FAST MOVING CONSUMER GOODS RETAILING IN NEW ZEALAND

Report to Progressive Enterprises

June 2001

CORIOLISRESEARCH

Coriolis Research Ltd. is a strategic market research firm founded in 1997 and based in Auckland, New Zealand. Coriolis primarily works with clients in the food and fast moving consumer goods supply chain, from primary producers to retailers. In addition to working with clients, Coriolis regularly produces reports on current industry topics. Recent reports have included an analysis of the impact of the arrival of the German supermarket chain Aldi in Australia, and answering the question: “Will selling groceries over the internet ever work?”

❖

The lead researcher on this report was Tim Morris, one of the founding partners of Coriolis Research. Tim graduated from Cornell University in New York with a degree in Agricultural Economics, with a specialisation in Food Industry Management. Tim has worked for a number of international retailers and manufacturers, including Nestlé, Dreyer’s Ice Cream, Kraft/General Foods, Safeway and Woolworths New Zealand. Before helping to found Coriolis Research, Tim was a consultant for Swander Pace and Company in San Francisco, where he worked on management consulting and acquisition projects for clients including Danone, Heinz, Bestfoods and ConAgra.

❖

The coriolis force, named for French physicist Gaspard Coriolis (1792-1843), may be seen on a large scale in the movement of winds and ocean currents on the rotating earth. It dominates weather patterns, producing the counterclockwise flow observed around low-pressure zones in the Northern Hemisphere and the clockwise flow around such zones in the Southern Hemisphere. It is the result of a centripetal force on a mass moving with a velocity radially outward in a rotating plane. *In market research it means understanding the big picture before you get into the details.*

❖

CORIOLISRESEARCH
PO BOX 10 202, Mt. Eden, Auckland, New Zealand
Tel: +64 9 623 1848; Fax: +64 9 353 1515; email: info@coriolisresearch.com

The further consolidation of the New Zealand supermarket industry will not harm the consumer

I. **New Zealand consumers are changing with strong implications for fast moving consumer goods (FMCG)**

II. **In New Zealand, FMCG pathways to the consumer are highly competitive and changing rapidly**

III. **Intense competition in the supermarkets segment has led to an ongoing process of consolidation**

IV. **The merged entity will be clearly constrained in its ability to raise prices**

I. New Zealand consumers are changing with strong implications for fast moving consumer goods (FMCG) retailing

Ia. Households are becoming dramatically smaller

Ib. New Zealand is becoming more multicultural

Ic. Women have increased their participation in the workforce

Id. More people are working longer hours but income disparity has increased

See also Appendix I: Changing consumers

Ia. Households are becoming dramatically smaller

- **Declining birthrates and longer lifespans have led to a rapidly aging population living in more, but smaller, households (Appendix I-b)**
- **The number of households is increasing fifty five percent faster than the number of people (Appendix I-c)**
- **Household sizes are getting dramatically smaller across the developed world and in many countries, 25-30% of households are now one-person (Appendix I-d)**
- **Smaller households have more frequent, but smaller, shopping trips and purchase more food away from home**

Smaller households have more frequent, but smaller, shopping trips and purchase more food away from home

FMCG RETAILING IMPLICATIONS OF SMALLER HOUSEHOLDS

	Change
Implications	Smaller average order size and ring-up Fewer large shopping trips Improved economics of food away Eating and shopping as socialising
Winners	Convenience stores (e.g. Star Mart) Social restaurants and cafes (e.g. Starbucks)
Losers	Supermarkets

Ib. New Zealand is becoming more multicultural

- **Europeans will have gone from ninety percent of the population in 1971 to an estimated sixty five percent by 2021 (Appendix I-f)**
- **This growing ethnic diversity will be especially apparent in the children of 2021 (Appendix I-g)**
- **However, the North is, and will probably remain, more multicultural than the South (Appendix I-h)**
- **Growing cultural diversity is acting to fragment food and FMCG pathways**

