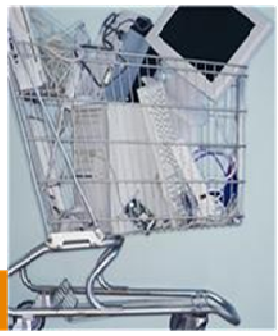
ECR AUSTRALASIA
EFFICIENT CONSUMER RESPONSE

FIT FOR THE FUTURE

18 & 19 October 2012 – Melbourne, Australia

ECRA's Annual Supplier & Retailer Convention



ECRA Annual Supplier and Retailer Convention

CONVENTION REPORT

2012: FIT FOR THE FUTURE

18-19 October 2012
Grand Hyatt Melbourne
Melbourne, VIC

Supported by the Australian Food and Grocery Council

www.ecraustralasia.org.au

Efficient Consumer Response Australasia (ECRA)

Convention Report
2012: Fit for the Future

ECRA Convention 2012

The fourth Annual Efficient Consumer Response Australasia Supplier and Retailer Convention was held at the Grand Hyatt Hotel in Melbourne on 18-19 October 2012. Over 150 delegates took the opportunity to view presentations from local and international fast moving consumer goods (FMCG) industry experts and to network with colleagues, peers and business partners.

The title of the convention *Fit for the Future* encapsulated the key theme over the two days, recognising that we have seen an explosion of technological innovation. New takes on virtual 'pop-up' stores, apps, and social media are emerging daily and the sophistication and capability of such technologies is constantly evolving.

This sets new challenges for suppliers, manufacturers and retailers, including how stores operate, how shoppers interact with multi channel, and new requirements in 'back-office' systems and processes. 'Big data' is set to accelerate consumer engagement, transform product development and reinvent shopper marketing processes. Businesses will need to be prepared to increase supply chain flexibility and ensure they are fit for the future!

The Board of ECRA expresses its thanks to all speakers and organisers, and particularly to the delegates for making this year's convention 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.

ECRA Board

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 convention, and many of the Board were active participants throughout the event.

Alastair de Raadt Cadbury NZ
Graham Dugdale Simplot Australia Pty ltd
Andrew Blew L'Oreal Australia
Matthew Foster Mars Petcare Australia
Matt Swindells Coles Group
James Lane Coca Cola Amatil
David Hix Nestle Australia Ltd
Peter Elms Woolworths

Murray Johnston Progressive Enterprises Ltd
Gijs Faber Foodstuffs (Auckland) Ltd
Rob Scoines Sanitarium Health Food Co
Adrian Cook Tasti Products Ltd
Krys Davies General Mills Australia
Mike Butcher Heinz Watties NZ
Kelly Smith NZ Food & Grocery Council

Thursday 18 October 2012

Gary Dawson, CEO, Australian Food & Grocery Council

Welcome

In his welcoming address, Gary noted the critical nature of the work ECRA undertakes on behalf of our industry and encouraged delegates to take the opportunity to network during the convention.

The strategic platforms underpinning ECRA were recognised, including on-shelf availability, retail ready packaging, loss prevention and business information standards. Gary asked delegates for their continued support in assisting ECRA to in turn support the industry in these important business areas.

Gary highlighted challenges facing the FMCG industry as outlined in the Australian Food and Grocery Council's (AFGC) 2012 State of the Industry report released recently.

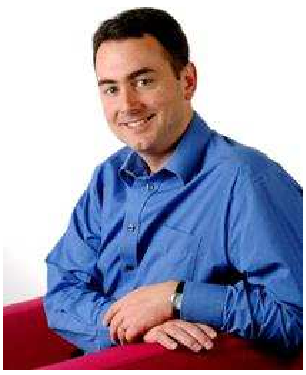
Gary highlight these challenges through sobering statistics of an industry output contracting by 4.6 per cent and total industry employment declining by 2.2 per cent or almost 7,000 people in the 2010-11 financial year.

