

# FOOD INDUSTRY WEEK

PRIVATELY CIRCULATED TO DECISION MAKERS OF THE FAST-MOVING CONSUMER GOODS INDUSTRY

*New Lower Hutt, Wanganui and Napier Pak 'N Save supermarkets will feature expanded range of general merchandise*

*Consumers experience at The Warehouse has 'trained' them for merchandise bargains at Pak 'N Save...*

## Foodstuffs 'superstores' bolster Warehouse defence

Foodstuffs is building three new Pak 'N Save "superstore" supermarkets with an extended general merchandise offer.

With its concept New World "megastore" in Palmerston North well received, Foodstuffs is building new Pak 'N Save stores in Napier, Wanganui and Lower Hutt with additional floorspace for its expanded range.

Foodstuffs Wellington executive Graham Douglass described the new stores to *Food Industry Week* as revolutionary, adding a strong representation of general merchandise to what has traditionally been a discount grocery format.

Foodstuffs is clearly pleased with the success of the trial New World format in Palmerston North. Douglass said the store's stronger emphasis on consumer items had been "very well received".

"We were able to build the store to cater for the wider range. It is a little harder with existing stores and their commitment to their existing range.

"It is our desire to widen exposure and provide similar facilities in our stores, but it is just a matter of time."

Douglass said some of the categories had surprised Foodstuffs as to how receptive customers could be. There had been quite strong demand for DVDs and women's clothing in particular.

Other goods offered include kitchenware (as distinct from the usual range of kitchen utensils), an expanded stationery range and electrical appliances.

"We offer a good range at what we think is a good price."

Asked if the expanded range was popular because of price or convenience, Douglass said a lot of it was convenience. Supermarket prices also offered a point of difference.

There had been a policy to introduce well-known brands right from the start to help boost the confidence level for people buying general items at a supermarket.

Ironically, given that the strategy could be perceived as a broadside at The Warehouse for its move into grocery lines, Douglass said outlets like The Warehouse had helped train consumers into buying items such as electrical appliances without needing sales advice.

He said the principle for expanded ranges in supermarkets had been demonstrated overseas and had been adopted by Foodstuffs for the New Zealand scene.

"It offers A, a wider range, and B, more value for the shopping trip."

### Follow the leader...

Foodstuffs' increasing focus on general merchandise products in its stores should come as no surprise to the nation's food industry.

While on the face of it Foodstuffs appears to be countering The Warehouse's reverse move into low-cost FMCG products, the co-operative is in fact merely

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*Legal advice being sought after newspaper article*

following the lead of global food giants such as Wal-Mart.

Furthermore, Foodstuffs faces a dilemma with its enormously successful Pak 'N Save concept. As Timothy Morris of Coriolis Research put to us: where to now?

"How many more Pak 'N Save stores can they open?"

"The market is approaching saturation. Their only avenue for growth is pushing more and more through their existing boxes — fuel, banking, now expanded general merchandise. And pharmacy will be next."

Morris says the "superstore" move is no different to what is happening in the US or UK markets.

"Clearly Foodstuffs has had a look at the hypermarkets the global leaders like Wal-Mart or Tesco are opening and said, 'Why can't we do that?'"

*Food Industry Week* observes that food retailers throughout Australasia are following the trend. Progressive has been dabbling with general merchandise lines, including special promotions of home appliances. Last weekend in Auckland it was selling Chinese-built DVD players for \$85 each from small pallets at Mt Eden Foodtown checkouts, for example, and CDs from the express counter at Foodtown St Lukes.

Morris says Australia's supermarkets are also experimenting, but the main two operators, Woolworths and Coles, have a problem with increasing their general merchandise lines.

"At some point along the line they'll end up competing with themselves, Woolworths with its Big W chain and Coles with its Target and Kmart chains."

\* More comment, *Rob's Round-up*, page 8.

## **Spirit importer chokes over clampdown slur**

A Korean spirits importer is upset his product has been lumped in with cheap Chinese rice wines being sold as cooking wine.

Top-selling soju Jinro was one of the products bought in a *New Zealand Herald* survey prompted by a crackdown on supermarkets selling cheap cooking wine, and the manager of the importing company, Youngs NZ, Se Young Kim, tells *Food Industry Week* he is angry Jinro was pictured alongside Chinese cooking wines.

The photo's caption read: Chinese rice cooking wine is undrinkable say those who think it should be sold in supermarkets.

"Our product is not Chinese, it is not a cooking wine and it is not undrinkable," said Kim, who is seeking legal advice over the matter.

Purported to be the world's largest-selling spirit brand — even outselling Stolichnaya, Bacardi and Smirnoff — Jinro is made from sweet potatoes, rice and grains. Its worldwide sales in 2002 topped 64 million cases.

*Herald* writer Scott MacLeod alleged grocers were selling half-litre bottles of potent wine for less than \$2 in a flagrant breach of licensing laws, and said the newspaper had bought strong varieties of wine, spirits and sake at three Chinese and one Korean store despite a supposed crackdown by authorities.

"Some shoppers, grocers and politicians said the crackdown was a stupid attack on specialist cooking wines, but five bottles purchased by a reporter were clearly meant for drinking."

He cited a four-pack of Jinro bought at Kim's Club in East Tamaki and a bottle of Sho Chiku Bai sake bought from the Somerville branch of Tai Ping, the Chinese supermarket chain that sparked the crackdown by selling cheap cooking wine in October.

### **Wines "breached guidelines"**

"Chinese stores in Dominion Rd and Botany Downs were selling rice-based cooking wines that breached guidelines for supermarkets."