

Category Reviews & Ranging

Q. Category Reviews are a key interaction between suppliers and FSNI. Any themes or learnings we can all benefit from?

A. One of the key learnings is that the more open and transparent we all are through each stage of the conversation i.e. the more we share up front, and the sooner suppliers reach out and ask any relevant questions, the quicker and better the outcome. Being more open to trying things differently also helps.

We're continually reviewing and evolving our category review approach, while also ensuring the process lines up with our published commitments to suppliers and product ranging principles. These can be found on our [Foodies website](#).

Q. What are the main reasons category reviews are taking so much longer than the timelines originally plan?

A. The time it takes to complete a category review varies and depends on things like the complexity of the category, including the number of need states and suppliers involved. The quality and preparation of data, and the nature and length of supplier conversations also has an influence on completion times.

While we try hard to keep to the published timings, we do need to flex from time to time to accommodate supplier discussions and resourcing within our teams.

Our obligations under the Grocery Supply Code also mean that some of our implementation timeframes are longer.

Q. If Category Reviews are delayed due to internal work processes - please can this be communicated.... probably a monthly update of current Category Reviews & forward Category Review timelines would be great!

A. Where a category review is delayed, we will update suppliers within that review. The full category review schedule is updated monthly and included in our monthly supplier newsletter.

Q. With the changing customer behaviours in PNS "change in product size and prize" to accommodate more frequent shoppers, will the current buying strategy change?

A. Not 100% sure on the question, however we are actively seeking out larger pack sizes that represent value for our PAK'nSAVE customers and would encourage our suppliers to consider this opportunity within their product ranges. Please come back to us if this doesn't answer your question.

Q. How can we support 4 Square stores during commercial buying reviews? Concentrating on strong retail pricing that works for their customers?

A. We are very focused on buying as a cooperative and achieving the same lowest net cost in 4 Square as in other banners to ensure that there are good customer outcomes for our 4 Square stores.

Suppliers can support with:

- Tailoring range to suit 4 Square strategy, size and need states.
- Providing costs that support strong retail pricing for 4 Square customers.
- Supporting our Compulsory Display programme which is sitting at 90% compliance.

Q. It seems choice in your stores is being reduced and potentially sending shoppers to other banners. Why do you wait until the next round of category reviews to correct?

A. Our focus is to ensure we have the products that meet the needs of our largest groups of customers, and we continually review performance and survey our customers (through our customer promises tracker) and will take appropriate action if we see any concerning performance trends occurring.

Q. We have been through CPT. Foodies is committed to fairness and transparency to suppliers - but we are not shared what the end selected competitor range is. Why?

A. We are not able to share competitor information between our suppliers.

Loyalty / New World Clubcard

Q. What percentage of NW shoppers currently use a Clubcard, and what percentage are you targeting?

A. There are 1.9 million customers with Clubcards nationally. FSNI are currently sitting at a swipe rate of just under 60% of transactions and 76% of value sales.

We are targeting 90% of all sales having a Clubcard scanned against them.

Q. Re Clubcard – isn't it better for the consumer to have access to the best pricing without having to sign up, isn't that the ethos of customer driven?

A. To us, being customer driven means understanding our customers and being able to deliver the products that our largest groups of customers want and value.

The better we know our customers, the more we can deliver great promotions and personalised offers that customers value. If a customer feels recognised, appreciated and engaged, they are more loyal to the brand and banner.

Q. With mostly member promos will this mean that there will only be promos for all shoppers in Fresh and Liquor. How do you think shoppers in general will feel about this?

A. The change in mix from Super Saver to Clubcard will evolve over time (a couple of years). The key is to offer value (saving and/or rewards), so customers feel rewarded for being a member.

This includes things like discounts at the checkout, better visibility of their savings, earning New World Dollars and other Clubcard member only benefits.

Member pricing is also a key step in our journey to personalising offers to customers, so it's important that we make sure that customers can see the benefit.

Q. Will products on Clubcard promo still be eligible for displays?

A. Yes. As we move more of our promotions into Club Deals, we'll see Clubcard promotional displays.

Q. Clubcard promotions for suppliers vs. super savers in most cases are worse on all metrics from a supplier ROI, how do you plan to support this change?

