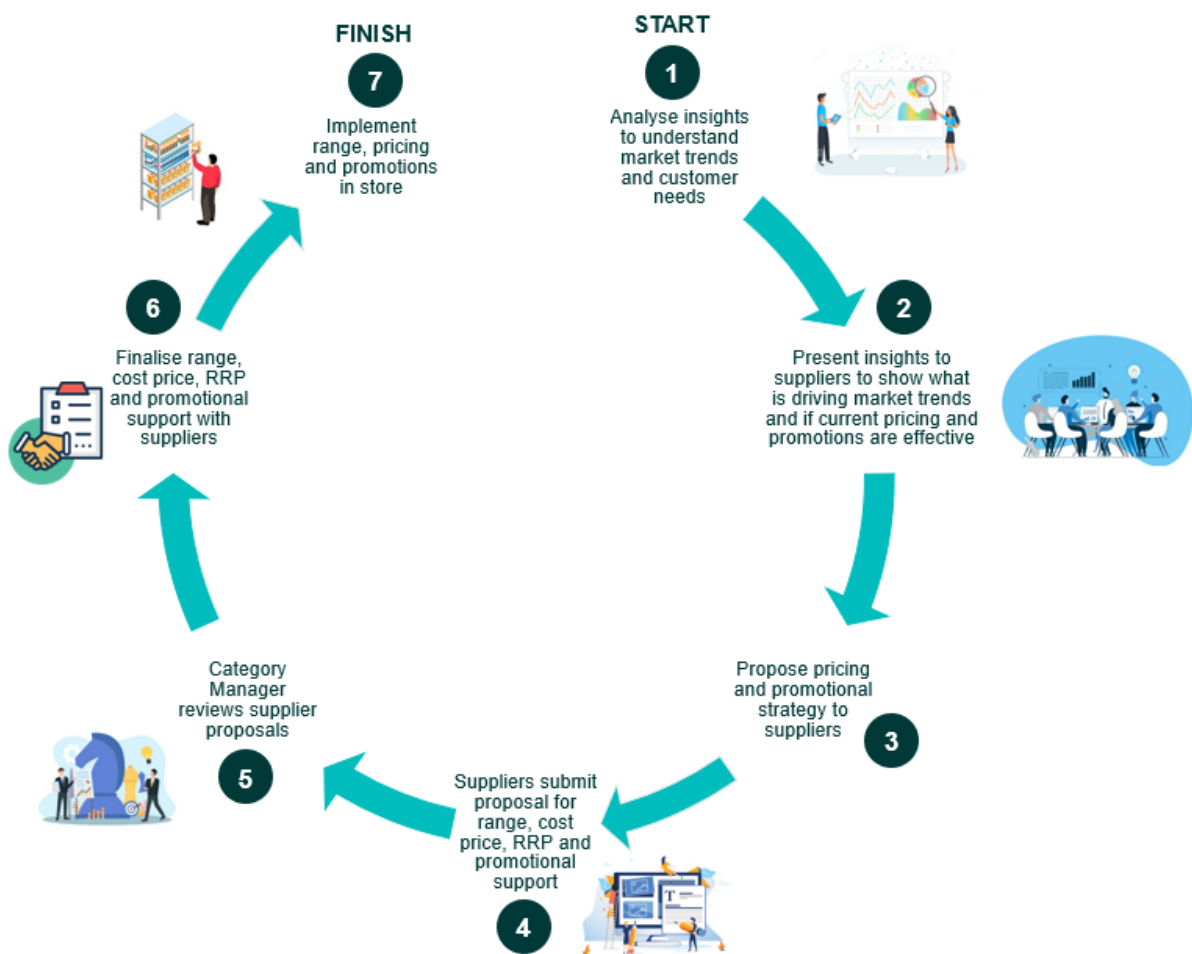


# Supplier FAQs

## CUSTOMER DRIVEN CATEGORY REVIEWS

### What's the category review process?

Our category reviews are all about making it easier for customers to shop our stores and find value. They're driven by customer insights and data, and here's the process we follow to come up with the final range on shelf:



Once a category review has been implemented in store, we'll keep tracking market pricing and competitiveness, so we can make any adjustments needed to keep delivering what customers want on the shelf.

### How can I find out the implementation date for a category review?

Once your category review begins, we'll let you know the target implementation dates in a kick-off meeting (step 2 above), and we'll keep you updated throughout the process if there are any date changes.