These sobering results serve as a warning to all levels of Government that the Australian food and grocery manufacturing sector is facing an environment where input costs are rising on everything from commodities to labour to energy, and retail price deflation continues to cut margins, the competitiveness of the sector is under increasing pressure.

Gary then went on to recognise collaboration and innovation as being the critical factors facing stakeholders, with ECRA positioned well to assist industry in driving these key success factors.

Simon Jury, Asia Solutions Director, dunnhumby

Using Customer Insight to Create Value



Simon noted the critical importance of loyalty data for companies wanting to truly understand their customers and the motivations, wants and needs which impact their purchase decisions. Noting that much retail growth in recent years has been delivered by costly price promotion rather than through brand loyalty - a more sustainable, profitable proposition.

Simon then explored the difference between emotional loyalty and functional loyalty and how data can be proactively used to expose much information about what, how, when, how much and at what price consumers make purchases. Which in turn can be used to design stores around such functional aspects of shopper behaviour.

Simon concluded with a review of 'big data' noting the capability data offers industry to understand shopper behaviour outside of specific purchase through areas such as their social and media influences, locations and advocacy. This will help drive the evolution of the shopping experiences from 'same for all' to 'unique for every customer'

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Craig Woolford, Senior Analyst, Retail Sector, Citi Research

Road Map for Australian Grocery Retailing

Craig advised delegates that retailer growth had halved over the past few years to about 3%, despite consumer spending remaining solid, suggesting that the issues lay with the retailers, particularly underpinned by price deflation and increased living costs in the community.

Craig proposed that new growth sources for retailers will include new store openings, a reduction in unprofitable line space being re-utilised for new categories, and changes to store formats across the retailers. Potential changes to planning laws (initially in Victoria) may prove beneficial to increasing total retail space available.

Craig concluded with a review of on-line retailing, noting that whilst Australia was developed as an on line shopping country, currently only about 1% of food sales were on line and that the ideal business model was inconclusive in our market at this time.

Professor Daniel Corsten, Professor of Operations and Technology Management

From Point-of-Purchase to Path-to-Purchase: How Pre-Shopping Factors drive Unplanned Purchasing Across the World

Daniel reiterated the outcomes of key global studies he has lead which determined that out of stocks typically were 8-9% of all lines in store, and that 70% of the issues causing out of stocks were occurring within the store function. Daniel then went on to explain the reaction of shoppers to out of stocks and how this varied by category and whether the purchase was planned or unplanned.

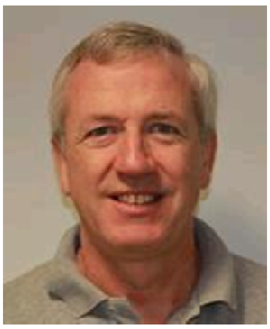
Daniel shared a framework for understanding the percentages of purchases that are planned versus unplanned under a range of shopping scenarios including cultural aspects, the type of shopping trip being undertaken and the reason for the shopping trip. The results of studies show 30% of purchases are unplanned.

When overlaid with the out of stock rates this suggests 7% of all planned purchases are unfulfilled and 3% of potential impulse purchases - a huge opportunity for retailers and suppliers alike.

Daniel put forward the proposition that suppliers and retailers need to move their strategic thinking from a model of focusing on the 'point of purchase' to one focused on the 'path to purchase' and apply such thinking to how stores are formatted and laid out, so that the strategy meets the realities of shopper purchase intention and reaction to out of stocks.

Peter Beales, Managing Director, In-Deed Management Consultancy

Winning at the Shelf – Insight into On-Shelf Availability



Peter provided delegates a review of the recent ECRA project entitled *Winning at the Shelf* in which an in-store study was undertaken focusing on the causes of out of stocks where product was physically available within the store premises (i.e. in the store room) but not on show to shoppers at the fixture.

