THE CHANGING RETAIL & CONSUMER LANDSCAPE

KITCHENER PARTNERS

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FOOD SERVICE OFFERINGS

RETAIL OFFERINGS

There has never been so many opportunities for producers!

Blended online and offline

RESTAURANT
EATING-OUT IN

'dark kitchens'

ONLINE

"immediacy"

$110 bn/yr

MEAL KITS

EXPORT

'community buying'

STRATEGY

START:

Create value?

Solve the pain-points of the consumer (and retailer)

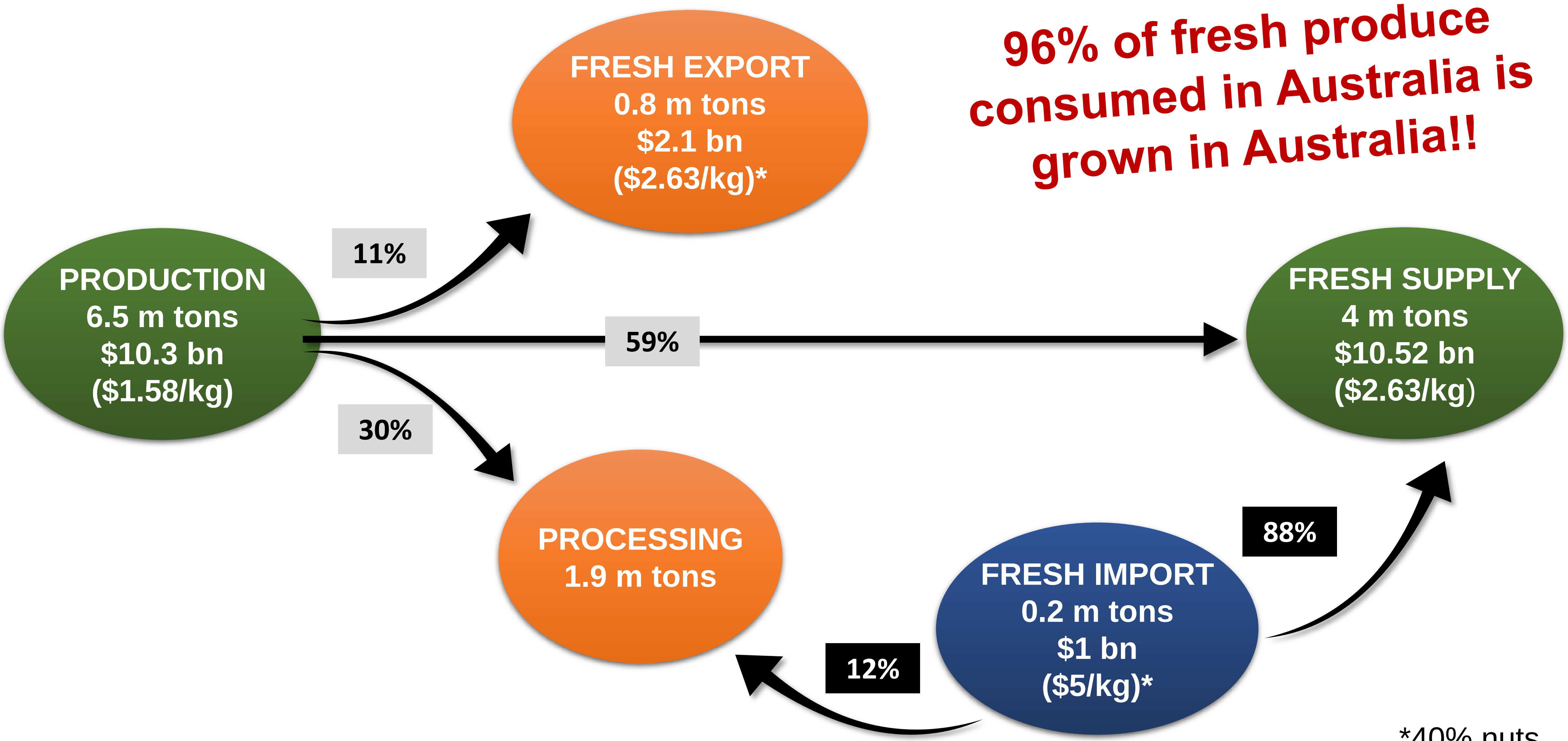
END:

Capture value?

Take control over the related critical resources

HOW*: Insight into the problems and building solutions to solve them*

THE AUSTRALIAN FRESH PRODUCE SUPPLY CHAIN



*40% nuts

Source: ABS, AC, CFVIWA, GTA, IRB, MP, DD, Fresh Logic

DIFFERENT CATEGORIES = DIFFERENT STRATEGIES

‘Destination’ purchase VS ‘Impulse’ purchase

Bananas, Apples, Pears, Citrus, Lettuce, Potatoes, Vegetables

Staple Commodities

KVI: $ & freshness

Passion Fruit, Lychee, Persimmon, Paw-Paw, Pomegranate

Exotic & Niche

Impulse

Lemons, Limes, Herbs, Avocados

Accompaniments & Seasoning

Destination

Mangoes, Stone Fruit, Grapes, Pineapple, Melon, Berries

Seasonal Commodities

Impulse and Destination

Expandable Consumption!!!

DEMAND LED

PRODUCTION PUSH

Sales driven by production

PRODUCER

"This is what I've grown, please sell it for me"

RETAILER

"This is what we have to sell – take your pick"

CONSUMER

"This is what I *have* to buy, but I don't want it"

CONSUMER PULL

Sales driven by consumer demand

PRODUCER

"This is what we need to grow"

RETAILER

"This is what we need to stock"

CONSUMER

"This is what I *want* to buy"

WHAT ARE THE KEY SUPPLY CHANNELS?

DEFINITION OF THE AUSTRALIAN FOOD MARKET BY CHANNEL

RETAIL SUPERMARKETS 70%

- GROCERY
  - FULL SERVICE
    - coles — 896 stores
    - Woolworths — 1,086 stores
    - Costco Wholesale — 10 stores
    - ALDI — 546 stores
  - INDEPENDENTS
    - IGA, FoodWorks — >3,000 stores
- CONVENIENCE
  - 7-Eleven, city convenience store — 5,700 stores
- SPECIALISTS
  - Lenard's (The Best Fresh Chicken), Harris Farm Markets, Tasman Market Fresh Meats, Bakers Delight (We're for real.), Seafood Factory Outlet — 20,000 stores

10.5 million Main Grocery Buyers in Australia

100,000 food and beverage outlets

FOOD SERVICE 21%

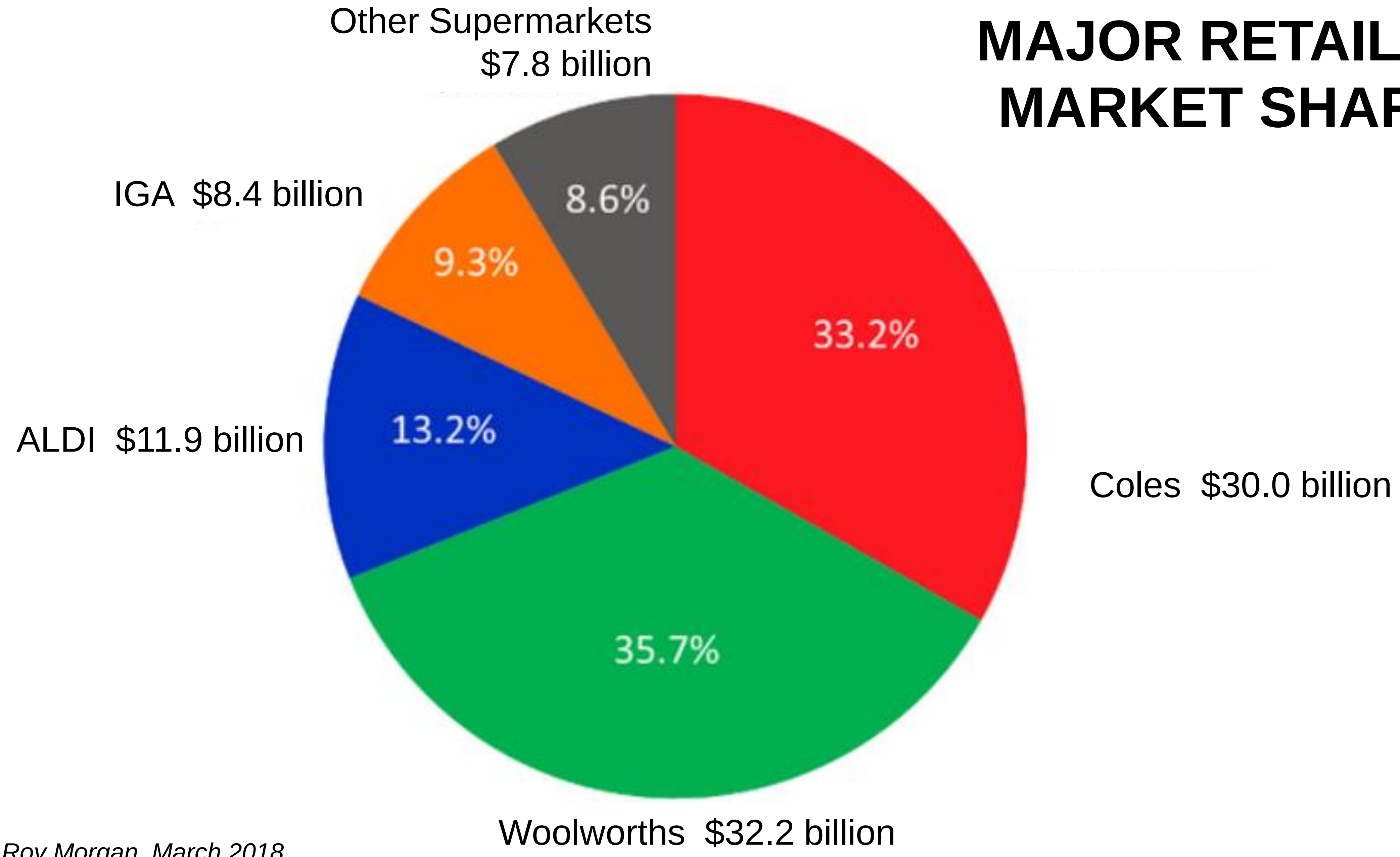
- TAKEOUT
  - McDonald's, Hungry Jack's — 6,500 stores
- DINING OUT — 35,000 stores
- INSTITUTIONS/ LEISURE — 15,000 stores

