



NEWSLETTER: 19 NOVEMBER 2018

## A WEEK TO BEAT THEM ALL

**Wow! What an amazing week it was in grocery!** First there was the fantastic turnout to hear one of the world's foremost retailers, Kiwi Greg Foran, the CEO and President of Walmart US. Some 260 were there to hear him, despite the fact the event was announced after most flight (and golf tournament) bookings had been made for the annual conference starting later that day in Brisbane. Then more than 300 delegates fronted for the conference (some of them lucky enough to grab a late flight). When Woolworths NZ's Scott Davidson asked delegates during his conference presentation how many of them had been in Auckland for the Foran event, it was clear not too many had been able to make it, meaning there were maybe 450-500 unique-member visits (to borrow a web-speak phrase) to an FGC event on the same day. That must be some sort of record.



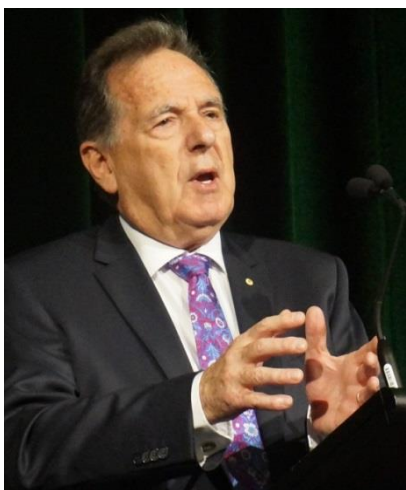
**To describe the Foran event as special would be an understatement.** By way of a skilful Q&A session with broadcaster Duncan Garner, we heard about Greg Foran's early life in Hamilton, his first job as a supermarket stacker, through to his climb to the top of the biggest retailer in the world's biggest retail market. I believe I'm right when I say the audience was spellbound. But you be the judge. Garner said it was the most captivating interview he had ever done, alongside one he did with Willie Apiata VC. You can watch the video of the event exclusively [on FGC's YouTube channel here](#).



**The conference was special in a different way**, as we were encouraged by our Australian colleagues to consider a grocery code of conduct, after listening to reports that theirs had a significant and positive difference in their market. First, the code reviewer said New Zealand "unequivocally yes" does need a code, while the head of our sister organisation followed that with "In a nutshell – get one". It was also great to welcome back **Woolworths NZ** after an absence of four years, and they immediately expressed a keenness to work with suppliers on shared value, openness, and transparency. May we have many more weeks like that!

*Karenie Fitch*

## Conference: Australian Food & Grocery Code of Conduct



### **Professor Graeme Samuel**

The former Chair of the Australian ACCC gave a rundown of the Australian Food & Grocery Code of Conduct and his recent review of it after three years of operation. It was a joint solution by retailers (Coles, Woolworths and Aldi) and suppliers for solving industry-specific problems, and introduced minimum standards of transparency, business practice, and dispute resolution rules in their dealings. Prof Samuel said he found it had served its purpose well, "However, there remains room for improvement." His review, which is being considered by the Government, found that major retailers had found ways of avoiding the highly prescriptive regulations, while wholesaler MetCash, which has 7% of the market, had not signed up. Other issues included the huge amount

of detail suppliers were required to give retailers before a price increase (thereby divulging important information), and that it often took 12 months to get a price increase agreed to. His review has suggested, among other things: an independent reviewer to decide if negotiations were proper and with ability to refer to the ACCC; a facility to target a mandatory code for recalcitrant parties that should sign up; price rise issues be dealt with within 30 days; enhanced good faith and fair dealings principles. "Here in Australia, and I know New Zealand, we are well known for our desire to give people a fair go, and we expect nothing less when it comes to the way our supermarkets and wholesalers do business with suppliers. We want the companies and the family-owned businesses behind the brands and products to be treated fairly by the retailers and wholesalers that have greater bargaining power. This ensures suppliers are able to invest and innovate to give consumers the best choice, quality, and value at the checkout. Does New Zealand need a grocery code? The answer is unequivocally yes. It has helped drive cultural change within these organisations and has been effective in addressing harmful behaviours that have previously been reported by suppliers."



### **Australian Food & Grocery Council**

CEO Tanya Barden echoed Prof Samuel's comments during an update on Australian market issues. She said the code is providing more certainty and transparency in the retailer-supplier relationship. "It has been important. Some of the worst forms of behaviour – some of the variations of contracts, requirements for suppliers to pay shrink, some of the long-payment dates – those sorts of worst forms of behaviour have actually all been stopped as a result of the code. We have also seen a real commitment from the senior management within the major retailers to the code – the retailers are required to train all their staff who deal with suppliers,

annually. At a very senior level there's great commitment and buy-in," though that hadn't always translated down to every buyer, so, there's work to be done. "Certainly, I think, given the similarity of issues that I'm sure you face in New Zealand ... then it's absolutely something I think your sector should be having a look closely at to see whether this is something that you could put in place. There are some areas that we get some recurring feedback on. Obviously, a big area was around the dispute resolution process. There is a real concern that suppliers have about the fear of retribution, and we need to make sure the mediation and arbitration provisions in the code are independent and decisions are binding. In a nutshell – get one."