Peter focused on three key issues driving out of stocks - the application of documented store routines and the pressures which impact this application; the relationship between the way in which storerooms are managed and the subsequent impact on the night-fill and day-fill functions; and issues relating to the design and utilisation of shelf ready packaging.

Peter provided a range of recommendations which industry can consider in seeking to improve on-shelf availability where product is on the store premises but not on show to shopper. The *Winning at the Shelf* project report was then made available to convention delegates and will shortly be made available to industry through the ECRA Website.

Selma Mehmedovic, Research Consultant, Australian Centre for Retail Studies, Monash University

Global Consumer and Retail Trends

Selma provided insight into key findings from a recent CEO survey focused on omni-channel retailing and the changing role of the store. The theme was centered on understanding what key elements the store of the future might look like and the implications for suppliers and retailers.

Selma looked firstly at mobile phone technology and highlighted that key attributes most highly desired by consumers included special offers, loyalty programs, maps and personalisation. The next focus area - in-store technology - examined the role of kiosks, localisation, virtual stores and smart trolleys and how consumers engage with these technologies.

Selma then described the key elements of social media in regards shopping and in particular coupons, after sales service, Facebook opinions, and views on media such as Twitter are considered key points of interest and engagement for consumers. Finally Selma looked into store experiences and the importance of competitive differentiation and enticing consumers to spend more time within the store.

Richard Lubienski, Senior Programme Manager, Supply Chain, Coles

Bernie McNally, Business Manager Primo Smallgoods

Richard and Bernie took delegates through the saga of the 'Summer of Sausages'. Highlighting how problems tend to have a multiplying effect which if left unchecked have serious impacts on areas such as inventory management, production and ultimately availability and sales.

Having found their companies in such circumstances, Coles and Primo realised the critical need to understand what each of their businesses really wanted and how each of their businesses actually worked so that they could develop solutions. Their collaborative efforts involved engaging a project team, work shopping issues openly, creating a joint business plan and instigating a great team to implement.

Coles and Primo's collaborative efforts have provided great success to their businesses. Their advice to delegates - create common goals, apply the best available resources, listen to one another, understand your partner's business, eliminate blame and emotion, commit to action and share benefits.

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Emily Amos, General Manager Customer Engagement, Woolworths

Shane Fraser, Category Development Manager, Woolworths

Emily advised delegates that Woolworths were firmly focused on bringing the customer to the centre of their merchandising decisions, with the key objectives being to drive availability, value and excitement into the customer experience with Woolworths.

The Woolworths Everyday Rewards Loyalty Program provides Woolworths the insight required to build its relationship with consumers.

Emily spoke of the changing nature of the role of buyers at Woolworths in that they are required to deploy customer information into their decision making processes and into Woolworths' category planning process utilising 'Category Lab', a methodology developed by Woolworths for category management.

Shane took delegates through a real example utilising the roast and ground coffee category to explain Woolworths' deep dive category review process and how decisions were made utilising a customer decision tree, understanding loyalty and substitutability of products, clustering stores by shopper attributes and planograms based on shopper segmentation.

Matt Swindells, General Manager, Supply Chain Transformation, Coles

Steve Longley, Senior Replenishment Manager, Perishables & Fresh, Woolworths

Improving Carton Identification

Matt described why easy carton identification is critical to stores in terms of availability, rotation, reducing waste and smarter replenishment. Matt then reviewed the current issues faced by retailers, including those driven by the volume of promotional stock being managed in store rooms and the difficulties of the shelf filling job. Matt also highlighted issues faced by suppliers and by shoppers resulting from difficulties in carton identification.

Steve took delegates through a range of considerations designed to assist shelf replenishers at various points in the store supply chain including storeroom to aisle, aisle to bay, bay to shelf space, and back to store room for overstocks.

