United Fresh New Zealand Incorporated Comments

In response to
Commerce Commission Draft Report

Market Study into the Retail Grocery Sector

Submitted by:

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Introduction

United Fresh had initially made a submission in February 2021 in response to the Commerce Commission's (ComCom) request for feedback to its Preliminary Issues paper.

In our February submission, we had offered responses to those questions that were of particular relevance to the fresh produce industry.

We have now seen and analysed ComCom's Draft Report. The report contains a number of references to the fresh produce industry and we will to provide feedback here, again, on the more relevant produce related references.

United Fresh has 30 years' experience supporting and promoting the fresh produce industry, working with the entire value chain, from seed producer and grower to consumer, providing leadership on pan-produce issues.

ComCom has outlined some of the options it believes need to be considered, in order to alter the competitive landscape of the New Zealand Retail Grocery Sector. The produce industry is a part of this sector, and even when there is, at first glance, no direct link to a measure considered by ComCom, the potential for indirect links exists, and where there are indirect links, the potential for direct consequences emerging cannot be ruled out.

It goes without saying, that ComCom will receive submissions from the organisations most affected, i.e., the two supermarket retailers, as well as from entirely produce focused companies and/or industry bodies. United Fresh, however, is in the unique position of being the only pan-produce industry body in New Zealand, and as such is able to comment from a chain and interoperability perspective, rather than on the basis of holding a fixed position in the supply chain.

We will therefore also comment on some of the broader issues raised in ComCom's Draft Report, indirectly related to produce, but nevertheless with the potential for impact.

Naturally, ComCom's Draft Report has also further stimulated our thinking beyond the need to just respond to comments made. We will therefore be commenting on the role of compromise and coopetition within the pan-produce industry.

Prepared by The United Fresh Technical Advisory Group,
Dr Hans Maurer, Chair

Direct References to Fresh Produce in the Draft Report

There are all together seventeen direct references to fresh produce in the Draft Report.

We are commenting on nine of these seventeen references here.

Wholesale Supply to Grocery Retailers – Paragraph 2.50, page 30

The ComCom report correctly acknowledges that "there do appear to be at least some wholesale options for single product categories such as fresh produce."

United Fresh agrees with this assertion and wishes to expand as follows.

Until the late 1980s procuring produce at wholesale markets, and typically at auction, was the standard way for grocery retailers to acquire the fruits and vegetables they wanted to on-sell. The changes that have occurred since then, which have led us to the mix of wholesale purchases by private treaty and direct grower supply to supermarkets, were initiated by these drivers:

- The decision taken by the Muldoon led National government to introduce a formalised Closer Economic Relationship (CER) structure with Australia, which came into force in 1983.
- The decision taken by the Lange led Labour government in 1985 to deregulate the importation of bananas, citrus, and grapes into New Zealand, which came into effect in 1990.
- The deregulation of the road transport system in the 1980s, which removed the 150km limit restriction, measured from the location of the central post office in every city and town, to protect the then government owned railways transport routes.
- The realisation by some supermarket operators that the auction system was no longer in a position to be a reliable supplier of volume, quality, and price to the consistency level modern consumers had grown accustomed to, as their direct connection with the land disappeared by way of generational change. A supporting driver here was the level of economies of scale supermarkets had reached in terms of their fresh produce volume requirements and the need for the above-mentioned consistency.

Despite these factors that have changed the fresh produce wholesale landscape, the demand for a produce wholesale sector, all be it in form of trading operations rather than auctions, is sufficiently strong that the wholesale sector not only consists of the companies mentioned in Paragraph 2.50 but extends beyond that.

Other Grocery Retailers Tend to Strategically Differentiate Their Retail Grocery Offers from the Major Grocery Retailers – Paragraph 5.58 and 5.59, page 122

ComCom provides some non-price differentiation examples by other grocery retailers including the practice of "stocking a different range of fresh produce…" (5.58.1), and states, while acknowledging the benefits of this practice, that such differentiation between the respective offers "weakens potential competition" (5.59) between major grocery retailers and other grocery retailers, as they tend to compete for consumers on "different types of shopping missions" (5.59).

On a prima facie basis, we understand why ComCom can come to such a conclusion.

However, United Fresh believes that there is an additional complexity that needs to be considered within the context of the comments made in the named paragraphs.