Growing cultural diversity is acting to fragment food and FMCG pathways

FMCG RETAILING IMPLICATIONS OF MULTICULTURALISM

	Change
Implications	**More diversity in the contents of the shopping cart** **Fragmentation of the mass market into sub-segments** **Increased variety and competition in food away** **Increased demand for specialised products**
Winners	**Asian Supermarkets (e.g. Tai Ping)** **Local and regional markets (e.g. Otara Market)** **Low cost, ethnic food away outlets**
Losers	**Generic local supermarkets** **Traditional Kiwi foodservice**

Ic. Women have increased their participation in the workforce

- **Women are choosing to have fewer children later in life (Appendix I-i)**
- **New Zealand women have doubled their participation in the workforce in the past thirty years, the largest shift in the developed world (Appendix I-j)**
- **However, New Zealand women are more likely than men to work part time, partially in an attempt to balance their family requirements (Appendix I-k)**
- **The growth of working women has increased the importance of fast, convenient solutions**
- **As one example, this reduced time availability has led to rapid adoption of the microwave (Appendix I-l)**

The growth of working women has increased the importance of fast, convenient solutions

FMCG RETAILING IMPLICATIONS OF WOMEN WORKING

	Change
Implications	**Less time available for 'traditional' roles** **Increased use of time saving solutions** **Increased willingness to trade time for money** **Desire to shop quickly and efficiently** **Reduced time available for meal preparation**
Winners	**Delivery foodservice (e.g. Pizza Hut)** **Convenience stores (e.g. Star Mart)** **Perishables specialists (e.g. Bakers Delight)**
Losers	**Supermarkets**

Id. More people are working longer hours but income disparity has increased

- **A larger percent of the total population is working primarily in the service industries (Appendix I-m)**
- **An increasing numbers of people are working longer hours (Appendix I-o)**
- **However, this hard work is not necessarily translating into income - the rich are getting richer while the rest of the population has falling real incomes (Appendix I-p)**
- **Retailing to the middle appears to be a difficult proposition**

Retailing to the middle appears to be a difficult proposition

FMCG RETAILING IMPLICATIONS OF INCOME DISPARITY

	Change
Implications	Polarisation of society into very price sensitive and price insensitive Some shoppers have time, some shoppers have money Weakening of the middle class
Winners	Discounters (e.g. Pak'N Save, The Warehouse) Restaurants and cafes Perishables Specialists (e.g. Vegie World)
Losers	Mid-market supermarkets

II. In New Zealand, FMCG pathways to the consumer are highly competitive and changing rapidly

IIa. Supermarkets capture a significant portion of consumers FMCG spending

IIb. The FMCG retailing sector is highly competitive and changing rapidly

IIc. Supermarkets must react to this change or be replaced by emerging competitors