ONLINE

amazon, HelloFresh, catch of the day

Source: ABS, IBIS, Company Reports, FOODmap, DAFF

MAJOR RETAILERS MARKET SHARES



Source: Roy Morgan, March 2018

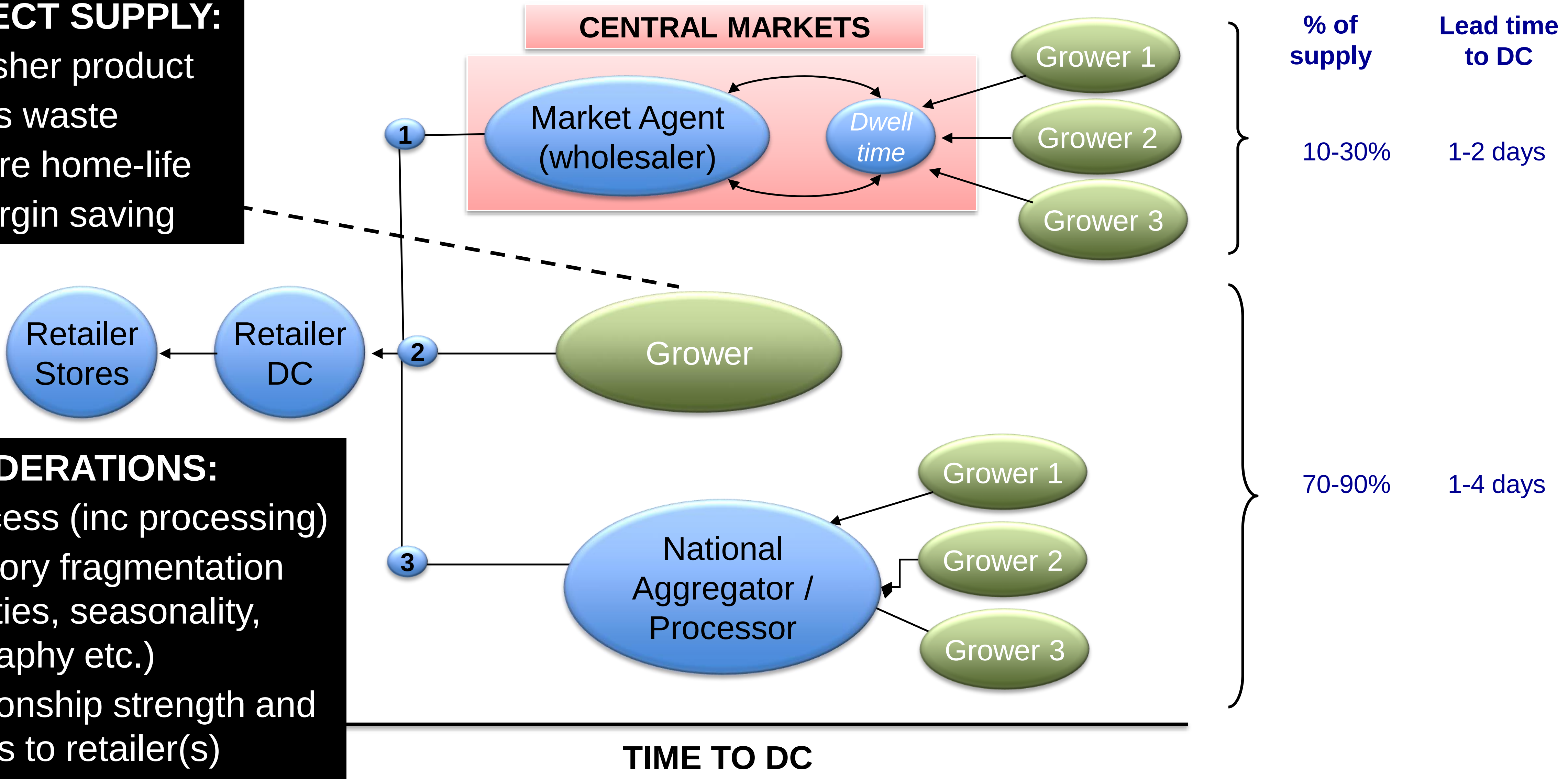
MANAGING MULTIPLE RETAILER RELATIONSHIPS

Supply One, Both or More?

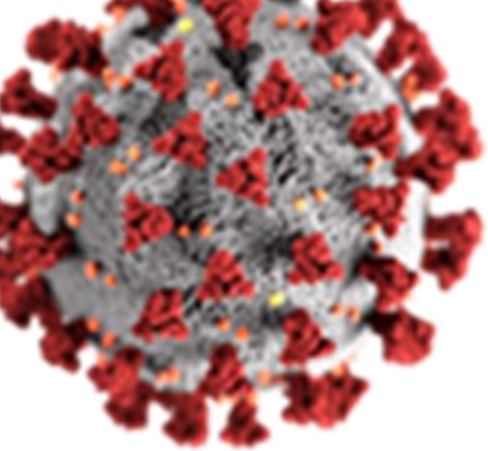
- Small / medium size suppliers vs large suppliers (exclusive vs generic)
- Industry structure (fragmented vs concentrated)
- One relationship = simpler life:
  - Lower account management costs
  - Greater trust
  - Greater crop utilisation
  - Favourable terms
  - Improved average margin

COMPLEX AND LONG SUPPLY CHAINS

DIRECT SUPPLY:
- fresher product
- less waste
- more home-life
- margin saving

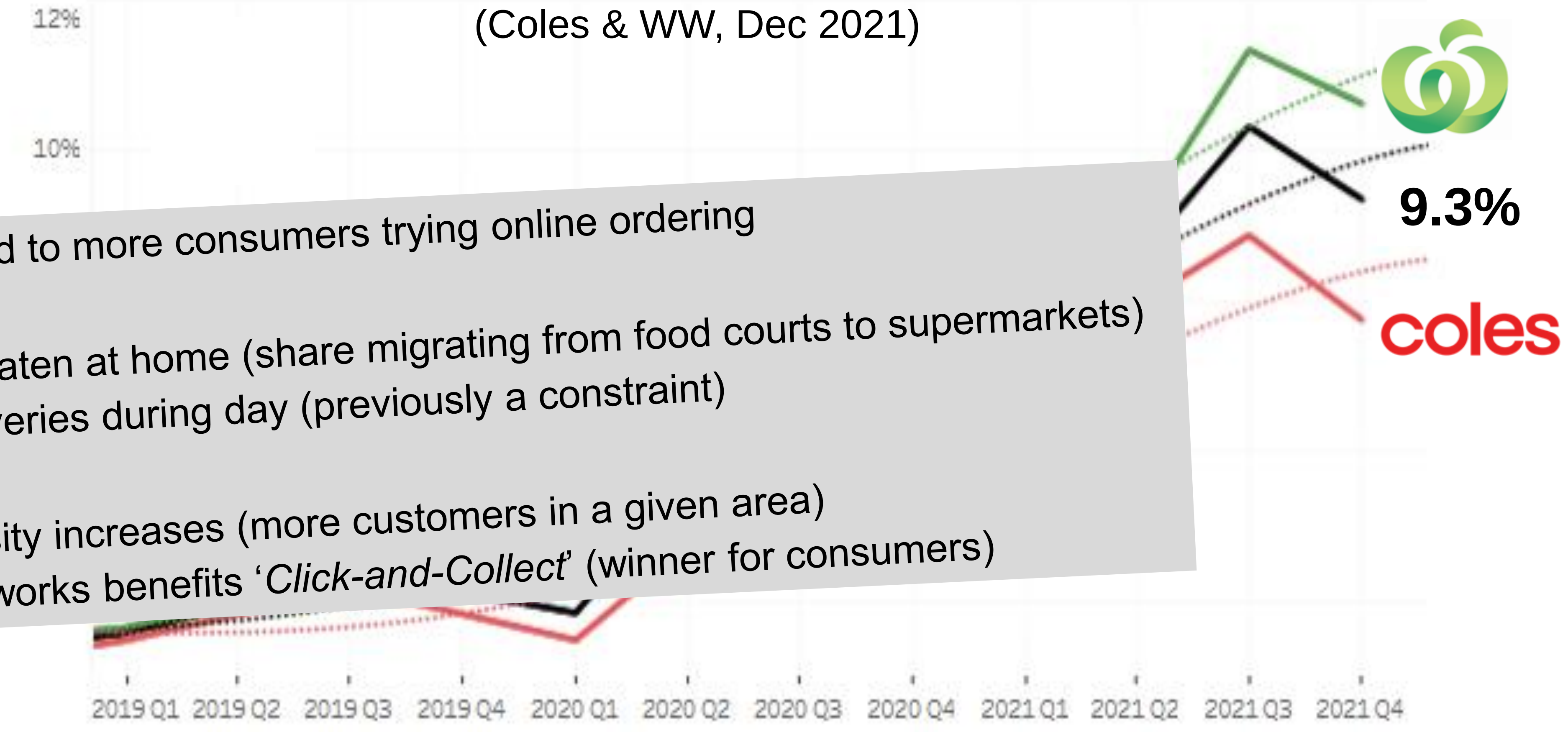


CONSIDERATIONS:
- IP access (inc processing)
- Category fragmentation (varieties, seasonality, geography etc.)
- Relationship strength and access to retailer(s)



