

Opening slide - Welcome

Tena koutou, tena koutou, tena koutou katoa.

Today I would like to introduce you to what we at Z call 'New Kiwi', an important insight that we have gained from our recent market research. What New Kiwi has to say is shaping a lot of what we are doing inside Z and I'd like to share some examples with you to help you connect with this New Kiwi.

In April 2010 a new locally owned company purchased the downstream fuel business from Shell for \$700m. However, how often does a local, untested company take over from a global corporate giant? There was no template to follow, no precedent, no model of best practice. And how do you go about becoming more than just an ordinary company in a sector that is mature, dominated by global brands, and where customers openly resent the whole buying experience?

We've listened a lot

From one end of New Zealand to the other we sat people down, we gave them a coffee, spoke to them about our plans and our hopes, and some of our hunches. Then we shut up and we listened.

This was the single biggest piece of research ever commissioned in our sector on what people want and don't want, like and don't like about our industry, our brands, our service stations and our commercial activities. At the end of it all we've had feedback from 17,000 New Zealanders – that is the equivalent of getting all of Ashburton to stop for a few hours and tell us what is on their minds.

We were told it is about time someone took on the global companies and their internationally derived customer offers. There is an appetite for a new experience at service stations and that opens up some fantastic opportunities for us to delight our customers and grow our business.

A surprising insight for me is that these customers have significantly higher expectations of a local company. When the going gets tough or something is wrong in our industry they expect the local company to step up and sort it out. They trust a local company to act more responsibly than one of the global competitors.

In addition, out of this research we were to unearth something that we believe to be very exciting, significant and quite profound for all New Zealanders. The biggest insight of all from this enormous research project was

that the new New Zealander is speaking and wants to be heard. This is what we call New Kiwi.

New Kiwi

We have previously been the agricultural stereotype. The easy going, resourceful, number 8 fencing wire old Kiwi who lived at the bottom of the world. We got stuck into tall poppies and there was something of a cringe about who we were and how we lived.

The way we think about ourselves has changed. We have grown into a sophisticated New Kiwi who is much more aware of our role in the world, no longer remote to the rest of the world. New Kiwi wants to be associated with achievements, people and companies that are world class. We create and innovate and we are confident in the Kiwi way. Success is to be celebrated provided you keep it real and act with humility.

The research company that oversaw this piece of research have seen this trend emerging over the past few years in their other research projects. However, in our project it came through much stronger and much more consistently than ever before. It feels like we are at a tipping point.

This New Kiwi has given us the confidence to change from one of the world's most recognised brands to an entirely new local brand. Now the story of how we got to the name, the colours and the Z logo is worthy of its own presentation. However it is worth taking a moment to share with you how we got to the name because this is consistent with how New Kiwi thinks.

The Story of Z

The big question has to be 'where is the evidence of this New Kiwi?' When you actually start to reflect on this, the answers can be seen everywhere.

Wellywood

One of the most recent examples I can point to is from Wellington. The airport company decided to erect a large 'Wellywood' sign on some nearby land. Not a bad idea, staking Wellington's claim within the global film industry and reinforcing Wellington as one of the world's coolest little cities.

Well, it was a bad idea for New Kiwi. Within hours of the announcement to erect the sign, the New Kiwis were at work. Facebook had over 6,000 fans against the sign in 24 hours, eventually rising to 25,000 fans over the following days. Their comments are entirely consistent with New Kiwi. To quote a few comments from the Facebook page:

- Surely they can come up with something more original to symbolise the film industry's achievements.
- Kiwis can do better than this... why would we want to be like Hollywood?
- It is not just Wellingtonians who are against this sign.

The bottom line is New Kiwi thinks they are way cooler than Hollywood! Would we have been saying that a decade ago?

As much as we got clear on what New Kiwi wanted and expected from us, we needed to have equal clarity for what we are about as a company. This was achieved through an organisational development program that focuses on people, or the culture and values of the firm.

