



FNQ

# FOOD INCUBATOR

CREATE | INNOVATE | ACCELERATE

## MODULE 8

*Retail and Distribution*

On successful completion of this module you will be able to:

- Describe the different types of food retailers;
- Describe the food retailing industry in Australia;
- Explain the role of private labels in food retailing;
- Outline the key decisions to be made in retailing; and
- Understand the importance of the retail experience.

# Retailing

Retailing is the critical final stage in the supply chain where consumers actually spend money, that then supports and creates wealth for all players in the supply chain. Retailing has undergone a paradigm shift in recent times with the increasing growth of the internet and alternative channels such as farmers markets. This module looks at the current retailing of food in Australia, before considering the retail experience, that is, what makes for a good retail experience that will make consumers come back. The trends impacting the retail sector are addressed throughout the module.

## WHAT IS RETAILING?

Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. Retail involves the sale of merchandise from a single point of purchase directly to a customer who intends to use that product. The single point of purchase could be a brick-and-mortar retail store, an Internet shopping website, a catalog, or even a mobile phone. The retail transaction is at the end of the chain. Manufacturers sell large quantities of products to retailers, and retailers attempt to sell those same quantities of products to consumers.

**Retailing includes all the activities in selling goods or services directly to final consumers for personal non business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.**

**Any organisation selling to final consumers - whether it is a manufacturer, wholesaler or retailer - is doing retailing, it doesn't matter how the goods or services are sold (in person, by mail, telephone, vending machine or on the Internet) or where (in a store on the street, or in the consumers home).**

This definition highlights that all members of the supply chain can engage in retailing, from the farmer; who sells at the farm gate or at a farmers market, to manufacturers; who have on site sales rooms, and to wholesalers; who allow individuals, supermarkets and speciality food stores to purchase directly.

# Aldi: German efficiency in practise

From humble beginnings in 1913 as a small food store established in Germany, Aldi today operates over 8,000 stores worldwide, approximately 340 of which operate within Australia (ALDI 2014a; IBISWorld 2014).

Aldi's entry into Australia in 2001 presented a supermarket experience quite different to the existing offerings (Woolworths, Coles, IGA). As a discount supermarket, Aldi offers around 1,200 – 1350 core items in their stores (ALDI n.d), much fewer than the average of 30,000 items in Coles or Woolworths stores (IBISWorld 2014).

Aldi's business model centres on efficiency. One such example is the emphasis on labour cost savings, where pallets are used in-store as part of the displays and products are merchandised simply, to ensure a quick restocking process. Even the registers have a role to play, where items are scanned quickly to hasten customer turnover (ALDI n.d).

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Aldi was the first grocery retailer to introduce a national pricing policy. Product prices are standardised across certain ranges, ensuring that whichever Aldi store customers visit around Australia has the same price for certain goods (ALDI 2014c). Aldi was also the first major supermarket in Australia to introduce unit pricing (e.g. \$1.50 per 100g) prominently within their stores, bringing Australia in line with the method already widely employed overseas (Palmer 2008).



Corporate social responsibility is highly evident within Aldi's operations. In-store battery recycling bins are present, and Aldi abides by a sustainable fishing practices program (ALDI 2014b). Aldi also hasn't supplied free plastic bags since its establishment in Australia, estimated to have saved the disposal of 150 million plastic bags annually (ALDI 2009).

Aldi's market share is expected to increase rapidly as it continues to exert pressure on the leading supermarkets, as it has already attained a 10.3% market share since 2001 (IBISWorld 2014).

## REVIEW QUESTIONS:

1. Who is Aldi's target market?
2. It is often said that due to the more limited range, consumers can't buy everything at Aldi. What opportunities does this open for other food retailers?



Food retailing falls into two classes: store retailing and non-store retailing. Store retailing comprises:

- Supermarkets like Woolworths, Coles and Aldi;
- Speciality stores, bakers, fruit and vegetable stores, fishmongers;
- Convenience stores like 7 Eleven and Lucky 7; and
- Cash and carry warehouses like Costco.

Non-store retailing comprises:

- Online sales; and
- Direct channels like farmers' markets

## SUPERMARKETS & CASH & CARRY WAREHOUSES

The supermarket sector is increasingly being globalised. Table 1 below highlights the market share of major retailers, with Woolworths and Coles holding over 70% of the market. Both Coles and Woolworths have high store numbers and stock approximately 30,000 product lines in each store.

### PROFILE OF AUSTRALIAN SUPERMARKETS

Retailer	Market Share	Number of Stores	Product Lines
Woolworths (Woolworths & Thomas Dux)	39.1%	over 870	30,000
Wesfarmers (Coles)	31.6%	741	30,000
Independent Grocers of Australia (IGA)	7%	over 14,000	N/A
Aldi	4.0%	Over300	600-1500
Australian United Retailers (Foodworks)	2.3%	670	N/A
Costco	N/A	5	N/A

Aldi entered the Australian market in 2001 and already has over 300 stores with plans to expand this number significantly. On average, Aldi stores are much smaller than Woolworth's supermarkets in size, mainly due to the much reduced product line of only 600 core lines. The majority of these product lines are also private label.

The smaller (physical size and product lines) supermarkets of IGA and Foodworks are much more numerous. Due to their smaller size they are often located in regional and rural areas where the population density is not large enough to support a larger supermarket.

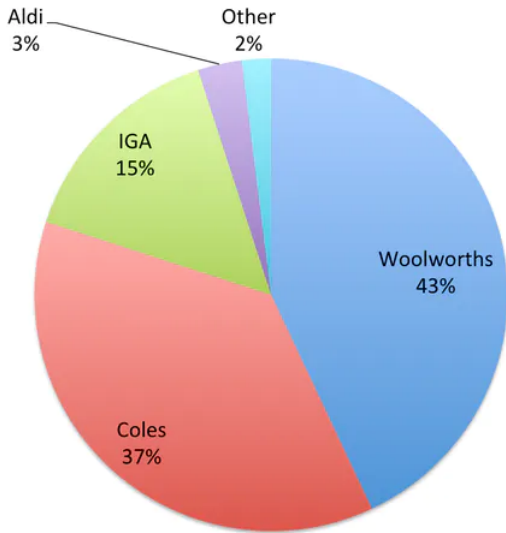
These stores, while badged under the one brand, are often independently owned (with some owners having multiple stores, e.g. there are over 40 Drakes (IGA) supermarkets in South Australia). They operate under the one banner to take advantage of group buyer power, through Metcash. Note in the following vignette (IGA) how they are seeking to position themselves as a 'local' food retailer.