ONLINE SUPERMARKET SALES HAVE DOUBLED

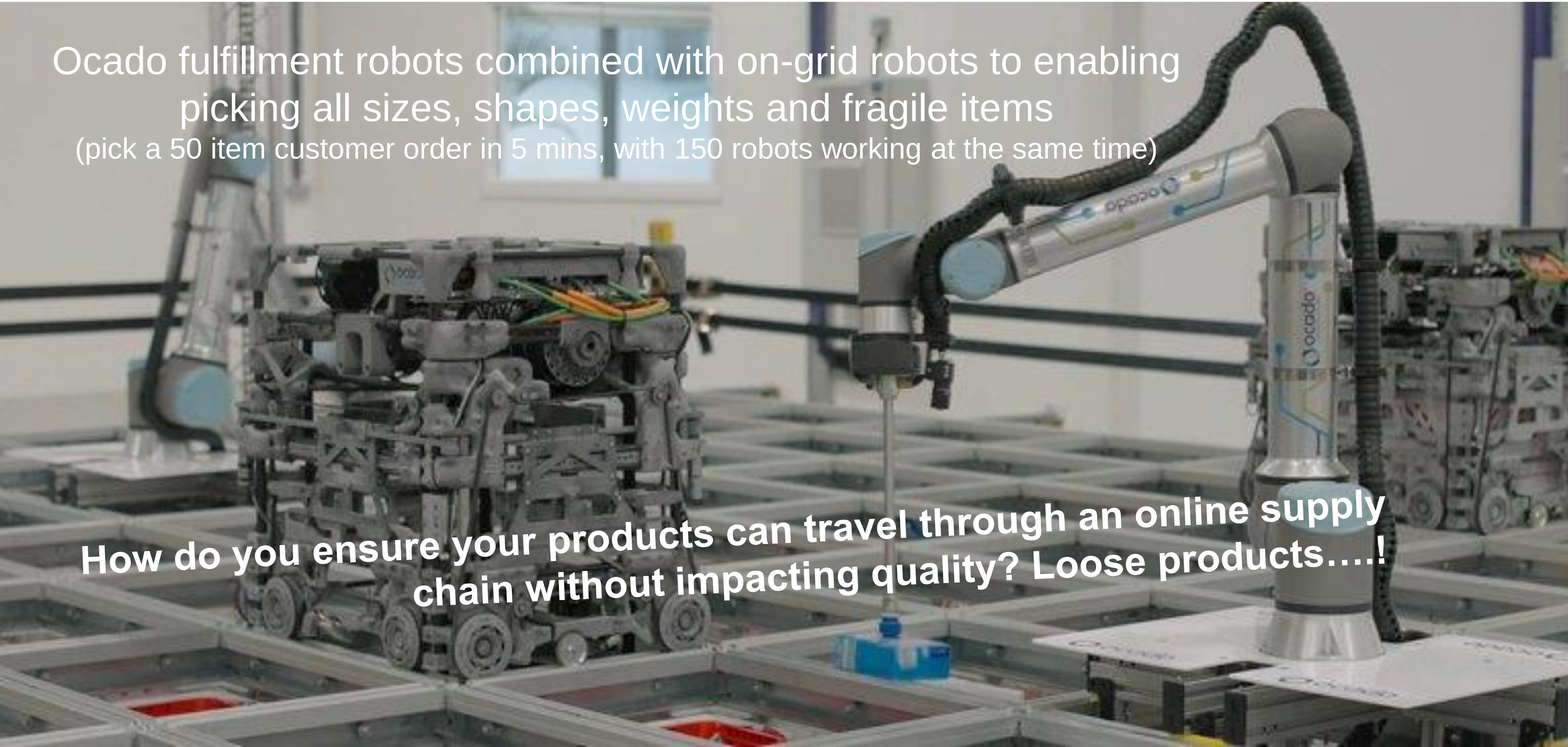
Online Food & Grocery Sales Contribution to Total Sales
(Coles & WW, Dec 2021)



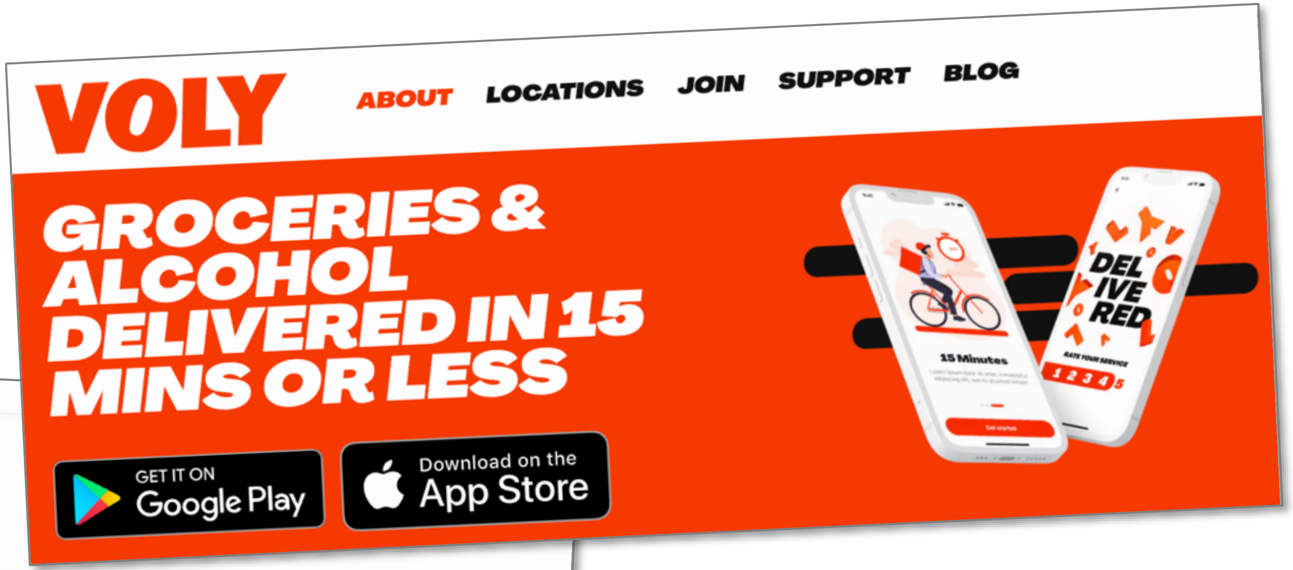
1. **New Habits:** COVID led to more consumers trying online ordering
2. **Working From Home:**
   - Increasing meals eaten at home (share migrating from food courts to supermarkets)
   - Enables more deliveries during day (previously a constraint)
3. **Scale Benefits**:
   - Delivery drop density increases (more customers in a given area)
   - Physical store networks benefits '*Click-and-Collect*' (winner for consumers)

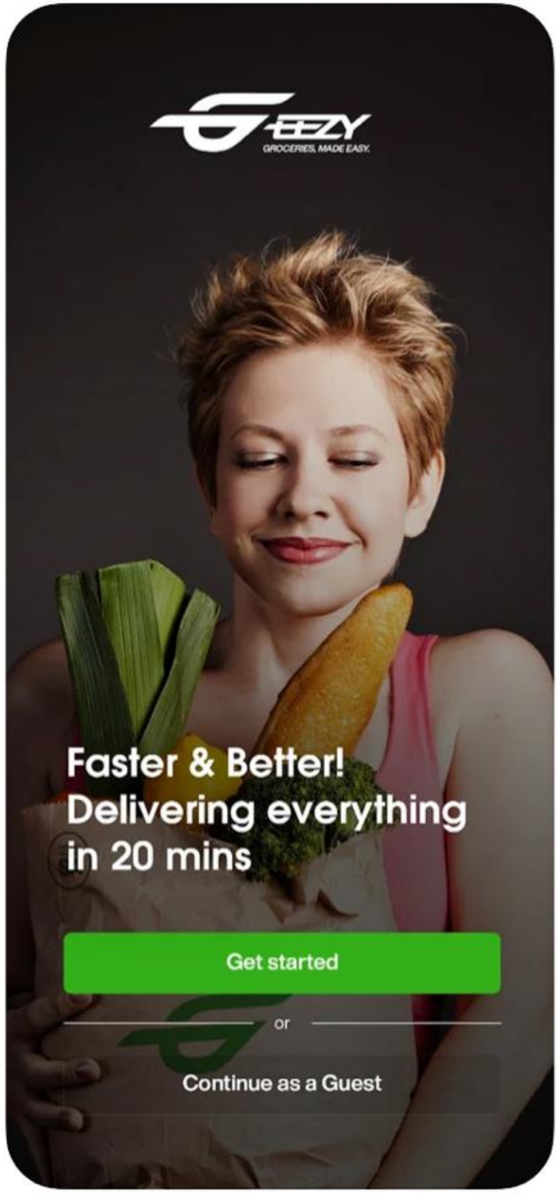
freshlogic
Analytics

COLES & OCADO: CENTRALISED FULFILLMENT CENTERS (Online deliveries)