Supermarkets emerged in New Zealand and elsewhere on the premise that consumers were becoming time poorer, were looking for "under one roof solutions" to their food purchase needs, and that the ability of buying large volumes of product would enable supermarkets to offer more competitive prices than those consumers would have to pay at speciality stores, i.e., greengrocers.

That premise was accurate to a point, based on marketplace economics. Successive generations of consumers since the late 1950s, when supermarket first appeared in New Zealand, have become more selective in their shopping habits as their personal circumstances changed from those of their parents and grandparents. Produce product ranges in supermarkets will always differ from those in greengrocers or speciality stores. There are several reasons for that.

One classic example is broccoli. This vegetable, today, is one of the main staples that can be found on the shelves of any supermarket and any greengrocer in the country. But that was not always the case. When supermarkets first started stocking broccoli in the 1970s, sales were initially so unspectacular, that the product was soon delisted from supermarket shelves, as the stores did not want to incur the losses associated with stocking the product very few people were prepared to buy. The availability of supply was outstripping demand. The majority of consumers had not been familiarised sufficiently with broccoli and preferred cauliflower instead. The small percentage of consumers that had grown to like broccoli in the early days knew, however, that they could continue to find broccoli at a well-stocked greengrocer.

Broccoli is no isolated example. The same applies today to products such as artichokes, broccolini, kohlrabi, figs, and edible flowers, to name a few. The ability to offer a differentiated product range is a key component of competitive positioning today and we would therefore encourage ComCom to review its assertion made in Paragraph 5.59.

Impact of Wholesale Availability on Different Type of Retailers – Paragraph 6.139.2, page 186

United Fresh can confirm, as stated by ComCom, that there are a number of viable wholesale options for the fresh produce category, within the wider grocery offering. The statement that "it seems plausible that access to wholesalers catering to their needs has facilitated the entry of these grocery retailers", is by no means incorrect but the related market dynamics are more complex.

In 1958, a man by the name of Tom Ah Chee opened the first Foodtown store in Otahuhu, Auckland. Foodtown grew into a major grocery retailer, with the brand and its stores eventually being merged into what is today Woolworths New Zealand. Tom Ah Chee was not a grocery retailer looking to add produce to his range, but a greengrocer who had decided to sell consumers the entire grocery product range as well as his fruit and vegetables, based on what he had seen in the USA. In order to get groceries onto supermarket shelves, Tom Ah Chee could not go to wholesalers supplying supermarkets, because there were neither supermarkets nor grocery wholesalers operating at the time. Instead, he needed to procure his goods from the multitude of manufacturers that were operating in New Zealand then.

Fast forward 63 years, and the market has changed. FMCG manufacturing in the traditional sense has exited New Zealand to the extent that many staple products available in our supermarkets or grocery stores are being imported as a matter of course, and not because they are part of an "international" product range.

The food innovation and manufacturing capability that does reside in New Zealand, is typically based around product development for the fresh sector, i.e., product ranges with limited shelf life. And more often than not, successful new entrants into the food manufacturing market tend to be soon acquired by offshore interests.

Options to Directly Improve Retail Competition in Grocery Markets, Paragraph 9.98 to 9.106, Pages 314 to 316

Business, regardless of its category and objectives, is a numbers game, where achieving and maintaining economies of scale ultimately becomes a matter of survival. Businesses are hardwired for growth. A business that is not growing is unlikely to survive in the long term. In a market like New Zealand, with its limited population base, achieving organic growth is insufficient to achieve the economies of scales needed to survive in the long term. Mergers and acquisitions are therefore a common theme when it comes to achieving growth. The cost of doing business is not getting any cheaper. Consumers are more sophisticated than their grandparents were and are looking for better solutions to their needs. The cost of compliance and the cost of doing business, i.e., rates, rents, salaries, etc. is not getting any less either.

Parachuting a third or fourth major grocery supermarket into the New Zealand market, would undoubtedly increase competition, but demand would not increase at all, as a consequence of this move, nor would the number of jobs in the retail sector. Existing supermarket operators would experience a reduction of turnover and therefore profit. The most natural reaction to that scenario would be every participant in the retail grocery market then looking around and asking themselves this question:

> *"How can we rebuild our economies of scale within this new grocery retail environment that was created, rather than being achieved organically?"*

In other words, it would only be a matter of time before the commercial market participants would start reacting to the newly created position. One of the common retailer strategies, when competition between them heats up, is to use the perishable categories, such as produce and meat, to generate market share increases and scale.

