

## Connecting with the Consumer



23 & 24 October 2014  
Crown Conference Centre  
Melbourne, Australia

*ECRA's Annual Supplier & Retailer Convention*



# ECRA Annual Supplier and Retailer Convention REPORT

23-24 October 2014  
Crown Conference Centre  
Melbourne

[www.ecraustralasia.org.au](http://www.ecraustralasia.org.au)



ECRA is supported by the  
Australian Food and Grocery Council

# ECRA Convention 2014

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](http://www.ecraustralasia.org.au)



# ECRA Board

It is with genuine pleasure that we are writing this note regarding the 2014 ECRA Retail and Supplier Convention Report. The event in Melbourne, from 23 to 24 October, was an enormous success, and we are sure that all of you who were fortunate enough to attend will agree with us on this point.

With Australia and New Zealand's leaders from retailer, supplier and manufacturing organisations along with key industry stakeholders in attendance the event welcomed a great array of world class speakers sharing their insights into "Connecting with the Consumer". The Convention 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 2014** 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

**Grant Enders** Coles

**James Lane** Coca Cola Amatil

**Timothy Plummer** Nestle Australia Ltd

**Kathryn McLay** Woolworths

**Steve Green** Progressive Enterprises Ltd

**John Mullins** Foodstuffs South Island Ltd

**Adrian Cook** Tasti Products Ltd

**Tia Jordan** Procter & Gamble Australia

**Mike Butcher** Heinz Watties NZ

**Kelly Smith** NZ Food & Grocery Council

**Ken Bean** Metcash

**Robert Scoines** Sanitarium Health & Wellbeing Company



Good Food, Good Life



# ECRA CONVENTION 2014

Each year in October, the Efficient Consumer Response Australasia Retailer and Supplier Convention brings 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.

Technological and digital revolutions are starting to transform, and in some cases even disrupt, the value chain as we have known it. This is leading to an unprecedented pace of innovation and change, impacting how, where and when we shop, how we engage with shoppers and how consumers engage with our products, and the ways in which we work with trading partners to develop responsive, agile and flexible supply chains to meet shopper demands.

Globally and locally the FMCG Retail industry is entering a period of rapid expansion across new channels to market and seeing a vast increase in data driven insight into shopper behaviours and preferences. The ways in which shoppers interact with retailers and brands will continue to change at an ever increasing pace.

The 2014 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. The Convention continues to be a must attend event for decision-makers within FMCG industry organisations on an annual basis.



**THURSDAY 23 OCTOBER 2014**

**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 challenges facing the industry within a changing landscape driven by the emergence of social media, mobile technology and on-line shopping. He urged delegates to strongly consider "what will this mean for our business?" Clive flagged the need for increased collaboration between trading partners to truly work together to provide value to shoppers.



The role of ECRA was highlighted as it continues to bring retailers and suppliers together to focus on the consumer.

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**Jim Flannery  
Senior Executive Vice President Operations & Industry Collaboration  
Grocery Manufacturers Association (GMA)**

In describing challenges faced by the industry in the US and global context, Jim noted that some things had not changed since the inception of ECR 20 years ago. Particularly in relation to the need to put the consumer at the centre of decision making, and that value chain collaboration had never been more important, albeit not an easy goal to achieve.



Jim highlighted key areas that were changing rapidly, the growth of e-commerce driven by consumers' thirst for knowledge and the ways in which the new and emerging digital world impacts a consumer's path to purchase. He provided examples of how levels of transparency and consistency were still quite variable through the eyes of the consumer.

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**Stephen Koukoulas  
Managing Director  
Market Economics Pty Ltd**

Stephen examined the question "What's in store for the Australian economy?" with a review of current global trends and their impacts on the world with which Australia trades. Topics broached included the slowdown in mining, rising house prices, unemployment rates, and interest rates, and how these impacted consumer confidence and spending.



Stephen pointed out that the Australian economy was seeking a move away from manufacturing and towards the services sectors. Investment in the retail/wholesale sector has been soft in recent years as businesses have been weathering the low growth period. Stephen predicted the big issues for the short term to include house price moderation, the need to resolve the budget, China's slowdown, US monetary tightening and issues clouding the Eurozone, and the impact of these on the Australian Dollar.

