adwatch™ data shows that in 2012/13 the 13 most common juice brands advertised made up 75% of all juice adverts in that year. These 13 brands were all owned by corporate juice suppliers.

The most frequently promoted brands owned by independent juice suppliers include Charlie's, Nudie, Sunraysia and Harvey Fresh, which together accounted for only 6% of all juice retail adverts in 2012/13. It is worth noting that all four brands have experienced some growth in promotional activity over the past two years.

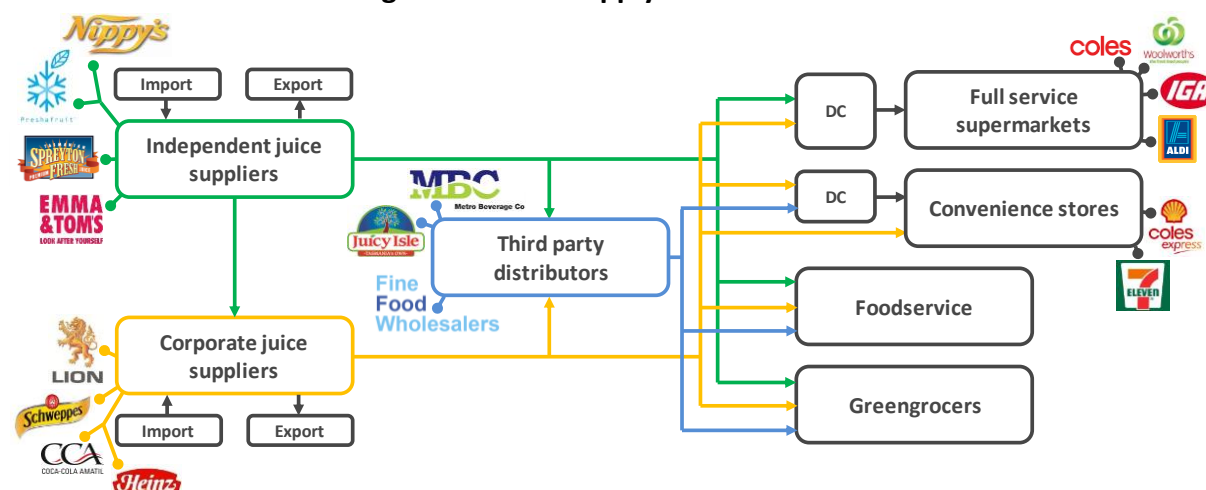
Key findings:

- *Success in the juice market requires the correct bundling of features including pack size, product attributes, branding/marketing and distribution arrangements.*
- *There are a wide range of product attributes attached to premium juice products, and individual attributes are not a guarantee of a price premium*
- *A premium is more frequently associated with a bundle of attributes, and the highest value is attached to attribute bundles incorporating a 'base', a health attribute, and a 'premium' attribute which adds a unique aspect to the brand.*
- *Summerfruit has a small presence in the Australian juice market, but where used it has been positioned as a special ingredient.*
- *Many premium juice brands have effective marketing platforms that include a personal story, attractive packaging and an active social media presence. A new competitor would need to consider the requirements to compete in each of these areas.*

5 Supply chain analysis

The chart below profiles the various pathways to market for juice. Many of these pathways supply to the same final consumer interface points, but the level at which they do so varies, and the access to these pathways differs depending on the juice supplier.

Figure 10: Juice supply chain structure



5.1 Key supply chain players

5.1.1 Corporate juice suppliers

Corporate suppliers are the largest volume player in the juice market, and they hold significant distribution networks of their own and do the majority of supply into full service supermarkets and convenience stores, as well as being significant suppliers to foodservice and greengrocers.

These large corporate suppliers can offer retail and foodservice customers consolidated deliveries of a range of brands, extending beyond fruit juice to other beverages such as carbonated soft drinks and milk. Fridge ownership at a retail level allows corporate juice suppliers significant influence over what is stocked in these outlets.

While Coca Cola Amatil (CCA) has a comparatively small share of the overall juice market at approximately 3% (see Figure 1:), the enterprise has the largest beverage distribution network in Australia and owns more than 240,000 beverage fridges across the country.

Corporate juice suppliers include:

- Lion Co
- HJ Heinz
- Schweppes Australia
- Coca Cola Amatil (CCA)

5.1.2 Independent juice suppliers

Independent juice suppliers also undertake their own distribution. This is often done through supply arrangements with smaller-scale greengrocers or other independent retailers, and foodservice and catering operators who are in proximity to the juice supplier. Some larger-scale independent juice suppliers, such as Emma & Tom's, also operate a distribution network with their own trucks to complement arrangements with external distributors.

Independent juice suppliers include:

- Nippy's
- Preshafood
- Spreyton Fresh
- Emma & Tom's
- Nudie
- Sunraysia

5.1.3 Third party distributors

There are a range of third parties in the Australian market which distribute juice, primarily to convenience stores, foodservice and greengrocers. These distributors on the whole do not produce their own juice, and distribute juice supplied by both independent juice suppliers and to a lesser degree corporate juice suppliers.

These enterprises often hold regional distribution contracts with juice suppliers, and distribute the brand in a specified area.

Third party distributors include:

- MBC
- Juicy Isle
- Fine Food Wholesalers
- Juice Direct
- Kelly's Distributors
- Socrates Distributors

5.1.4 Full service supermarkets

Full service supermarkets are the largest distributors of fresh juice in the Australian market, and sell product primarily from retailer-owned fridges, with some level of fridge ownership by corporate juice suppliers.