So how does food retailing in Australia compare to elsewhere in the world? Many stakeholders in the food supply chain – and consumers – often complain that Australian food retailing is one of the most concentrated in the world, with the two major retail chains exerting considerable pressure and influence on other supply chain members.



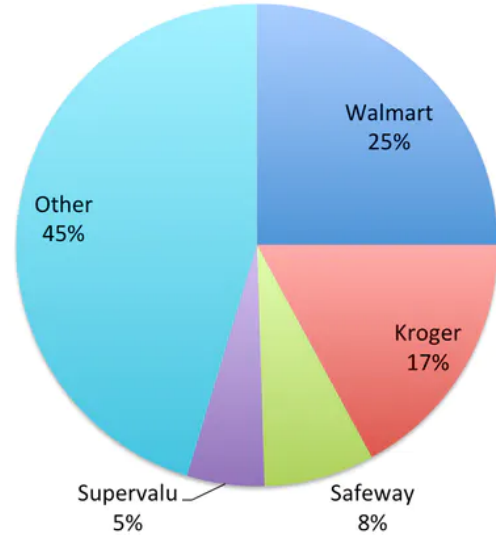
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### AUSTRALIAN FOOD RETAIL SECTOR



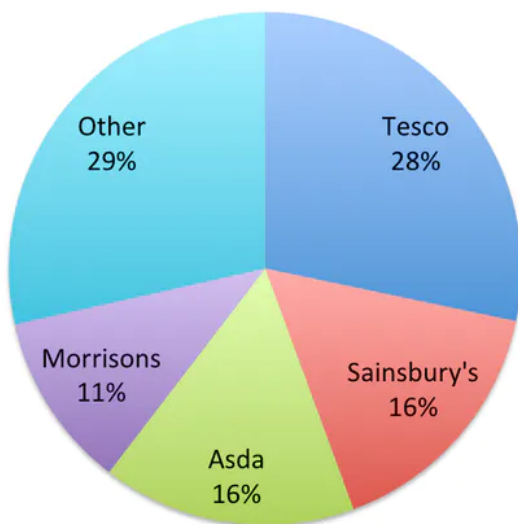
Woolworths and Coles dominate in the Australian market.

### UNITED STATES FOOD RETAIL SECTOR



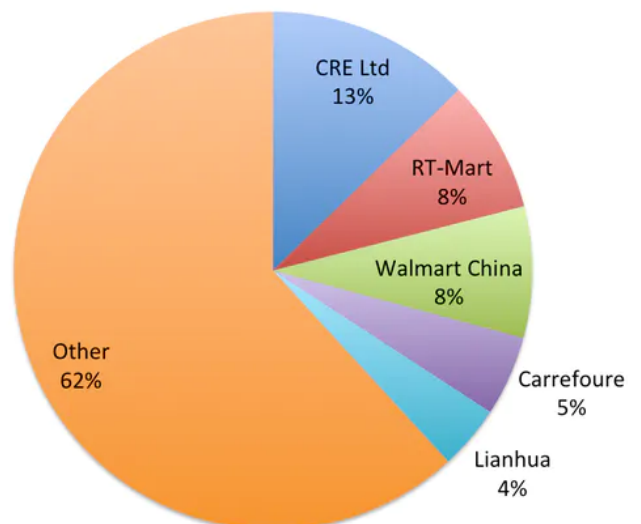
The major players in the US food retail sector and their market share.

### UNITED KINGDOM FOOD RETAIL SECTOR



The major players in the UK food retail sector and their market share

### CHINA'S FOOD RETAIL SECTOR



The major players in the Chinese food retail sector and their market share

Whilst Australia does indeed have a concentrated supermarket sector; it remains competitive, as evidenced by the entry and success of both Aldi and Costco. This article also gives some comparisons between Australia, the United Kingdom, the United States and China.





Brand positioning is the act of designing the company's products and services and defining an image to occupy a distinctive place in the mind of the target consumer. The goal is to locate the brand in the consumer's mind with the aim of maximising the potential benefits to the company or producer. A well-positioned brand helps guide optimum marketing strategy, such as through the use of Integrated Marketing Communications (IMC), as we will see in the next module.

Positioning clarifies the brand's 'essence' or key attributes, what goals and needs the brand can fulfill to help to satisfy the consumer, and where the product 'sits' in its particular market. The purpose of positioning is to successfully create a customer-focussed value proposition – something that a consumer needs or wants and for you (the marketer) to make the 'why' choice obvious.

## Convenience Stores

The convenience store sector actually declined in growth by 3.6% between 2009 and 2014. Key factors causing this decline included the competition from supermarkets, as well as the growth of food sales in fuel retailers, that is, many service stations are doubling as convenience stores. While prices are higher in convenience stores, they still serve a large market of consumers for 'top up' shops between major shops. When doing top up shops, consumers value convenience and are prepared to pay more for the small number of items they purchase. This highlights the critical importance of location for these stores, i.e. they have to be convenient for consumers to access.

The two major players in the convenience sector are Lucky 7 and 7 Eleven, who together account for 17% of the market – highlighting the predominance of small businesses. The Lucky 7 network are all independent operators who combine together for economies of purchasing (through Metcash), whereas 7Eleven operates a franchise system. Therefore, 7 Eleven franchises have to pay a group fee to be part of 7 Eleven, whereas Lucky 7 stores simply have to agree to purchase from Metcash.



