

Hard people to deal with

What's in it for them?

By TOM RAFFERTY

IF YOU'RE in the food business in Australia, I mean seriously in the food business in Australia, you have to deal with large retailers. So if you're not dealing with them, you're not serious.

Well, maybe; maybe not. Let's be frank. These are not easy people to deal with. They are demanding, tough negotiators. They want more and more for less and less and they will pay you ... eventually. They can make your life miserable; especially when you are second-rate and, sorry, many of you are second rate.

It is extremely difficult to deal with these people on your terms. You have to have something unique. By unique I mean "being without a like or equal". I suggest that unique is pretty much an absolute. There are no degrees of uniqueness; either it is, or isn't.

It's a bit like innovation. There is truly not a lot of it – innovation — about. Many people in the business think making a sun-dried tomato flavour or doubling the amount of chocolate chips makes a product innovative and unique. It doesn't; stop kidding yourself.

Buyers in large retail organisations are sick to their back teeth of unique and innovative products. They see them every day ... not. What they do see every day are people who keep telling them their particular product is unique and innovative. This is not helpful.

Remember, when you are sitting in front of a buyer, s/he, even if s/he is pretty mediocre, will have more than a passing knowledge of what is out there in the category. S/he has had all the other manufacturers and producers of innovative and unique products through the office door already.

So if you find yourself in front of a buyer, what sort of information do you think they want? They want to know one thing ... what's in it for me? Your job is to leave that meeting confident in the knowledge they know what's in it for them. So before you can do that, you have to know what is in it for them and how to communicate that message.

It may surprise you to hear this, but your job as a supplier to a retailer (regardless of their size) is to make their business profitable. That's why you exist. So how are you going

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to further enrich them? I know they have more than enough, but they want more than more than enough; get over it.

Let's start with a few key questions: Who is the customer? Have you got a clear picture in your mind as to the primary demographic – how old are they, how much do they earn, are they a family, where do they live, how

many of them are there?

This is marketing 101 ... I used to be surprised that people didn't know this very fundamental information. Now I'm just amused that people can continue to be so dumb. If you don't know this, you don't know how big the market is.

If you don't know how big the market is, you don't know how much money you're going to make; you don't know how much money they are going to make and you don't even know if your business has a long-term chance of survival. This sounds like a good plan, another surefire winner.

When you've figured out who the customers are and their number, the next job is to estimate the total market size. So how big is the market by volume and value? Who are your competitors? How much market share does each competitor have?

Assuming your product is *not* unique or truly innovative, why would a large retailer want to stock yet another product? You do know the major retail chains are committed to developing private labels (house brands).

Currently, well-known national brands like Bundaberg Sugar, Golden Circle and Paul's milk are getting a really hard time in the market. Many major national (and international) brands are scrambling to keep their products on the shelf. They are fighting hard not to get de-listed.

I was cruising through my local supermarket at the weekend and I noticed ... Bundaberg Sugar products – actually, I didn't notice them at all. I think they have been pushed off the shelf in this chain. However, I did notice that the private label (house brand) was displayed prominently.

The Golden Circle brand of pineapple is getting beaten on price by an imported product. The price differential was about 30%. At that price premium, is "Australia Made" a big-enough reason to support the local brand?

Likewise, the private

MUST-KNOW FACTS TO PLAN STRATEGIES

- How big is the market for your product by value and volume?
- What are the market demographics?
- Who are your competitors and what are their market shares?
- What are growth prospects for the market?
- How will your product help the retailer take advantage of this growth?
- Will your product affect sales of other products or other categories?

label UHT milk was significantly cheaper than the Paul's brand. I'm all for brand loyalty, especially with locally produced product, but when I can get three private labels for the price of two branded products, I discovered that I, personally, am fast approaching the financial limits of the support I'm prepared to give. And I'm not alone.

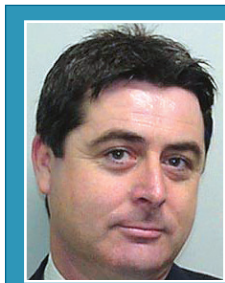
The milk example is particularly interesting. It is (unless I'm much mistaken) all Australian-made product. It appears the big milk processors are engaged in a dance to the death. The supermarkets will win, the consumers should benefit, but the processors and the farmers ... well your guess is as good as mine.

Certainly, we can't hide behind the cheap imports argument here. It looks like good, old-fashioned, capitalist-economic rationalism at work. If these established brands are having a problem staying on the shelves, how easy is it for you to get on?

So when you're lining up that meeting, keep all this in mind. You might also want to be able to answer these two questions as well. What are the prospects for future growth of the market? How will your product help the retailer to take advantage of this growth?

To the former question, you'll need a compelling argument and some good information. You don't have to be right but you do have to be able to defend

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ABOUT THE AUTHOR:
Tom Rafferty is the Director of Supply Chain STO and can be contacted at 07 3843 5712, 04 0978 1264 or tom@sto.au.com.

your assertions. To answer the latter question, you will have to demonstrate how your product adds more value to them than a competitor's offering. If you can't, you'll die in the ditch.

Lastly, your product might have an impact on other stuff they sell. Some of this will be good; some of this may be bad. Nevertheless, think it through and have an answer ready.

Of course, there are always alternatives to dealing with the big guys. A strong, vigorous, independent retail sector is your best friend. Developing a base in export markets is also worthwhile. I suppose, there is always the farm-gate stall too ... but only if you're really serious.

Contact: Tom Rafferty, phone (07) 3843 5712, 0409 781 264; email <tom@sto.au.com>.

Tom Rafferty is director of Supply Chain STO. Apologies for any inaccuracies in German history references made in last issue's article.



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