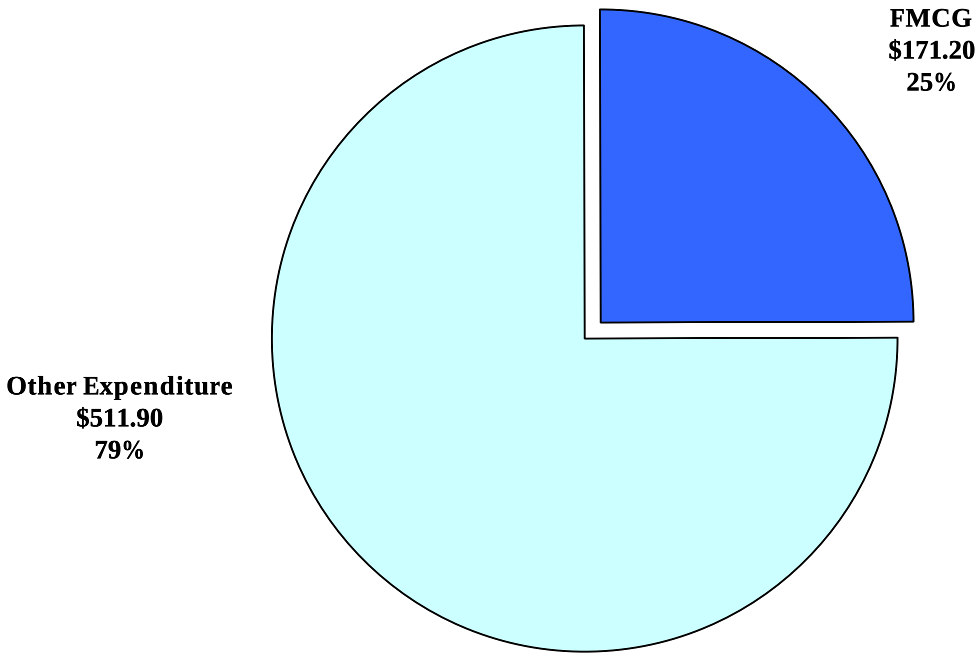
See also Appendix II: FMCG retailing

IIa. Supermarkets capture a significant portion of consumers FMCG spending

- **Average weekly household expenditure is flat (Appendix II-b)**
- **Consumers spending on food and household operations is falling over time (Appendix II-c)**
- **This trend should continue: on a global basis, as incomes rise, people spend less of their income on food (Appendix II-d)**
- **The average household spends $171.20 a week on food and FMCG items, two thirds of which is food; one third non-food**
- **Consumers have different types of shopping trips and chose a destination based on its ability to meet their needs (Appendix II-e)**
- **While Supermarkets and Grocery chains are strong in food retailing, they are weak in non-food retailing**

The average household spends $171.20 a week on food and FMCG items…

AVERAGE WEEKLY HOUSEHOLD EXPENDITURE[1]
(Dollars spent; 1998)



Total = $683.10

1. Different classification than prior page
Source: Statistics New Zealand, (Household Expenditure Survey)

… two thirds of which is food; one third non-food

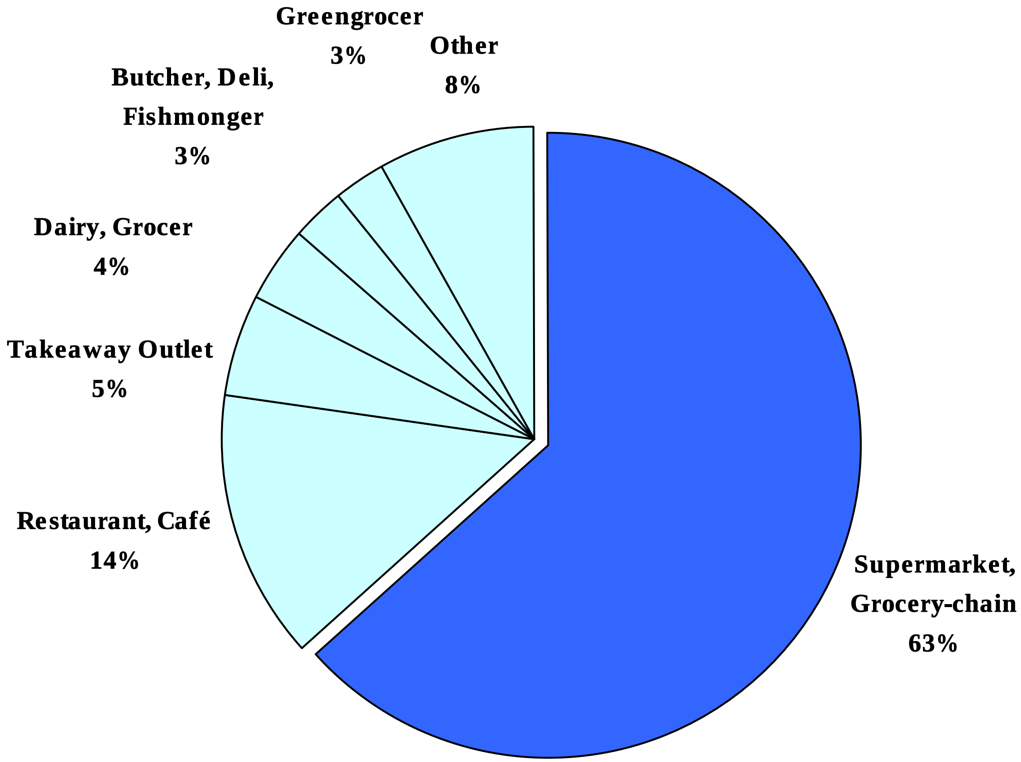
NEW ZEALAND HOUSEHOLD FMCG EXPENDITURE[1]
(Dollars per household per week; 1998)