## Online Stores

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Online shopping is the fastest growing retail form, growing at a rate of approximately 24% over the past five years to \$12.4 billion (Magnar 2014). Consumers are gaining confidence in shopping online, combined with the increased convenience of busy working families being able to shop 24/7, will continue to fuel growth. Approximately 13.1% of total online sales are groceries and liquor.

Coles and Woolworths are the largest online retailers in Australia, accounting for a little under 20% of total online sales (Magner 2014). Both of these retailers have been online since the late 90s, with sales initially very low. The growth of online sales is also hindered by the delay in receiving goods, with both retailers delivering groceries one to two days after orders are placed, i.e. consumers have to plan ahead. This has also meant that retailers have had to develop the logistics to support this new channel: Coles operates 264 delivery vans. Both companies also have smartphone applications to facilitate the online ordering of groceries.

## Farmers Markets

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A farmers market is a predominantly fresh food market that operates regularly within a community, at a focal public location that provides a suitable environment for farmers and food producers to sell farm-origin and associated value-added processed artisan food products directly to customers.

The direct sales to end consumers gives farmers the opportunity to increase profit margins, communicate directly with consumers and for consumers to get a depth of information direct from the producer.

A key theme that emerged when outlining many of the types of food retailing in this section was the strong growth in private labels – the topic of the next section.

## Private Labels

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A private label (or private label brand) is one developed by a retailer (as opposed to the manufacturer). Private labels can be sold at lower prices than comparable manufacturers' brands due to reduced packaging costs and lower promotional spending. Note that generic products, e.g. Black and Gold flour, are not private labels, but are unbranded – as opposed to the retailer brand of private labels, e.g. Woolworths Select.

Private labels mean that manufacturers and retailers are both competitors and collaborators within categories. Both parties bring different strengths to the bargaining table, with retailers still needing to stock manufacturers' brands due to consumer demand, but then also controlling in store stocking and placement decisions. A quick look at the labels of many private brands shows that often a leading manufacturer produces these for the retailer, e.g. Simplot (John West branded seafood) also produce private label products for the major grocery chains. According to the Private Label Manufacturers Association, the main advantages of private label products include:

- Giving the consumer the option of purchasing quality products at lower prices, compared to manufacturer brands. Consumers are confident of the quality of the product purchased as the private label means it has been made to their standards. Giving the retailer a higher profit margin and an opportunity to build customer loyalty, as the product can only be purchased through the specific retailer.

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Globally, private labels are growing. In terms of grocery sales, private labels are estimated to account for 53% of sales in Europe, 35% in North America, 25% in Australia 28% and 17% in New Zealand (Tonkin 2014).

In Australia, the popularity of private labels started to grow in the early 2000s, with the entry of Aldi into the Australian market. Prior to the entry of Aldi (who predominantly sell private label products) private labels were often regarded as of lower quality with a limited range available. Now, major supermarkets offer a wide range of private labels, often following a three tier approach of a premium, middle and lower tier labels.

## PART 4

## The Retail Experience

Once location, positioning and other management decisions have been made, successful food retailing is largely dependent on the in-store experience. How crowded is the store? How narrow are aisles? Where is product located in store? How easy is it to find products? What is the customer service like? How knowledgeable are staff? How do you feel when you are in the store?

The retail experience for food is particularly critical as it is often said that for food 'you buy with your eyes', that is the visual merchandising is critical (and indeed a large part of Module 10 focusses specifically on point of purchase for that reason).

An emerging trend is for a retail outlet to be viewed as a destination rather than just a place to shop, that is, from transactional to experiential. Think about the changes you may have noticed in supermarkets over the past 5 to 10 years. Speciality sections, like the fish counter, are becoming more like stores within a store to add visual variety and add to the experience. Speciality stores (like Victor Churchill's in the following vignette) are adding not just visual excitement but 'augmented' services like recipes, cooking classes and demonstrations, tastings etc.

**The saturation point** – The market place is often saturated with messaging and marketing from competing companies. Retailers must perform in-depth assessment of marketing communications to ensure communications are effective at breaking through the message cluster and effectively engaging consumers.

**What's your story?** – To break through the message cluster and to stand out from their competitors, many retailers or brands are moving to storytelling marketing in an aim to establish emotional connections with their consumers. One example of this is with a commercial released by Budweiser during the XLVIII Super Bowl.

**The expectation gap** – there can often be a large gap between desired expectations and what is actually delivered. Accurate measurements of unarticulated expectations can provide significant advantages to brands understanding their value and point to how customers can be delighted and gratified.

**The me-tail age** – in today shopping environment, shoppers have an unprecedented choice of products, services and experience primarily driven by advancements in technology.

**Market to the individual** – With social media sites such as Facebook, Twitter, and LinkedIn gaining ground, consumers have become more willing to exchange personal information online, such as income, personal preferences and purchase history. Advancements in marketing research technology enable more measurable data to be generated from information provided on these sites, making it easier for retailers to predict customer behaviours, needs, wants and expectations, which can then be used to tailor recommendations, communication touch points, offers and even experiences.

## TRADE SHOWS

Setting up a booth in a trade show can help you:

- Establish a presence in the marketplace
- See what others are doing in the industry (because you'll see them at the show)
- Get a list of serious buyers more quickly than you could with a traditional sales approach

Trade shows can be expensive, but if you pick the right one, plan how to do it properly, and present your business well, they can offer a high return in sales and contacts.

Once you choose a show remember that location and appearance matter. Make sure you are in a good spot where people will see you and ensure you have an attractive, professional booth. It is a good idea to visit a trade show before you participate in one so you can see how others present themselves.

If your budget is really tight, look for regional collaborations that will let you be part of their booth. Check what trade shows are happening in your region and see if they have initiatives that let small businesses share booths. Check with food industry associations for the same opportunities. You'll find a list of the food and beverage events and trade shows on the Ontario Ministry of Agriculture, Food and Rural Affairs' website (<http://www.omafra.gov.on.ca/english/rural/edr/events-training.htm>).