I worked with Michael Henderson, who describes himself as a Corporate Anthropologist and has published a book called "Leading Through Values". In it Michael quotes research which indicates that supporting people to clarify their own personal values has significantly more impact on commitment and loyalty to an organisation than understanding what the company's values are. In other words, personal values trump company values every time.

Matrix

Michael's simple two by two matrix helps to explain what I am saying. The horizontal axis measures the level of clarity an employee has about their own values – from low to high. The vertical axis works the same way but for the clarity an employee has about the company's values.

So what happens to employee commitment in each of the four possible circumstances.

We can see that when an employee has low clarity about their own personal values, there is not much of an impact on their commitment irrespective of how clear they are on the company's values.

So get ready to be wowed for what happens when an employee gets clear on their own personal values.

The message is obvious. Leverage on commitment comes from clarity around personal values, and this gets slightly better when there is an equally high clarity around the company's values.

For New Kiwi a company that allows a person to live their deepest values in the workplace will win the heart and soul of that employee, and this enthusiasm and passion will be shared with all stakeholders.

Within Z we have developed a set of company values. These values are the values of our people, many of whom are New Kiwi. We invited all our staff to complete one of Michael's values inventories and we had an 80% response rate, way at the top end of Michael's experience.

And then it got really easy. If you know that a high alignment between individual values and company values delivers a 19% increase in commitment, then you simply align them.

We went through a cyclical process to do that and ended up with a set of values that are typically New Kiwi. Rather than expressing them with some corporate lingo, we speak about them the way New Kiwi would.

Values

- Be straight up – as far as we are concerned there is only one way to do business, and that is the New Zealand way. So we make it our mission to be honest, open, transparent and real.
- Have the passion – it is impossible to be the best unless you are absolutely passionate about what you are doing and you take ownership of it. We are and we do. Our business helps to keep the country running. Literally. And we intend to do it better than anyone and bring more benefits to the whole of New Zealand.
- Share everything – we believe so much more can be achieved if we are united. If we share our thoughts, our knowledge and our passion then we will all share the success.
- Back our people – we back our employees to grow and succeed. We give back to the neighbourhoods we work in. We back our customers by knowing what they want and making it happen for them.
- Be bold – there is no point in being in this business just to be another energy company. We intend to be the best. We can only do that by taking the initiative, by challenging the status quo, by being bold and courageous, and by backing ourselves. So that's exactly what we do.

We have asked our employees how well their personal values align with our company values. 63% are strongly aligned and 32% are mostly aligned leaving only 5% where there is only some or no alignment. So imagine what we can do in Z with that level of employee commitment.

The culture inside a company is usually described as “the way we do things around here”. For a company like Z that is insufficient. Instead we prefer to engage around “why we do things around here”. This captures the identity,

the meaning, values and beliefs of all of our people individually, and then collectively as a company.

Our aspiration, values and a bunch of other culture related stuff is all contained in one document. You may have heard about the Toyota Way, well we have the Z Why.

Z Why

For New Kiwi it is simply not good enough for Z's leadership to explain what to do and how to do it. Only offering the "way" without the "why" significantly limits what New Kiwi can contribute and in doing so we treat our employees simply as cogs in a machine.

To quote from the Z Why, page one – Z Energy is a different sort of company. The people are different, the way stuff gets done is different and what we aspire to is different.

From the second page. In choosing to work for Z there are things you need to know, things you need to do and ways you need to be. Most of all you need to understand why.

And the third page. Why does not come with a straightforward answer. In order to help you understand the why, we need to talk to you about the whole picture, our fullest context – what we aspire to, our values, explain what makes up our strategy, and so on.

The Z Why has been shared with all of our existing employees. It is a requirement that recruiting managers take all potential employees through it before we make an offer of a job. We do this to make sure that future employees are crystal clear about what they are signing up for, effectively aligning personal and company values from the get go.

I'd like to share three examples of where we are using New Kiwi insights to make a difference. These examples are Sustainability, Transparency, and Neighbourhoods.

Click – Sustainability

Now Sustainability is a very odd thing for a dirty fossil fuel company to be talking about but it is something New Kiwi is looking for leadership on. At Z sustainability means acting in a way that benefits the future of the neighbourhoods we operate in, the planet that carries us all, while at the same time sustaining the long term future of our company.