United Fresh believes that such a scenario would put undue pressure onto the primary production sector, including fresh produce, and should therefore not be a solution in the way it is proposed in the Draft Report.

Some Suppliers Have Stronger Bargaining Power Than Others – Paragraph 8.57, page 268

ComCom refers to the "vulnerability of suppliers of perishable products" being highlighted in submissions to its Preliminary Issues paper, quoting specific submissions of Horticulture New Zealand and T&G Fresh.

Commenting on the suggestion attributed to Horticulture New Zealand, that retailers earn higher margins on fresh produce than other product categories:

> Fruits and vegetables are, by default, perishable. The degree of perishability can vary. A harvested apple crop can be manipulated in cool storage to last for nine months or longer these days. The shelf life of a punnet of strawberries is measured in days, rather than months. A similar situation exists in the vegetable category. Onion perishability is measured in months, a head of lettuce wilts before the week is out. Any structured retail operation, regardless of size, in any developed nation, will manage its product ranges to achieve a departmental return, i.e., the produce department is expected to produce a certain store percentage of total turnover, achieve a certain sales target, and with that sales target comes a certain margin expectation, typically expressed as a percentage. This margin expectation takes into account the cost of product, the logistics costs of getting that product into store, and the waste & loss factor that the produce department is likely to incur by offering customers its range of produce for sale.
>
> The margin expected from an individual product is directly linked to its perceived level of perishability, with the retailer trying to get the balance right between reasonable margins, acceptable retail prices from a consumer perspective, and each product's need to move

off the retail shelf and into the shopping trolley at such a pace that waste & loss is kept to a minimum. That means that if the gross profit expectation for a produce department is a stated X%, some products will be sitting at a retail price equating to that percentage, but others will be offered at an X+ or X- percentage, based on the above identified factors.

Commenting on the quote from the T&G Fresh submission:

> The first sentence, "when fresh produce is grown, it must be sold quickly because of its perishability", is absolutely accurate in a generic sense. The ComCom market study, however, does not deal with generics, but attempts to understand the current reality so that recommendations can be made to the government about making changes to that reality.
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> The fact is, producers, marketers, and retailers in New Zealand and elsewhere are attempting every day to mitigate the perishability fresh produce represents. They do this by improved harvest techniques, the deployment of advanced cool chain technology, the construction of purpose build perishable produce centres, temperature-controlled transportation, just in time deliveries, improved category management, and refrigerated store shelving.
>
> The most critical improvement, however, is occurring with a mindset change that is actively being managed by some retailers and their produce suppliers. And that is to move from the "when fresh produce is grown, it must be sold quickly because of its perishability" position, to a new paradigm – "before fresh produce is grown, a market needs to be identified, where the harvested produce is welcome". Preferably accompanied by an indicative purchase price range, all things being equal.

Private Labels Can Also Distort Competition from Suppliers – Paragraph 8.167, page 294

This paragraph discusses comments from fresh produce suppliers, with regards to supermarkets preferring own-brand packaging over supplier-branded packaging.

There was a time until the late 1970s in this country, where growers, grocery product manufacturers, wholesalers, and retailers "stuck to their knitting". In other words, everybody operated within the confines of their role in the food value chain and did not attempt to build competencies in upstream or downstream environments.

At that time, packaged produce at retail was the exception rather than the norm. Produce was traded as a bundle of commodities, and the only pre-packed produce, potatoes, were sold in 10kg or 20kg Hessian sacks. At the same time, grocery products that could be found in the centre aisles of the supermarket were typically branded, and sold without barcodes on the packaging, as barcodes had yet to be invented.

The intensity of brand messaging in the centre aisles started to drastically increase as a result of two factors. The first one being product proliferation, as more New Zealanders were exposed to consumer experiences in European or US environments, with the change from sea to intercontinental air travel that had increased from the mid-60s onwards, and the removal of the import licencing scheme which saw new branded grocery products being increasingly available in the New Zealand market and competing with the local options.