## DIFFERENT TYPES OF SHOWS

Some shows are for the final consumer (consumer shows) and others are for businesses within the food industry (trade shows). Examine your goals:

- Do you want to be in a show where you'll be able to take lots of orders on the spot?
- Do you want to build your brand awareness, introduce a new product, and gather leads?

The answers to these questions will help you decide which show to choose.

Another thing to consider is whether your product should be presented at a horizontal show, a vertical show, or both.

Horizontal shows showcase vendors who sell a wide variety of products or services. The people who come to horizontal shows are from many different target markets. For example, a healthy lifestyle show would be a horizontal show. It would include many products and services that are part of healthy living (e.g., fitness equipment, training advice, running shoes, food, and more).

Vertical shows tend to focus on just one type of product. The advantage of vertical shows is that the people who attend are all from a very specific market, and your objectives can be more focused. The disadvantage is that your product or service must fall exactly within the focus for the show or you will not get the results you want. A seafood show or an organic food show would be examples of vertical shows.



## CHOOSING YOUR SHOW

There are food and beverage trade shows across Canada and in almost every country around the world. You will need to research which trade show is right for you.

To develop your list of potential shows, search online for “food industry trade shows” then find out as much as you can about each one.

Now you need to know who actually goes to the shows you are considering. Ask the people who organize the show for a demographic profile of attendees. A demographic profile is fairly general. It won't give you specific names of people who attended but it will give you a range of titles. That will tell you if the attendees are buyers or not.

You can also ask the organizers for a list of names of past attendees. You can then contact these people to see what they thought of the show. Note: some shows will only share this information with you if you have registered to exhibit.

In addition, you can ask a business that exhibited in that show the previous year for their impressions of the show and whether they will be attending again. It is best to ask someone who is not your competitor. If possible, go to the show as an attendee.

Be sure to ask the show's organizers how the show is being promoted. If it is a new show, promotion has to be very good to get the traffic you need to make it worthwhile, especially if you plan to exhibit. Ask about the schedule and check timing around other events such as lunch, to know when attendees can visit your booth.

Also, be aware that some shows move their location from one year to the next. A show that was in Toronto one year may be in Calgary the next. Make sure you know exactly where the show is going to be held.

Finally, ask the contact person for lists of groups or other exhibitors attending from your area. That way you'll know if your competition will be there. You may also find a complementary business you could share a booth with.

## PREPARING FOR THE SHOW

Now that you have chosen a show it is time to get ready. The contact person for the show will give you basic information. Make sure you have the following:

- A floor plan so you can choose a high-traffic area. You will pay extra for a good location but the added exposure may be worth it. Ask for a plan that shows where the other exhibitors will be located.
- Booth specifications including dimensions, lighting, tables, chairs, skirting, electrical requirements and any display or sample restrictions.
- Information about all the services being offered such as accommodations, equipment rental, assistance with setup, dismantling or storage.

## PREPARING FOR THE SHOW

Your booth staff account for 90 per cent of the positive feelings that attendees have about the show and your company, so pick and train them well.

Trade show attendees expect your booth staff to be very knowledgeable. Your booth staff should know everything about your company and have very good people skills. Be sure that they understand exactly what your objectives are for the show (e.g., taking orders and raising awareness).

Your staff should also know who your competition is and be ready to speak to the product's competitive advantage.

Finally, make sure they can emphasize the benefits of your product instead of simply repeating the product “features” list from your brochure.

## OTHER PREPARATIONS

### Budget:

Your trade show budget will have to cover your booth staff (and their training), accommodations, the space for your booth and your booth display, handouts, promotional activities, product transportation and travel. If the trade show is outside of Canada, add insurance costs and plan to spend at least an entire day before and after the show in the host country.

### Customers:

Contact existing and potential customers before the show. Invite them to drop by your booth and inform them about special promotions available only at the show or new products that you’re launching.

### Advertising:

Most trade shows produce a program that is given out to attendees. There are usually advertising inserts in the general media or industry publications. You can place ads in the program as well as inserts typically at a reduced rate. This gives you the opportunity to advertise in specific vehicles aimed at your audience.

### Booth:

Get a professional design company to prepare your booth and materials. Be sure to check the show’s requirements for booth width and height. Try to create a booth that can be used for several different shows so as to maximize your budget.

## DEMONSTRATIONS

Demonstrations, sometimes referred to as “product sampling” are an effective and inexpensive means of promoting a new or existing product.

There are three types of in-store demonstrations:

### 1. Live Demos

At a live demonstration, a member of your staff does simple food preparation. This is best for a new product that requires information or answers to questions, or for a product that needs special preparation.

One advantage of a live demonstration is that you can encourage the customer to buy the product. A disadvantage is that a great deal of time is required for the demonstration, so costs can be high.

### 2. Mobile Demonstrations

These are a form of live demonstration, where a demonstrator walks through the store offering samples. The demonstrator usually has a base operation near the product sales display. Not all stores allow this type of demonstration.

### 3. Static Display

This is an area displaying the product and offering unattended samples. One advantage is that this type of display is very cost effective. A disadvantage is that there’s no control over purchasing decisions or how much sample is used. This type of demonstration needs to have the consumer familiar with your product.

## STEPS IN PLANNING DEMONSTRATIONS

1. Determine what type of demonstration you are going to use
2. Decide which stores you are going to target. Choose one that stocks your product
3. Find out the store policy on how to set up in-store demonstrations. Every store has different policies
4. During the demonstration, hand out sample information about the product as well as any coupons
5. Be unique and try new ideas, you must stand out from the competition
6. Know the competition, but don't downgrade them during the demonstration
7. Talk to the store managers. The better the relationship you have with them now and the better they know your product, the more cooperative they will be. Talk to them about two weeks before the demonstration, so that they will have product on hand and on the shelves
8. Be prepared to work the whole weekend, not just peak hours. The normal run of a demonstration is Thursday, Friday and Saturday
9. The store may want incentives from you, such as cost cuts on products. If possible, get the store to run a special offer for your product during the demonstration. However be prepared to pay for this opportunity.