FMCG Group	Weekly Household Expenditure	% of FMCG	
Food at Home	$88.40	51%	66% Food
Food Away from Home	$25.10	15%	
Alcohol	$16.90	10%	34% Non-Food
Publications & Stationery	$9.30	5%	
Tobacco	$8.00	5%	
Household Supplies	$6.90	4%	
Personal Goods	$5.60	3%	
Toiletries & Cosmetics	$5.40	3%	
Pet Food & Supplies	$4.00	2%	
Cookware & Tableware	$1.30	1%	
Photo Film & Equipment	$0.30	1%	
Total FMCG Expenditure	**$171.20**	**100%**	

1. May not scale up nationally due to acknowledged flaws in survey methodology
Source: Statistics New Zealand, (Household Expenditure Survey); Coriolis analysis

While Supermarkets and Grocery chains are strong in food retailing…

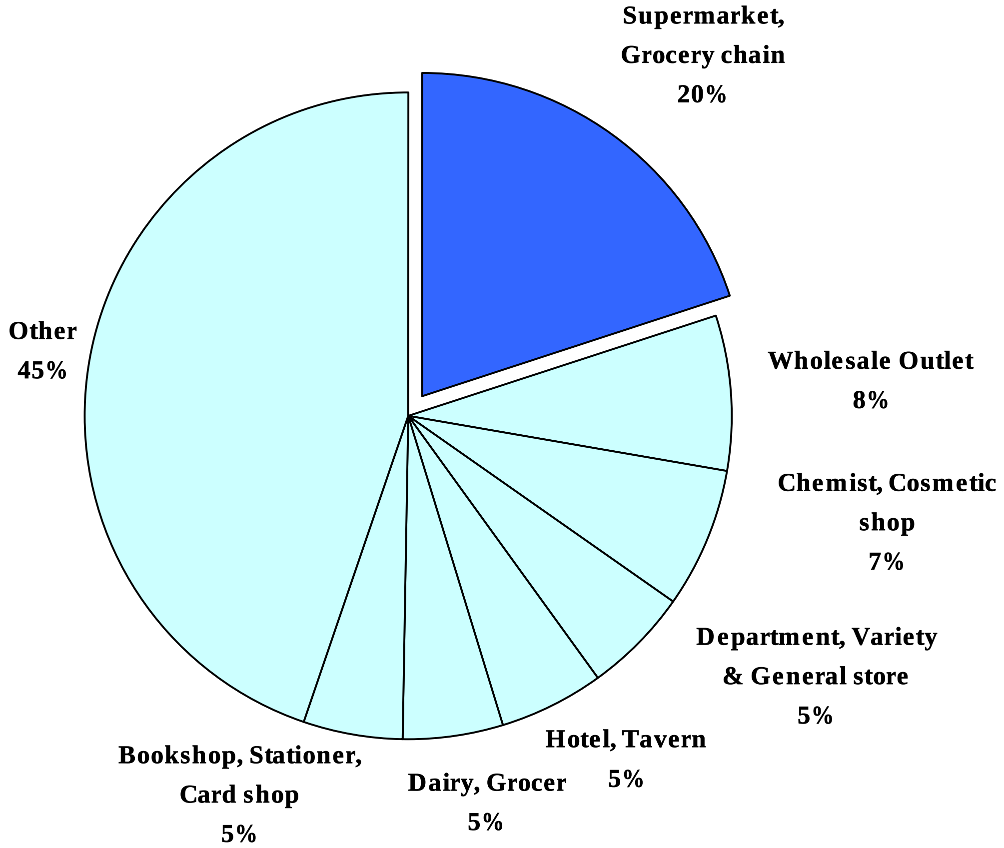
AVERAGE HOUSEHOLD FOOD FMCG EXPENDITURE BY STORE TYPE
(Percent of average weekly expenditure; dollars; 1998)



Total = $113.50

… they are weak in non-food retailing

AVERAGE HOUSEHOLD NON-FOOD FMCG EXPENDITURE BY STORE TYPE
(Percent of average weekly expenditure; dollars; 1998)