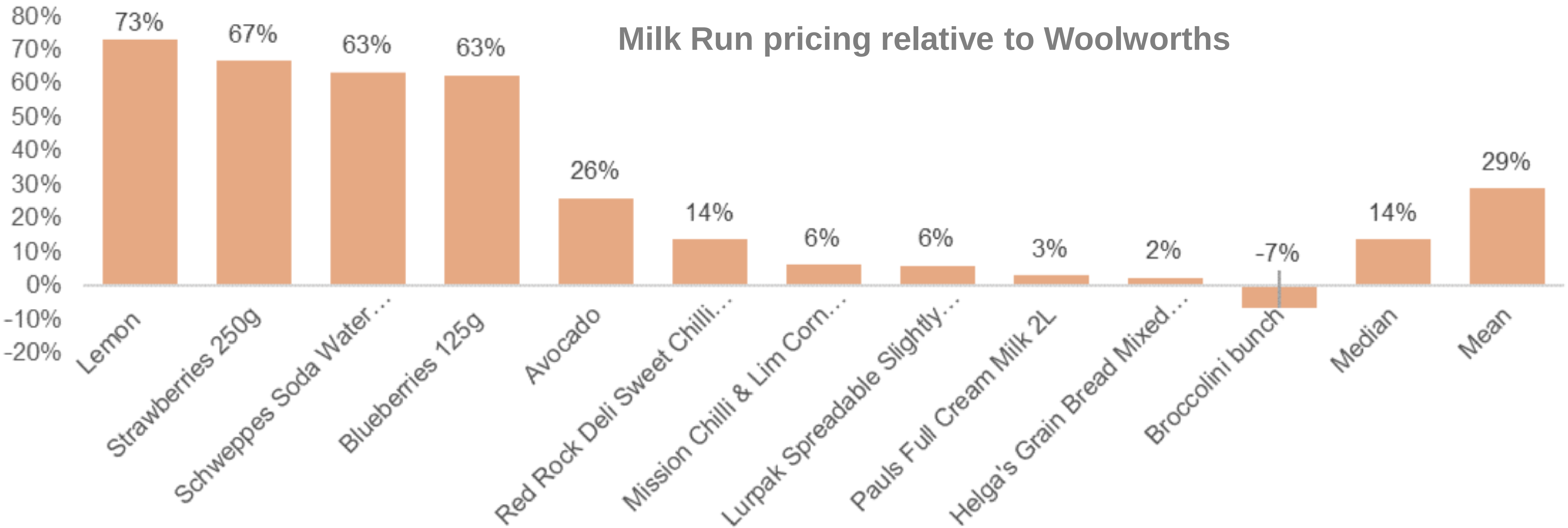
IMMEDIACY GROCERS HAVE ARRIVED AND ARE COMPETING WITH THE MAJORS





Immediacy Grocers' value proposition is convenience NOT value (price)

IMMEDIACY GROCERS ARE PRICED AT A 15-30% PREMIUM TO THE MAJORS



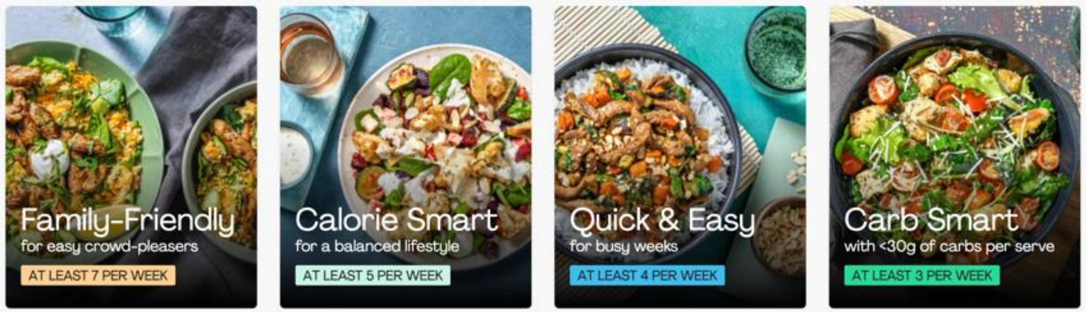
Core products with well known price points (e.g. break and milk) are priced very competitively, whilst discretionary items (i.e. strawberries, blueberries) typically priced much higher than the major supermarkets

Source: Company data, Barrenjoey Research estimates

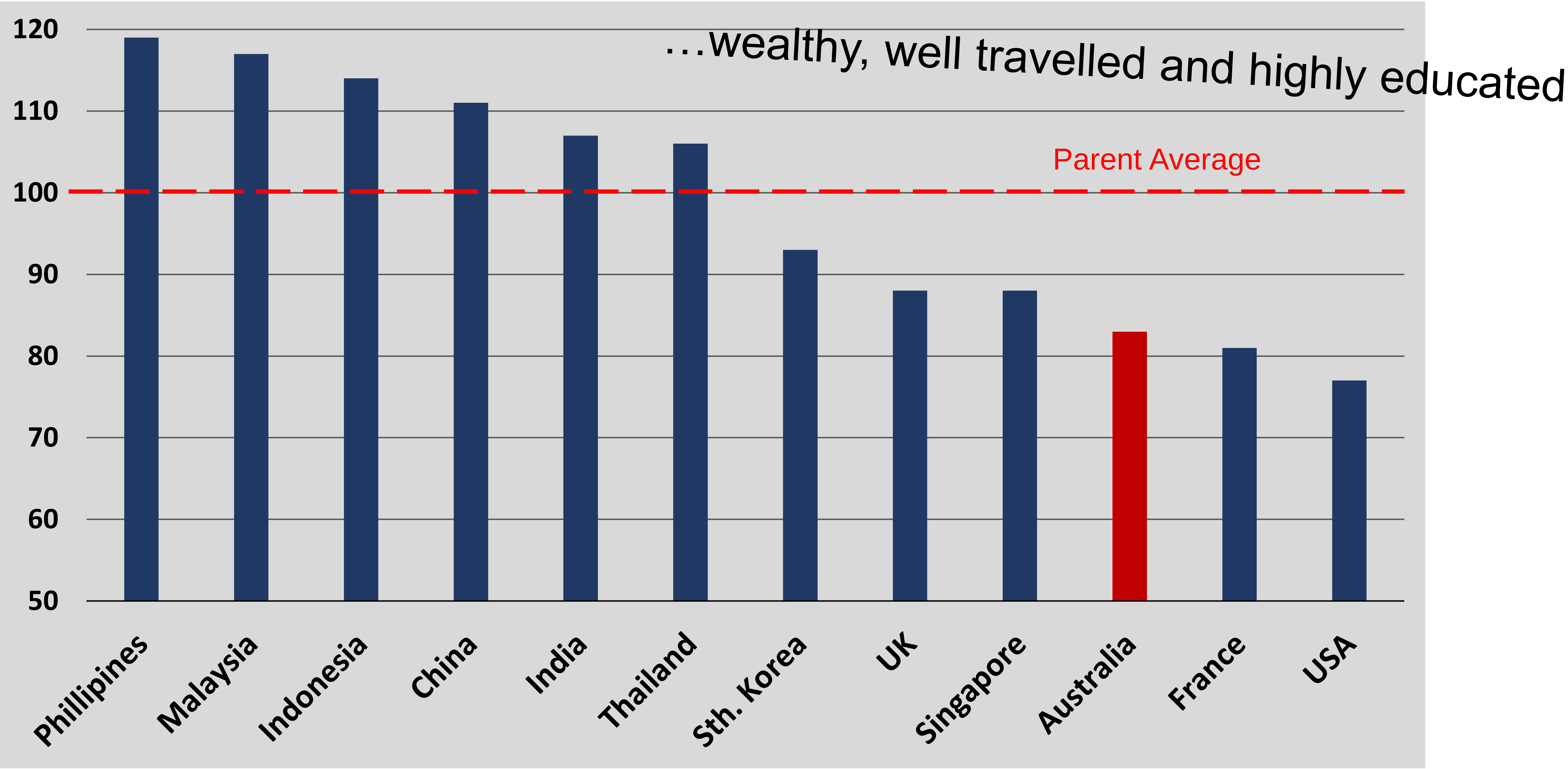
MEAL-BOX DELIVERY

- Aus Meal-Kit Delivery Market = $600m
- Accounts for 30% of online grocery market
- HelloFresh: Global sales $4bn (f.FY22), 11 countries

  ….essentially a manufacturer sourcing ingredients (therefore, need consistent supply, reliable quality)