## COUPONS

Coupons can be an effective way to increase your sales and profits. However, you should be aware that:

- The cost of physical distribution, mailing coupons, placing advertisements and paying the retailer a handling charge for redeeming the coupons can add up

- There may be reduced contribution margins because coupons are price reductions
- New and existing customers using your coupons may have still bought the product by paying the regular price
- Most printers in Ontario can print coupons

You need to estimate various rates to determine the effectiveness of a coupon promotion. The estimations could be based on past performance or on experiments that run coupons in one city or part of a city. Rates include:

- Redemption rates
- Displacement rates
- Acquisition rates
- Stock-up rates
- Conversation rates

## COMPANY LITERATURE AND GIVEAWAYS

Keep in mind that attendees do not want to lug your marketing materials (and everybody else's) all over the exhibit hall. In fact, about 90 per cent of all marketing materials get thrown out right away. Keep yours small and light; think business-card size with a link to more information or offer to send it by mail/ e-mail to the attendee's office. You may also need to prepare materials in different languages for specific markets.

How much should you bring? That depends on how many people you think you'll see. Be sure to take lots of samples of your product

## LEAD CAPTURE AND FOLLOW-UP

The main purpose of displaying at a trade show is to make connections that can help you grow your business. You will want to capture the name and contact information of anyone who comes to your booth so you can follow up with them after the show. You can do this by:

- Having booth staff fill out lead sheets
- Renting a lead machine at the show
- Collecting business cards
- Getting people to sign-up for more information
- Having a guest book

Follow up immediately after the show. This is a good business practice and ensures your efforts to display at the booth are not wasted. Let customers know in advance when and how they can expect to be contacted.

## PART 7

# Understanding Consumer Behaviour

Adapting to ever-changing shopper and consumer trends is vital for retailers but first, understanding some of the habits behind customers is necessary.

Shopper and consumer behaviours have altered throughout generations as different trends surface and influence how the industry responds to customer needs. Millennials lead fast-paced lives, families with young children are often busy as both parents are working and baby boomers retain more traditional habits. Do people write a list of items before they go to a supermarket? Are they more inclined to purchase through self checkouts or the traditional register? Do individuals prefer to bring their own shopping bags?

Having insight into how consumers plan and undertake their grocery shop, means that businesses can offer unique and valuable experiences to shoppers and consumers. Glow's recent study around Australian shopping habits analyses these behaviours and how they differ across various customer segments.

### CONSUMER ATTITUDE TOWARDS SHOPPING LISTS

One of the most common grocery habits is the timeless shopping list. Writing down a list allows shoppers to plan ahead of time in order to save money and time. This holds true for baby boomers who are shown to be more structured and deliberate when shopping as 77% of survey respondents admit they are likely to use a

respondents admit they are likely to use a shopping list for their main shop. Contrastingly, millennials are less planned in their approach. Their fluid lifestyles encourage flexibility rather than predictability (as seen in baby boomers), meaning millennials are shopping more often and most of them do not use stringent lists. What does this mean? If people are using a list, they may be less likely to buy on impulse. Other research less likely to buy on impulse. Other research shows that not only can this planning influence grocery expenditure, it can significantly reduce time spent in store as well.

Families with young children also tend to plan and have structured shopping experiences which should be no surprise given their busy schedules. However, parents who bring kids are likely to spend more money and time at the supermarket. Having insight into how consumers plan and undertake their grocery shop, means that businesses can offer unique and valuable experiences to shoppers and consumers. Glow's recent study around Australian shopping habits analyses these behaviours and how they differ across various customer segments.

## CONSUMER BEHAVIOUR WHEN PAYING FOR THEIR GROCERY

The introduction of the self-serve checkout has been considered as a blessing or a curse for some shoppers. Supermarkets introduced this innovation as a method to reduce costs and improve efficiency. While it can appeal to the younger, tech-minded generation, it can be a nuisance for their older counterparts. Overall, over 34% of respondents said they often go through the self-serve checkout. However, a generational difference exists. The majority of baby boomer respondents said they never or rarely go through the self-serve checkout. In comparison, millennials contrasted significantly with most selecting always or often going through self-serve over traditional checkouts.

## CONSUMER BEHAVIOUR WHEN PAYING FOR THEIR GROCERY

Over the last decade, there has been a social push for businesses to be more environmentally friendly. Supermarkets have adapted to this with the introduction of reusable bags. Survey data

shows that the adoption is varied with 13.8% of millennials and 34.7% of baby boomers stating they always bring their own shopping bags with them. This adoption is likely to accelerate with almost all states in Australia banning or planning to ban plastic shopping bags.

## WHAT DO THESE CUSTOMER INSIGHTS MEAN FOR RETAILERS IN THE FUTURE?

As shopper trends continue to evolve and emerge, supermarket retailers strive to meet customers' changing needs and understand their behaviours. Whether it's understanding how shoppers plan or execute their grocery experience, attaining a deeper look into habits behind a customer can enable businesses to deliver value. With consumer trends and generational differences becoming more prominent, it is imperative for retailers to prepare for the changes that follow.

As a newbie to the wholesale game, I highly recommend getting your feet wet with email pitches as they've proven to be the least intimidating, lowest-cost entry point. Following is a guide to getting started...

## PROS & CONS OF PITCHING VIA EMAIL

- The most comfortable approach for beginners
- Takes the least amount of time and can easily be replicated
- Buyers are never put on the spot and can review the information at their convenience
- Costs nothing but your time
- This pitch method is the easiest for buyers to ignore
- Buyers are initially limited to seeing the product, rather than experiencing it

Exercising good etiquette when pitching will demonstrate to wholesale buyers that you're prepared and professional. Here are the best practices for email pitches:

### Be Brief

This is not the time to overwhelm with information. Two to three short paragraphs will suffice.

### Personalise whenever possible.

Make a concerted effort to discover the buyer's name and use it in your pitch. Be absolutely certain to include the store name.