**John S. Phillips**  
**Senior Vice President, Customer Supply Chain & Global Go-To-Market**  
**PepsiCo Global Operations**

John described the success generated through Apple's focus on the consumer experience first, followed by development of the technology to support this goal. John noted that business used to be the first to engage in new technologies but today it was the consumer who reacted first, with a 'mind blowing rate of change' driven by the engagement with technology by today's youth who rely on technology as a key part of their life. John flagged Apple, Google, Facebook and Amazon as key innovators in the social technology sphere.



John then investigated trends most relevant to the FMCG industry and the impact of the divergence of the digital and physical retail environments. He noted change driven by the use of smart devices, hyper connectivity, and gamification built into marketing and sales functionality, and the degree of personalisation possible to consumers today.

Finally, John discussed latest technological developments in areas including the use of wearable technologies, robotics and home delivery utilising drones.

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**Phil Bonanno**  
**Client Partner**  
**Facebook Australia & New Zealand**

Phil focussed on efficient and accountable marketing in retail, highlighting three areas – the new reach and frequency, the new path to purchase, and the new merchandising platform. In the first of these areas Phil advised delegates that approximately 10 million Australians utilise Facebook each day and this provides tremendous market insight in relation to demographic and geographic user information.



Consumers' new path to purchase includes the use of multiple devices, with Phil describing the retail store as simply being 'another device just like a mobile app or a website'. Phil talked about how to tailor conversations with consumers on various mobile platforms and the need to make marketing tools such as catalogues content relevant to specific shoppers as "one size fits no-one" in the new digital world.

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**Jean-Yves Heude**  
**Founder & Owner, ChessMate Consulting**

Jean-Yves highlighted the tough business environment suppliers have faced in recent years with increased trade spend not translating into sales growth and a profit shift from supplier to retailer.

Jean-Yves noted that the market had moved from one of 'win-win' to a 'balance of power' model, the nature of the relationship now being one of pure commercial negotiation.



Jean-Yves discussed the retail battle for sales/m2 and discount competition from Aldi and Costco. With pressure to continue to achieve strong profit figures, risk of new discounter entrants in an environment where there was little differentiation between Coles and Woolworths' stores. Jean-Yves expressed the opinion that suppliers could 'win' in the market due to the importance of shopper loyalty to brands, and that their brands should be relevant and unique to shoppers as a result.

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**Tony Davis**  
**Director, Quantum**

Tony provided delegates a reality check that their best customers don't tell you what they want... they simply switch to your competitor. He flagged work undertaken by Walmart and Tesco to integrate consumer insight through to sales activation by identifying the most resonant forms of media and determining how these could best be employed to influence shoppers.



Tony then described work undertaken with local retailer Woolworths, to utilise loyalty program data to better understand their shoppers and develop appropriate approaches to engagement tailored to wants and needs. In addition to loyalty program data, Tony highlighted other data streams such as financial data and insight drawn from media data allowing for targeting advertising campaigns to the programs most watched by target consumers.

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**Jennifer Lai**  
**Manager, Information Interaction & Visualization, Melbourne Lab**  
**IBM Research**

Jennifer considered ways in which retailers are switching focus from efficiency to driving customer loyalty, and from cost to growth. At the forefront of strategy development was Big Data, whose key parameters in Jennifer's view included the 'four Vs' - Velocity, Volume, Variety and Veracity.



Jennifer described the importance of using social media to engage customer and create brand awareness. This is created by bringing the stores to the internet and the internet to the stores. Connecting 'social buzz' by listening to consumers and capitalising on what is learned to build trust and relationships. Finally Jennifer noted the opportunity to target consumers intelligently by adjusting marketing messages and channel approaches.

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**Darren Fitzgerald**  
**Head of Customer Service & Customer Facing Supply Chain - Oceania**  
**Nestle Australia Ltd**

Darren expressed the view that on-shelf availability (OSA) is about trust, collaboration and a focus on the consumer, and that the prize for getting these factors right was increased sales for retailers and suppliers alike. Darren described a global program implemented by Nestle to improve OSA, including measurement processes and specific pilot programs in the United Kingdom.



Key initiatives included improvements to packaging, shelf edge label accuracy and planogram tailoring. Alerts processes for out of stocks are also an important aspect of the program, including the use of crowd sourcing, CCTV cameras and shelf edge monitoring technology (and who could forget the shelfie!) Darren's recipe for improving OSA included a genuine commitment to the cause, the need to prioritise actions and the requirement to engage all parties in the collaborative effort.