A. We see there are many elements that go into a promotion to deliver a good ROI and many Club Deals achieve great outcomes. That said, we'll support the transition in three ways:

- Make it quick and easy for customers to sign up to Clubcard.
- Provide valuable ways for customers to immediately save with us – led by Club Deals and improved Club Deal offers.
- Reward our loyal customers for shopping with us, e.g. with NW Dollars and over time personalise our offers to customers.

There are over 1.9 million active Clubcard holders in NZ today – (Everyday Rewards has 1.6 million active members, and a scan rate of 60% according to their Q4 annual report) – and most customers already have a Clubcard, so the focus is to offer them value to encourage them to swipe it.

Q. Regarding Clubcard, what happens to the funding if bought by a non- Clubcard shopper? Is funding done with a scan or via PPR?

A. The Permanent Price Reduction (PPR) is agreed with a supplier and is always on to support all price points including shelf and promotion prices. A scan, which has been agreed with a

supplier, is used to support specific deep promotions and will only be paid by suppliers when a customer pays that promotional price.

All commercial arrangements are agreed with suppliers.

Q. How will the new Club Deal plan affect existing CPT agreements?

A. This is a discussion to be had with individual suppliers and depends on your deal structure with us – in many cases, Super Savers will convert to Club Deals.

Q. Why no loyalty card / platform for PNS?

A. PAK'nSave delivers the lowest grocery prices every day to all New Zealanders, so we need to look at what loyalty truly looks like for the brand and its customers. This piece of work is underway – so more to come in this space.

We know that customer loyalty is an important factor across all our banners.

Insights: Dunnhumby / Precision Media

Q. At the last Foodies Connect it was communicated that there was an intention to share substitutability data from Dunnhumby. 5 months on where is this at?

A. In category review discussions there is an opportunity to discuss the substitutability of products. This really needs to be a discussion with your category team, as we didn't commit to sharing that data across the whole supplier community.

Q. Why is Precision Media so much more expensive than Cartology?

A. PNS and NW, via their 206 stores, has 3 million+ people walking through their doors each week. That's over 35% more foot traffic per store than Woolworths. By reaching more people via our banners we have the chance to influence more conversions.

We have developed pricing using local media channel benchmarks and global comparable averages.

Our ratecard is based on a cost per thousand (CPM) people reached resulting in a transparent model of pricing that is competitive and cost effective.

Our science-led approach is delivering strong results and the case studies we are developing show true incremental ROAS, sales uplift and new customers.

Please feel free to reach out to kim.leybourne@precisionmedia.co.nz to discuss specific campaigns where you feel there is significant price differences so we can understand your areas of concern.

Displays

Q. How effective do you find shared displays (NW) ability to generate incremental sales vs that of dedicated displays?

A. Very effective. Shared displays provide us with a great way of extending the range of products that we can highlight to the customer (e.g. lines which have a lower velocity or don't require the space of a full end).

This allows us to be more customer driven in terms of the offers we present to customers on display. It's also something we've seen a lot of in Canada and Europe.

Q. We pay towards the co-op but don't get many compulsory displays. When we do get them, compliance is not great. How do we solve this?

A. Please talk to us if you haven't already by reaching out to your Category Manager with specifics in the first instance. Our compliance is ~98 to 99% in NW and PNS, and 4SQ is at 89% so it would be good to understand your compliance challenge in more detail.

Q. At PNS, do you have plans to review your 4-week clear air policy around deep promos for compulsory displays? You are missing out on opportunities as a result.

A. We currently don't have plans to review the policy as it's important that our displays in PAK'nSAVE represent the very best price in market and we plan our programme accordingly.

Q. When will all categories be on display co-op in PNS? Discretionary displays are difficult to secure when there are still beverage suppliers paying for displays.

A. We are working through the centralisation of categories with PnS as quickly as we can.

We are now sitting at over 60% complete and the space allocated to centralised categories for display has also increased in line with the total amount of store centralised.

Q. Our display is pulled out if ROM offers a better price, wouldn't this go against delivering value for FSNI customers? ROMs self-funding is out of our control.

A. In PAK'nSAVE price is absolutely critical and displays need to be best price in market. If we cannot achieve this, then we will need to adjust the price or remove the display.

Q. Your tickets in store for Super Saver promotions do not clearly call out the saving vs regular shelf price to the shopper, will this be improved?

A. We currently have no plans to change the Super Saver ticketing. That's why we are really excited to be increasing the focus on Club Deals which highlight the savings on the ticket and soon on receipts.

This will show customers just how much they have saved by using their Clubcard.

