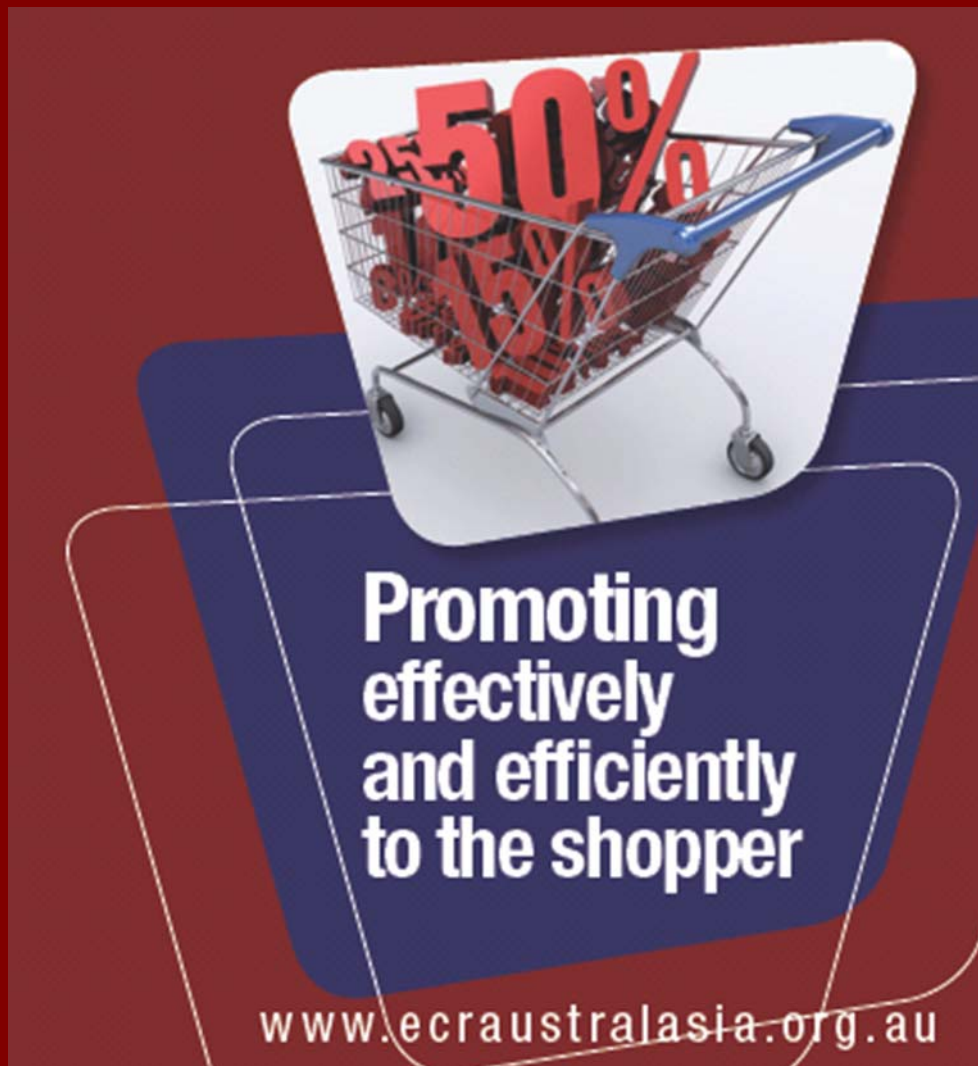




Efficient Consumer Response Australasia

2010 Conference Report



Supported by the
Australian Food and
Grocery Council

Efficient Consumer Response Australasia (ECRA)

Conference Report 2010

Promoting Effectively and Efficiently to the Shopper



ECRA 2010 Conference

The Second Annual Efficient Consumer Response Australasia Conference was held at the Hilton on the Park Hotel in Melbourne on 21-22 October 2010. Approximately 140 delegates took the opportunity to view presentations from local and international FMCG industry experts and to network with colleagues, peers and business partners.

The title of the conference "Promoting Efficiently and Effectively to the Shopper" encapsulated the key theme over the two days – an investigation of the promotional landscape in Australasia, and the issues and opportunities therein, with the topics considered from both a global and local perspective, and from both the retailer and supplier points of view.