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## On-Shelf Availability Panel



The OSA Panel included John Mullins (Foodstuffs), Ron Volpe (Coles) and Steve Longley (Woolworths) and was facilitated by Patrick Medley (Kedleton and Co). To commence, each retailer provided a short overview of what product availability meant to their business and some of their key initiatives aimed at driving improved OSA.

The panellists then took questions from Patrick and delegates, covering a wide variety of topics including:

- ◆ Winning in Summer / Winning in January action plans
  - ◆ Crowd sourced OSA management opportunities
  - ◆ Utilising weather patterns in predicting supply and demand planning needs
  - ◆ Consumer demands in an omni-channel environment
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## FRIDAY 24 OCTOBER 2014

### Michele Levine CEO, Roy Morgan Research

Michele advised delegates that business confidence in the economic outlook was weak with low expectations of increasing employment or investment in 2015. Conversely, consumer confidence was slightly positive, although Michele noted concerns relating to unemployment, particularly amongst younger Australians, as well as broader economic issues.



Michele then provided a snapshot of current and emerging demographics within Australia. She touched on social/progressive outlook, the growing and aging population, women in the workforce, the rise of the Asian population base, and utilisation of the internet and related technology. Michele described how Roy Morgan segment the population utilising their 'Helix Persona's' program and how marketers utilise this information.

**Ben Gilbert**  
**Director Australian Retail, UBS**

Ben highlighted the evolving battle in grocery, a market characterised by low growth and an increased percentage of goods purchased on promotion, noting that these factors were contributing to low inflation. Ben described how retailer EBIT is rising whilst suppliers are seeing EBIT steady to falling. The Australian retailers enjoy a larger share of industry profit compared to global counterparts – and trending higher.



Ben flagged the impact Aldi and Costco were having in the market with the major retailers dropping prices in reaction to the discounters. Metcash faced cost to serve challenges. Ben's outlook saw prices being driven even lower, ranges being reduced, aggressive cost reduction by retailers and the challenge to drive loyalty among consumers in the face of the continued rise of discounter market share.

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**Antoinette Ienco**  
**Director, Consumer Products Retail & Distribution Team**  
**Capgemini**

Antoinette told delegates that the industry today is in an era of disruption across both commercial and supply chain functions. Digital shopping means that consumers have more product and price information available to them than previously. As a result consumers are showing less brand loyalty, with all products now being of a strong quality (including private label) and price becoming a critical factor.



Antoinette noted that this new era is adding complexity to the supply chain through the growth of home delivery and that supply chains were reacting to new modes including shared services, selling direct to consumers, and implementing reduced lead times. Finally Antoinette considered the next generation of supply chains and highlighted the benefits which can flow to companies who can implement the right strategies.

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**Kosta Conomos**  
**Executive Director, Retail Industry Group**  
**Nielsen**

Kosta examined the issues weighing on the minds of consumers, including concerns relating to unemployment, the cost of living such as utility bill increases, broad economic issues, household debt and rises in food prices. These issues were exacerbating the 'haves and have nots' division within Australia, which impacts the retail sector in relation to the growth of discounters and difficulties for the convenience sub-sector.



Kosta described challenges lying head for suppliers, including margin maintenance, difficulties in achieving price increases, trading terms pressure, cost to serve issues and the rise of private label product sales. These factors have ramifications for suppliers' capability to invest in innovation. Kosta the provided Nielsen's top 5 trends for 2015, including moves towards freshness and wellness, focus on the individual in retailing, managing the rich/poor divide, the struggle for loyalty among shoppers and the role of innovation.

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## **Tim Clover** **Director, Engagement Innovation**

Tim discussed the end to end value chain through the mobile consumer connection. He highlighted the rise in advertising on mobile devices and the risk of 'drowning in data' which follows all digital transactions. The modern company's quest is to facilitate meaningful decisions and strategies based on retail data, brand data, and consumer data, but at the same time manage issues such as cost pressures, reduced innovation spend, and reduces analyst resources.



Tim's advice was that "sharing data better will be the key to stronger categories". For retailers this will include point-of-sale, loyalty program and credit card data. For suppliers data will be at an aggregated level. As such it will be important for retailers to share data with suppliers as the end consumer spends more time with brands than with stores. Tim then provided an overview of 'Glow' his company's mobile app which provides a means for consumers to provide instant feedback to suppliers and retailers.