### Proofreading is essential.

Carefully proofread your email and scan for disjointed texts and typos before hitting that magical "send" button. Employ the spell check feature and be absolutely certain to remove any traces or references to previous pitches if you're using an informal template.

### Show them that you've done your homework.

Succinctly demonstrate that you've researched this store and aren't blindly e-blasting the internet for sales. Try referencing complimentary product lines that they carry, recent press they've had, store expansions or events, etc.

### Include product images.

- Small image sizes (250 KB or less)
- 2-3 images maximum
- Embedded in your email, not attached

### Attach line sheets, order forms, press clippings, etc.

It's important to note that these marketing materials should always be included as PDF's because they're almost universally viewable across all platforms. Limit attachments to a maximum of 3. The total size of all combined attachments should be under 2 MB so as not to choke inboxes.

### Explain why you believe their customers will connect with your products.

Using our background industry knowledge of all things sales related, we've created a super-easy formula for creating the quintessential food and beverage retail sales pitch. Read on for our top tips for creating a tasty and tempting food and beverage retail sales pitch!

## ALWAYS BE "RETAIL SPECIFIC"

we have enough experience creating retail sales pitches to realise that there is a significant difference between your average sales pitch and the pitch that is going to effectively target retail decision-makers.

As a result, your first concern needs to be: 'think like a prospective retail buyer'. In order to do this it's going to be necessary to stand in the retailer buyer's shoes and consider what they may like or dislike about your product range.

Start assessing the relevance of your retail pitch by asking yourself some of the following questions:

- What retail company (or retail multiple) are you pitching to? What do you know about their brand credentials?
- Who is their ultimate target shopper? What products (or product angles) will appeal to this demographic? Check out the retailer's recent advertising campaigns to get a 360 sense of how they brand their store/stores. Are they high-end, youthful, convenience-focused or value-focused? Do they place an emphasis on ethically sourced produce or is value-for-money the bottom line?
- What new brands has this particular retailer recently added to its shelves? Can you spot a pattern or a common denominator in the new products that they've recently decided to stock?

Taking the above questions into consideration you'll now need to create a list of essential key points that you should emphasise during your sales pitch. This is a chance for your product range to shine in the eyes of a specific retailer with specific requirements, operating to specific brand guidelines. So, don't just deliver a generic product commentary - make it - yep, you guessed it - retailer specific.

## PITCH TO A PERSON

Whether you're pitching a product in person, over the phone or via an email conversation, it's always good to know who you're talking to and how they might react to certain sales and marketing angles.

Think back to earlier in your career and occasions when you've attended job interviews. You probably did a little bit of research; you were probably keen to figure out in advance who might be interviewing you and what their job titles and professional backgrounds were. Maybe you Googled the names of the individuals you were meeting with or had a sneaky little look on LinkedIn to find out what industry topics they might be interested in.

And your motivation for doing so...? Well, you probably realised that it was the individual or individuals interviewing you who would make a decision regarding whether you were enthusiastically hired or given a response along the lines of: 'thank you for your application, but unfortunately on this occasion...'

We're all individuals and we probably don't need to remind you that your product will be selected or rejected by real life individual buyer/s, and not the faceless corporate retail machine.

In order to get your product to the consumer, you have to go through distribution channels (the paths that your goods and title to the goods follow).

It is important to build good relationships with your distribution channels because they serve various functions:

- Reducing the number of marketplace contacts and resulting in a more efficient system
- Matching the requirements of individual consumers to the outputs of various producers
- Standardising to improve the efficiency of the system
- Holding inventory to increase market response and lower transportation costs
- Physical distribution of products to ensure that they are available for customers to purchase on demand

**Direct selling** occurs when you sell products directly to consumers. Methods include home parties, door-to-door selling, telephone sales, retail craft shows, farmers' markets, road-side stands, and online sales sites, such as your own website (see also Section 6: Information Technology). The advantage is that you get direct contact with your customer and can share your expertise about your product. The disadvantage is that you will not be reaching a broad range of consumers, so your sales may be relatively low.

**Indirect Selling** occurs when you sell to an intermediary, as opposed to an end user. Methods of indirect sales include selling your product to a retail store as well as using a wholesaler/distributor or broker/agent. Indirect sales can include club chains, hotels and institutions as well as any kind of retail shop.

Wholesaler and distributor are two different words used to describe the same thing. A wholesaler buys your product then re-sells it to retail stores at a marked up price. Broker and agent are also two different terms used to describe the same thing. A broker acts as a sales force to sell your goods. Unlike a wholesaler/distributor, a broker/agent will not buy your goods from you. Brokers tend to represent several companies at once and have strong contacts with the retail industry. This can help you get listed.

Be aware that you still have to promote your product to the retail stores. The wholesaler or broker may help with that job, but it is mainly your responsibility.



# Getting Your Product Listed

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Being “listed” means that a retailer (and often a wholesaler) has decided to put your product on their list. In most cases, chain store operators purchase at least 60 per cent of the products they carry from their wholesalers’ pre-approved lists. Smaller, independent stores operating outside of a chain may have more leeway to buy from a variety of suppliers.

Getting a listing in a large retail chain is not a simple process. Generally, to make room for a new product, the store will bump another product off the shelf (“delist” it) or assign less shelf space to another product.

You need to convince the buyer that your product is unique so they will put you in the store. You will also have to provide specific product/market information that shows how the product will succeed in the marketplace and bring more benefit to the retailer than a competing product.

Although national brands and private label products dominate the shelves in traditional grocery stores, there are opportunities for smaller businesses to enter the retail market. But to do so you must have a unique, quality product that meets consumer demands.

# MANAGING A DISTRIBUTOR

**If you have engaged with a distributor, the work really begins! For the purposes of achieving maximum commercial success, both you and your distributor will need to work hard at developing and progressing the relationship.**

## TARGETS

For an effective business partnership with your distributor, some form of measurement will need to be in place, with regard to sales. Having a defined set of targets is the best way of doing this. These targets should be in agreement with the distributor and will need to be reviewed on a regular basis.