The Board of ECRA expresses its thanks to all speakers and organizers, and particularly to the delegates for making this year's conference a success. ECRA looks forward to continuing to fulfill its role as the only industry body that brings together suppliers, retailers and wholesalers to promote industry-wide initiatives in the value chain that deliver benefits to the industry and the shopper.

The ECRA Board of Directors

ECRA is managed by a Board of Directors encompassing senior managers from both Retailer and Supplier organisations in Australia and New Zealand. The Board is responsible for determining the agenda for the conference, and many of the Board were active participants throughout the event.

Martin Drinkrow (Chair) Clorox Australia Pty Ltd

Gary Tempany Metcash Trading Ltd

Matthew Foster Procter & Gamble Australia Pty Ltd

Gijs Faber Foodstuffs (Auckland) Ltd

Mark Payne Coca Cola Amatil Ltd

Peter Elms Woolworths Ltd

Murray Johnston Progressive Enterprises Ltd

Tristram Wilkinson Kimberly-Clark NZ

Matt Swindells Coles Group

Kevin Jackson Sanitarium Health Food Co

Dan Gilbert National Foods Ltd

Stephen Ray Nestle Australia Ltd

Katherine Rich, NZ Food & Grocery Council

George Adams Coca Cola Amatil NZ

Alain Moffroid Unilever Australasia



Martin Drinkrow, General Manager, Clorox Australia Pty Ltd, ECRA Board Chair

In his welcoming address, Martin noted the challenges facing the industry as shoppers change their buying and consumption habits in the wake of the global financial crisis (GFC), and, at the same time, the wealth of opportunities such change brings. Martin highlighted the active role ECRA undertakes to in supporting industry initiatives through its engagement across Retailers, Wholesalers and Suppliers.



Louise Spillard (Director of Research, IGD UK)



Louise took delegates to the other side of the world, with a comprehensive overview of key activity in the leading UK market. 'Know your shopper' was Louise's key message, as there is a "new world of value and values" underpinning shopper preferences and behaviours. Price is still a key consideration but so too are ethics, localism and waste with shoppers and consumers mindful of energy, water and food 'crunches' coming down the track.

Events based marketing, increased focus on loyalty programs, web based solutions, new technology applications, new channels of business, and store format evolution were amongst the responses Louise demonstrated with insightful examples of their application in the UK market.

Valentina Tripp (Director, Business Performance Services Advisory, KPMG)



Valentina focused on the Australian economy, noting that 2010 was proving a difficult trading year with price deflationary impacts. Valentina explained that supermarkets had performed comparatively well through the GFC, but that it appeared shopper purchasing had become polarized with high end luxury purchases complimenting the growth of private label (PL) on staple goods.

Valentina identified that population growth patterns in Australia would see children under 10, Generation Y 'thirty something's and active retirees become 'hot spots' for retail and manufacturers. Of concern, Australia has become a net importer of Food and Grocery items over the past year, bringing inherent concerns as to issues of food security and industry security in the years ahead.

Dr Joerg Hofstetter (Vice Director and Senior Lecturer, St Gallen University, Switzerland)



Joerg announced that "out of stocks are a marketing problem" with low on-shelf availability equating to a loss of profit and driving down loyalty. The new perspective, said Joerg must move 'from shop to shopper'. In Joerg's words, "with low on-shelf availability, we force shoppers to become disloyal" both to brands and to stores.

Additionally, Joerg weighed in on the issue of price promotions, describing how such promotions have changed the perception of the real price of an item, with the promoted price now being the reference price for shoppers. With promotions adding complexity to planning and inventory management the implications to on-shelf availability rates were considerable.



Bryan Hall (Senior Consultant Advanced Analytics, Synovate Aztec)



Bryan examined the impacts of promotions on categories, highlighting that if not executed strategically, promotions can in fact devalue a category for shoppers, retailers and suppliers alike. Suppliers and retailers must work together to target the shopper but in doing so must find a balance that provides the best outcomes for shopper satisfaction and category growth.

Bryan challenged delegates to ask themselves "what impact will this promotion have on the whole category?" and then focus on promotions that drive category growth.

Samantha Blake & John Cawley (Manager ECRA and Assistant Manager ECRA)



John provided perspective on the ECRA initiative entitled "Winning with Promotions" which involved an industry survey of suppliers coupled with an in-store availability audit, the results of which provided an understanding of the promotional landscape in Australia and a basis for retailer specific workshops to investigate key issues.