Steve and Matt advised delegates that ECRA has produced a suite of guidelines to assist suppliers in understanding what ideal packaging looks like from the perspective of those filling supermarket shelves as a supplement to current retailer packaging guidelines. The document was made available to delegates and can be downloaded from the ECRA website.

Kevin J. Schoen, Vice President, North American Operations, General Mills, Inc.

Optimised 'Shipment to Shelf' Journey

Kevin focused on the benefits that flow from collaboration between suppliers and retailers, noting that it would become imperative given that 'volatility is our new reality'. The approach General Mills has taken was to focus on the supply chain as a single end to end entity encompassing both supplier and retailer components.

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To facilitate collaboration in the end to end supply chain, General Mills as developed a program entitled "General Mills End to End Optimisation Solutions", or GEOS, targeting growth through continuous improvement and holistic margin management. Kevin took delegates through several examples of how the various modules of GEOS had been implemented with retailers and the impressive results generated.

Kevin flagged the keys to success for programs like GEOS, and for collaboration more broadly, including: high level interest and passion for collaboration between trading partners; getting the basics right first; ensuring key functions are aligned; committing to goals, resourcing and execution; and having a methodology for ensuring benefits are evenly shared between partners.

Industry Panel led by Patrick Medley, Growth Markets Retail & Consumer Products Leader, IBM Global Business Services

Industry Panel:

Matt Swindells, General Manager, Supply Chain Transformation, Coles
Steve Longley, Senior Replenishment Manager, Woolworths Ltd
Barry Cosier, Chief Executive Officer, Madura Tea Estates
Tim Peters, Sales Director, Patties Foods
Mark Elliot, Supply Chain Director, Kimberly-Clark

The panel addressed many highly relevant topics to the industry, including:

- An assessment of the current retail trading environment and the likely future direction for this environment
- Opportunities for increased data sharing between trading partners
- The future growth of on-line trading in FMCG
- Challenges facing the industry in terms of developing collaborative approaches to doing business
- The level of innovation now and in the future in Australasian FMCG
- Whether the industry is indeed "Fit for the Future"

Friday 19 October 2012

Kosta Conomos, Executive Director, Retail Industry Group, Nielsen

A Brave new 'Retail' World

Kosta provided delegates an overview of current market conditions in Australia, noting that we still face a volatile economic environment, though there had recently been a slight improvement in consumer confidence. Consumers were found to be price savvy and recent deep discounts on branded products had even enticed some consumers away from private label.

Kosta noted that around 2 in 3 consumers considered that now was not a good time to be spending and similar proportions were well aware of the prices of many items they purchase. Interestingly there appears little loyalty to retailers with most shoppers happy to switch between Woolworths and Coles to find bargains in spite of retailer loyalty programs, with thirty-five percent of purchases in Australia being made on promotion (52% in New Zealand).

Five key trends Kosta identified for 2013 were: shoppers economising; a 'new value' equation; shopping every day; convenience via proximity; and an increase in digital shopping.

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Maria Palazzolo, Chief Executive Officer, GS1 Australia

Michael Liddell, Technical Manager, Ice Cream & Beverages, Unilever Australasia

Optimising Social Media

Maria explained how recent efforts by GS1 in conjunction with the Australian Food and Grocery Council in developing extended labeling propositions neatly tied in with key findings in the Consumer Goods Forum's Value Chain 2020 report released in recent years. The extended labeling program - Go Scan - facilitates shoppers and consumers accessing a full range of details about items though scanning barcodes with smart phones.

Maria highlighted the benefits of Go-Scan to brand owners as providing a trusted source of product information ensuring it is accurate and authorised. This helps overcome risks associated with non authorised or incorrect information being circulated about a company's products.

Michael spoke of Unilever's journey in implementing Go-Scan including key reasons for involvement in the program, including satisfying consumers' desire for information, management of marketing messaging, and business disciplines driven by the need to maintain an accurate and current data repository.