## KEEPING CONTROL

It is important to remember that although your distributor is your representative, you should maintain the relationship at key account level (with the buyer). This ensures that you do not have an over-reliance on any one distributor.

## RELATIONSHIP WITH YOUR DISTRIBUTOR

Any healthy relationship requires the parties concerned to talk in order to successfully work together as a team. It is important to keep the doors of communication open at all times, thus allowing you to raise any issues of concern.

## WEEKLY PHONE CONTACT

Contact should be ongoing and the development of a focused relationship with your distribution company's account manager will help you to grow and develop your business. Ideally contact should be made on a weekly basis.

## WEEKLY SALES REPORTS

Your distributor should be providing you with weekly sales reports showing sales performance versus targets. This report should list all the retailer/foodservice outlets where your product is currently stocked.

## QUARTERLY REVIEW MEETING

It is vital that you review progress with your distributor once per quarter, at a formal review meeting where sales performance and targets are compared. The objective of this meeting is to review progress based on results achieved and to alter targets as well as overall strategy, if necessary.

# ANNUAL SENIOR REVIEW MEETING

Equally important is the need to draw a line in the sand once per year to assess how the joint business is progressing and to identify potential business opportunities. You will need to be commercially minded about the partnership, thus necessitating an in-depth performance review annually.

# TWO FULL SALES MEETINGS PER YEAR

Your distributor's sales force is effectively your sales team on the ground, and you need to put considerable effort into educating them and providing them with relevant information, relating to your product range. This will equip them to grow sales in the marketplace. Briefings and product tastings for reps and telesales staff can reap enormous benefits.

# REVIEW STRATEGY

Despite the best efforts of both you and your distributor, sometimes sales do not materialise as planned. You need to recognise this, and react rapidly with a new sales strategy for the product. Additional promotions, new listings, sales force reviews, fast track NPD, etc. should all be harnessed to re-energise the relationship and drive sales forward.

# MANAGEMENT

A simple policy of visiting stores and calling into a number of foodservice customers to see how your product is performing is a great way to stay in touch and measure your distributor's performance. It also sends a strong message to the distributor's team that you are fully in touch at trade level.

# TIPS WHEN MEETING A BUYER

The following are basic tips you should follow when preparing for a buyer meeting. By following these you will increase your chances of success at the meeting and maximise the chances of getting a listing. You will need to refine your approach depending on whether it is a head office buyer or a local store manager/chef.

# PREPARATION

The secret to success for any meeting is preparation. You need to ensure that you have done lots of advance work and do not simply arrive at the meeting ill prepared and not having completed any advance research.

# KNOW THE BUYER/MANAGER

It will be vital before you attend the meeting, that you find out which buyer are you meeting and the background to the company they represent. If this is a company that you are very serious about getting a listing with, you should, at the very least, do some internet research about their company, the type of products they sell, and how they operate. It is also strongly advisable that you visit at least one of their stores in advance of the meeting so that you fully understand how they operate.

# CALCULATE YOUR PRICES

A fundamental mistake made by many suppliers is not working out prices in advance. You need to spend considerable time working out the price for each product and you should have an ideal price you would like to get, a fall-back position if you are under pressure to concede on price, and a walk away position that you will not go below. Remember every buyer will want to see some drop in the initial price that you present to them and you need to have this built into your costing's.

# SAMPLES

Whether you have been asked to or not, make sure you bring samples to the meeting. This will allow the buyer the opportunity to see the product and view packaging and labelling.

# TALK TO OTHER COMPANIES

A good source of information about the buyer and the company they work for is by talking to other suppliers of them. These need not be in your own category at all and could be supplying a totally different product but they will give you an overview on what you expect when you meet the buyer.

# PRESENTATION

Usually you will have no longer than 30 minutes with a buyer, and even less with a store manager or chef, so you need to be very concise in the messages you wish to get across. This will necessitate that you prepare material in advance which will give a clear overview of your business. This can be in the format of a power point presentation on your lap top, some printed power point slides, or a word document. The important thing is that you have something to present and show the buyer. You should take no longer than 7 to 10 minutes to present an overview of your business and this should include:

- An overview of your business
- History and key milestones
- What is unique about your business and products
- What your company can do for the buyer's company
- Your views on why the buyer should list your company

Many buyers at head office level prefer you to submit a presentation in advance, so that the face to face meeting can be dedicated to an open dialogue.

## UNIQUE SELLING POINTS (USP'S)

There is no point in going to a buyer with messages that are the same as your competitor. You simply will not be successful. Therefore, it is vital that you are crystal clear on what is unique about your products and your business. In other words, what reason should the buyer list your company over the current ones that are already in place? The uniqueness that you may bring to the party could be under many headings including:

- Taste
- Provenance (the story of where the product comes from)
- Quality assurance (every company now claims to have this, so you need to be very different),
- Food safety (every company claims to have this, so you need to be very different),
- The type of packaging you use
- The service levels you will bring to the buyer's company e.g. daily delivery, etc.

## APPEARANCE

Remember that your own personal appearance is a statement about your company. Look professional, smart and business like.

## TAKE CONTROL

If at all possible when you meet the buyer, if you can take control subtly of the meeting by saying something like, "I have prepared a presentation about my business and would welcome the opportunity to take you through it", this will help position you as confident in the eyes of the buyer. Obviously, there is a border line between confidence and cockiness.

## BE CONFIDENT

Many suppliers are so grateful that they have got a meeting with the buyer that they become rather sheepish at the meeting and do not get across the key messages they wish to do so. Remember by the buyer already agreeing to meet you is indicative that they have confidence in you. You need to recognise that you have a lot you can do to help the buyers company and be confident on what your own company can bring to the table.

## NOTES

Take plenty of notes during the meeting which will help you to be clear on what has been agreed at a later point.

## ASK PLENTY OF QUESTIONS

The buyer/store manager will obviously have specific questions they wish to ask of you; however, you also need to have prepared lots of questions you wish to ask. The buyer will view this positively.