Samantha then detailed key findings at an industry level which flowed from the workshops and provided the basis for a series of recommendations to industry (and to specific retailers). These recommendations can now be utilised both in trading partner discussions and within businesses looking to improve their on-shelf availability rates on promotion.

Adam Fry (Senior Business Manager, Woolworths Ltd)



Adam's message was all about developing an understanding of your business partner – their structure, systems, processes and capabilities. The challenge put to suppliers was to understand how their retailer trading partner's business works as well as they understand their own organisation. This facilitates efforts to align, with clarity as to which areas of misalignment need to be addressed.

Adam noted the importance of collaboration at all levels of the business relationship, particularly highlighting the importance of educating the 'doers' – i.e. those in operational roles in stores such as sales representatives and store personnel. Adam demonstrated his point with a compelling case study from the Woolworths business.

Matt Swindells (General Manager, Replenishment, Coles Group)



Matt started with a reminder to delegates that whilst planning was of great importance, not to overlook the critical role of execution – 'execution is the litmus test of planning' Matt advised. Matt went on to emphasise eight actions he sees as key to ensuring promotional execution is optimised between Coles and its trading partners.

Matt provided a good deal of practical advice to delegates, including: not to run a promotion if you are not confident you can execute it well; identifying upfront which items are problematic and at risk if promotional changes occur; harnessing what the field and store teams are doing; and, the value of getting out into the

Dean Smedley, State Promotions Manager – VIC, Metcash Trading
Craig Tapping, Regional Manager – VIC, Coles Group
Robert White, Retail Support Manager, Wooworths Ltd



Regional Managers from Coles, Woolworths and Metcash took questions from the floor in relation to store operations and the impacts of promotions 'at the coal face'. This provided a different perspective as to the impacts of both well and poorly executed promotions on stores and their staff.

A key take out message from the session was that from a store point of view it is preferable not to run a promotion at all than to run it poorly and present out-of-stocks to shoppers!

Gijs Faber (General Manager Supply Chain, Foodstuffs (Auckland) Ltd)



Gijs investigated the issue of the critical elements of communication in relation to promotions. As well as presenting the ideal scenario for a promotional planning process and the associated key communication points, Gijs warned that things will inevitably go wrong on occasions. Therefore the critical requirement is to be able to respond to issues with agility, which in turn requires especially strong lines of communication.

Gijs went on to highlight the vital role that supplier sales teams play in optimising promotions through clear communication with the Foodstuffs business in New Zealand, and the value both parties derive from this.



Markus Hoffman (President & Managing Director, CAS Systems of Australia Pty Ltd)



Markus flagged imperatives for consumer products companies, emphasising the key aspect of differentiating a business at store level. Tips included focusing on data management and leveraging the benefits, moving from promotional management to promotion optimization and focus on integrating in-field execution. Markus noted that only 52% of promotions are evaluated, and for half of these the process takes over four weeks.

Markus provided a range of case studies for businesses who have used technology and analysis to optimise return from promotions and gave advice to 'go from historical analytics to predictive analytics' and shared the benefits of doing so with delegates.

Thursday 21 October 2010 (cont'd)

Adam Arnold, National Buyer Supplier Development, Metcash Trading
Shane Azzi, National Supply Chain Manager, Mars Petcare Australia
Hugh Callander, Director Customer Supply Chain Solutions, Campbell Arnott's
Justin Henderson, Senior Store Replenishment Manager-Food & Liquor, Woolworths Ltd
Steve Mitchell, Customer Supply Chain Manager, Unilever Australasia
Matt Swindells, General Manager Replenishment, Coles Group

The panel, comprising executives from both retailer/wholesaler and supplier sides of the trading relationship examined whether collaboration on promotions was a fantasy or a reality. Current issues which inhibit optimised promotional performance were investigated and some lively discussion ensued in relation to the level of promotional activity in the marketplace currently, and the sustainability of such a heavily weighted emphasis on price discounting.



Craig Woolford (Director Consumer Sector Research, Citigroup Investment Research ANZ)



Craig examined the shopper's response to price promotion as the trade emerges from the retail recession of quarter two 2010, noting that food prices for home consumption were down 3% versus the prior year and non-food prices down 1%. Craig noted that a 1% drop in price only equated to a 0.1% increase in volume, and therefore questioned why the industry would price promote!