EXPORT: MILLENNIALS WEALTH DISTRIBUTION VS THEIR PARENTS



Source: Morgan Stanley

COMMUNITY BUYING GROUPS

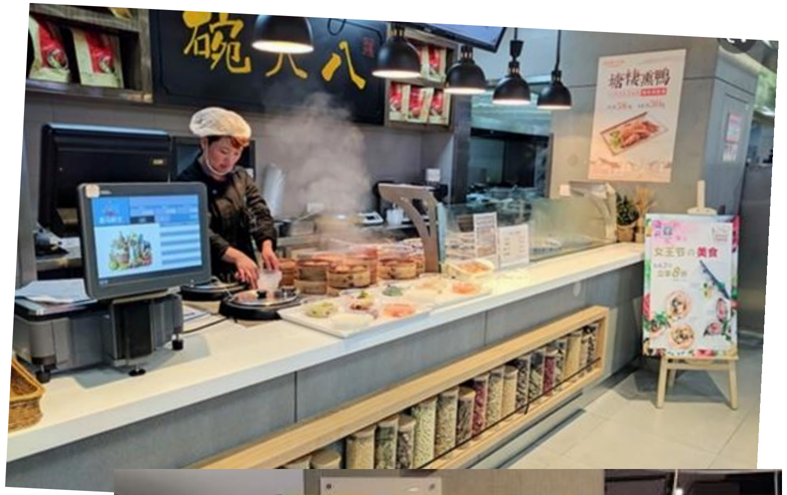
Local community groups in apartments join forces to purchase fresh produce in bulk

Taobao livestreaming from NSW dairy farm

- A **'group leader'** aggregates demand and consolidates orders from residents in an apartment complex
- The group leader **collects payment** from the residents and **buys fresh produce in bulk**
- Fresh produce **delivered right to the apartment complex** - dramatically reducing last mile delivery costs (and passing on savings to the consumer)
- *Delivering in bulk solves the 'last-mile' delivery hurdle!*

HEMA – ALIBABA'S 'NEW RETAIL' CHAIN

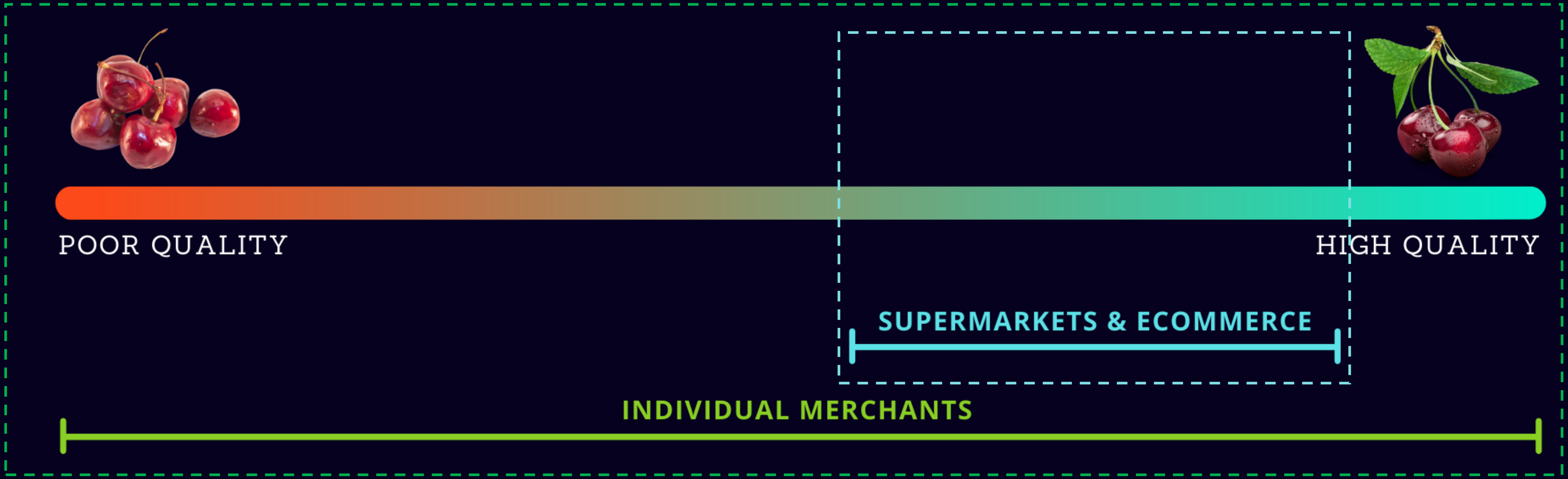
Everyday luxury is a huge volume opportunity



james tyler.

EXPORT IS MORE THAN PREMIUM…

- Consistency vs variability
- Progressive vs cosmetic defects
- Premium gifting vs everyday indulgence



POINTS TO CONSIDER

1. The Consumer Value Proposition (CVP)

"It's a promise of value to be delivered - it describes what you have to offer, why it's relevant to the needs of your target consumer, and why it's better than everything else in the market".

What is your CVP? i.e. why should consumers buy your products (or use your services), and how do we satisfy the factors that are important to consumers?

2. QUALITY/PRICE POSITIONING

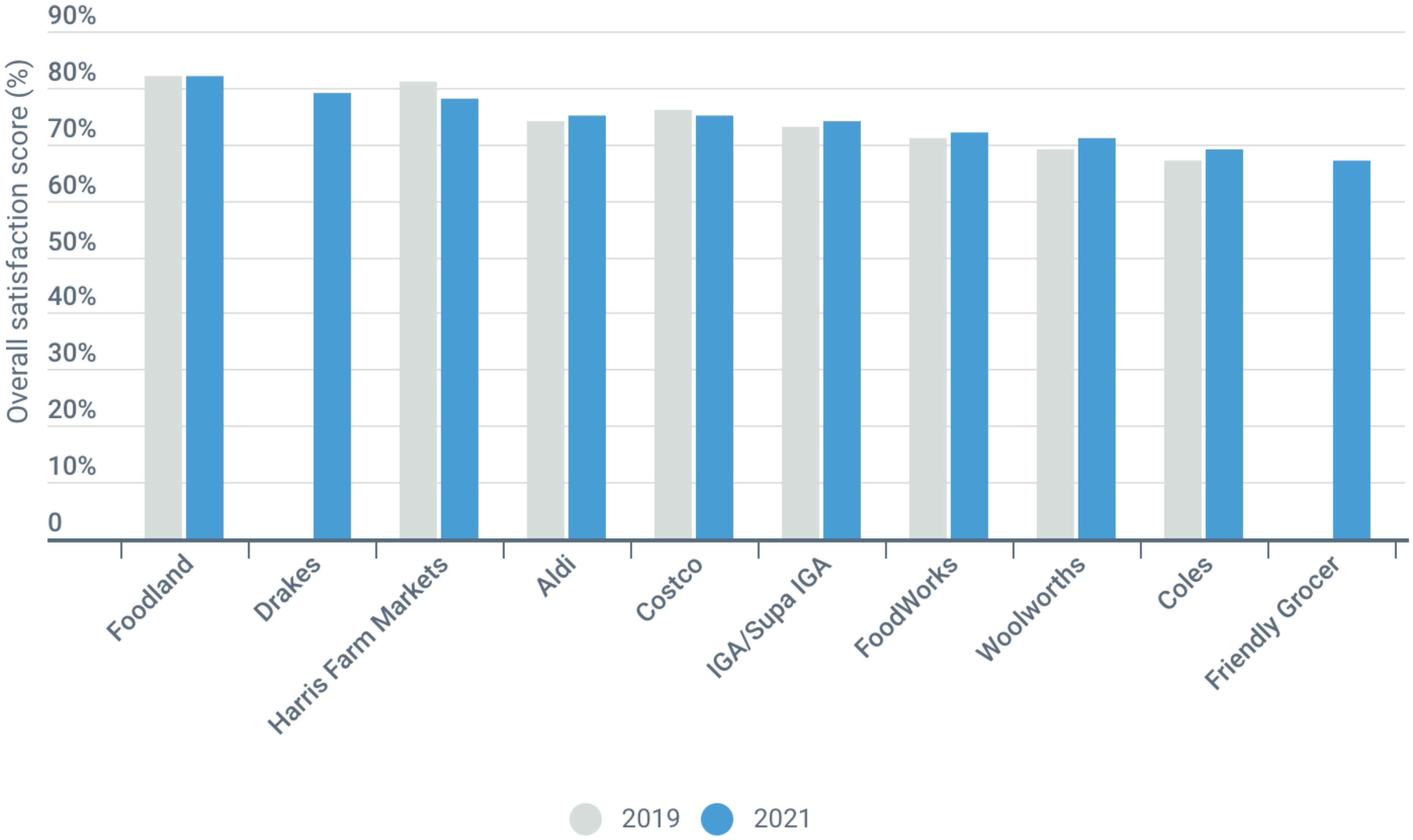
Super Premium

- Premium independent retailers
- Top-tier range in (some) main supermarkets
- Fresh food specialists
- Top-end restaurants

3. OPTIMUM RANGE: REMOVING 'NEEDLESS CHOICE'

Are you innovating or duplicating?

4. LOCAL: WHICH SUPERMARKET IS THE CUSTOMERS' FAVOURITE?



Source: Choice.com.au

LOCAL IS HERE TO STAY

- Consumers now want to **support their local stores**, and feel more connected to their neighbourhoods
- Smaller stores have turned into **community hubs**
- Consumers want to **continue supporting local** stores
- Personalisation through **store-specific ranging**
- Big supermarkets need to **upsize ‘local’** (more local SKUs)
- Closer retailer-supplier collaboration to **develop local ranges** to meet local demand!

