NZFGC Conference

Code Session

New Zealand food & grocery council

NEXTGEN Group


OUT

Our market is out of order…

- Over 60% of Grocery sales are sold on promotion*
- Consumer trust in brands is waning, COVID changed some paradigms.
- Companies looking upstream to improve their profit, rather than generating it from their customers!
- NZ Retailer NPAT higher than international players*
- Our industry is quite insular, and we've been slowly boiled

*NZ Market Study Commerce Commission 3/22

The Act: 16 Purpose of grocery supply code

The purpose of the grocery supply code is to promote the purpose of this Act by—

a) promoting fair conduct, and prohibiting unfair conduct, between regulated grocery retailers, the related parties referred to in section 18, and suppliers; and

b) promoting transparency and certainty about the terms of agreements between regulated grocery retailers, the related parties referred to in section 18, and suppliers; and

c) contributing to a trading environment in the grocery industry—

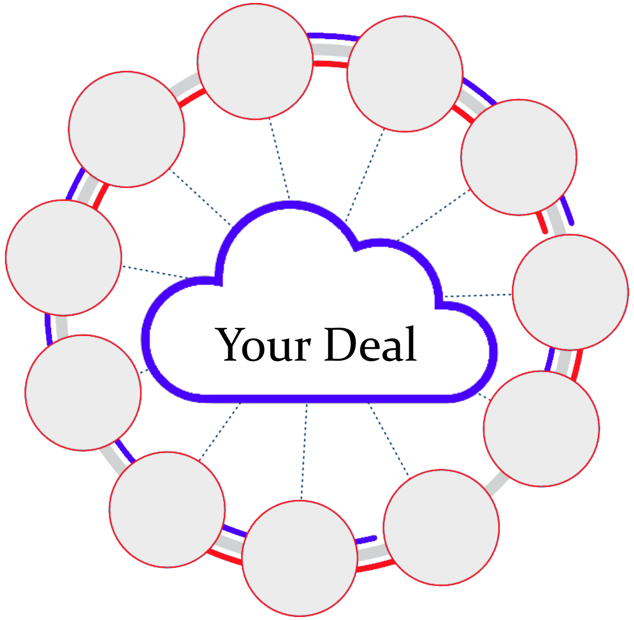
- (i) in which businesses compete effectively and consumers and businesses participate confidently; and
- (ii) that includes a diverse range of suppliers.

Note: the key objective is to promote competition for the benefit of consumers!

Meaning...

For many, 2023 and 2024 will be a period for tough conversations!

Today three areas of focus…

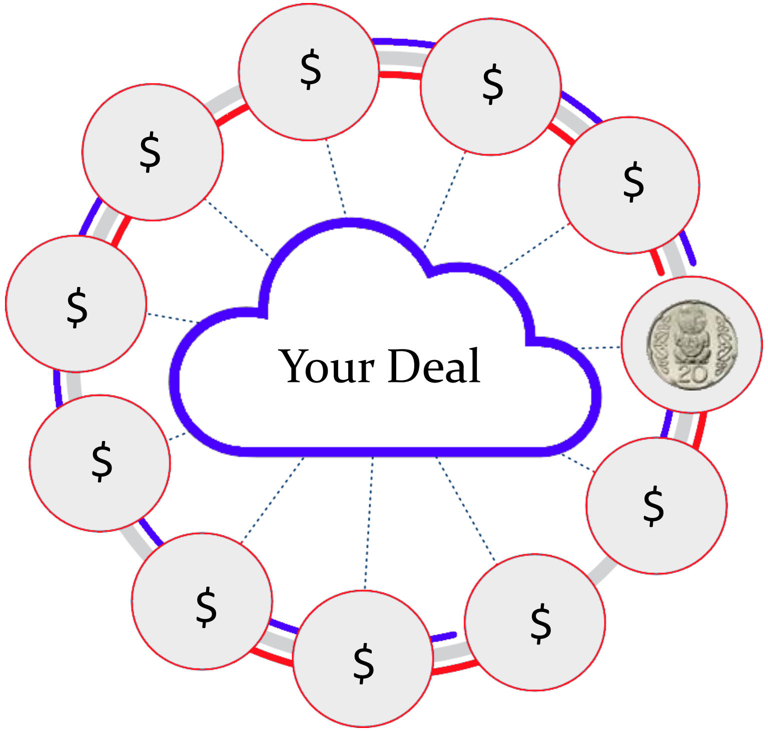


GSA Negotiation

Whose Costs!?

Indies Instore

GSA Negotiation



- 100% of attendee groups of the NZFGC training have mentioned this as an area they need to tackle!
- Every supplier deal is different.
- The Code provides that funding must be reasonable, unless of course you agree to unreasonable!
- Time is of the essence.
- If not now… then when?

Costs

- Call me old fashioned, but if you aren't charging your customers enough to have a sustainable business… do you have a business?
- Retailers sell products they own! Even pay at scan (although this model has some interesting potential for Code issues).
- How can it be reasonable for a supplier to subsidise a retailers operating margin… suppliers cannot set minimum prices!

Merchies and Trucks

Instore

- Every independent store is its own buying entity, some more than others.
- Field teams need to be competently confirming agreements.
- What is your playbook for things going pear shaped?
- How will you maintain consistency?
- We're considering a low cost, webinar-based series for relevant field teams?

One other bonus challenge – pressure on ranges

nzherald.co.nz

Cost of living crisis: No improvements in cost of living survey since March

Ingredient 1:

Shoppers less concerned about variety and more about value

The Post | TE UPOKO O TE IKA

Staff shortages in supermarket supply chain leading to empty shelves in Wellington stores

Matthew Tso, Bill Hickman and Kate Green · 05:00, Mar 08 2022

Ingredient 2:

Reduced complexity reduces cost in supply chains and store ops.

Self Service (even Aldi!)

Ingredient 3:

It's all about efficiency, margin growth will be hard, save costs!

Expect some challenging category conversations in 2023/24. Range efficiency and cost reduction a real likely focus. Planning, and robust preparation essential.

In summary

- We have to think more like that reasonable "individual" on London Bus Route 88! Not like a grizzled veteran of our industry!
- The Code is not a magic wand, but it does set some excellent standards.
- Plan your GSA negotiations and know your deal!
- Whose costs are they? We may need the CC to provide guidance on what's reasonable.
- Take care instore.
- Keep a weather eye on your category reviews and remember the code has clear provisions!