



# Small Supplier Guide.

How to get your Next Big Thing on the shelf

**foodstuffs** NORTH ISLAND

**PAK'nSAVE**



**NEW WORLD**



# Kia ora.

**Welcome to the exciting and fast-paced world of food and grocery retailing. For a little country at the bottom of the world, New Zealand is packed full of innovation and inspiration, and it can be a bit daunting to know how to take the leap to get your Next Big Thing into the hands of customers across the country. This guide has a few tips and tricks to help make it a little easier to get your products on the shelf in our retail stores.**

Foodstuffs North Island has long supported small and diverse businesses through our 100% New Zealand owned and operated stores. We're proud to be #HereforNZ and committed to making a difference in the community, whether it's through providing meaningful and safe work, giving every New Zealander access to healthy and affordable food, or taking the lead on sustainability with zero impact on our environment. Our supplier partners play an incredibly important part in delivering on these commitments – and we can't do it without you.

Today we work together with hundreds of small suppliers ranging from food and beverage, health and beauty, right through to product distributors and service providers. We partner with our supplier community on exciting initiatives like FoodStarter, which propels innovative start-ups onto New World shelves, as well as supplier summits and joining forces with leading food organisations like the Food Innovation Network to make a difference in the community.

## **Our commitment to all our suppliers**

- Keeping you and your team safe in our places
- Investing in our relationships with you
- Being clear on our strategy and how you can engage and support
- Consulting with you, listening and considering your views all the time
- Being consistent and fair, and explaining why we made a call
- We love innovation when it's right for customers; if it is let's go hard on it together

# Stand out from the rest

Here are seven steps to give your brand and products the best possible chance of landing on the shelves and becoming a hit with customers. We're in this together and want to work with you to turn your product into the best thing since sliced bread.

# 01.

## Be customer driven



## Find out what your customers want first

Our aspiration is to be one of the most customer driven retailers in the world, which means everything starts with the customer in our co-op. We use insights and data from our largest groups of customers to shape our business decisions.



Start by researching customer demand, what your competitors are up to, and the pricing structure of similar products. Find out who your core customer is and use these insights to evolve your product into a winner.

Test your product with family members, friends, your neighbour's pet dog – and those outside your network because they might give you more honest product reviews than your mother-in-law!



- What makes your product different?
- What customer needs are your product catering for?
- How much is your customer willing to pay for it?
- What taste, texture, ingredients and quality is your customer after in food?
- What scent, texture, content and quality are customers after?
- How functional is the packaging – is it durable and effective?
- How sustainable is your product and how does it impact the environment?
- Are all of your product ingredients ethically sourced?
- What's the corporate social responsibility (CSR) story you can tell about your product or brand?

## Bring your brand to life

Create appealing branding and marketing materials to tell your story, including one pagers and digital brochures.

### These need to cover:

- Who your customer is
- Product descriptions and names
- High quality product imagery
- Brand overview and values
- Pitch and value proposition
- Contact information



If your product is a food item, make sure you design sustainable packaging that meets all New Zealand’s food regulations and complements your brand’s values and personality. If you’re working with a contract manufacturer, check they have all the relevant food safety certifications that meet New Zealand regulations. If you’re producing it yourself, you’ll need all the relevant food safety certification for your production facility. This is important because you’ll need to be able to produce this certification to become an approved supplier of Foodies.

If you’re after some advice, there are some great local companies set up especially to help New Zealand’s small innovative suppliers, like the Food Innovation Network. Make sure you get in touch with them if you need any help, especially during your product development stage. You can also connect with us at Foodies through our Emerging Supplier Manager, and at our supplier events throughout the year.