At the same time, retailers who had until that point focused on buying, merchandising, and selling goods on a departmental basis, were discovering marketing as a discipline and learning that their store identities actually represented a brand in its own right. That brand e.g., Foodtown, Big Fresh or Three Guys, to use examples of retail brands no longer in the market, suddenly became of value to their owners, beyond the bricks and mortar component, and land underneath it, as owners realised that within the grocery aisles, competition could only occur on the basis of range and price, because it was grocery suppliers who were driving pack size, pack type and brand positioning.

Produce and meat, however, was virgin territory. Areas where true differentiation from competitors was possible by way of introducing quality specifications, making ranging decisions, moving into direct purchases from growers, and applying their own brand solution, thus leveraging from the value of the company brand, e.g., Foodtown or Big Fresh.

Once again, our point being that we are where we are at in our supermarket landscape in New Zealand, as the result of an evolutionary process that has taken place over decades. Adding another major competitor into that scenario is, ultimately, not going to change retailers' attitude towards house brands in produce, and regulating to the extent that it would limit the rollout of produce house brands, to whatever degree, is not compatible with the current commercial landscape our economy operates in.

Collective Bargaining by Suppliers – Paragraph 9.130, page 320

United Fresh is puzzled about ComCom noting in this paragraph that "collective bargaining is also relatively common in relation to groups of fresh produce suppliers". As far as United Fresh is concerned, there are no true collective bargaining mechanisms operating within the domestic fresh produce industry.

Collective bargaining, as defined by ComCom in paragraph 9.128, may be perceived as occurring in the avocado industry, for example, where several competing New Zealand avocado traders are taking a common approach to negotiating supply with Japanese and Australian wholesale and retail customers. United Fresh would not refer to this as collective bargaining, however, but rather as a form of coopetition, with coopetition being defined as "cooperating with a competitor to achieve a common goal or get ahead[1]."

In an export environment, the approach taken by, in this instance, the avocado marketers is very plausible, particularly when additional value adding steps have to be added in-country, e.g., placement into ripening facilities. Within the New Zealand domestic environment, collective bargaining performed by an industry association would, in practice, be difficult to achieve without adding further costs or creating additional inefficiencies. Produce is not manufactured but grown, and much of it is grown in the open air rather than under cover. No two cabbage patches will be producing identical heads of cabbage. Quality can differ within a grower's property, between different paddocks owned by the same grower, and between growing entities. Collective bargaining cannot work on this basis, if the objective is to achieve a consistent price across a volume of product, when the product is not consistent itself.

If anything, the trading floors of the wholesale markets have a better chance of achieving similar prices across like qualities of any product, particularly as in the domestic supply scenario a price negotiated today for next week's supply based on known condition at the time, can potentially be irrelevant twelve hours down the track because of a severe weather event or a glasshouse heating failure.

In the case of wholesale market trading floors, prices are arrived at on the basis of supply, demand, and supply meeting quality criteria at that point in time, when produce is available for sale.

An indirect mechanism of collective bargaining are produce packhouses when they pack several growers' crops and then market the packed composite crop under a packhouse brand.

Similarly, there are some produce categories such as citrus or kumara, where packhouses are operating as a separate entity and packing composite retail units, consisting of product of similar grade, from growers that may or may not be packhouse company shareholders. But the activities of these packhouses are not compatible with the collective bargaining concept.

[1] https://hbr.org/2021/01/the-rules-of-co-opetition, accessed on 10-8-2021.

United Fresh believes that a better understanding of ComCom's intent and a better understanding of process descriptions used would be helpful.

Initial Data Cleaning – E15 Validating Barcodes, page 419

United Fresh is the New Zealand member of the International Federation for Produce Standards (IFPS). The writer is the current IFPS Vice Chair. Amongst other standards, IFPS manages the Global PLU Standard. The authorised PLU codes are available and can be accessed free of charge at https://www.ifpsglobal.com/PLU-Codes/PLU-codes-Search.

Respondents' perceptions – F162 What Respondents Said About Product Quality, page 487

Looking after meat, seafood, and produce requires skills beyond the ability to stack grocery shelves. Major grocery retailers are very well aware of that and typically operate inhouse training programmes to ensure their produce staff has the required skills to look after the produce delivered.

Having said that, supermarket retailing is a volume game, regardless of category, and produce department labour hours are managed as a cost percentage of departmental turnover. The presence of produce of little quality appeal on the shelves can therefore become a self-fulfilling prophecy in terms of missing sales targets. However, the days when the produce manager, i.e., the individual who could be expected to be the most skilled in the department, was present during the entire opening hours have long gone, given the seven days trading environment, as well as the extended trading hours consumers have become used to.

