ECRA Annual Supplier and Retailer Convention REPORT

27 August 2015
Intercontinental Double Bay
Sydney

www.ecraustralasia.org.au

ECRA is supported by the
Australian Food and Grocery Council

ECRA Convention 2015

About Efficient Consumer Response Australasia

Efficient Consumer Response (ECR) is a business concept aimed at better satisfying consumer needs, through businesses and trading partners working together.

In doing so, ECR best practices will deliver superior business results by reducing costs at all stages throughout the value chain, achieving efficiency and streamlined processes. ECR best practices can deliver improved range, consumer value, sales, service and convenience offerings. This in turn will lead to greater satisfaction of consumer needs.

ECR Australasia reflects a commitment to take costs out of the grocery supply chain and better satisfy consumer demands through the adoption of world's best practice. In an increasingly global food and grocery industry and a retail environment subject to rapid change, the future for Australian and New Zealand suppliers, retailers and wholesalers depends on increased efficiencies, reduced costs and added value for consumers.

For more information about ECR Australasia, visit www.ecraustralasia.org.au

Special Announcement

The Trading Partner Forum is the meeting place for suppliers and retailers focusing on end-to-end value chain efficiency. A recommitment from Australian Food and Grocery Council, New Zealand Food and Grocery Council and leading supermarket retailers: Coles, Foodstuffs, Metcash, Progressive and Woolworths will establish the platform for a broader reaching, stronger and more cohesive body as is required to deliver efficiency and improved availability across the shared end-to-end value chain, and that will ultimately provide great outcomes for our shared customer – the shopper.

We recognise that we work in a challenging and highly competitive environment and need a strong and cohesive body to address many of the issues and pursue opportunities we face across the value chain.

The Trading Partner Forum will become the new meeting place for retailers and suppliers focussing on making this happen. In markets the size of Australia and New Zealand we strive to align and standardise processes on non-competitive issues to provide for the most efficient value chain operations possible, delivering benefits to the industry participants and to the shopper. We are looking forward to working together to deliver real value to the industry.

ECRA Board

A Note from the Board

It is with genuine pleasure that we are writing this note regarding the 2015 ECRA Retail and Supplier Convention Report. The event in Sydney on 27 August, was a great success, as we are sure that all of you who were fortunate enough to attend will agree. With Australia and New Zealand's leaders from retailer, supplier, manufacturing, organisations along with key industry stakeholders in attendance the event welcomed a great array of world class speakers sharing their insights. The Convention once again provided a perfect opportunity to get inspired by real leaders, discuss the hot topics of the day and to take advantage of the numerous networking opportunities.

Whether you were able to attend or not the **Convention Report for 2015** provides a summary of the essential key takeaways and provides insights into the passion to do well that was evident to all of those who attended.

The ECRA Board

Clive Stiff Unilever Australia & New Zealand
Graham Dugdale Simplot Australia Pty Ltd
Hamish McLeay The Wrigley Company
Matthew Foster Mars Petcare Australia
Orlando Rodriguez Coles
James Lane Coca Cola Amatil
Timothy Plummer Nestle Australia Ltd
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Linda Venables Metcash
Robert Scoines Sanitarium Health & Wellbeing Company
Steve Green Progressive Enterprises

ECRA CONVENTION 2015

Each year in August, the ECRA Retailer and Supplier Convention brings together leaders from across the fast moving consumer goods industry to examine, discuss and debate the current and emerging trends.

Each year since 2009, the ECRA Retailer and Supplier Convention has brought together leaders from across the fast moving consumer goods industry to examine, discuss and debate the current and emerging issues impacting our industry both locally and globally.

Changes to the business environment have been increasingly disruptive for FMCG companies …... and there's probably even greater disruption yet to come. The enormous challenges of the current financial reality; soft consumer sentiment; food safety and security concerns; supply chain risks; and an increasingly competitive market are impacting how we view our industry and how our joint consumer views our businesses.