## Why do you have store clusters?

Each of our retail brands has three store clusters, so we can give stores a range tailored to their customer needs and shopping behaviours. This means we can give customers more of the products that matter most to them.

The role of store clusters is to help us to make better ranging decisions with more relevant products for customers. We use the power of customer segmentations and shopping behaviours to group stores based on how our customers shop in them. If you have any questions about these, please check with your Category Manager.

## New World Store Clusters

## PAK'nSAVE Store Clusters

## 4 Square Store Clusters

### New World store clusters



Ranges in these Urban Upscale stores typically have a higher incidence of premium products

Customers shopping at Value & Variety stores are more price-sensitive. We see smaller basket size and a lower average price per unit per customer.

Heartland Household stores have larger basket sizes. These are often rural stores where customer travel times to store are longer.

### 4 Square store clusters



Similar to New World's Urban Upscale stores, but with a smaller range this Upscale Basket cluster has a higher than average incidence of premium products in baskets.



Community Baskets typically see larger baskets and bigger spend per customer. These are typically large 4 Square stores serving wider catchments.



In A Rush stores make up the majority of 4 Squares. These are typically smaller formats with small baskets. Household essentials, top-up shop and snacking products are most popular.

## PAK'nSAVE store clusters



Baskets from Meal Maker stores feature more breakfast, cooking from scratch and quick meal creation products.

Local Stop stores have more price-sensitive customers. Baskets are also typically smaller.

Trolley Fillers are stores where customers go to complete their full shop. Large baskets are more common.

### **Are joint business plans (JBP) still relevant for stores?**

As we step through the customer driven category reviews, any joint business plans within the category will be replaced by a centrally-negotiated range, pricing and promotional structure for the whole banner.

If a joint business plan covers multiple categories, we'll work with the individual supplier to come up with the fairest approach to incorporate these into our ways of working.

In some cases, stores are asking for an extension of a JBP so there isn't a gap between the existing JBP and the end of the category review.

### **How will the display term work for PAK'nSAVE?**

We'll give the appropriate amount of display space in store to compulsory displays as we move through the customer driven category reviews.

This space allocation will continue to grow as the number of completed categories increase.

Once a category is completed, we'll allocate both compulsory and discretionary displays in the space that has been set aside in store for completed categories.

### **What should I do if stores ask for further monetary support even if we have been through a category review?**

This shouldn't happen, so please escalate this to your Category Manager so we can follow up directly with the store and clear up any misunderstandings.

### **Are all PAK'nSAVE teams on board with the new model?**

Yes, our PAK'nSAVE Members and stores are 100% on board with customer driven category reviews.

We're still in the early days of this transformation, and our stores and their teams are on a change journey. As with any significant change, there can be different levels of awareness across a large co-op like ours, so you might get some mixed messages initially.

We really appreciate your patience and understanding while we work through this, and please don't hesitate to reach out to us if you hear a store isn't on board with the customer driven category reviews.

**Why are you asking for the same cost pricing for New World and PAK'nSAVE?**

We treat all our retail banners equally as part of our Foodies family and co-op, so we're giving each of our banners the same starting cost structure. Each banner will potentially run different promotional strategies, which may then result in different promotional funding levels by banner.

**Why do you price some products below suppliers' recommended retail prices?**

We're working hard to give our customers the best possible value at checkout. Our stores are invested in offering the lowest prices we can, and we'll work with our suppliers individually to come up with a way to achieve this together.

**Can I still offer deals to PAK'nSAVE to move excess or short shelf life stock?**

These types of offers are fundamental to PAK'nSAVE, and our customer driven category reviews don't remove the ability to offer these.

We've agreed with PAK'nSAVE to keep things simple and transparent, so please channel these opportunities through your Category Manager.

**What insights do you get from dunnhumby's promotional tools?**

Our dunnhumby suite of tools enable us to measure the effectiveness of promotions and how products respond to certain levels of discounting. The team is using these tools to make sure we're collectively investing in compelling promotions that provide the best results for customers, stores and suppliers. This does often mean being willing to try things a little differently, and we're confident it's the right approach for everyone.

**How do you decide what does or doesn't go on the shelf?**

We're on a mission to make it easy for customers to shop our stores and find value. We do a significant amount of analysis before making a decision about what products to put on the shelf, and we don't take this decision lightly. At the heart of this decision is how customers are reacting to the product and the category in general. Unfortunately, our shelves are not elastic so it's not possible for us to keep every product on the shelf.