Respondents' perceptions – F175 Respondents' Suggestions and Views About Potential Recommendations, page 488

The suggestion that GST should not be applied to fresh produce is not a new one and has been promoted by various parties over the years. Obviously, consumers would benefit from such a move, at least in the week after the decision would be implemented. Thereafter it would become increasingly difficult to measure to what extent the move to 0% GST rating was actually being transferred into the consumers' wallet, for the simple reason of no week being like the next and fruit & vegetable categories being commodities that respond to supply and demand market signals in their purest form, which means product price certainty does not exist. Even a comparison with the same week in the previous year could produce entirely different results, as seasons and weather events do not stick to the calendar.

In addition, the New Zealand GST regime is one of the most effective and easy to manage tax regimes of its kind, as it does not cater for exemptions for goods or services sold in the domestic market as a whole.

The question that would also need to be answered is how to define "fresh". A cut head of iceberg lettuce is most certainly "fresh", but is a sleeved leafy hydroponically grown cos lettuce also "fresh"? Or a bag of washed ready to eat salad leaves? Yet, all three items are sold alongside each other in the produce department. How should cut herbs be treated as opposed to potted herbs, also available in some produce departments. And there is no such thing as "fresh" onions. Onions are "cured" to reduce their moisture level and to extend their shelf life. GST, yes or no?

Indirect References to Fresh Produce of Some Significance

The ComCom report is a very comprehensive one. Produce is a significant product category from the consumers' perspective, but just one of many in the retail shopping environment. Given the nature of ComCom's report and the indication given about the range of recommendations it may make to Government, ensuring clarity from a definition point of view is critical. United Fresh has picked up two areas where such clarity would be helpful.

Glossary – Page 5 and 6

United Fresh notes that:

- The glossary does not contain a direct definition of perishable product categories or produce wholesalers.
- The definition of dry groceries includes a definition of fresh perishable product before it actually defines dry groceries.
- Frozen foods are classified as a fresh perishable product. Whilst frozen foods are certainly more perishable than dry pasta, for example, the grocery industry does not consider frozen foods as part of its perishable categories but manages these from a purchasing and retail shelf structure as part of its non-perishable offer.

Given the fact that ComCom is identifying significant factors in its draft report already that may lead to changes how the grocery retail sector operates, we would recommend that particular attention needs to be paid to the glossary/definition section to ensure absolute clarity, as the ComCom process evolves further.

Grocery Supply Chain – Paragraph 2.46, page 28

The sentence "Grocery wholesalers are intermediates who on-sell products to grocery retailers" makes no reference to produce wholesalers/produce market companies, yet growers of fresh produce are categorised as a supplier in the same paragraph. We would recommend that produce wholesalers should specifically be mentioned as a category in this paragraph.

Additional Concepts for Your Consideration

Factors that Influenced the Produce Auction Systems When it Served the Market

The wholesale produce markets that are operating today emerged from the once very common produce auction system, which some people appear to be advocating we should return to.

Whilst an auction, in its purest form, was at least able to create a state of equilibrium between supply and demand at moments of time, the reality was that the factors influencing an auction's behaviour were such that supermarket chains were no longer able to accept auctions as a viable mechanism.

These factors influencing auction behaviour included:

- *Less produce being submitted than anticipated.*
- *More produce being submitted than anticipated.*
- *More buyers than anticipated attending auction.*
- *Fewer buyers than anticipated attending auction.*
- *Attending buyers purchasing less produce than anticipated.*
- *Attending buyers wishing to buy more produce than was available.*
- *Quality problems with the produce.*
- *Quality problems with the produce packaging.*
- *Competing buyers wanting to special the same produce in a week of low supply.*
- *Buyers not understanding the supply patterns of key growers.*
- *Buyers having a better understanding of supply patterns than the auctioneer.*
- *Buyers suddenly changing predictable buying patterns.*
- *Inexperienced buyers attending auction in greater than expected numbers.*

Each of these variables had the potential to impact the price of the auctioned produce significantly[2].

