



# Innovation through Collaboration

17 & 18 October 2013 – Sydney, Australia



ECRA's Annual Supplier & Retailer Convention

# ECRA Annual Supplier and Retailer Convention REPORT

**2013: INNOVATION THROUGH  
COLLABORATION**

17-18 October 2013  
Waterview in Bicentennial Park  
Sydney Olympic Park, Sydney NSW



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## ECRA Convention 2013

The fifth Annual Efficient Consumer Response Australasia Supplier and Retailer Convention was held at the WatervieW in Sydney over 17 and 18 October 2013. 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 *Innovation through Collaboration* described the key theme over the two days, recognising the critical role of collaboration in driving and inspiring innovation. This sets the platform for suppliers, retailers and key stakeholders to identify strategic and tactical collaborative opportunities, recognising that innovation is becoming more central to their ongoing relevance and continued success.

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 and retailers to promote industry

## 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.

**Gareth Edgecombe** Campbell Arnott's

**Alastair de Raadt** Mondelez NZ

**Graham Dugdale** Simplot Australia Pty Ltd

**Hamish McLeay** The Wrigley Company

**Matthew Foster** Mars Petcare Australia

**Grant Enders** Coles Group

**James Lane** Coca Cola Amatil

**David Hix** Nestle Australia Ltd

**Kathryn McLay** Woolworths

**Steve Mills** 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

**Ken Bean** Metcash

**Andrew Hipperson** Goodman Fielder



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**Gareth Edgecombe, President Asia Pacific, Campbell Arnott's  
Chair of ECRA Board**



**Welcome**



In welcoming delegates, Gareth noted the significant contribution the food and grocery industry makes to the Australasian economy, noting that there remains intense pressure on all industry players to drive growth through satisfying consumers' needs whilst optimising costs. Gareth suggested that industry could be guilty of too much time spent arm-wrestling over share of value versus creation of new value.

Gareth highlighted the importance of ECRA as an industry movement focused on driving collaborative approaches between retailers and suppliers and that ECRA would continue to work towards delivering common platforms to optimise industry performance through innovation and collaboration - in line with the key themes of the convention.



**Edward Garner, Communications Director, Kantar Worldpanel**

***Beyond Price: The quest for differentiation***

Edward reinforced to delegates that if they concentrate on price alone, it becomes a 'race to the bottom' for the industry. He then provided a succinct overview of the UK retail trade post the global financial crisis and its impact on shopper behavior. This included increases in private label product sales and the increasing share of market for discounters and at the expense of mainstream retailers.

Edward highlighted the key differentiators between retailers in the UK, including price; private label; store theatre; and provenance. At a macro level, the impacts of on-line growth were analysed including the influences on product categories; along with the proliferation of store formats and associated influences on shopping types were explored.



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

***Innovation through the Shoppers' lens - exploring how shoppers are reacting to the changing retail landscape and how the industry can meet the challenges ahead***



Kosta examined the prevailing FMCG market from a variety of perspectives, including that of consumers, their concerns and subsequent behaviours; of manufacturers front of mind issues and outlook on the 12 months ahead; of retailers and their ongoing 'battle for the shopper'; and complemented this with a review of current trends surrounding alignment and collaboration. Fresh grocery, private label and a reduction in promotional pricing effectiveness as a differentiator were emerging as drivers of change.

Kosta pointed out that 'value isn't only about price' and that in spite of major increases in trade spend shoppers did not perceive price as lower than in previous years. Solutions proposed included 'less asking/more observing', pulling all value levers to drive ROI; and implementing current key value item strategies considering emerging trends such as the 'green dollar', on-line shopping, building loyalty, and proximity of stores.

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## Joe Dybell, Former Tesco Supply Chain Lead & Consultant

### *Collaborating for the benefit of the consumer*

Joe took a closer look at shoppers noting that 'the end consumer is the paymaster' who ultimately pays for all supplier and retailer activity. Suppliers and retailers have complementary skill sets which can be collaboratively used to deliver optimal experiences to shoppers. Joe provided examples of collaboration, including joint business planning, end-to-end forecasting, collaborative innovation, and 'green mile' transport.