Dev Mookerjee, Senior Consultant - Business Analytics, IBM

Big Data - Big Opportunities

Dev commenced with a review of key information from a recent CEO survey to understand what issues they saw as 'top of mind'. One of the very top issues was engaging with consumers as individuals. Interestingly technological factors were seen as a hugely important force by CEO's globally, though those running FMCG companies did not rate this factor as highly other sectors CEO's.

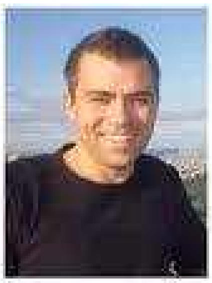
Dev then went about explaining the difference between 'Big Data' and large volumes of data, this being the added considerations of velocity and variety in addition to volume.

IBM also includes veracity of data in their definition. Dev advised delegates the opportunity is now to tap social media as a key source of business data - particularly in regards to brand reputation, citing examples from our sector.

Finally, Dev's message to delegates was to not to try and control social media, but rather to influence the discussion and in doing so unlock a great mine of data which can assist in efforts to influence consumer's perceptions of your brands and your business.

Steve Bean, State Sales Manager, Coca Cola Amatil

Good Business vs. Great Business



Steve highlighted to delegates the value to be derived from thinking through how results are achieved, not just actual results achieved, and focusing then on behaviours, not just the end results. This opens the opportunity to tap into the best behaviours and build these into team culture.

Steve described three behaviours that he believes set the platform for delivering great outcomes:

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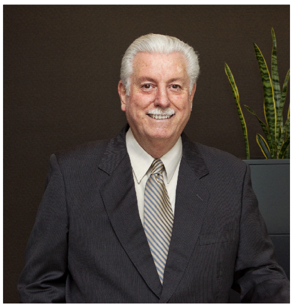
A willingness to do what hasn't been done previously; backing yourself and committing to achieving objectives with confidence; and understanding the value of your people and empowering them with ownership and autonomy.

Steve's advice to delegates was that if they replicate the actions of great businesses then they can possibly be successful…but if they can apply the behaviours of great businesses then anything is possible!

Glen Wells, Regional Director - Australasia, Innova Market Insights

INNOVA MARKET INSIGHTS

The Top Food & Beverage Product Trends



Glen took delegates through 10 top trends he believed were important in marketing food and beverage products to modern day consumers. These included:

- Pure is the new natural
- Green is a given
- Location, Location, Location
- Premium stands out
- Seniors get some attention
- Forty is the new twenty
- Grounded in science
- Regulators force a rethink
- Un-measurable niches
- Boom for protein

Matthew Brown, Head of Research, Echochamber

we are the echochamber

Shopping is Dead: Long Live Shopping

Matthew highlighted the perception in many quarters that there are significant issues facing retailing and that it was possible to paint a grim future if retailers follow the view that people only shop for what they need and aren't prepared to wait….but, noted Matthew, this need not be the case!

Matthew then took delegates on a round the world tour of best in class store developments, showing the need for the store of the future to have tactile elements and be a visual treat, with in store theatre and light and sound becoming key components in some categories. "Retail still matters", said Matthew, "but it is changed forever".

Matthew concluded by showing great examples of what he proposed were the four critical aspects retail needs to embrace going forward, lead by Enthusiastic Experts. The aspects were that these experts must be: Story tellers, Curators, Tailors, and Imagineers!

ECR Europe

Each year ECR Europe organises its annual two days conference with the participation of the major Companies in the Consumer Goods Business. On 14 and 15 May 2013 ECR Europe will host the annual ECR Europe Conference and Marketplace in Brussels.

Four **content focus areas have been defined:**

- Transforming the shopping experience
- Step change efficiencies
- Working together responsibly
- Developing the next generation talent

Further information will be available at **http://www.ecreuropeforum.net/**

The Board of ECRA thanks all sponsors and delegates who supported the 2012 ECRA Convention and look forward to joining together again at the next ECRA Convention in Sydney.

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