## Conference: The Retailers

### Foodstuffs

Katherine Rich interviewed Steve Anderson and Chris Quin in a Q&A that touched on many topics, including an update on their businesses, relationships with suppliers, innovation in food and packaging, sustainability, the minor damage allowance (a collaboration with FGC), supply chain, shopper trends to online and ready-to-eat, and how they fared in the Nielsen Barometer.



Katherine asked them about how being as 'Kiwi As' helped them understand what shoppers want from their grocer. They talked about embracing Kiwi values of fairness, good-heartedness, being practical, having common sense, and not always getting it right ("but we try bloody hard and it's working for us"), and how keeping up with shifts in consumer and customer attitudes was vital. They took questions from the floor on online business, supporting local manufacturing, cost to serve, obesity, portion control and choices, shopper behaviour, healthier choices, and own brands.



### Woolworths NZ

Scott Davidson, General Manager of Merchandise, gave a rundown on their latest campaigns, stressing that the scene is changing rapidly and there was a need to be ready to move with it. He said they were ready to build new momentum, with a focus on fresh, healthy food, sustainability, and good service. Listening to customers was key, as were relationships with suppliers. "We must be working together. There's a long way to go, but things are changing." He ended with questions from the floor, and this was one: "Woolworths Australia has signed the code of practice here, does that apply to Woolworths NZ?"

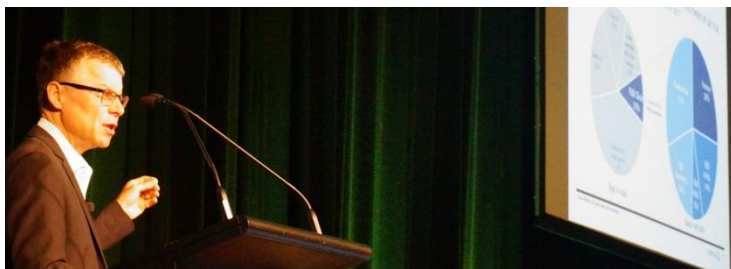
If not, will you take the lead in working with FGC to create one for NZ?" Answer: "Definitely, yes. We welcome any type of voluntary code of conduct. I encourage you to continue to talk to myself and my leadership team about any issues you have in your categories with absolute protection. I know a lot of people sitting here are going to say 'yeah right', but we are serious about improving this relationship and having a fair relationship with suppliers."

### Walmart

Sarah Thorn, Senior Director, Global Government Affairs, talked about Walmart's approach to world trade and sustainability. She expressed concern over uncertainties caused by the trade war with China. She said the effect of the trade barriers on retailing "is not good – it's not bringing jobs, just making everything more expensive". She said everyone would suffer if it continued. She talked about the importance of sustainability, and how giving its top people freedom to come up with new ideas resulted in "some really innovative solutions in collaboration with suppliers, and progress has been astounding. We can't work alone, no matter how big we are." She said it was essential to get to a stage of zero waste, renewable energy, and products that sustain people on the planet. "It needs collaboration because using all our natural resources means we are not going to be in business for very long. We need to look at things and ask how can we do it better."



## Conference: The Researchers



### Coriolis

Tim Morris presented a fascinating session based on data gathered by his company on the New Zealand food and beverage industry. He said sector exports of \$33 billion were half of New Zealand's total goods and services exports and were

growing strongly where most other sectors are underperforming or going backwards. "Nothing else comes close." In the past 10 years the sector has grown by \$14b while the next nearest commodity, wood, grew by \$3b. He said New Zealand had the "highest 'revealed comparative advantage' in f&b of any major exporter" in the world, and was well ahead of comparable countries such as Australia, UK, US, and in Europe. He said the three primary drivers for our continued success on the world stage were products that covered health/wellness, status/provenance, and distinctive/defensible. Based on that, the three big up-and-comers were infant formula, natural health products, and manuka honey.



### IRI

Vicki Herring, Manager of Consumer and Shopper Insights, talked about the changing face of retail, how New Zealand's diverse culture is changing the way consumers shop, and that consumer is king. Suppliers' focus should be on making life easier for consumers and giving them a reason to be interested in the product. "Consumers care more about what they eat, the environment and their communities. We can no longer tell them what's good for them – and it's important we listen to what they are saying. We need to listen to their diverse needs and make sure we understand their values. The power now lies with consumers and shoppers." Companies need to think about what their

customers want – a focus on health is becoming really mainstream, so how do we help customers in their journey for that lifestyle?" We're all making trade-offs, be it around convenience vs price, social conscience vs price, or indulgence vs health. "So, we have to consider how we help customers weigh up all the options. Let's excite our shoppers – and get them connect with our brand."

### The Nielsen Update

Rob Clark of Nielsen gave his annual member-exclusive update on how suppliers rated the two big supermarket chains and what they needed to do to lift their game. Exclusive for members at the conference.