**If a product is Compulsory Range or Recommended Range, and supplied via the distribution centre, is it still available to make a store deal directly?**

Compulsory Range and Recommended Range products that have been through a category review will have a promotion programme loaded by their Category Manager.

Any deals outside this process, such as clearance opportunities, need to go through the Category Manager and where we can, we'll find the best way to facilitate the deal.

For categories that have not been through a category review yet, you can still negotiate a deal directly with PAK'nSAVE stores.

**Is it possible for small suppliers to supply their products via the distribution centre?**

Yes, small suppliers can be considered for distribution centre ranging, with the key criteria being able to meet appropriate hurdle rates. We have this hurdle rate criteria so we can make the most of valuable distribution centre real estate and still deliver maximum volumes to stores and ultimately customers. Please work through this with your Category Manager because we'll need to manage the distribution centre range on a 'one in one out' basis.

## **MERCHANDISING**

### **Why are you changing the approach to merchandising in store?**

By bringing merchandising in-house, our aim is to improve the in-store experience for our customers, while reducing costs, increasing efficiencies, and ensuring consistency. We're focused on our stores' retail standards and we'll keep measuring our stores on behalf of customers – it's how we earn loyalty for all our brands and your products.

In-house merchandising has been used for many years internationally, and here in New Zealand, we know it's a big change for many of our suppliers. We're committed to continuously improving our operations and services and working directly with you to do the best possible job for customers.

### **What will stores deliver for merchandising?**

Our stores will be responsible for the following merchandising tasks:

- Restocking shelves
- Setting up promotional displays
- POS display, both fixed and free standing
- Relay implementation
- Ensuring health and safety standards and clean aisles are maintained

### **Will stores have the resource to provide the service?**

Each of our stores will make sure they have the team members in place to action the new in-house merchandising responsibilities. Some stores will be able to start this with their current team members, however we expect stores will increase their teams as more categories and suppliers come on board.

This could provide an opportunity for any current merchandisers who would like to join our Foodies family of stores.

### **Can suppliers choose to opt out of merchandising?**

We want to provide a fair, transparent, and effective merchandising service for all our suppliers, and we want this to be consistent across all our stores, so we're changing our approach to an in-house merchandising model. Our approach is to make this change across all stores, so we're working through this separately with each of our supplier partners.

### **What happens if a supplier cannot agree on a merchandising term?**

Suppliers who provide a merchandising term will receive full merchandising support from our stores, so we're asking all our suppliers to come on board with merchandising. Your Category Manager will work through this with you.

### **How will you measure compliance in store?**

We have range and display reporting for our stores to track how their in-store execution is going, as well as on-shelf availability.

We also have an internal escalation process if something isn't going to plan so we can address the issue. Our stores are motivated to keep their shelves full all the time for our customers.

### **How will the merchandising percentage show up in stores?**

Stores will be able to see all elements of a supplier's commercial terms, including any merchandising element.

**How will it work if a supplier does not provide merchandising today?**

Merchandising is a fundamental component of on-shelf availability. If you're not currently merchandising in store, we recommend having a chat with your Category Manager and Buying Lead during your customer driven category review so we can discuss how to make this work for your business.

**Do you expect suppliers to provide the same merchandising term for all banners?**

We treat all our banners equally, and the simplest and most transparent method is a single term. As it is a percentage of retail sales, stores will receive support that is tailored to the size of their store and sales.

**What do I do if I have a merchandising term in place and find gaps on store shelves?**

In the first instance, please reach out to your store contact to understand the reason why there's a gap on shelf. In some cases, the store could be waiting for a delivery from the supplier or our distribution centres, or there could be an out of stock from the manufacturer. If you're not sure about their response, please reach out to your Category Manager so they can help work through this.

**FINANCE AND PAYMENTS****With the recently announced seven-day payments, will you still make payments on the trading day before the weekend, or make payments on the last day of the month?**

Our plan is to keep paying on the last working day before the weekend for the main monthly payments, and we'll keep you updated if anything changes. Payments scheduled for Mondays will now be paid even if the Monday is a public holiday.

**If I have a question around payments or late payments, who can I contact?**

If you need help following up overdue or unpaid invoices, please email [Accounts Payable](#). If you need to escalate any queries, please send the call number for your query to [Jamie Watson](#).