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## **Jessica Richmond** **Head of Digital Marketing, Marketing Communications, Coles** **2012 Joe Berry Australian Retail Industry Executive Award Recipient**

Jessica spoke of how consumers are overloaded by choice, yet have limited time available and how retailers were connecting with their consumer base with varying levels of success and skill. Jessica provided examples of great performance in consumer connection both overseas and within Coles. Initiatives included tailored Flybuys offers, and utilising [taste.com.au](http://taste.com.au) meals solutions website.



Jessica highlighted the importance of retailers using mobile apps which add value to their customers through assisting them to purchase with information and advice rather than simply selling products to them. Additionally retailers can assist customers though provision of customer friendly initiatives such as click and collect offerings and 'the endless aisle' expanding the range of products on offer to shoppers. In conclusion, Jessica reminded delegates that traditional 'bricks and mortar' stores provide opportunities for great theatre and consumer experiences.

## Dan Gregory CEO, The Impossible Institute

Dan provided an entertaining and informative view of 'survival in the reputation economy'. We are living in a time of unprecedented change driven by the digital revolution. This was, however, a 'double edged sword' as access to all communications and actions on-line become possible. In this environment Dan saw information 'curation' as being the power base as it allows consumers to cut through data overload.



Dan noted that consumer expectations continue to rise, which means it is far easier to disappoint and frustrate people - now they can tell everyone else about it too! Dan's advice to businesses was to create a compelling identity which represents the identity consumers are trying to project of themselves, otherwise businesses risk becoming irrelevant to the consumer. "To be successful, we need to move from 'what's in it for me', to 'what's in it for them'" Dan told delegates, noting that shared approaches to problem solving was critical to success.

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## ECRA Reports Launched at Convention

### Display Pallet Toolkit

The Display Pallets Toolkit, developed by an industry working group, provides guidance to businesses considering the use of display pallets for off-location and aisle end applications.

The move to display pallets is not a standalone best practice and it can impact numerous elements of the supply chain. If not implemented with due consideration to these impacts it has the potential to increase costs and reduce efficiencies.

ECRA has been pivotal in delivering aligned positioning between major retail organisations, which in itself will not mitigate costs and complexity but should assist suppliers in avoiding costly duplication of effort. The Toolkit provides the basis for industry standards and should be supplemented by trading partner discussions and product/category considerations.



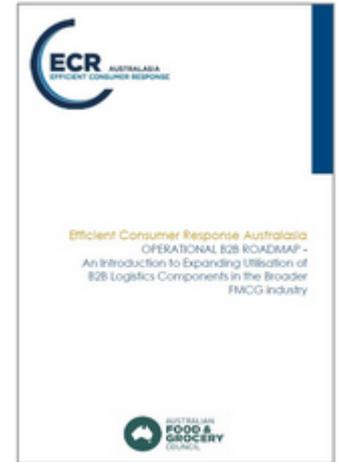
## Operational B2B Roadmap

ECRA's Order to Receipt Excellence Working Group, consisting experts from major retailers, FMCG suppliers and GS1 Australia, have released a new guidance document for industry focussed on broadening the use of the operational aspects of B2B E-Commerce.

The Operational B2B Roadmap is intended to be a 'common language' catalyst and thought starter aimed at focussing attention on the broader use of B2B E-commerce capabilities beyond the Supplier – Major Retailer interface. Specifically the roadmap explores the use of SSCC Labels and Advance Shipping Notices (ASNs) into areas of opportunity such as internal stock transactions; 'upstream' suppliers of raw and packaging materials; and with smaller trading partners such as (i.e. non-Major) retailers, distributors and wholesalers.

The Roadmap document also provides links to technical advice, tools and resource guides where more detailed information is provided.

Visit [www.ecraustralia.org.au](http://www.ecraustralia.org.au) to download reports.



The Board of ECRA thanks all sponsors and delegates who supported the 2014 ECRA Convention and look forward to joining together again at the 2015 ECRA Convention.

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## 2015 ECRA Annual Supplier & Retailer Convention



# SAVE THIS DATE

27 August 2015  
Pier One Sydney Harbour  
11 Hickson Road, Walsh Bay, Sydney

[www.ecraustralia.org.au](http://www.ecraustralia.org.au)