Q. Can I please seek an update on when visibility of confirmed displays will improve? Currently 2-3 weeks' notice makes it very difficult to know what stock to have ready and where to have it to maximise Customer satisfaction?

A. We understand the challenges and try to give as much advance notice as we can on displays. It's not always easy due to the dynamic nature of the market meaning we need to flex at times to ensure we are supporting our brand principles.

This is particularly important in our PAK'nSAVE banner where our lowest price in market proposition cannot be comprised and does at times result us in needing to change our display schedule to protect this. The closer we work together to achieve this, the more likely it is that display confirmations can be finalised earlier on.

Q. With the compulsory display comms, can we also get a ranking as part of the comms?

A. The best approach here would be to talk to your category manager who will be able to provide this visibility for you to assist with your planning.

Merchandising

Q. Do you think including the merchandising term as part of the CPT process is operating in good faith? It does make suppliers feel as though they have to sign up.

A. The Commercial Proposal Template (CPT) is where suppliers submit commercial proposals including merchandising.

The agreements we have in place for merchandise are the result of discussions between the supplier and FSNI on the most efficient way for suppliers and stores to work together to keep stock available for customers. A large number of suppliers are on the merchandising term and are positive about the Merchandising outcomes in store.

Under the code, FSNI cannot require suppliers to contribute towards the cost of merchandising. Any merchandising term must be agreed by the supplier in accordance with the Grocery Supply Code, in good faith.

Please get in touch with us if you have any concerns in this respect.

Q. When will all suppliers be signed up to the instore merchandising programme?

A. We continue to discuss Merchandising as we work through the category review process.

To date 188 Suppliers have Merchandising terms, with good progress being made with larger suppliers (40% of the top 50 suppliers now with terms). A number of suppliers are in discussion regarding transitioning to a term.

Produce

Q. FSNI Produce has a good quoting platform called Fresh Buy - is this a platform that could be shared despite merge being declined or is it simply a commercial decision and nothing to do with merger?

A. We currently are working through the determination of the Commerce Commission decision on the merger and will update suppliers on any outcomes in the new year.

Currently have no plans to merge the technology platforms for produce or meat. Fresh Buy is part of our SAP eco system and is part of our SAP ERP platform.

GSCs

Q. How do you highlight supplier contributions at store level to the grocery council? Store Coop, store rebates, store charged merchandising, scan backs etc?

A. We're not 100 % clear on who the "grocery council" being referred to is (Food & Grocery Council, the Grocery Team at the ComCom or some other entity), however we work directly with each supplier and our commercial terms schedule show all agreed terms including store and centre coop and any merchandising agreements. Scan information is included in the Commercial Proposal Template (CPT) share between the parties.

Payments

Q. From a past Q&A session it was said prompt payment terms would be part of CPT. But still not the case. Any update?

A. With the recently announced seven-day payments, 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 you have a question around payments or late payments, please email Accounts Payable (FSaccounts.payable@foodstuffs.co.nz). If you need to escalate any queries, please send the call number for your query to Jamie Watson (jamie.watson@foodstuffs.co.nz).

People

Q. There has been a bit of movement with Category Managers leaving over the last little while. What's being done to keep and attract talent in these key roles?

A. We have a relatively low turnover in the Category Manager space, with only four leaving the in the last 12 months and two moving internally within Foodies. The four who left Foodies left to travel or for personal reasons.

We recruit for high potential into Category Assistant and Assistant Category Manager roles to ensure we have a pipeline of talent, and we encourage internal moves between categories, within Merch and across wider Foodies too, to help our people broaden their experience and expertise.

We ensure we are paying competitively within the market and offer a range of employee benefits, including support to work flexibly, health insurance, enhanced leave entitlements and access to a range of learning and development opportunities.

Ownership

Q. How much truth to the claims from Bridgett O'Donnell about FSNI majority ownership by 4 people? (NZ Herald)

A. There is no truth to the claims.

Foodstuffs North Island is a Co-operative of grocers, owned by its grocers. If there are big decisions to be made by Foodstuffs North Island, these decisions are made by its grocer member shareholders, in accordance with its constitution and the Companies Act. The Protection and Perpetuation Trusts will only have involvement on certain big decisions for Foodstuffs North Island, such as the proposed merger.

Property

And finally, I'm afraid we don't have much good news for the supplier who wrote in looking for a house next to Khandallah NW, 4 bedrooms, north facing at mates rates, but we wish you luck.