# 02.

## Work out your pricing





## Know the market value of your product

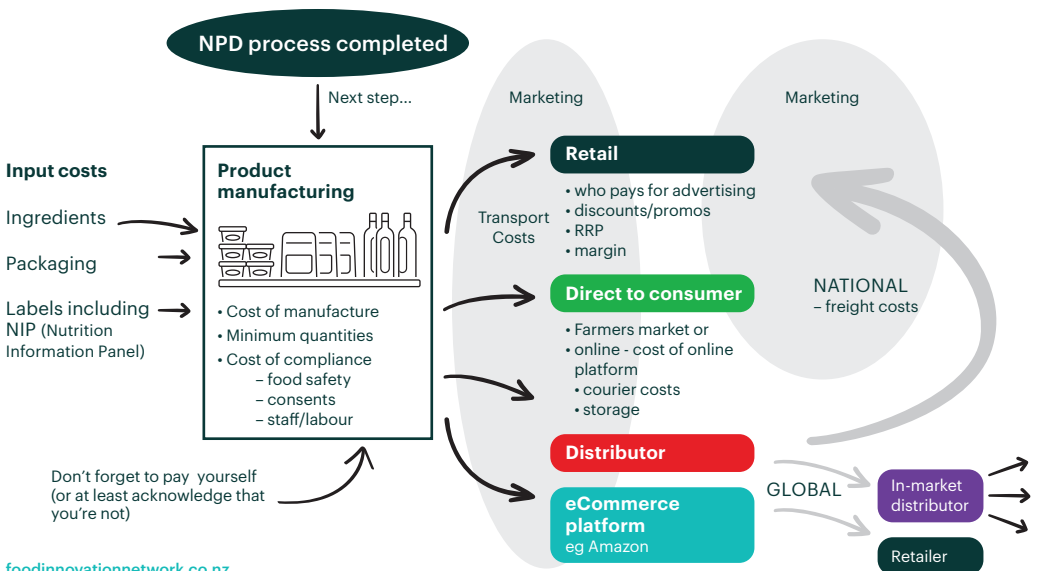
Research the market value of your product, keeping in mind if your target customer is in the price-conscious, mid-market or up-market price bracket. Every customer is looking for value – so this means looking at the average retail price of your item and working out where your product stands next to competitors within the price bracket you want to operate in.



## Work out your price structure

Based on your research, set up a pricing structure that factors in your production and distribution costs. Once you've worked out your pricing, be sure to set aside some funding for product promotions and in-store merchandising to help your product stand out from the rest. Alternatively, your product may not be that elastic and we may choose together to position it at an everyday low price. If this is the case, check your pricing structure gives you a competitive everyday price compared to your competitor brands. We can talk you through this.

The Food Innovation Network has this super helpful map of the route your product will take on the way to market.



# 03.

## Line up your supply chain



## Know how far you can distribute

To efficiently prepare your supply chain, estimate demand and set your sales goals. Understand how far your distribution reach is, how many stores you're targeting, and where they're located.

## Plan for everything

Damage, shipping delays, bad weather and unexpected events can all affect the efficiency of your supply chain. Be prepared for any potential delays or situations by considering the location of each of your supply chain partners and understanding the potential factors at play.

## Set up a tracking system

We recommend having a tracking system to make your supply chain really easy to track. This should allow you to:

- Track packages the moment they leave your facility or supplier network
- Keep a digital record of activities
- Show your entire supply chain, including inventory, suppliers and categories



# 04.

## Promote, promote, promote





## Have a multi-channel marketing strategy

Be ready to share your marketing strategy and metrics, and show how your advertising plan drives sales and demand – plus how this will boost the performance of your product on the shelf.

Have a chat with your local store about their discretionary off-location display space to help grab your customers' attention in store. To help with this conversation, be armed with what makes your product a compelling choice for the store and their local customers. Be clear on your point of difference, and how many more sales you think you'll see by having an extra off-location space for a short amount of time (no more than a week at a time).

## Be active on social media

Create a consistent look and feel across your social channels to showcase your brand, with the same social handle or name across all your channels including Facebook, Instagram, LinkedIn, TikTok and Twitter.

Start posting regularly and highlight your brand news, milestones and results, including product launches, partnership deals and team announcements to personalise your brand and put a friendly face to the name.

## Tell your story

Work with a range of journalists and writers to tell your brand story in the media. This can be through digital news articles or TV stories, along with press releases and ads. You can also use your own website as a blog to publish content.

Once you are in store, our Foodies teams can work with you on how to tell your story.



