

DARREN JACOBS

Foodstuffs North Island

Darren Jacobs has been 25 years in the retail industry with organisations such as Woolworths, The Warehouse, Mitre10 and Foodstuffs. He is currently Merchandise Manager Fresh Foods, involved in the merging of the Foodstuffs Auckland and Wellington businesses to form the largest retailer in New Zealand.

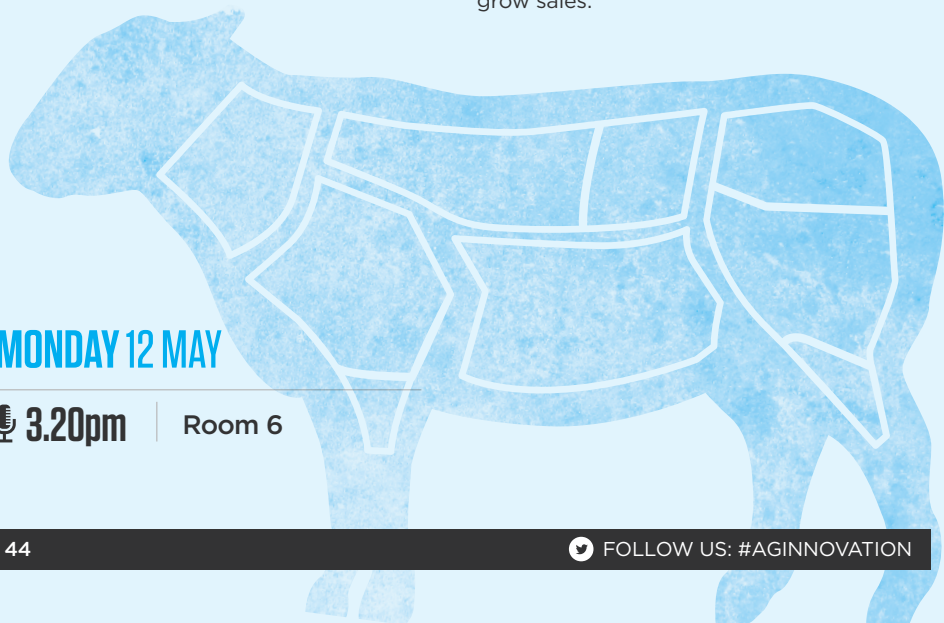
Customer Insights - A supermarket perspective

Meat forms a critical element in the supermarket offer. The latest customer insight research shows customers view meat, red meat in particular, as the product for which they are most likely to shop around; meat rating above dairy products, fresh produce and alcohol.

Getting the ranging, quality, pricing and presentation right in the butchery is a key element to retaining customers and growing sales. This session looks at what is important to the customer and how supermarkets structure their offer to meet these needs. Foodstuffs looks to partner with farmers and processors to develop offers that differentiate their butchery department from the competition. Learn how Foodstuffs is looking beyond price in their butchereries to retain customers and grow sales.

MONDAY 12 MAY

3.20pm | Room 6





Customer Insights – a Supermarket Perspective

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

May 9, 2014

Introductions

Darren Jacobs Merchandise Manager Fresh Foods

Graham Murray Meat Division Manager

Julian Anderson Domestic and International Procurement

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

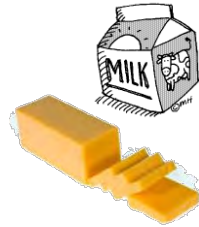
If we want to **win new customers**, we can do so by offering **value** in our Meat department

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**

Wattie's Standard Spaghetti or Baked Beans 420g **5⁰⁰** **SUPER SAVER** (4 for \$1.99 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**
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 **SUPER SAVER**
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

4



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?