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Americans taste the good oil

By JON MORGAN - The Dominion Post Last updated 09:50 26/03/2009

Ask Wayne Startup how American shoppers react to tasting the olive oil his company, The Village Press, sells in hundreds of United States and Canadian supermarkets and his face lights up.

In an atrocious American accent he drawls, " 'Olive oil? I didn't know you guys grew olives down there?' They're intrigued to start with, then they taste. 'Hey, this is pretty good. It must be expensive coming all that way. How much?' \$9.99 on the shelf right there, ma'am. 'Really? That's very reasonable'."

He and wife Maureen can be found offering their oils to American shoppers four or five times a year in visits they make to their biggest market. The tastings are a good way to tell the customer their story and receive instant feedback.

It's a long way from the bustling streets of the big cities of America to a farmers' market in a paddock at the Hawke's Bay showgrounds, but the Startups can be found there, also, telling the same story. It's about beautiful, scenic New Zealand and its sun-drenched food basket, Hawke's Bay. And it's about how they grow the olives and press the oil, then package it and bring it to market.

The reactions of tasters in both places are much the same, Mr Startup says.

"We believe that once people stop and taste our oil the quality of it is self-evident. When they say it must be expensive and you tell them it's available at their local supermarket, it's 'wow, wow, wow'."

Some become big fans. Take the couple in Austin, Texas, whom Mr Startup describes as "our informants on the ground". "Every other week I'll get an email from them saying something like, 'Your product's in a bad position in Whole Foods in Austin. If it's OK with you, I'll go and speak to the grocery buyer'."

It's not just the customers, either. The Village Press oils are regular gold medal winners in oil industry awards and had two oils in the top three of a recent blind tasting by Consumer magazine.

The company's biggest marketing coup, winning access to Whole Foods Market's 270 United States stores, came after a rigorous judging process that put it up against 700 oils from 78 countries. Only three oils were chosen for the chain's stores, two of them from The Village Press.

Whole Foods sprang from farmers' markets and claims to be the world's biggest natural and organic supermarket chain. Mr Startup says New Zealand's reputation as an authentic, trustworthy food producer rated highly, as did The Village Press manzanillo and picual oils' low acidity and distinct taste.

Also important to Whole Foods was the company's ability to support its supply chain. It was able to point to the New Zealand supermarkets as an example. Early on, supermarket sales were identified as the best way to expand the business. Mr Startup, a chartered accountant, cut prices, organised sales representation throughout the country, hired merchandisers to keep shelves stocked and committed to promotions and instore tastings.

The rapid growth of the business is the story behind the story. Mr and Mrs Startup are pioneers of the olive oil industry, first planting olives on their 3-hectare Havelock North lifestyle block in 1991. As plantings began to increase in Hawke's Bay they formed a syndicate with other growers to press the fruit for oil.

When the first bottles were well-received the couple realised olive oil could be more than a fad. They began to plan for the future, thinking about economies of scale for growing, harvesting and marketing. They began organising other syndicates and with three investors formed The Village Press to build a specialised processing

operation.

They now have seven syndicates in Hawke's Bay supplying fruit from 25,000 trees on 20-year contracts. Other growers in Wairarapa, Kapiti, Marlborough, Nelson, Gisborne, Bay of Plenty, Auckland and North Auckland also supply olives.

Oil production last year was 120,000 litres and the plan is to lift that to 400,000 litres over the next six years. Extra trees will not be needed in Hawke's Bay - improvements in tree and soil management and in natural growth are expected to double oil output - and more growers are signing up each year.

The business was formed in 1997 but such has been the rate of expansion and constant need for funds that all income has been reinvested and the four shareholders have all regularly been called on to inject more money.

"The capital required has been more and the need for it has gone on for longer than anyone would have expected at the start of the journey," Mr Startup says.

Asked when a payoff might be, he replies: "I believe it is imminent. The only rider on that is that you can see from the growth projections that you don't grow from 120,000 litres to 400,000 litres without requiring more working capital. None of the shareholders want a dividend at the risk of not achieving those end goals of production and sales."

While the export market, which takes 60 per cent of The Village Press' production, looks highly promising, New Zealand sales have also been escalating.

Supermarket sales in December were 75 per cent up on the previous December and January was 62 per cent up on that month a year ago. Much of that is down to an expanded distribution into more stores, but Mr Startup also believes it is due to the hard work of tastings in stores, at farmers' markets and food shows and indicates the public's acceptance of price and quality.

The scope is for much more growth, he says. New Zealand supermarket sales of olive oil total \$33 million, but New Zealand-produced extra virgin olive oil accounts for just 1.39 per cent of that. The Village Press' share is 0.94 per cent. Mr Startup won't reveal income figures or say what investment has been needed to reach this stage, but calculations based on the New Zealand market - 40 per cent of the business - indicate overall sales of more than \$8 million a year.

Britain shaped up as an important market a few years ago, with a big deal with supermarket chain Tesco, but foundered on exorbitant conditions.

"They wanted us to spend [PndStlg]30,000 (NZ\$78,000) a year on promotion, which we thought was disproportionate to the level of sales, and in addition they wanted us to do a buy-one-get-one-free promotion three or four times a year. We made the loss of one bottle but Tesco still took their gross margin off two bottles. All of a sudden there was nothing there for us, so we gave up on them."

Meanwhile, the hard work goes on in North America. Mr Startup is full of praise for the support he has received from New Zealand Trade and Enterprise.

Together they have pinpointed the right people to deal with - five key brand managers, their favoured brokers, who present and place products with stores, and the brokers' favoured distributors.

He describes the US market as being not complicated but complex.

"Knowing who's who in the marketplace is critical. For example, there's a 90-store chain in the northeast that deals only with one distributor and he works with only one broker. So, even if you get the stores really keen on your product but you don't have your product distributed or brokered by the people they prefer to deal with the chances of getting there are zero."

He says it is crucial to be constantly in touch with the key people in the market. He visits four or five times a year and uses Skype to keep in daily contact.

"Typically, we find that supermarkets want to deal with as few suppliers as possible. So we've expanded our range to include avocado oil. It uses our equipment out of season and we're dealing with the same category buyers in the supermarket. It can be a deal-maker. Avocado oil can open the door for olive oil and vice versa."

The Village Press has also diversified into infused oil, where diced lime or lemon is put it into the press at the same time as the olives.

The rewards of the work keep coming. The Startups are just back from a three- day trade show at Anaheim, California, where they signed up with another 170 stores and two big distribution networks.

The global recession is having a mixed effect. Demand from restaurants and hotels has fallen as diners eat out less. But retail sales are increasing, as people entertain more at home. "They're shouting themselves small luxuries, such as a better wine and a better cut of meat, and a better oil to cook it in."

And if there's a story behind the product, that's even better. Mr Startup's fake American accent reappears: "We've got this wonderful olive oil from Noo Zealand, you know - that beautiful country they showed in Lord of the Rings. I met the guy who makes it in the supermarket just the other day."

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