Juice suppliers deliver product to centralised distribution centres (DCs), which coordinate supply into individual supermarkets. While supermarkets frequently stock independent juice suppliers, the centralised nature of the supermarkets' buying and supply arrangements can act as a barrier to entry for smaller suppliers who are only able to supply a limited number of stores.

Full service supermarkets include:

- Coles
- Woolworths
- IGA
- Aldi

5.1.5 Convenience stores

Beverages in convenience stores are largely sold via corporate-owned fridges, of which the largest operator is CCA, with more than 240,000 fridges across Australia. Convenience stores are supplied both via DCs, such as Coles Express, and via a route trade model, such as 7-Eleven. Route trade distribution for beverages is generally managed by the corporate suppliers who own the store's beverage fridges.

5.1.6 Foodservice

This is a diverse array of outlets made up of approximately 20,450 cafes and restaurants that service eating out of home. It also includes enterprises which provide catering services, workplace food, quick serve restaurants and institutional facilities such as hospitals, aged care and education.

5.1.7 Greengrocers

Greengrocers are the fresh fruit and vegetable specialist retailers, who enjoy a consumer perception of providing leading quality. They are independently owned, typically owner-operated and source product through the central markets.

5.2 Paths to market for independent juice suppliers

Independent juice suppliers are able to take advantage of a number of pathways to market given their organisational flexibility, however several of these pathways present barriers to entry. These pathways are profiled below:

5.2.1 Direct to full service supermarkets

Supermarkets stock a range of products for independent juice brands, which are required to supply directly to the retailers' DCs on a contract basis. This can simplify logistics for suppliers, however the size of supermarket product requirements can present a challenge for smaller-scale juice suppliers. Supermarket buyers' preferences to deal with a smaller number of suppliers can also present a barrier to entry, although this may prove a benefit to summerfruit and apple suppliers who currently have a relationship with supermarket produce buyers. This pathway has the highest requirements for product volumes and robust branding support.

- **Minimum volume requirement:** 10,000l per annum per supermarket chain.

5.2.2 Through corporate juice suppliers to all channels

Independents are in some cases able to gain access to distribution networks operated by larger corporate juice suppliers, giving them access to corporate-owned fridges in foodservice and some greengrocers. Securing distribution through this pathway also requires large volumes, branding support and a range of juice product variants.

5.2.3 Through third party distributors to all channels but supermarkets

Supplying product to third party distributors is a common way for independent juice suppliers to reach convenience stores, foodservice and greengrocers. These distributors will supply a range of beverage products to customers, frequently alongside other food offerings. Third party distributors either bid for distribution rights to juice brands or are approached directly by juice suppliers. This pathway reaches all channels except supermarkets, and needs to compete directly with other smaller-sized juice players. It requires branding support and moderate volumes.

5.2.4 Direct to foodservice

This pathway entails supplying foodservice operators on a route trade or 'milk run' model, delivering product to individual stores using in-house trucks. There is also an opportunity in this pathway to leverage off existing fresh food distribution networks to reach some foodservice outlets, such as provedore connections through the fresh produce wholesale market which already deliver product to these customers.

Competitive pressure is high for foodservice operators, and as a result these customers look for new premium juices as a point of differentiation. This presents an opportunity for a smaller-scale supplier whose 'niche' or 'local' status can present a marketing advantage for these customers.

This path to market requires a significant investment in delivery capacity which will pose a significant challenge to its financial viability. This can work for a pilot launch, but quickly becomes a high cost option.

- **Minimum volume requirement:** 3-5 cartons per week per store.

5.2.5 Through wholesale markets to greengrocers and foodservice

Supply to greengrocers can be largely accomplished through existing supply channels via the central wholesale markets, a pathway which can also reach some foodservice customers.

This path to market has the lowest volume barrier to entry for a new juice supplier. For new suppliers working with low volumes distribution to greengrocers on a store-by-store level provides a scalable demand base as supply volume increases.

This path presents synergies with buyer distribution of fresh produce to their retail outlet.

It also offers positive market positioning because of the consumer perception of greengrocers as high quality, and because juice products can be positioned close to fresh fruit on show.

- **Minimum volume requirement:** 4-6 cartons per week per store.
- *If 1.5% penetration was achieved with café and restaurant outlets in the Melbourne metro area, 1,600l would be required each week to service 100 stores.*
- *If 10% penetration was achieved with greengrocers in the Melbourne metro area, 1,700l would be required each week to supply 50 stores.*
- *This supply to 150 outlets equates to a potential annual volume of 170,000-180,000l and sales at wholesale price levels of approximately \$520,000.*
- *This is realistic given historical precedents set by other specialist juice suppliers such as Nudie.*

Key findings:

- *There are a range of pathways to market available for independent juice suppliers, which offer distribution potential for a range of different supply volumes.*
- *Direct supply to supermarkets offers advantages in simplified logistics and high volume, but new products face challenges capturing sales in a highly competitive juice category.*
- *Corporate juice suppliers hold significant influence. Securing distribution through this pathway requires large volumes, branding support and a range of juice product variants.*

- *Use of third party distributors is a common approach for independent juice suppliers, but requires direct competition with other smaller-sized juice players, branding support and moderate volumes.*
- *The foodservice sector presents an opportunity for smaller-scale supplier with niche products, but direct distribution can require significant investment in delivery capacity.*
- *Distribution through wholesale markets to greengrocers and foodservice has the lowest volume barrier to entry and offers a number of market positioning advantages.*

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