Joe then turned his attention to the importance of leadership behaviours in management and relationship behaviours for delivering growth in business relationships. On Joe's 'do next' list were the need to listen more to consumers, collaborate with business partners and develop talent within organisations as a platform for success, highlighting that 'with collaboration you will *remove* cost - not just *move* cost'.



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## Allan Ryan, Executive Director, Hargraves Institute

### *Work Different: How to catalyse success through innovation and collaboration*



Allan described the importance of innovation particularly in regards to areas such as new product development and marketing. For success, it was critical that company leadership put innovation on the agenda and that once this happens people start 'finding innovation opportunities everywhere'. Allan showed examples of innovation which has led to exponential growth for business such as McDonalds and Apple.

Allan investigated the cultural aspects of innovation and how people could act as innovation catalysts within businesses, particularly where they have a connectedness to other industries and a preparedness to share ideas. Allan asked delegates 'where *do* you spend your time, and where *should* you spend your time?' in relation to driving innovation.

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## Daniel Kochanowicz, Head of OSA & Business Development Woolworths



### *Working together for our customers*

Daniel told delegates that 20 years ago out of stocks was a frustrating issue for shoppers and in spite of all innovation and projects in the intervening years this remains the case in 2013! Daniel then questioned whether the industry was truly working for the customer/shopper.

Daniel suggested that whilst both suppliers and retailers had roles in improving on-shelf availability, many of these roles were in fact joint and therefore the key question may be "Are we truly working together for the consumer?" Daniel introduced the 'ladder for success' in the context of availability and suggested to delegates that 'a wise person knows that there is something to be learned from everyone'.



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**Grant Enders, General Manager Replenishment, Coles**  
**Barry Cosier, CEO, Madura Tea Estate**



*Collaborating to drive growth*

Barry and Grant presented a case study describing the journey Madura Tea had taken in its response to Coles' objective to have the best in-store availability. Whilst Madura Tea enjoyed a 100% availability level into Coles, this was not reflected on the shelf. The challenge facing the trading partners was to identify where the issues lay and then determine joint solutions and measure the results.

Project steps included a review at macro and micro level to establish hypotheses for the issue, test these hypotheses with appropriate data collection and analysis, validate initial findings through a pilot program, identify and implement solutions (in this case to packaging) and then measure the results post pilot. The exercise has proved extremely successful and is now to be rolled out nationally with a follow on project identified to focus on promotional on-shelf availability.



**John Mullins, General Manager Supply Chain, Foodstuffs South Island NZ**

*Supplier relationship and new developments*

John provided the delegates an overview of the Foodstuffs South Island business model including its scope and magnitude in terms of the New Zealand market as well as the business' history. John highlighted that Foodstuffs see the customer as the most important person in their business. Foodstuffs store formats were described, including Pak n Save, New World and Four Square as well as liquor and fresh food ventures.

John outlined Foodstuffs' private label platform including the Pam's and Budget brands, before focusing on new developments which included the implementation of CRM systems, and advanced replenishment platform incorporating display space management, and a new Greenfields distribution centre for the South Island business incorporating earthquake contingency planning.



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**John McLoughlin, Region Director Asia Pacific, Advantage Group**

*Are good relationships good for business?*



John shared insight with delegates into the strong correlation proven globally between sales growth and strong relationship scores in Advantage Group surveys, noting that Australia ranks in the middle of the pack globally in regards to relationship satisfaction between retailers and their suppliers.

John's list of keys to effective relationships and collaboration included; leadership commitment; trust displayed in communication, alignment and transparency; speaking the same language and understanding the other party's perspective; capability and capacity to commit to collaboration initiatives; and responsiveness. John advised delegates that 'successful relationships call for new mindsets'.

