



Customer Insights – a Supermarket Perspective

NZ Beef and Lamb AgInnovation Workshop
Darren Jacobs, Merchandise Manager – Fresh Foods

May 9, 2014

Introductions

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Agenda

Foodstuffs North Island – Who are we?

Our 'Butcher Shops'

How important is Meat to us?

Customer Insights - the latest research

Beyond price – retaining customers and growing sales

Summary

Foodstuffs North Island – Who are we?

Owner operated supermarket co-operative

NZ's biggest supermarket

- 55% market share
- \$6b+ turnover
- 40 Pak n Save stores
- 100 New World stores
- 400 4 Square stores

North Island Wide.

Our 'Butcher Shops'

All Pak N Save and New World stores have a butchery operated by fully qualified butchers.

600+ qualified butchers

Largest trainers of butchers in NZ – 130 apprentices in training

Operate both Carcass and Boxed butcheries

No central processing facility – all Meat processed at store.

Beef and Lamb certified

How Important is Meat to us?

62,000,000kg sold per year

A \$650m business

10% of total store sales

How important is Meat to us?

Meat is a '**Source of Inspiration**' for our customers – they decide on their protein first and this drives purchases across the rest of the store

Customer research tells us Meat **pricing** is extremely important

Customer research tells us our Meat **selection** is extremely important

Availability of proteins is the **key concern** for supermarkets

How Important is Beef and Lamb to Us?

37% of Meat volume

44% of Meat value

(Chicken 23%)

8000 Beef rumps = 1 week in Pak n Save (on special)

80,000+ lamb legs at xmas

Customer Insights

Customer research tells us that the category in our supermarkets that **customers are most likely to shop around for is Meat.**

If we want to **keep our customers**, our Meat must be price competitive

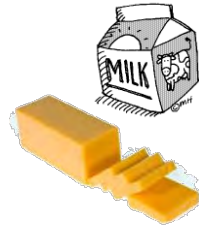
If we want to **win new customers**, we can do so by offering **value** in our Meat department

More than ever, customers want **more variety (range)** and more **gourmet** options in our meat cabinet

Products MOST likely to shop around for....



Fresh Meat
54%



Dairy Products
50%



Pet Food
13%



Alcohol
25%



Fresh Fruit
17%



Bread
17%

Fresh Veggies
16%



Tinned Products
10%



Coffee
10%



Cereal
8%



Baby Products
7%

Meat is always a key feature of advertising

17 - 23 March 2014

THOUSANDS OF SAVINGS EVERY DAY IN STORE

100% NZ OWNED

NZ Beef Rump Steak or Roast **11⁹⁹** **SUPER SAVER**

Australian or Chilean Green or Red Seedless Grapes **3⁹⁹** **SUPER SAVER** kg

Wattie's Standard Spaghetti or Baked Beans 420g **5⁰⁰** **SUPER SAVER** 4 for or \$1.69 each

Tip Top Ice Cream 2 Litre **4⁹⁹** **SUPER SAVER**

Montana 750ml (Excludes Wine Makers Series & Showcase) **8⁹⁹**

Shop & Get Rewards **FlyBuys** **NW NEW WORLD**

MEAT WEEK ON NOW

Rockface Pinot Noir 750ml 12⁹⁹
Roasted with rosemary, lemon juice and a touch of olive oil, serve with a South Island Pinot Noir whose soft tannins and sweet berry flavours will add a layer of complexity.

NZ Lamb Leg Roast 10⁹⁹ **SUPER SAVER** kg
Best of NEW ZEALAND BEEF & LAMB Certified Quality

Silent Syrah 750ml 12⁹⁹
Whether grilled or BBQ'ed, match with a New Zealand Syrah, the ripe supple tannins of syrah and balanced acidity will complement the sweet flavours of the lamb.

NZ Lamb Leg Steak 19⁹⁹ kg
Best of NEW ZEALAND BEEF & LAMB Certified Quality

Rabbit Ranch Central Otago Pinot Noir 750ml 23⁹⁹
With the distinct layers of flavour and mouth-watering succulence that are characteristic of Alpine Origin Merino, the Merino Burger is perfect for the ultimate gourmet burger. Partner up with a mouth-watering fragrant Pinot Noir with soft sweet fruit.

Hellers Merino Burgers 400g 5⁹⁹ ea

Ask our experts

Beef Porterhouse Steak tip:
Oil and season your steak before it hits the pan to ensure consistent cooking.

Chicken Drums tip:
Great in the slow cooker for a busy household.

Lamb Leg Roast tip:
Add fresh rosemary and garlic to an oven bag for simple and tasty roast lamb.

9⁹⁹ kg

100% NZ BEEF **Best of NEW ZEALAND BEEF & LAMB** Certified Quality

NZ Beef Schnitzel Plain or Marinated

Offer ends 18/03/14

MEAT WEEK ON NOW

Key drivers of ranging satisfaction

The fresh categories below **bring customers in** when we get it right and **push them to the competition** (mostly leakage channels) when we miss the mark

Meat



“The variety of meat: flavoured sausages, meats wrapped in pastry. The other supermarkets do not have the same variety”

Fruit & Vege



“Nice fresh fruit and veges. Other supermarkets always look manky and half rotten”

Bakery



“Bakery cakes, biscuits and breads - they are tastier and nicer than the other supermarkets i.e. chocolate twists, focaccia bread, lamington cake”

Customer want more premium offerings and a wide meat selection



Opportunities For A Ranging Advantage

2



Meat

- Majority not specifying particular items
- Premium meat cuts (e.g. Lamb rumps, pork fillets) and quality sausages the most frequent requests

3



Fruit & Vege

- Majority not specifying particular items
- Twice as many mentions of veges vs. fruit
- Some requests for 'locally grown' options

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Bakery

- Specialty/artisan breads and ready to bake products
- Flavoured items e.g. Spinach and feta twists/breads
- Specialty cakes e.g. Birthday

Beyond Price – Growing Value

Price is important – customers will walk away if it is not competitive

Moving beyond price is about **adding value** and **creating a point of difference** that the customer is willing to pay more for

There are two ways of achieving this – via **value add processing** and **feature based branding**

Value-add processing

Value-Add processing is generally processor driven and incorporates unique product features / benefits, packaging and branding

Customers are willing to pay more for this



Beyond Price – Growing Value

Foodstuffs partnered with Coastal Spring Lamb for the spring lamb season

Value growth targeted via offering:
first to market spring lamb
'naturally seasoned buy the sea'
unique branding



Summary for the farmer

Meat is *the* key department that helps decide where customers shop

Price is important but *value* can be added at both the grower and the processor level

Customers are increasingly seeking something **new** or **'gourmet'**

Consistency of supply is a supermarkets biggest concern

Questions?