Craig went on to discuss the cost pressures which are mounting from underlying commodity input cost increases (in spite of the strong dollar) and that food inflation should emerge from around February 2011. Craig discussed the retailers' strategies to increase margins and their anticipated key activities for the next 18 months.

Friday 22 October 2009

Mark Ellis (Managing Director, Sensory Solutions)



Mark investigated the 'moments of truth' for shoppers in their purchasing decision making process. These included the 'zero' moment of truth of researching on-line, then the first moment of truth at the shelf and the second at the point of consumption. Mark highlighted critical aspects of consumer and shopper engagement in a technological era, advising that "the customer is still king....the difference is that now they know it!".

Mark detailed how companies can increase opportunities and minimize risk at the moment of truth. This included advice about the NPD cycle and development of emotional engagement with consumers. "Consumers buy brands, not products" Mark reminded delegates.

Kosta Conomos (Executive Director Retailer Services, The Nielsen Company)



A key theme of Kosta's presentation was change. Shopper changes in recent years included a broadening of store repertoires from 2 stores to 4 stores each week; a reduction in basket values; price compression through high levels of promotions; and, the household penetration of private label product. Future developments will include a change in ethnicity and an aging population, both of which will influence purchasing habits tremendously over the next 20 years.

Kosta noted that promotions have moved from being a tactic to stimulate trial and drive footfall to a situation where shoppers have been trained to buy only on discount, citing examples of products being bought on promotion up to 97% of the time, and the fact that promotion shoppers will move across products in their preferred brand to get the best value. Kosta suggested businesses should review the mix of advertisement versus price discount spends to ensure this mix drives optimal growth for retailers and suppliers alike.

Kerryn Bullpitt (Store Services Specialist, Woolworths Ltd – 2010 Joe Berry Award Winner)



Kerryn provided an overview of the Joe Berry Award and its value to the industry before taking delegates on a highlights trip of her recent global study tour which was her prize for taking out the award in 2010. Kerryn's goal on the trip was to find examples of exceptional customer service and bring great ideas back to Australia and New Zealand.

Kerryn shared her favourite examples of best practice in the areas of organisation, people and culture. The underlying themes were: empowered staff; customer-centric organisation; and, genuine intent to provide exceptional service. Kerryn challenged delegates to consider whether their communication channels "are built for telling or for listening?" and that "Customer service is not something we do to make a sale, but rather, selling a product is something we do to serve a customer".

Linda Watts (General Manager Strategic Innovation, Kimberly-Clark Australia)



Linda started by reminding delegates that innovation is about hard work as innovation is change, and change is hard. Linda used an example of a young mum as the shopper to explain that shoppers want knowledge, engaging store experiences, disposable and environmentally friendly products, and products that work and provide value for money. For companies this means constant innovation.

Linda noted opportunities for retailer and suppliers to think outside price promotions, to enhance shopping experiences, to enhance products and to take ownership for environmental improvements on behalf of customers, using examples from innovative solutions Kimberly-Clark have implemented.



Vivek Gupta (Associate Director, Customer Business Development, Procter & Gamble)



Vivek highlighted the value of being category focused rather than simply brand focused, noting that Australians shop across a number of retailers and that there is an opportunity for retailers to take steps to 'own' the shopper if they can stand out from the crowd (which the UK retailers have done comparatively well).

Vivek explained that the results of studies have shown that the top drivers in relation to a shopper's choice of stores include: "makes me feel personally satisfied"; "they understand my needs"; "I can trust them"; and, "they provide excellent customer service". Thus it is not necessarily all about price discounts and promotions. Vivek detailed a case study of how Coles and Procter & Gamble engaged with shoppers to identify opportunities for improvement in Health and Beauty and the actions taken as a result the findings.

The conference concluded with the Manager ECRA, Samantha Blake, highlighting the complex, dynamic and forward thinking nature of our industry.

To continue this journey, she concluded, we must as an industry readily and freely share information, collaborate where we can and embrace the concept that the best way to manage increasing complexity is through fact based, transparent collaborative approaches to industry issues. This means placing the consumer and shopper at the centre of the business process. It affects the way we think about the business, the strategies we choose, the goals we set and the measures we use to evaluate them.

We would like to again thank our Conference Sponsors for their participation in the ECRA 2010 Conference.

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