Total = $57.70

IIb.The FMCG retailing sector is highly competitive and changing rapidly

- Fast moving consumer goods retailers are defined by the high volume, low margin nature of their business (Appendix II-g)
- Fast moving goods travel to consumers through a large number of pathways from the producer to the final consumer (Appendix II-h)
- There are a wide range of stores competing vigorously for the consumers FMCG dollar
- The modern supermarket is only a convenient collection of separate stores or ‘departments’ that sell a wide range of products, both food and non-food
- These departments collectively have a total of 12,490 external FMCG retail competitors
- Supermarkets face organised and robust competitors across all departments of the store
  - Within food-specific retailing, convenience stores and food specialists appear to be evolving from independents into well run chains
  - Primarily non-foods retailing is highly competitive and in turmoil as new discounters replace more traditional outlets
  - Supermarkets, and all food at home retailers, are losing sales and share of stomach to foodservice

There are a wide range of stores competing vigorously for the consumers FMCG dollar

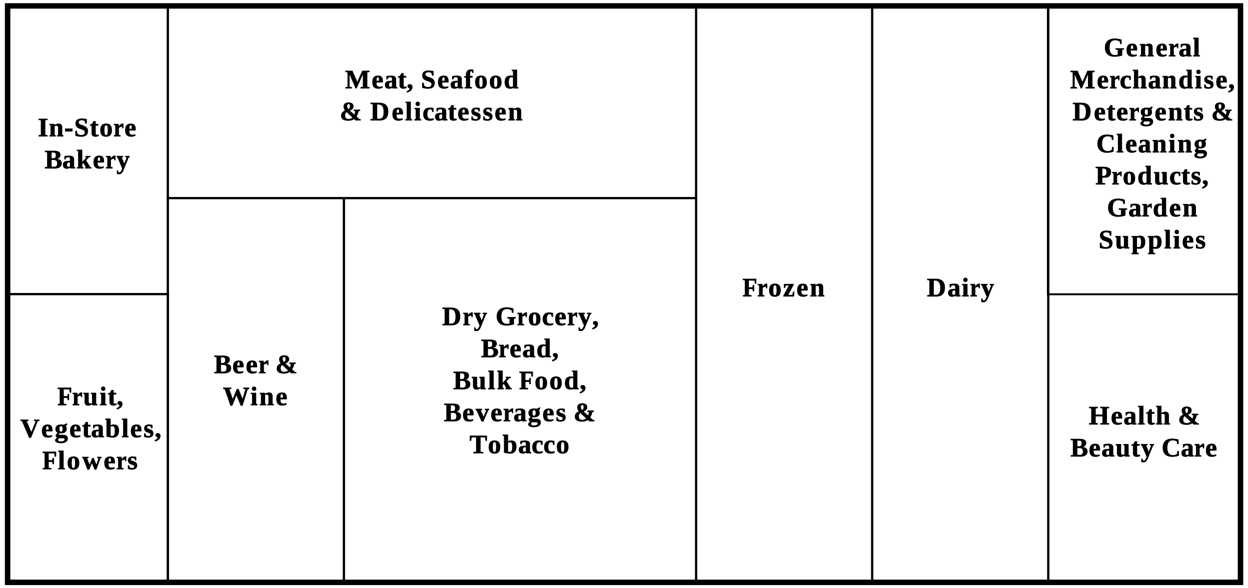
NEW ZEALAND FMCG RETAIL SALES BY STORE TYPE
(Dollars; millions; 2000)

Store Type	Sales ($M; 00)	% of Sales
Supermarket & Grocery Stores	$8,866	43.2%
Department Stores	$2,556	12.5%
Cafes & Restaurants	$2,335	11.4%
Pharmaceutical, Cosmetic & Toiletry	$1,291	6.3%
Pubs, Taverns, Bars & Clubs	$1,062	5.2%
Liquor Stores	$976	4.8%
Domestic Housewares & Hardware	$789	3.8%
Takeaway Food	$668	3.3%
Newspapers, Books & Stationery	$650	3.2%
Greengrocers & Other Food	$587	2.9%
Garden Supplies Retailing & Flowers	$283	1.4%
Butchers, Delicatessens & Fishmongers	$259	1.3%
Bread & Cake Shops	$205	1.0%
Total Retail Sales	**$20,527**	**100%**