Can you be the ‘local’ solution?

Source: Foodland, SA

5. CONSUMER ONLINE EXPERIENCE

Coles Shredded Iceberg Lettuce

$2.00

200g | $10.00 per 1Kg

Coles Lettuce Spinach

$3.00

120g | $25.00 per 1Kg

Coles Lettuce Rocket

$3.00

120g | $25.00 per 1Kg

Coles Iceberg Blend Salad Prepacked

$3.00

300g | $10.00 per 1Kg

Coles Butter Leaf Blend

$2.80

120g | $23.33 per 1Kg

Coles Green Oak Lettuce

$2.50

$2.50 per 1Ea

Sainsbury's Cheddar & Bacon British Pork Sausages, Taste the Difference x6 400g

(6)

TYPICAL LIFE 5 DAYS

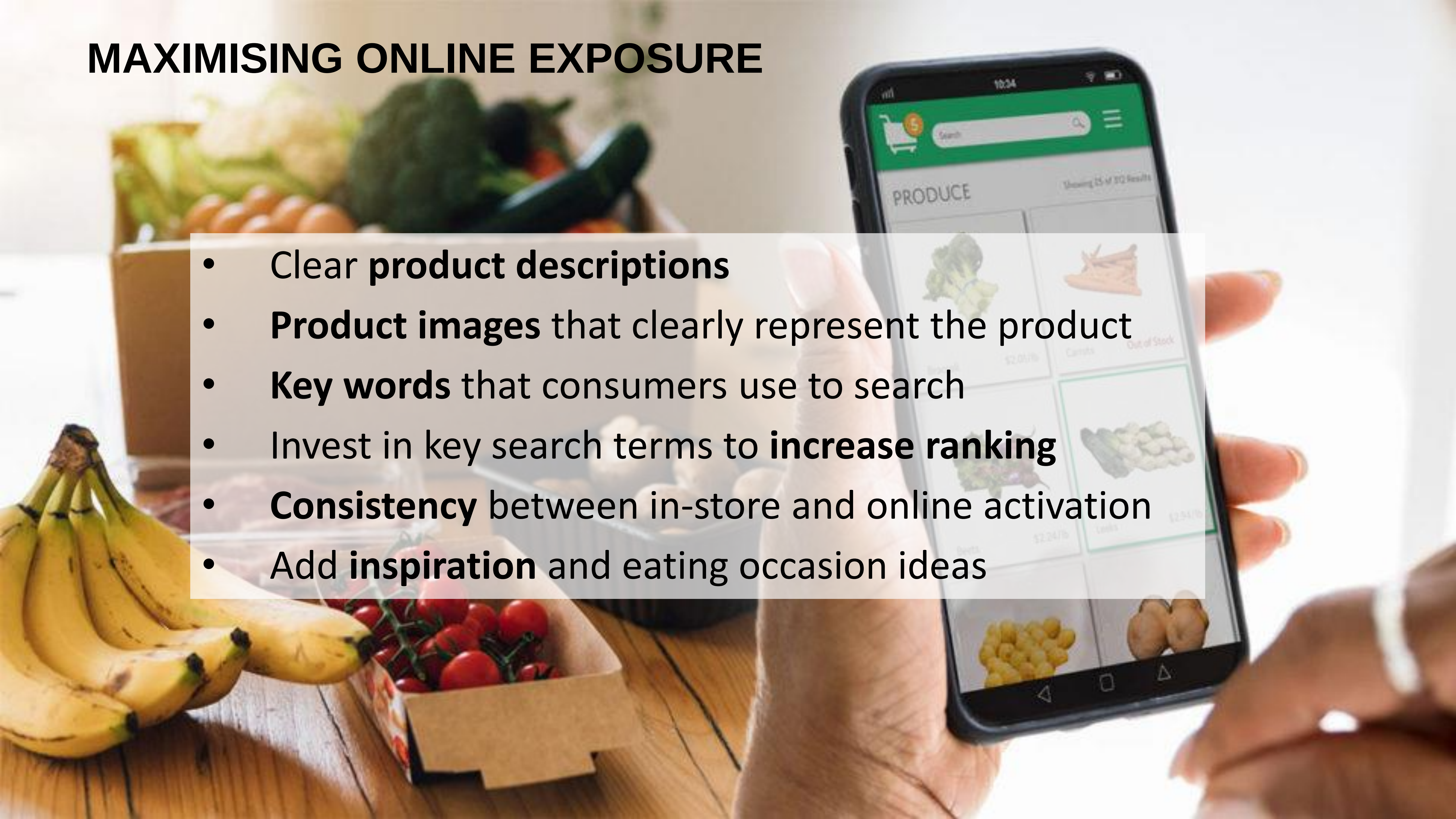
BRITISH

CHILLED

PRICES DROPPED

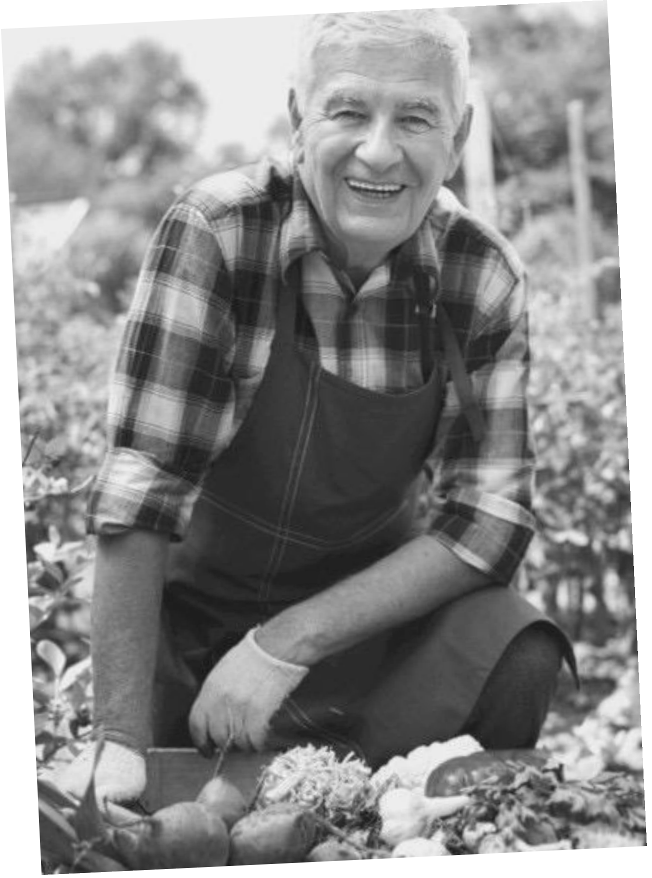
£2.50 £6.25 / kg

MAXIMISING ONLINE EXPOSURE



- Clear **product descriptions**
- **Product images** that clearly represent the product
- **Key words** that consumers use to search
- Invest in key search terms to **increase ranking**
- **Consistency** between in-store and online activation
- Add **inspiration** and eating occasion ideas