# 05.

## Learn the lay of the land





## Deep dive into Foodies

Dedicate some time to understanding our co-op, our brands and our customer journey. Our website is a great place to start:

**[www.foodstuffs.co.nz](http://www.foodstuffs.co.nz)**

We also recommend studying market reports and visiting some of our stores to get to know the lay of the land including:

- Store layout and location of products
- Diversity and variety of products similar to your brand
- Communities surrounding stores and their customer demographics
- Talk to our store teams about what they need from a supplier partner

Have a chat with our Emerging Supplier Manager about their top priorities and opportunities, including:

- Any product categories that are over-ranged, as these will be the hardest to be successful in
- Product categories that are under-ranged, where customers would appreciate more choice
- Our Private Label products and the role these play in your category
- Any gaps in our categories, which you may be able to fill

## Connect with other suppliers

See if you can connect with any of our other suppliers and find out what they've learnt so far. They'll make great mentors and coaches as you start on this journey.

# 06.

## Brush up your elevator pitch







## Keep it simple

Tell your story and keep your messaging concise, understandable and impactful. We're all humans, after all!

Use your elevator pitch to zero in on your niche. What makes your product different from everything else out there? Why do people buy your products? What customer needs are you catering for? Keep these answers handy as we get into the nitty gritty details in our conversations.

## Don't be afraid to get personal

There's nothing better than face-to-face, so try and meet in person to build relationships. If this is not possible, create personal connections digitally by personalising your communications and request a virtual catch up over Microsoft Teams or Zoom.

# 07.

## Grow your category

### **Congratulations, you've made it on the shelf! What now?**

We're excited about working together with you to deliver an awesome shopping experience for our customers. Here are our top tips for what to do next:

- Have a look at our promotional programmes and where you'd like to get involved
- We will look together at your results and decide on what path your next steps should take
- When you start experiencing significant growth, be ready to scale up your supply chain so there's always enough stock available for customers
- Set up an annual business review alongside our Emerging Supplier Manager and relevant Category Manager
- Start conversations with customer insights and how your product is driving category growth
- In the unlikely event something goes wrong with your product or packaging, just contact our Food Safety team at Foodies and your Category Manager as quickly as possible so they can help you. It's also worth familiarising yourself with the recall process.

## Data is king

Make the most of internal and external data to influence all your business decisions, including insights from companies like Nielsen, IRI and dunnhumby. Share any category trends from your brand's perspective. Once you are underway we can help you introduce you to these companies.

## Innovate like there's no tomorrow

Keep innovating, launching exciting new products and growing your category with a laser focus on customer trends and themes.

Ask for a copy of our new product development (NPD) calendar so you can plan ahead when to launch your exciting new products each year. We've created this monthly calendar to make it easier to plan ahead and showcase the categories where our customers are telling us they'd like to see more innovation.



# Customer driven category reviews



We have category reviews to make it easier for our customers to shop in our stores, and make sure the products that matter most to them are displayed prominently on the shelf, at an affordable price. At every step of the process, we're guided by customer data and insights to deepen our understanding of their different shopper needs, so we can make sure we have the right products in the right place at the right time when they walk in the door.

Here's the process we go through to end up with a customer driven range on the shelf.



Tips from someone who's been there

# Breakfast worth waking up for



The team at Blue Frog Breakfast are on a mission to create the best tasting cereals in the world. They launched in 2015 and continue to wow customers nationwide, so Founder and CEO Scotty Baragwanath shared some tips from the journey with Foodies to help others who are starting out.



### **How did you come up with the concept for Blue Frog?**

Several years ago we could see that there was a move towards premiumisation in the cereal category. We could also see a move to towards dietary trends, but as traditional offers became more health and wellness focused (ie, gluten free or paleo), then flavour was always compromised.

We set out to create the world's best tasting cereals... which also just happen to be healthy!

### **How did you make your product stand out from the rest?**

We knew we had to do things differently, and break the mold of the status quo. Hence our name Blue Frog – Frog representing me and my passion for flavour (my family nickname) and Blue representing difference and diversity – there are loads of green frogs in the world but a meeting with a Blue Frog will be bold, unique and memorable.

We then worked with an agency to create the logo and pack design which would create 'ownable' design assets – hence the diagonal patterns, now synonymous with our brand.

This was a very expensive process – but we invested heavily here. You need good people helping to challenge the final branding – this is your brand and it does the 'silent' selling from the shelf 24/7 – so it must resonate with the customer. It needs to stand out on shelf – and clearly communicate how it will address that customer's need within three seconds.

## **What did you do to understand your customers?**

We walked the aisle of all stores to understand the variables in pricing under each banner.

I also knew someone who was able to get a data report done on the breakfast category – which showed total market and all products and position, rate of sale and growth over the past 12 months.