## RESEARCH

It will help you significantly if there is a piece of market research or new information which you can bring to the meeting and share with the buyer. This could be something that you have found on the internet. This will help to set you apart from other suppliers the buyer maybe dealing with.

## KNOW THE CATEGORY

You must give the buyer a clear impression that you know and understand the category extremely well and it would be important that you have lots of ideas in terms of improvements that could be made or new ideas that you can bring to the table. Every buyer is always on the search for innovation and you will impress them if you have ideas here.

## NEGOTIATION

While it is unlikely that any serious negotiation will occur at the first meeting with a buyer, you need to have thought through the various concessions you are willing to make and when you will make these at the meeting. The golden rule is never to give anything away without looking for something in return. If you find yourself in a position where the buyer is anxious to close the deal with you there and then, it will be vital that you have all the information with you that you require to make this decision. Bring your price file, calculator and other information with you so that you are in a position to make the decision.



## STAY COOL

Some meetings can become tense especially if there is a possibility you are about to secure a large deal. If you're under pressure to work out prices at the meeting, it is perfectly acceptable to ask the buyer to break the meeting for 15 minutes to allow you to work out some prices or possibly call your office for some further detail.

## SUMMARISE

At the end of the meeting you need to summarise what the next steps are or what you have just agreed with the buyer to avoid any confusion.

## EMAIL

It is always best practice to email the buyer on return to your office with a very brief summary of what the next steps are and what was agreed at the meeting.

# IN STORE TASTING CHECKLIST

**It will be important that you are organised when doing tastings, and the following checklist will help you remember some of the smaller things that might otherwise be forgotten. Remember, the smooth running of the tasting is the responsibility of the producer and not the shop. You need to be self-sufficient and organised.**

# PLANNING FOR THE TASTING

- Visit the store and clarify time and date for the tasting plus the location within store. Discuss when/ how the sampling stock will be delivered and where it will be stored. You will be required to provide your own stock for the tasting at no charge to the retailer. Clarify where you can prepare stock for sampling and where you can access toilets, electricity and hand-washing facilities. Check if you need to bring your own rubbish bin.
- If sampling stock is being delivered to the store in advance of the tasting, label it very clearly as "tasting stock".
- Discuss with the store the potential volume footfall so you can judge how many consumers are likely to sample your product on that day. Calculate the stock needed to support the tasting e.g. if 500 consumers are expected in store on the day of your tasting and approx. 400 of those are likely to sample your product, allow for 400 bite-sized pieces.
- Clarify with the local store where you will park on the day; how you will gain access to your stock; what is the appropriate dress code e.g. a hair net is needed.
- Ensure you have adequate stock to cover the uptake in sales as a result of the tasting.
- Provide the store with proof of public liability insurance in place if asked.
- Put thought into what you want to achieve from the tasting e.g. to encourage trial; to promote your brand; to get some consumer research etc. Think about questions you may wish to ask consumers e.g. what brand of ham do you normally buy.
- Use social media to promote the tasting.

# SAMPLING IN STORE

- Ensure you have a branded tasting stand and/or poster to brand a generic tasting stand.
- Bring posters, leaflets, brochures etc. This is an opportunity to showcase the branding as well as the products, so it needs to look professional.
- Ensure you have a clean uniform and/or white coat to carry out the sampling.
- The wearing of aprons, disposable gloves, and hairnets/hats is mandatory. Don't forget to remove aprons and hats when leaving the shop floor for whatever reason.
- Ensure you have all the materials and equipment needed to prep samples e.g. apron, food gloves, chopping boards, knives, electric pans, thermometers, kitchen roll, plates etc.
- Ensure you have all the materials needed to serve the samples e.g. napkins, cocktail sticks, plastic cups etc. Ensure you have a bin located beside your tasting stand for all waste.
- Bring sanitised wipes to keep utensils clean in between washing, which you should try to do regularly, and to keep your stand clean of spills.

- Keep your tasting station clean and clutter free. Do not keep boxes of stock around your stand and cause blockages in store.
- Every few hours check around the store for your product which has been “dumped” elsewhere in store. Consumers may initially pick up your product with the intention to trial it but then dump it on a shelf if they change their minds over the course of their shop.
- Ensure you have staff lined up to cover the tasting – including late opening hours and lunch breaks. Ideally do the tasting yourself or rope in family members.
- Ensure that all tasting staff are fully briefed on what is to be communicated to consumers in terms of product story; your own story; USP; compelling reasons to sample and buy; any promotion e.g. money off etc. This is vital to “hook” and engage the consumer.
- Ensure that all till staff are aware the tasting is taking place and of any special money off promotion that they will need to account for at the tills.
- Never give an unaccompanied child a product to taste (they may be allergic). Always ask the parent for permission.
- Take care that extension leads are not a trip hazard and ensure that skillets and hot utensils cannot be pulled off the stand. Never leave hot food unattended.

## CHECKLIST OF ITEMS:

- Tasting stock
- Display Stand
- Leaflets and Holders
- Gloves
- Foils or polystyrene cups for tasting
- Sanitizing Wipes
- Kitchen Towel
- White Coat and Hat or apron with branding if possible
- Black Bags and rubbish bin
- Bucket with dishwashing liquid
- Probe to check temperature
- Chopping boards
- Knives
- Bain Marie
- Electric Cooker
- Extension Lead for fridge/freezer/microwave
- Plastic tasting forks or small spoons
- Serving spoons
- Labels for different flavours

## AFTER THE TASTING:

- Be sure to take a stock take before and after the tasting, so you can gauge how much stock was sold during the tasting.
- Be sure to clean up after you. Wash down all surfaces and the floor if necessary.
- Touch base with store staff before leaving the store after the tasting to get their feedback on the tasting and potential suggestions for improving on the next tasting.
- Immediately after the tasting take notes of things to remember for your next tasting e.g. ran out of cocktail sticks by lunchtime; bring brochures along next time etc.