Demand & Supply in the Produce Industry

An equilibrium exists in any industry when supply and demand are evenly balanced. This is particularly critical in the fresh produce industry as an oversupply of produce leads to increased waste and lower prices, whereas higher-than-expected demand can result in shortages and higher prices. The produce industry used to revolve around a distribution model until a few decades ago which had institutionalised the precise two situations just described and anything in between.

The industry has however changed since the 1970s. This change has been driven by a combination of advances in communication technology, refrigeration technology, post-harvest crop care and storage methods, distribution methods, the globalisation of corporate retail, political change, and free trade agreements. The auction system has been replaced with price negotiation frameworks conducted at wholesale level. Supermarket chains globally prefer to buy their produce directly from growers and packhouses which means volumes destined for those consumer channels bypass the wholesale trading floors which have replaced the auction systems.

The wholesale markets are often referred to as ***terminal*** markets, particularly in the US, that is, the markets where the produce ends up that cannot be sold directly.

This means that a straight-forward daily demand/supply equilibrium indicator used by the entire value chain for their price negotiations no longer exists and pricing decisions are made on the basis of individual transaction within discrete supply chains instead.

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[2] Maurer, H. (2020). Fair and Sustainable Product Prices. Realistic Goal or Unattainable Pipe Dream? https://agrichain-centre.com/wp-content/uploads/2020/09/Fair-and-Sustainable-Produce-Prices-Maurer.pdf.

The core issue the produce industry had yesterday, has today, and will have tomorrow, is that supply and demand is at no point in time in an absolute state of equilibrium.

In the produce industry, there are a number of significant factors which contribute to the reality that a true and sustainable equilibrium cannot be achieved. These are:

- Fruits and vegetables are in the first instance seasonal. Demand therefore varies, even if imported crops are able to extend the availability time frame.
- Fruits and vegetables are not manufactured but grown, in soil or other growing media. There is a constant risk that nature interferes by way of inclement weather events and often does. Supply can therefore vary based on production challenges.
- Growers compensate for this situation by spreading their risk. They either spread their production across several properties and/or grow a percentage above the anticipated demand to cover any production losses. When production losses do not occur or are less than expected, the 'surplus' product will still be typically offered for sale rather than the harvest being disposed of at an earlier stage. Supply can therefore exceed demand.
- Food retailers use fruits and vegetables to drive their overall marketing strategies. Sales are therefore not necessarily reflective of true demand and the demand scope for the following weeks can become skewed.

A more realistic equilibrium objective for a manager involved in supplying fresh produce into consumer channels is to achieve the "most practical outcome possible" in any given period of time.

What is the Market Price Today?

When all growers sent all produce to auction and all buyers turned up at auction to procure the produce they needed for their retail stores, the market price on the day was established with relative ease for every product that was put up for auction.

If all growers would send all their produce to the produce wholesale companies as of tomorrow and all buyers were prepared to purchase the produce for their retail outlets exclusively from the wholesale markets, establishing a market price would also be a relatively simple exercise.

But neither of those two propositions reflect today's reality, as produce reaches retail shelves through a variety of channels, with the supermarket retailers increasingly focusing on buying directly from growers and packers. And then there is the growing online market, where new channels have emerged that by-pass the wholesale market companies as well as the brick-and-mortar traditional retail distribution centres entirely.

How does today's market price then get established? Are the retailers, who buy direct, basing their prices on aggregate wholesale prices achieved the day before? Are wholesalers waiting to learn about what the retailers are prepared to pay this Friday for next Monday's delivery, before they set the prices for their market floor for Monday? Is the dog wagging the tail or is the tail actually wagging the dog? Who is the dog and who represents the tail?

United Fresh wants to leave ComCom with this final thought:

The produce industry is an integral part of the retail grocery offer in a supermarket, and as such, any changes that are applied to a supermarket chain's behaviour, be they voluntary or regulatory based, are bound to impact on that chain's produce operation.

The produce value chain in its entirety and in its management, however, differs considerably from the centre aisle FMCG product ranges. The major difference being the produce category's degree of perishability and the direct relationships between product availability and weather patterns, to just name the most critical ones.

We would like to ask ComCom to bear this in mind as it prepares its final report and its recommendations to Government. The well-meaning objective of improving the consumers' position in the grocery market is laudable, but any solutions applied to the 90% of the grocery offer that is not produce must take the realities of managing the 10% that is produce into consideration.