The customer data critical to understand the potential size of the brand and our performance metrics the stores would be looking for. We could identify the products in our segment/our competition – and model anticipated performance based off these as a baseline.

## **How did you establish your pricing?**

We took a view of the marketplace to start with as a base line. We then looked at what product attributes we believed most important to the customer and if they would pay any form of premium for those or not. This price must of course work with your overall costing model.





## **Tell us about your journey with Foodies**

We did a lot of testing and learning before entering Foodies. We were at the farmers markets for almost 18 months, getting feedback and refining our offering before we spoke to our first store.

We were then connected to New World Victoria Park, where I got a meeting with the buyer and he agreed to get us loaded into the system – and be the first store to range us. It was then a slow and steady burn over the next two years growing from 1 to 50 stores.

The key here is tenacity, you must constantly be hustling stores, building data, developing your story as to why you should be on shelf vs your competitor. Build those relationships with your local buyers – they will support you if they see you hustling and hustling hard. Today we are in 90% of New World and PAK'nSAVE stores – with up to 15 products.

## **What does it take to grow your products in the Foodies network?**

The move from Local Range to Compulsory is based on sales performance and having a product which has low substitutability – being different enough to the competition to develop a very loyal following which drives sales and loyalty – and if you are not on shelf they don't just buy another product.

This means constantly refining your offer. The eight products we launched with in 2015 do not exist today. Our top selling products which make up the majority of sales have only been launched in the past three years.

You must look at your sales data, make hard calls to delist, and learn and create better offers as you grow.

## Any parting words of advice?

- Be clear what gap your product is servicing in the marketplace – test and learn with real customers first
- Be open to criticism – welcome it, learn and grow, but it’s hard
- Be realistic on your price point, promotional pricing, and average sell price
- Really understand your Unique Selling Proposition – how are you different and why will customers choose you?
- Build a costing model and work with Foodies to understand all the layers of involved with ranging – do you have a profitable opportunity?
- Then invest in brand and pack design, this is your billboard 24/7
- Don’t be afraid to look at your data and make calls early – if things are not working, understand why and pivot quickly
- Talk to your buyers – they want you to succeed – new innovations and ways of working are critical to growing a strong food and beverage sector
- Hustle, hustle, hustle, there is limited shelf space and many brands want it – you can never stop hustling
- The easy job is getting on shelf, the hard job is staying there.  
Good luck!!





**So what do all those words and acronyms mean?**



**Article Number** – this is a unique number we assign to your product in our SAP system.

**Compulsory (C)** – if your product is marked as compulsory, this means you'll be stocked in the cluster of stores of a similar size, whether it be small (all stores), medium (medium and large stores) or large stores.

**Everyday Low Price (EDLP)** – this is a pricing strategy we use within New World. EDLP products have set retail pricing for a minimum of 13 weeks in store and provide 'good' pricing for products that are highly important to our customers and are generally non-elastic when it comes to promotional upswings.

**Extended Range (ER)** – this product can be on the shelf as part of either the Recommended Range (RR), Optional Range (OR) or Local Range (LR).

**Local Range (LR)** – this is for our small suppliers who have the ability to supply local stores only. This is a great stepping stone start for our smallest supply partners, and means you can get your foot in the door at your local stores.

**Net Net Price** – this is the price stores will pay after all terms and promotional discounts are accounted for. Settlement and any merchandising terms are separate.

**Product Group (PG)** – if you have a group of products that all share the same cost price and carton quantity, they'll become a product group. This means you can promote the group together when you're running promotional programmes.

**Recommended Range (RR)** – all our stores can select from a recommended list of products to complement their compulsory range. If your product is in the recommended range, it'll be ranked by add order. Add order tells our stores how important your product is the eyes of our customers using measures like rate of sale, customer loyalty and share of wallet (how much customers spend on your product on average versus other products in the category).

**Settlement Discount** – this covers the administration aspect of doing business with us. It's linked to how quickly you need payment based on your cashflow needs. The most common term is 2.5% OT (on time), with payment to you on the last trading day of the month following the invoice.

**Warehouse Withdrawal Price (WWP)** – this is a discount you fund when your product is on promotion and in our distribution centres, so our stores can purchase at a lower cost during the promotional period.