The changing way shoppers engage with one another and with companies, coupled with the role and impact of key influencers, provides new opportunities, threats and realities.

- Why is it that consumers trust each other more than retailers and brands?
- How do our businesses better meet shopper needs and answer the question "who can I trust?"
- How do we as trading partners deliver real value by collaborating to deliver real benefits within a framework of trust?

The 2015 ECRA Supplier and Retailer Convention explored these themes and much more. Convention delegates gained insight to the challenges and opportunities ahead, and to real world strategies through interactive discussions and content rich sessions addressing the critical industry issues.

Welcoming Address

Clive Stiff, Chairman & CEO, Unilever Australia & New Zealand
Chair of ECRA Board

Clive welcomed delegates to the convention and thanked ECRA's generous sponsors. Clive outlined the benefits of suppliers and retailers working together to drive optimisation in the industry, noting the opportunities and challenges posed by the rapid pace of change in the industry and the emergence of disruptive forces such as the growth of mobile technology.

In officially opening the convention, Clive described how ECRA will be 'resetting the dial' through a transformation into a new body to be known as The **Trading Partner Forum**, focussed on reducing complexity, and collaboratively pursuing standards on non-competitive issues for the industry.

Session 1 What's happening globally?

Daniel Lucht
Global Research Director
ResearchFarm UK

Daniel advised delegates on 4 emerging trends occurring in Europe. Firstly the decline of the hypermarket and ways in which retailers were reinventing their businesses, followed by an investigation of the 'discounter surge' which included a case study history of Aldi, its business model, and why this has proved so successful for the retailer.

Daniel's third topic was wearable technology and the impact it is starting to have across areas such as health and fitness, GPS tracking and even moods and emotions monitoring. Finally Daniel talked about the on-line revolution and the various models being employed globally, the emergence of Amazon Fresh, and strategies retailers might take to develop competitive on-line businesses.

Pier Luigi Sigismondi
Chief Supply Chain Officer
Unilever Global

Pier Luigi described strategic approaches to delivering profitable, sustainable, growth, particularly in an environment of complexity in a highly globalised business such as Unilever and how this drives his company to employ and agile responsive supply chain to manage geopolitical issues as well as increasingly competitive trading environments.

A highlight of the convention was Pier Luigi's discussion relating to 'the strong purpose at the heart of what Unilever does', which included a focus on reduction of waste with targets to achieve zero waste to landfill – showing that the 'strong purpose' at Unilever goes beyond simply financial performance.

Session 2 What's happening locally?

David Thomas
Head of Australian Consumer Research
CLSA

David posed the question 'supermarket wars – are we there yet?', and undertook a review of the performance of the major Australian retailers over the past 15 years. David's message was that clearly price is going to be a key battleground for the market and its participants in the years to come.

David then covered a variety of current 'hot topics' including the Food and Grocery Code of Conduct, the role of independent grocery going forward, and the key retail battle grounds for the next several years. David suggested that 2016 will not necessarily be the year of the 'price war' but that it is coming fast off the back of discounter growth.

David Zehner
Managing Partner
Bain & Company Australia & New Zealand

David discussed a 'new reality for grocery suppliers in Australia' noting that Australian's have paid higher prices for groceries than similar markets which has invited competition into the market such as Aldi and niche suppliers. Meanwhile David suggested that multinational suppliers in Australia had been setting unrealistic growth and profit targets.

Utilising some 'crystal ball gazing' David saw a role for branded products as being price leaders combined with the rise of niche/premium products to drive profit based on similar approaches taken by UK retailers to combat discounters. David's 'four rules for the new reality' included playing the game right, focus (not scope), know your place on the shelf, and reset relationships.

Kosta Conomos
Executive Director, Retail Industry Group
Nielsen

With a theme of 'Growth – its out there, but its uneven', Kosta described a range of trends impacting the FMCG industry and its participant businesses, including a two-speed retail sector and channels therein, increased urbanisation of the population, global connectivity impacting the ways in which people shop, and an ever increasing willingness for consumers to shop on line.