## Display Pallet Implementation

Terry described the work undertaken by AT Kearney in collaboration with ECRA to review various options for display pallets and the value of undertaking this research prior to any implementation decision. The study considered the end-to-end value chain so as to understand system wide issues and benefits associated with various pallet sizes and build locations.

Various pallet sizes and build locations have been assessed both for in-fixture and off-location display application in stores. In each case the best case scenarios appear to be cost neutral to the supply chain.

ECRA and AT Kearney are now working to finalise recommendations to industry which will be supported by an ECRA Display Pallet Toolkit to be launched in the near future.



**Andrew Russell, National Business Manager, Procter & Gamble Australia Pty Ltd**  
**Dean Simpson, General Manager, Total Loss, Coles**  
**Andrew Kouimanis, National Security & Product Protection Manager, Coles**



### Loss Prevention

Dean put loss into an industry context for delegates noting a \$2 billion opportunity in Australia. ECRA has formed a working group to take a lead in addressing issues relating to loss which includes suppliers and retailers.

Andrew Kouimanis then described the goals and objectives of the group and demonstrated how collaboration can deliver benefits to retailers, suppliers and shoppers alike through a case study detailing work undertaken between Coles and Procter and Gamble in the skin care category.

Andrew Russell provided delegates with background information regarding other work programs and how the collateral of the group could be accessed freely by industry participants. Andrew then discussed the group's current major research project focused on understanding the risks associated with new technology.

**Lynda Heeley, Vendor Quality & Compliance Manager, Woolworths**  
**Darren Fitzgerald, Corporate Customer Service Manager, Nestlé Australia Ltd**



Good Food, Good Life

### Multi Coded Pallets: Developing an Industry Standard

Lynda and Darren apprised delegates of the work activities of ECRA's Order to Receipt Excellence Standing Working Group and its aims to drive best practice and industry standards. The group is involved in diverse project areas including ASN optimisation and data integrity and alignment.



Darren and Lynda then focused attention on the group's recent project to deliver guidelines for multi-coded pallets. The Guide details the combining of a product with different batch/use-by date codes onto a single pallet for delivery to a retailer. Topics covered by Lynda and Darren included issues, opportunities, rules and benefits to industry relating to the introduction of the guide.

The guidelines can be downloaded at [www.ecraustralia.org.au/publications](http://www.ecraustralia.org.au/publications).



**Steve Longley, Senior Replenishment Manager, Woolworths**  
**Tony Villanueva, Customer Supply Chain Manager, Unilever Australasia**

*Excellence in collaboration, winning in summer*



Tony advised delegates of collaborative work undertaken by Unilever and Woolworths to improve availability of ice-cream during the Christmas and January period in 2012/13. This followed poor results the previous year, driven in part by weather and promotional issues.

Changes made in 2012/13 included earlier pre-season joint business planning, improved communications including promotional alignment meetings and shared contingency plans. This resulted in a tremendous improvement in service levels and availability to shoppers.

Steve then provided food for thought to delegates, highlighting the changes in shopping patterns which have emerged and which need to be considered by retailers and suppliers in key categories in regards to operational planning in the Christmas and New Year period, before reiterating the value which can be derived through utilising the ECRA *Winning in January* toolkit and how to access this freely available information. Download at [www.ecraustralasia.org.au/toolkits/winning-in-january-toolkit.html](http://www.ecraustralasia.org.au/toolkits/winning-in-january-toolkit.html).

**David McKinna, Director, McKINNA et al**

*The realities of working within the FMCG retail market*



David proposed that if industry is too preoccupied with today, then it risks losing focus on tomorrow, before turning attention to what he considered the five big game changers in the Australian market. Firstly David discussed that the power of the major retailers may have peaked and that issues they face included the impacts of Aldi and Costco as well as reductions in innovation and investment by suppliers.



