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NEWS FLASH: Category Defence Against Retailers Strong-Arm Tactics

It is estimated that Woolworths and Coles account for about 77% of Australian supermarket sales – the highest concentration in the world. For FMCG suppliers (and consumers) this market domination can often be challenging. In these tough economic times, various publications are already reporting market power dominance that's being used aggressively against struggling suppliers "agree to our terms or we will delete your products".

Are you a sitting Duck?

For retail suppliers already being threatened by: a slowing economy, higher exchange rates for imports, the push towards house-branded products, and finally parallel imports...these aggressive policies may be the last straw.

Category Management: Avoid the Duck Season!

The principles of ECR (Efficient Consumer Response) and Category Management have been successfully applied worldwide. Here in Australia particularly, they are used by Woolworths (Coles are now moving rapidly in this direction).

Category Management aims "to fulfil consumer wants better, faster, and at less cost" so that businesses are more responsive to consumer demand.

A key Category Management objective is to deliver a better customer and consumer outcome, and in turn, improve company process, sales and profitability. This works well if the relationship is in the Category Management spirit of improving consumer satisfaction, but less so if one party decides to use their buying power against the other.

Leverage your Retailer Forums:

Category Reviews are regular forums to decide the category range. Promotion plans and planograms follow from these meetings. Retailers will select the most advantageous range so it is critical for the supplier to be selected and also perform effectively.

Business reviews measure the total supplier contribution in each category. Retailers use these to negotiate trading terms – they will use the best terms as the benchmark – if sales and profit contributions are not acceptable then the supplier's future may be in doubt.

It is critical for the retailer to perform well at each of these meetings.

retail e-v Category Management Workshops help suppliers to identify and use their strengths to better protect their interests by:

- Identifying strengths and opportunities in trading relationships and categories
- Using pre-category reviews to strengthen product submissions and retail arguments
- Identifying competitor strengths and weaknesses
- Building positive relationships with retailers
- Taking a leadership role in the category - product innovation, consumer insights
- Leverage Promotional programs and sales opportunities
- Business review presentations – content, format, delivery
- Innovative/competitive trading terms
- Managing house brand policies

For more information about our Category Leadership Programs, and our Category Management 2-Day Improvement Workshops, please contact Robert Durrant on +61 3 9429-2293.

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