Kosta went on to describe disruptive trends which are impacting retail sales. These includes changing meal occasions, hyper-localisation, wellness requirements, the arrival of the 'smart home', and proximity retailing. Kosta proclaimed that 'the connected commerce era has arrived' and that businesses need to leverage global trends, intersect physical and digital formats, and employ advanced analytics to enable growth.

Session 3 Trust in the FMCG Retail World

Trent Duvall
Partner, Consumer & Industrial Markets
KPMG

Trent provided delegates an overview form KPMG's recent 'Top of Mind' survey of C-suite executives. Top line growth and data analytics featured in the top 3 critical issues both globally and locally, whilst consumer health and wellness was also a 'Top 3' issue for Australian executives in place of talent management for their global counterparts. Consumer trust was noted as another emerging area of critical importance.

Trent then went on to outline what senior executives surveyed considered to be areas for increased investment over the next few years. These investment priorities included consumer trust, omni-channel and technology, consumer knowledge, the supply chain, data security, and corporate social responsibility and sustainability.

Tim Riches
Chief Executive Officer
Edelman

Tim focussed on the state of trust in today's global food environment, utilising Edelman's Annual Trust Barometer survey of 33,000 constituents over 27 countries. Tim considered Trust to be a 'critical lubricant of consumer behaviour', noting that distrust levels are on the rise, with On-line influencers replacing NGO's, Government and Media as the most trusted sources of advice to consumers.

Tim flagged that trust in the food and beverage sector is relatively high, which is important as it helps protect the sector from deeper levels of regulation. Time proposed that the industry could build further trust by focussing efforts on solving consumers' problems, behaving appropriately in consumers' interest, and engaging with the consumer community through meaningful interactions.

Nick Harvey
Head of Australia & New Zealand
The Gap Partnership

Nick reminded delegates that 'we don't negotiate with companies, we negotiate with people' and that there is a key relationship between trusting, liking, and respecting the other party in negotiation. Tim noted the critical importance of asking "why?" so that you can understand the other party's wants and needs when negotiating.

Nick posed the question "What is trust?" and suggested to delegates that trust incorporated a shared belief that two parties could depend on each other to achieve a common purpose, that trust could be shared in 'implicit' and 'explicit' behaviours, and provided delegates a viewpoint that trust could be considered as a 'bank account' against which deposits and withdrawals could be made.

Neil Rechlin
Partner
NextGen Group

Neil told delegates "Conflict inhibits growth" and that "tomorrow is going to be tougher than today", noting that as conflict increases it becomes difficult to develop and promote a growth agenda. Neil discussed the Food and Grocery Industry Code of Conduct and advised that whilst business may not get easier, the introduction of the Code facilitates a positive change in the conversation.

On the topic of trust, Neil provided suggestions which can assist industry to achieve positive outcomes, including: the introduction of the Code as a framework for doing business; learning from other industries to compartmentalise the agenda and build dedicated resources; and, to 'keep it simple' wherever possible to avoid complexity and misunderstanding among trading partners.

Session 4 An Afternoon with the Retailers

Adam Stapleton
General Manager, Merchandise Transformation

Ron Volpe
Head of Central Transformation & Supplier Collaboration
Coles

Adam reviewed Coles' 'strategic bridge' model it is pursuing to become' the best food retailer in Australia'. Key strategies included: cost savings being invested into price; better availability in store; speed to shelf to promote longer shelf life and quality; and, reinvesting of cost savings into the business.

Ron discussed Coles' supply chain 'Project Unity', aiming to promote a faster, simpler, more reliable and collaborative end to end supply chain with aligned KPIs and longer term planning. Coles' focus is on collaboration, availability, simplicity, freshness, creation of trusted value and its supplier charter through a variety of initiatives being undertaken with suppliers.