6. ASIA: BRIDGING THE CULTURAL GAP



PRODUCERS & EXPORTERS

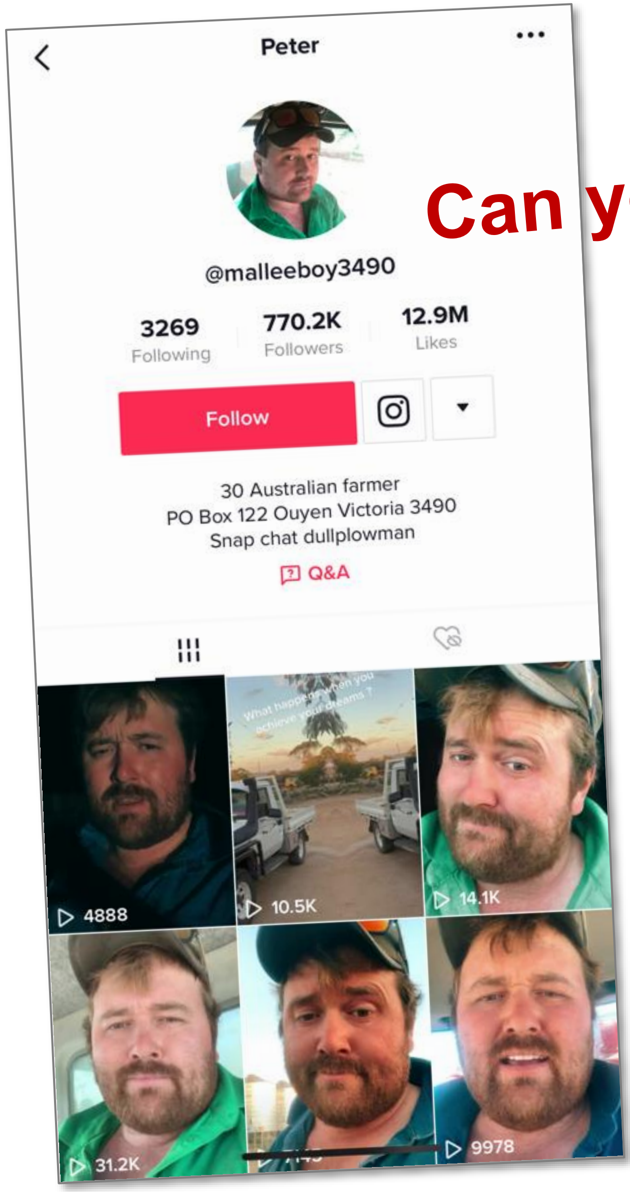
Dominated by older western males

THE CONSUMER

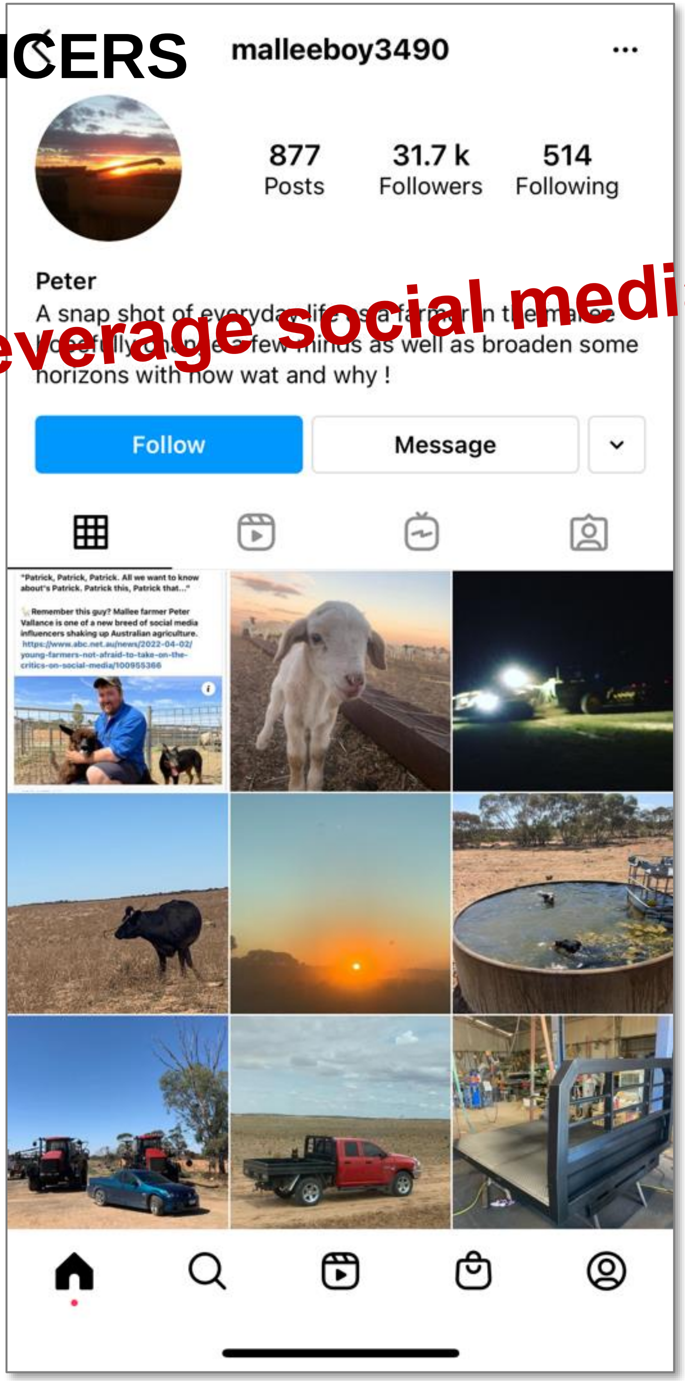
Dominated by tech savvy millennial women

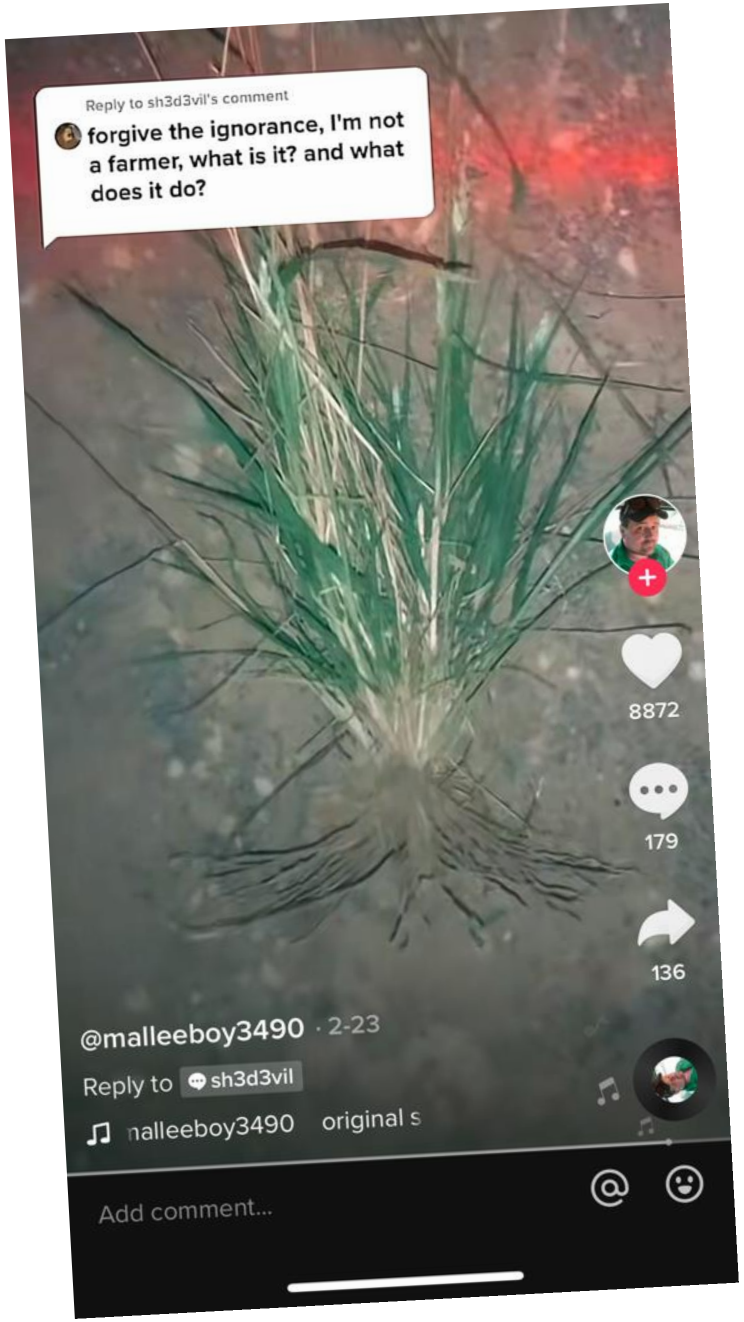
How are you going to bridge the gap?

7. SOCIAL MEDIA INFLUENCERS



Can you leverage social media?





8. PRODUCT SECURITY & AUTHENTICITY

Brand Protection

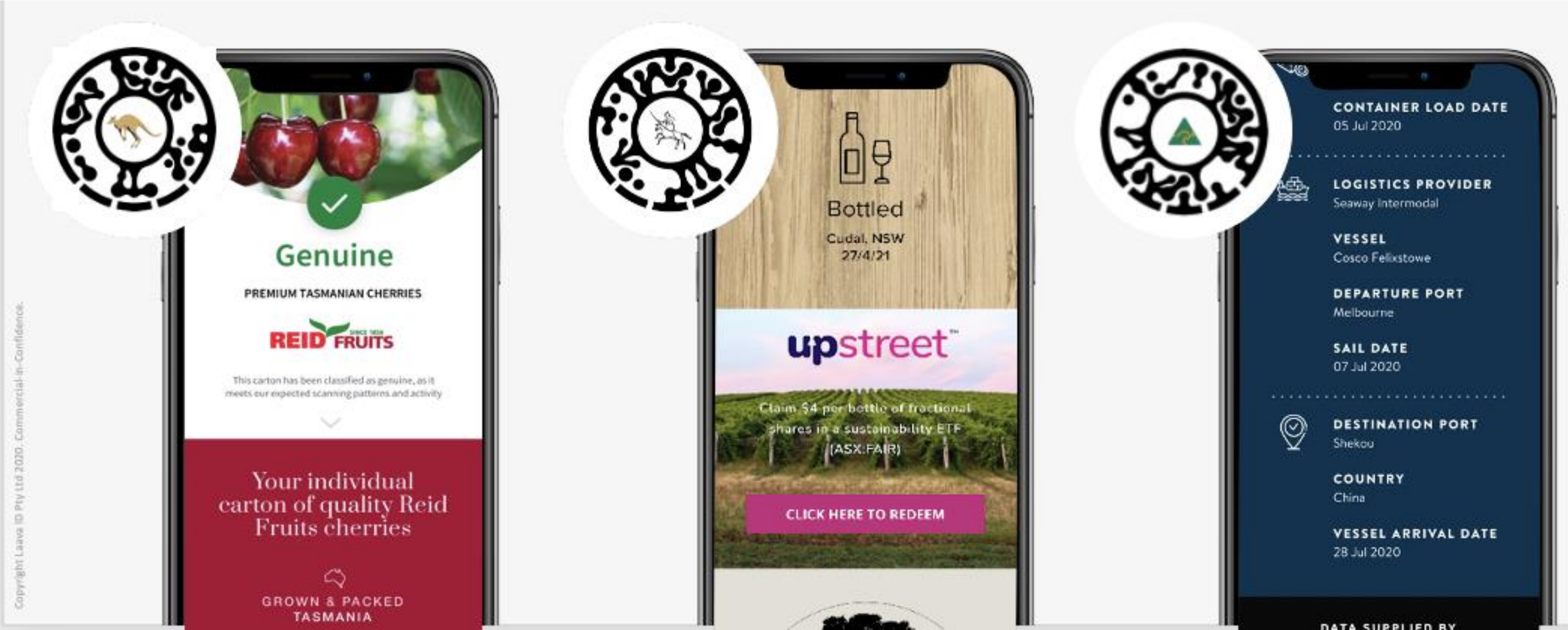
Confidence in product authenticity, channel integrity and core claims

Storytelling & Engagement

Rich consumer engagement storytelling, rewards and more

Provenance & Traceability

2-way integration with ERP, Traceability, DLT, NFT and eCommerce Platforms



9. FOOD SAFETY: DON'T UNDERESTIMATE THE COST OF A RECALL…

Documents lodged with the Supreme Court of Victoria say the recall has cost Tripod more than $15 million in economic losses. **Supplied**

Documents lodged with the Supreme Court of Victoria on October 26 by Melbourne law firm Aitken Partners claimed the recall had cost the company more than $15 million in total economic losses.