**Store Cluster** – this is where we group similar stores together in order to allow us to provide personalised range recommendation to stores. We assess stores by shopping missions, demographics, geographical locations and size of store.

**Background Products** – these products customers tend to buy only when needed and customers are less influenced by promotional price points.

**Basket Penetration** – this is the proportion of baskets that contain a specific product or product group. These baskets are then compared to the overall basket count during the same period.

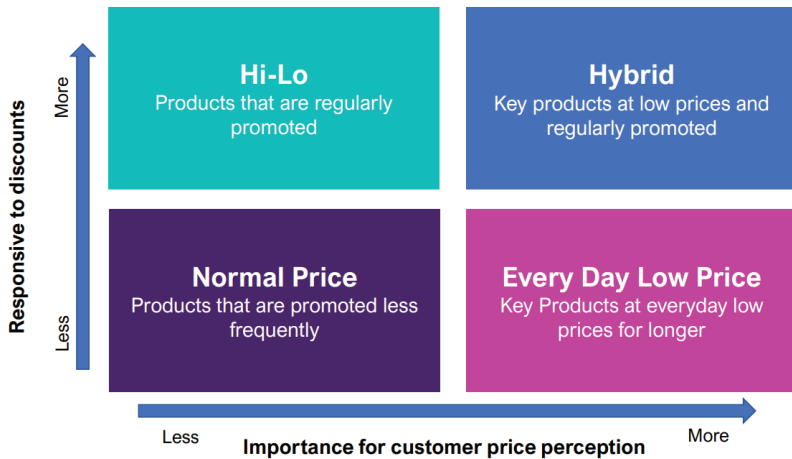
**Pricing Quadrants** – we have four pricing quadrants shown below that a product could fall into. Products will fit into a quadrant dependent on how important they are to a customer's price perception and how much a decision to purchase is influenced by promotional price changes.

**Quadrant 1** – Everyday Low Price (EDLP – New World; EDV – Pak'n Save; EGP – Four Square). These products will have set pricing for a minimum of 13 weeks in store and will provide 'good' pricing for products that are highly important to our customers and generally non-elastic when it comes to promotional swings.

**Quadrant 2** – Hybrid – These are the products that matter the most to our customers so we need to make sure the everyday shelf price is very competitive and that we go extra low on promotion so our customers are getting a great price.

**Quadrant 3 – Hi-Lo** – These products are slightly less important to customers but still react well to good promotional activity.

**Quadrant 4 – Normal Price** – Our final quadrant are for those products that are the least price sensitive for customers and they are less influenced by promotional activity. On a lot of these products having a fair everyday price with no promotional program is the right approach.



**Customer Driven** – we manage all of our strategies with our customer in mind first. We use data and customer insights to drive our operations, strategy and people to make the right decisions for our customers that will drive sales.

**dunnhumby (DH)** – we partner with these guys as the global leader in customer data. Through DH we get the tools and reports to enable us to make the right customer led decisions in our journey to be one of the world most customer driven retailers.

**DH Assortment** – this is one of the key DH tools we use that provides recommendations for product ranging. These recommendations come from customer buying behaviour and product substitutability.

**Key Competitive Items (KCI)** – these are products that influence our customers perception of how competitive our stores are.

**Key Value Items (KVI)** – if your product is a KVI then it is one that has the greatest influence on how our customers perceive value when they shop with us. They are really important to both our most loyal customers and most price sensitive customers. They are also our most elastic products (so respond the most to promotional lows).

**Need State** – we talk a lot about need states which we use to group similar products together where customers could choose to substitute a product for another ‘like’ product. Essentially, products grouped together by need states are products which fulfill a similar need for a customer.

**Price Elasticity** – measures the change in sales volume based on the change in price. So if a product is elastic when the price changes the volume will change as well. It used in particular around ensuring we have the right products on promotion and at the right price points.

**Sales Dilutive** – this is when we run a promotion which results in a loss of sales overall. This is not a good promotion to run for us or our supplier.

**Substitutability** – this represents how often the same customer buys an alternate product over time from the same need state.

## Who to contact

We’re here to help you. If you have any questions or need any more information, please get in touch with our Emerging Supplier Manager or reach out through our website and we’ll make sure you’re put in touch with the right person.

[www.foodstuffs.co.nz](http://www.foodstuffs.co.nz)





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