### Competenz – the Future of Work

Fiona Kingsford, the Chief Executive of training company Competenz, took delegates down the automation path, showing videos of how technology is changing how people work. She said the sector had to realise how important it was to make impress on young people to train for jobs that compliment automation. "Upskilling is vital, or businesses will be left behind. Upskilling is critical for your workforce." She said the bigger the company, the bigger the impact, and bigger companies are also those having the most difficulty finding skilled people. Softer and more transferable skills need to be looked at more closely and businesses should be asking themselves if they were teaching their people the skills for today. "Global talent shortage is at a 12-year high, and the time to invest in business and workplace models is now. Ongoing learning is critical, and the future of learning isn't in a classroom, it's in the field and the workplace, and it's online."

## Conference: The Workshops

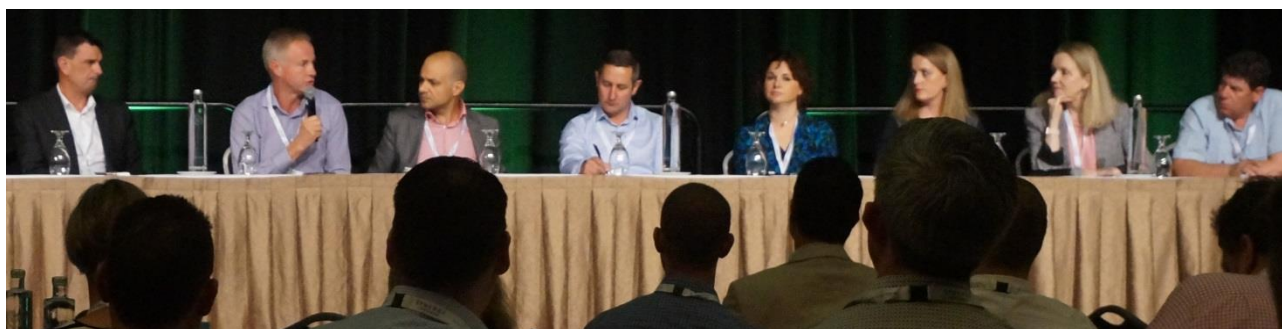


**The Supply Chain Integrity** workshop examined issues around supply chain. It was chaired by Molly Harriss Olson, CEO of Fairtrade Australia NZ. Karen Barnett, of Montville Coffee, talked about her company's experience as part of the Fairtrade organisation, and why certification and supply chain transparency is vital to her company and customers, while Dr Helen Darling, of the Asia Pacific Centre for Food Integrity, discussed the rise of consumer experts and how Big Data can help predict food safety incidents and improve supply chain transparency.

**The Talent & Diversity** workshop was an interactive session that gave delegates tools, templates and methodologies to develop talent and build performance development in the workplace. It was hosted by FGC's Talent Working Group and Competenz. Scott MacKay of SFC and Bayard Sinnema of O-I hosted a workshop on **trends in packaging design and branding**, while the FGC Industry Relations Working Group, led by Kelly Smith, hosted an interactive session on **industry relations** where delegates broke into groups to gather experiences and brainstorm ideas.

## Conference: Other Sessions

### Interactive Board session



Chris Klingbeil of Touchstone Executive Search chaired this session, which examined the aims and refreshed strategy of the Board in response to member feedback, and made a further call for members to continue to put forward ideas. Individual board members spoke on a wide range of topics, including challenges for 2019, a culture code, negotiations with retailers, supermarket concentration, retail chain trust, the Food Industry Taskforce, nutrition polices, customer trust, and talent attraction and retention.

### Trade

Former Minister of Foreign Affairs Hon. Murray McCully offered insights from his past and current assignments and his extensive knowledge of national and global affairs. He said the 650 million people in Asia were worth significantly greater efforts from New Zealand companies, and predicted Singapore would be a likely third member of CER, which would open a huge market to New Zealand. He said one country to watch out for on a business perspective was Vietnam, while Japan would be a much more interesting part of the trade story once CPTPP is ratified and is “worth a business visit – probably around the time of the Rugby World Cup.” New Zealand needed also to understand that China is an emerging superpower that is assertively going to pursue its own interests. “That is a reason for us to manage the relationship with good judgment and skill and with our eyes wide open. And like any other business, we should be working hard to ensure that we have balanced our trade portfolio relationships rather than being too dependent on one market.”



### Politics



Politik editor Richard Harman gave his take on the state of New Zealand politics, and the twists and delays forced by NZ First on much of the Government’s decision-making and programmes when it doesn’t agree. He said Labour’s talk about public health improvements have been met by a realisation that imposing taxes on things enjoyed particularly by people on lower incomes – such as sugary beverages – would affect the party’s support base, and so are not popular with many of their MPs and are unlikely to happen. He sees the next election as a 50/50 proposition, with National still to decide how it deals with NZ First.

### Sport

Melodie Robinson was the closing speaker, telling her story of persevering to achieve your goals despite setbacks – through her upbringing, playing in the Black Ferns, and being a female sports journalist, a mother and a mature student.



**AND, IN BREAKING NEWS** ... the last act of the conference was for the Grocery Charity Ball Trust to announce that this year’s event raised a fantastic \$225,000 for Big Buddy. Next year’s charity will be the Motor Neurone Disease Association.

### More scenes from a Big Week