QBE sued by Victorian produce grower over salmonella outbreak recall costs

James Fernyhough

Save Share

Updated Nov 14, 2018 — 1.25pm, first published at 10.13am

Victorian lettuce grower Tripod Group is suing insurance giant QBE for millions in losses and damages after the insurer refused a claim relating to a product recall.

In February 2016 a salmonella outbreak was traced to prepacked lettuce produced by Tripod, resulting in a mass recall of the product at the request of the Victorian government.

Tripod, which has 800 hectares of salad farms across Victoria, is a supplier of Australia's major supermarket chains. Both Coles and Woolworths temporarily cancelled their orders from Tripod as a result of the outbreak.

HARPS: ACCESSING THE MAJOR RETAILERS IN AUSTRALIA

"HARPS is a ***retailer-led scheme*** *designed to assist with compliance to* ***food safety****,* ***legal*** *and* ***trade*** *requirements for suppliers to the major grocery retailers in Australia. HARPS aims to* ***eliminate multiple audits*** *by harmonising the requirements of ALL the major grocery retailers."*

- **Protect** retailers' brands and customers
- **Issues** from customer complaints, rejections, withdrawals, recalls
- **Aligned retailers** accepting a single standard

FOOD SAFETY | **TRADE** | **LEGAL**

GFSI Standards | **HARPS**

HARPS Approval

SINGLE audit to meet all retailers' requirements

HARPS
HARMONISED AUSTRALIAN RETAILER PRODUCE SCHEME

10. DON’T OVER-PRODUCE (without building demand first)!

Australian farmers forced to let produce rot

Avocado oversupply drives prices down

Farmers Julie and Tony Pratt from Wolvi, on the Sunshine Coast, have had to make some difficult decisions after making a profit of just 4 cents per avocado. The pair claims letting their produce rot is now the most economical decision. Avocado production has doubled in the past decade as farmers, and this is leading to smaller growers being priced out of the market.

Publication date: Tue 12 Oct 2021

11. PERFORMANCE TRACKING (USING TRENDED CONSUMER KPI'S)

Do you know and understand the metrics that will be used to measure (your) success?

Retailers are focused on profit per sqm, hurdle rates (uspw) and loyalty, so suppliers need to consider:

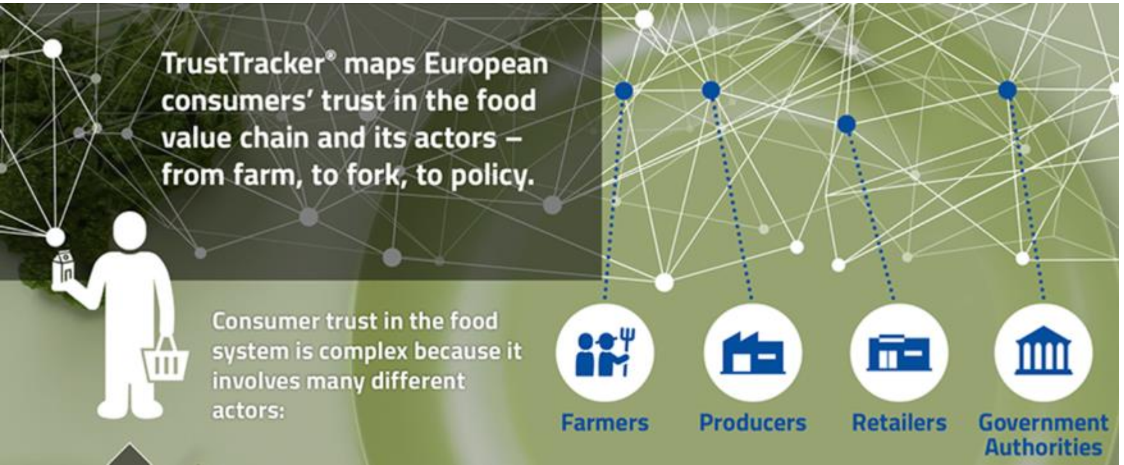
- What are the **consumer measures** driving growth?
- What **initiatives** are going to address specific metrics?
- How do you **attract new consumers** and **retain existing consumers**?
- How do you balance **sales** vs **loyalty**?

Source: Coles.com.au

12. BUILDING RELATIONSHIPS: TRUST AND RESPECT

eit | European Institute of Innovation & Technology

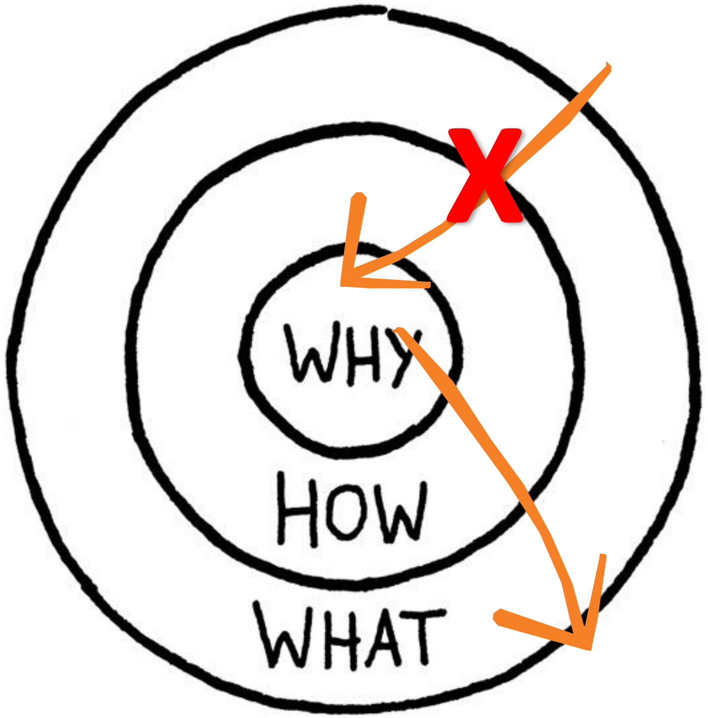
A body of the European Union



Potential Supply Channels

1. **Major Retailers (bricks-and-mortar and online)**
2. **Immediacy Grocers**
3. **Meal-Kit Providers**
4. **Export (community buying)**
5. **Export (major retailers)**
6. Gourmet Food Stores and independents (premium products)
7. Food Service (established)
8. Food Service (emerging: eating-in out providers)
9. Farmers Markets
10. Online Direct-to-Customer e-Traders (e.g. Amazon, Catch)

WHY DO YOU DO WHAT YOU DO? (The Golden Circle, Simon Sinek)



What

- Every organisation knows WHAT they do.
- These are products they sell or the services they offer.

How

- Some organisations know HOW they do it.
- These are the things that make them special or set them apart from their competition.

Why

- Very few organisations know WHY they do what they do. WHY is not about making money.
- That's a result. **It's a purpose, cause or belief; it's the very reason your organisation exists.**

SUMMARY

UNDERSTAND EMERGING CHANNELS

(so…..leverage insights)

EMBRACE THE CHANGE, PUT THE CONSUMER FIRST

(so…..align to meeting the needs of consumers)

BE DIFFERENT

(so…..innovate and add value across everything)

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DEVELOPING THE PROPOSITION…

1. By understanding the consumer/customer…

2. We can design the offer…

FEATURES

- What offer would they benefit from?
- What issues are they looking to overcome?

BENEFITS

- What are the benefits?
- Is the offer good enough?

EXPERIENCE

- How will it make them feel?
- How does this ease or impact their emotional state?

SUBSTITUES (competitors)

- Where else can they go for help?
- What are the other options available?

DEVELOPING THE 'CUSTOMER VALUE PROPOSITION' (CVP)

"It's a promise of value to be delivered - it describes what you have to offer, why it's relevant to the needs of your target consumer, and why it's better than everything else in the market".

What is your CVP?

i.e. why should consumers buy your products (or use your services), and how do we satisfy the factors that are important to consumers?

1. By understanding the consumer/customer…

Who are they?

- Demographics
- Profile
- Characteristics

What's happening emotionally?

- Wants
- Needs
- Fears

How do their needs impact them?

- What are their pain-points

2. We can design the offer…

FEATURES

- What offer would they benefit from?
- What issues are they looking to overcome?

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