We understand that if we don't change and adapt, if we keep simply doing what we are doing, then our business, and industry, will not survive.

We also believe we have a unique set of circumstances that provide us with an opportunity to make a difference towards a more sustainable future on a scale few companies within New Zealand have.

As gatekeepers to the fuel user, our industry is seen as the problem. We market products that can contribute up to 90% of our commercial customers' carbon footprint and an estimated 25% of an individuals' carbon footprint.

Success in our industry demands sustainable business practice - in particular efficient use of resources, care for the environment and consumer choice.

The things Z holds to be true are:

- Natural resources are scarce and increasingly expensive.
- The world has limited capacity to absorb carbon emissions and waste.
- The most important resource available to us is people.
- The only alternative to pursuing a sustainable strategy is diminishing company value and ultimately extinction.

So if sustainability matters to New Kiwi, what are we committed to doing?

Commitments

We reduce our customers' carbon intensity by helping New Zealanders reduce their use of fossil fuels. We believe that climate change is real and the products we sell contribute to accelerating climate change. While no one person or organisation can fix this problem, we are uniquely placed to make a difference and demonstrate leadership. We will do this by working with other organisations, investing in new technologies and helping our customers reduce their own fuel consumption.

We use less and waste less. Ensuring that our own operations are efficient is a meaningful contribution in its own right.

We do what matters for people and communities. We are a New Zealand company for the benefit of all New Zealanders. By listening to the needs of our staff, our customers and the neighbourhoods we operate in, we will support and invest in things that matter to them. We will be a visible face in our local communities; building relationships and understanding better the world that we all operate in.

We do business in a way that supports New Zealand. We believe that being from New Zealand and operating here comes with some special responsibilities. Part of the way we feel this responsibility means we will support and invest in New Zealand. We will go out of our way to purchase from within our shores and support other local businesses. We will invest in New Zealand's infrastructure to ensure the country has the security of energy supply our economy demands and deserves.

We are straight up. Sustainability means different things to different people and there is often no single clear solution. Realising we will not get everything right, we will share openly what we have done and listen to people's views on what we should be doing. To demonstrate this commitment to transparency we will measure our performance, report this annually and have this audited by an independent third party.

Here are two thoughts that may surprise you. I want Z to be in the middle of the solution and no longer seen as being in the middle of the problem. Secondly, success for our company does not necessarily mean selling more.

I am more focused on ensuring Z delivers returns to its shareholders and remains sustainable for its customers. Selling less does not mean that cannot happen, it just means that unit margins will need to increase to compensate for lower volumes. To retain our current post tax profit of about three cents per litre, a 20% reduction in volumes needs to be offset by an increase in the pump price of five cents per litre. This is about the same as the increases in taxes made last year.

To challenge my thinking I hosted a number of dinners with people who have expertise in sustainability, many of them being people who would not normally associate with a company like ours. In some cases it was hard work to get them to join me and I sent them all a personal letter inviting them to dinner to open up a dialogue and establish some common ground.

My sense is that companies need to spend more time with those stakeholders whom they consider to be their natural opponents or adversaries. What is missing as a result of these conversations not taking place is a shared context.

For me, context is defined as the background against which a company's objectives and challenges are viewed and understood. Often it is not discussed, and a shared view is not generated, which in turn can lead to misunderstandings and lack of alignment.

There is a tremendous opportunity for a company like Z to sit down with our natural adversaries and generate a context together. With an agreed

context there are bigger possibilities – for a breakthrough in relationships, increased alignment and achievement of outcomes that matter to us all.

We haven't got it all worked out but the pathway is becoming more visible, the next steps are quite obvious and what comes beyond that is emerging for us. One of our first steps is to shift our entire company car fleet to hybrids as of May next year as the current leases progressively come to an end.

Transparency matters to New Kiwi and remember, one of our values is being straight up. That's great, but the flipside and the challenge to this is that we operate in one of the most opaque, mistrusted and – as a result – misunderstood industries in New Zealand.