Other trends identified by David included managing the 'demographic time bomb' of an aging population, along with the boom in data being provided to retailers and consumers through *big data and small tech*, the rise of a paradox between the 'diseases of affluence' and improving medical technology, and the impacts of 'local food going global'. David then provided insight to the likely outcomes from these changes and advice as to steps industry might take to ensure it prospers in the future environment described.



**Craig Woolford, Managing Director & Head of Consumer Sector Research**  
**Citi Research**

*The grocery sector at the crossroad*

In discussing the need, and the difficulties, to move away from price discounting and towards innovation as the basis for growing the prosperity of the market, Craig spoke of the sources of tension applied to retailers in regards the expectations of financial markets. Craig also described specific tensions between price discounting and innovation, flagging that the ways in which retailers are able to wean themselves off promotions will be critical to future growth and profitability.

Solutions to the need for innovation proposed by Craig included: focus on store format and density (particularly in regards convenience); types of stores in the retailer portfolio: focus on range expansion in areas as diverse as private label; fresh and ready to eat; and, on-line shopping channel. Craig proposed that 'the winning supermarket in 10 years time will have genuinely increased the basket size of their customers' through utilising the innovation strategies outlined.



Jason Goode, Packaging Development Manager, Simplot Australia Pty Ltd  
Marcel Sieira, General Manager Industry Engagement, GS1 Australia



**Supporting Omni-Channel through rich product content: GS1 SmartMedia**



Jason described to delegates some of the key challenges associated with keeping printed information on packaging up to date with regulatory requirements, product changes, promotions and merchandising requirements. Issues included disparate systems making it difficult to keep images in the public and business domains current and standardised.

Marcel outlined how GS1 had partnered with industry to pilot Smart Media - a platform for collecting and sharing product images and information in a standardised format which ensures current and correct information at all times. The SmartMedia system has been developed with input from experts at suppliers and retailers and has been recently launched in the marketplace by GS1.



**Graham Fairbarin, Category Manager - Treating, Campbell Arnott's  
Joe Berry Australian Retail Industry Executive Award Winner  
2013**



Graham undertook a review of the current situation faced by Australian manufacturers and the pressure they are under from structural issues such as labour costs, regulatory burden and energy costs, as well as financial issues driven by the recent strength of the Australian Dollar which has led to cheaper imports and a reduction in export competitiveness for local manufacturers.

Graham put to delegates that the onus was squarely on manufacturers themselves to overcome the tough business conditions as it was unlikely that the Reserve Bank of Australia, Government or retailers would be prepared to make changes. Graham proposed that the manufacturers focus on enhanced management opportunities as well as ways in which they could differentiate their offer and add value to retailers and shoppers.



**Professor David Hughes, Emeritus Professor of Food Marketing, Imperial College London**

**Global Trends: Implications for Australia**



David undertook a wide-ranging review of recent global trends in the food and grocery industry including trends in population growth as well as a review of the strategies and tactics being employed by the world's leading retailers - particularly in emerging markets. David then reviewed the impact of volatility on world commodity prices and the effect this was likely to have on consumers in these emerging markets.

Turning his attention to advanced markets, David flagged the polarisation of retailers into the 'premium' and 'discount' camps, with those left in the middle ground struggling to find growth. David spoke of the impacts of technology which allows shoppers to price match - thus taking price out of the equation and providing the opportunity (and necessity) to focus retailer efforts on winning growth through avenues such as on-line shopping, foodservice offerings, loyalty programs, defining categories in the shopper's context, and utilising local produce and products as a differentiator. David concluded with some strong points for consideration on issues around food politics and food ethics.



The Board of ECRA thanks all sponsors and delegates who supported the 2013 ECRA Convention and look forward to joining together again at the next ECRA Convention in Sydney.





## 2014 ECRA Annual Supplier & Retailer Convention

# SAVE THIS DATE

23-24 October 2014  
Crown Melbourne  
Melbourne VIC

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