Linda Venables
Chief Logistics Officer, Metcash

David Dyer
Director, Dyer's Distribution

In a presentation headed 'Safety – preventing death on the road', Linda discussed Chain of Responsibility legislation and the various parties who are responsible for safety in the supply chain. Linda noted this as a key area of importance for Metcash as there are ever more trucks on the road, and in particular the importance of managing issues related to fatigue, speed, and load restraint.

David described his company's journey to comply with the Retail Logistics Supply Chain Code implemented by the Australian Logistics Council, and the benefits to a carrier in terms of a levelled playing field and improved sharing of data and best practices amongst industry. Linda supported this with a case study showing processes Metcash has employed to strengthen its chain of Responsibility compliance.

Tim Donaldson
General Manager, Retail Operations (Designate)
Foodstuffs South Island Ltd

Tim provided an overview of Foodstuffs' business in New Zealand, describing each of the different retail outlet banners serviced by Foodstuffs in the South Island from 'big box' to convenience stores. Tim also highlighted a raft of consumer trends which are impacting both retailers and suppliers in New Zealand currently.

Tim went on to flag the key dynamics shaping the NZ market in 2015 and Foodstuffs' response to these, including: retiring baby boomer generation, generation x and y seeking better shopping experiences, changing consumer expectations in store, the growth of on-line shopping, ranging for healthy and dietary needs, and ethnic population expectations. Time noted Foodstuffs' appetite for supplier collaboration in meeting these challenges and opportunities.

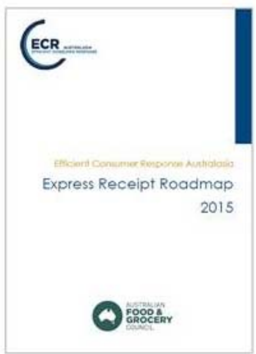
Jack Hanrahan
Retail Relations General Manager
Westfield Group

Jack spoke of the 'tectonic shift' in retailing over the past 10 years, driven by the technology boom, consumer generations, increased globalisation, and advanced business models being employed. The trend will continue apace through a second era of digital retail encompassing the use of robotics, smart shelves, accurate in-store locating, drones and automated delivery vehicles.

Jack highlighted what he saw as key disrupters to the market. These included: Mobile – shop anywhere, anytime; in store digital technologies and sensient stores; smart shelving in store; smart packaging technology; on-demand merchandise; near field communication and wearable devices; 'vibrant' data; and, artificial intelligence.

ECRA Reports Launched at Convention

Express Receipt Roadmap



The Express Receipt Roadmap, developed by an industry working group, provides guidance to trading partners considering the implementation of Express Receipt processes.

This Roadmap document is focussed on providing support to industry in relation to addressing the identified requirements and overcoming issues in order to provide a platform for excellence for trading partners seeking to engage in Express Receipt programs as and when retailers wish to implement such processes.

The Roadmap focusses on controllable quality and accuracy requirements and optimising of processes. In doing so, it identifies performance areas to be demonstrably achieved with exceptional quality and consistency prior to, during and post implementation of Express Receipt programs, as well as quality on-boarding and subsequent management processes including appropriate measures and measurement practices.

Visit www.ecraustralsia.org.au to download the roadmap.

Just a Click Away – Digital Enablement and the On-line Shopper

Technology has transformed how we shop for books, music and travel. In FMCG digital is starting to redefine what it means to go ‘grocery shopping’ as the lines between the digital and real worlds blur. Increasingly retailers are introducing on line offerings which make it easier for tech savvy time-crunched shoppers to get the items they need.

This report developed by Nielsen provides insight into the ways in which people across the demographic generations approach their shopping trips, what is most important to them, and what retailers and suppliers can do to best meet their wants and needs. This document is a valuable thought starter for internal and trading partner discussion which provides insight into the digital shopper across a range of extremely relevant and important considerations for our industry.

The Board of ECRA thanks all sponsors and delegates who supported the 2015 ECRA Convention.

Our Sponsors