This came through clearly in our initial research – customers don't understand this industry, what we do or how it works. More than one respondent told us that New Zealand's fuel comes from our National Parks. And this is entirely predictable because as an industry we have done a very poor job of connecting with our customers.

Instead this industry has cut costs with a myopic focus. This has the impact of closing service stations, deferring investment, removing customer choice and delivering a bare minimum, bland and vanilla customer offer.

Z is committed to changing all of this because that is what New Kiwi is asking for. Perhaps the most obvious way we're prepared to engage with our customers, about whatever is on their mind, is through participating in and inviting discussions through social media.

Social media

We know that people now are much more likely to share their experiences online and that New Kiwi now trusts a word of mouth recommendation from a stranger more than a big glossy ad from a corporate. Nearly 50% of Kiwis are now interacting with companies via social media and around 70% of us are using digital media every day.

So we took the plunge, set up a Facebook page and invited people to talk with us. Since we rebranded to Z around five months ago, nearly 9,000 Kiwis are following us through Facebook and engaging through all sorts of conversations each day of the week.

Our customers tell us what they like and what they don't like, they tell us where they had good service or bad service, they tell us what they think about fuel prices, our brand and our ads. They most certainly let us know

when they are not happy. We're listening and responding and we're taking the opportunity to present our perspective.

To be clear, these conversations are happening anyway - whether we're participating or not. We're generating trust, loyalty and conversations that matter by inviting people to have these conversations directly with us.

I can see why our competitors choose not to participate in this space – social media can be a double edged sword. If you are not prepared to be completely transparent, if you are not prepared for public criticism, or to hear what people really think about you, then this is not a place for your business. There is nowhere to hide in the brave new world of social media – whether you choose to participate or not.

So we're encouraging people to tell us what they think about us, whether it's good or bad. It enables us to put right what we're not doing well, pass on praise to the people that deserve it, improve our service and offers, and to retain and in some cases deepen relationships with our customers.

Neighbourhoods

Another area where we are building connections around things that matter to New Kiwi is in our neighbourhoods. How we choose to invest in our communities is radically different to how the traditional corporate sponsorships have previously operated. To make that difference explicit, we don't talk about sponsorship, we talk about neighbourhoods.

Much as I'd love to splash company money around on pet projects hatched over a beer with my mates in the Koru lounge, we've decided to let our retailers and their teams who run our 230 service stations decide what we support.

Our research told us that New Kiwi expects us to give back to local neighbourhoods, so we've taken this literally. It all comes down to determining what matters and how can somebody in our Wellington head office determine what really matters in Ashburton, Manukau or Tauranga?

So right now we're asking each of our sites as they become Z-branded to select four local charities or community organisations in their area that provide help to people that need it. Then we ask our customers to vote on how \$5,000 should be allocated between them. Across 230 sites that's \$1.2 million of investment directly into the organisations that are helping people in their neighbourhoods.

So you won't see the new Z Energy stadium or the Z Energy Warriors, much as I might personally like that. Instead you'll hear people right across the country talking about how we're backing the things that matter in their neighbourhood. As with the whole social media phenomena, we reckon word of mouth at a local level is a key to building a strong brand that resonates with New Kiwi.

This is the ultimate decentralised approach to community investment – it's not just our retailers and site staff that are determining what matters locally, ultimately it's up to our customers.

Closing

So there you have a few of the lessons we have learnt over the past 18 months.

There is a New Kiwi who wants to be heard and who will reward those local companies that listen, play to win, but keep it real and act with humility.

Forget about the **way** you do things around here, the leverage on performance is through getting your employees connected to **why** you do things.

When it comes to sustainability, Z is going to be in the middle of the solution, not the middle of the problem.

For the New Kiwi, transparency and neighbourhoods really matter.

At Z we have that New Kiwi attitude, there is a different way of thinking, doing and being across all of our company. We are clear on three things:

- We are proud of our New Zealand ownership
- We are determined to make a difference
- We are taking Kiwis on a journey.

And that's enough said about Z.