Source: Statistics New Zealand, (Retail Trade Survey); Coriolis analysis

The modern supermarket is only a convenient collection of separate stores or ‘departments’…

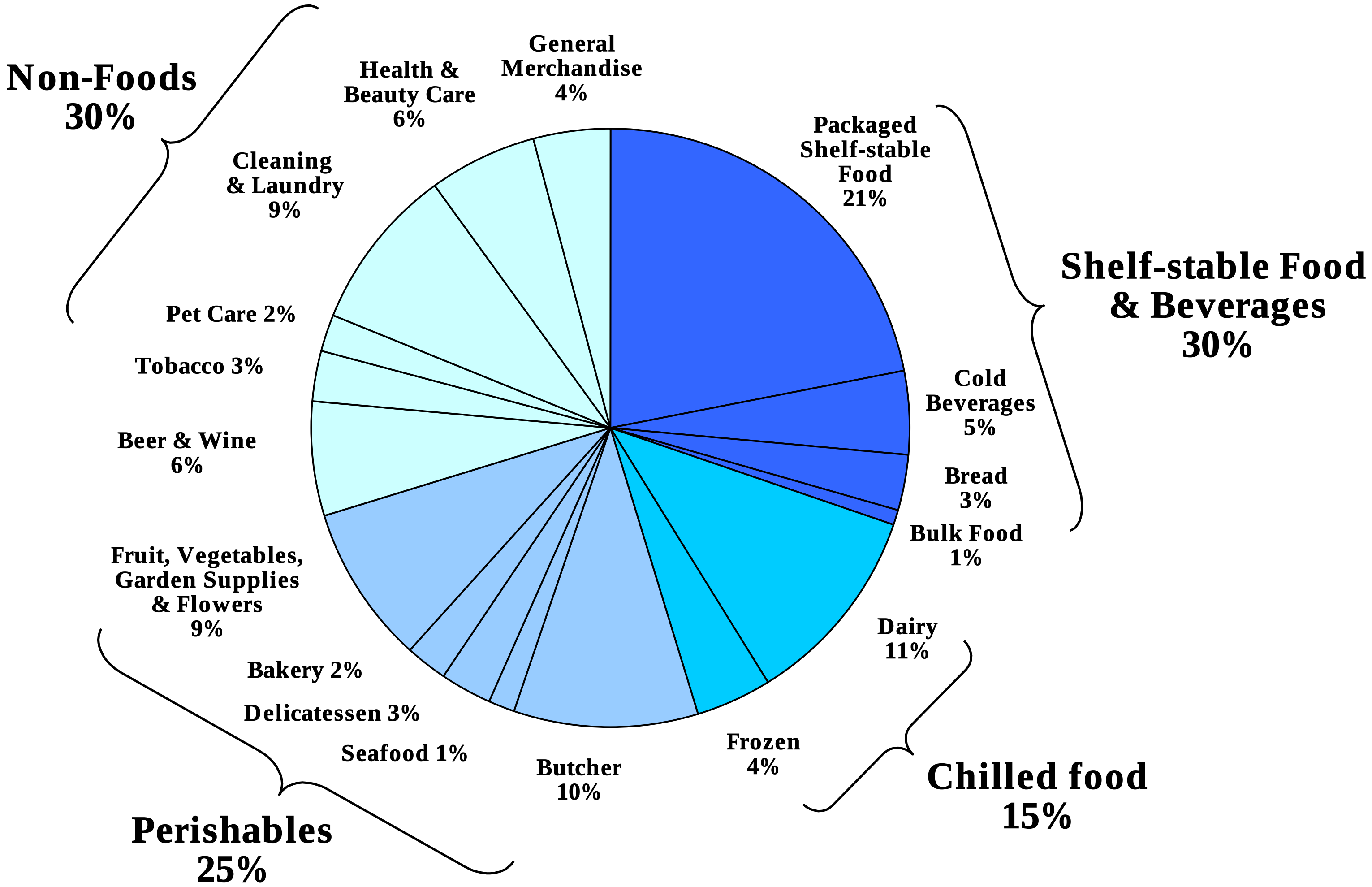
<u>WHAT IS A SUPERMARKET?</u>



403 Supermarkets

… that sell a wide range of products, both food and non-food

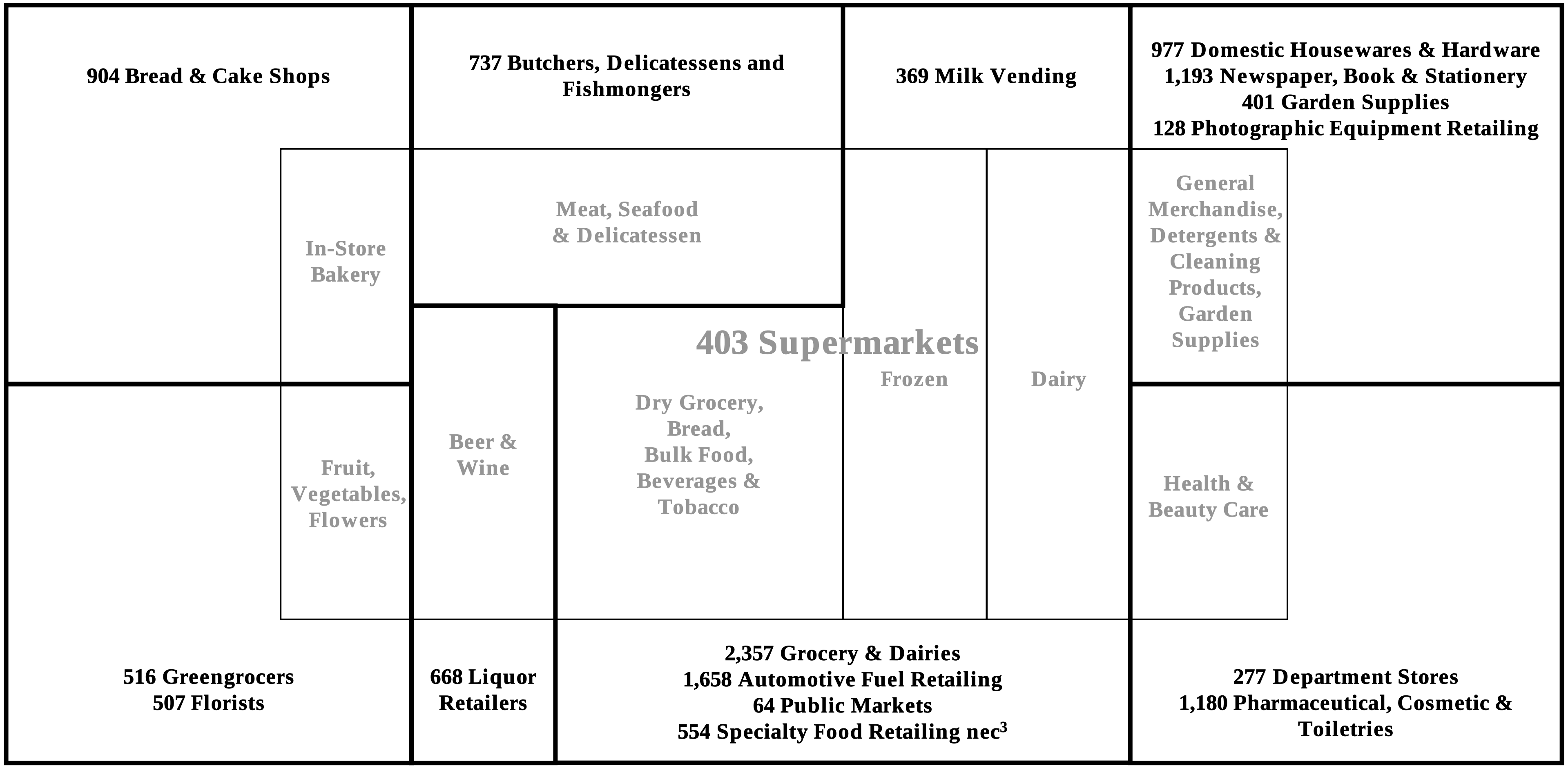
AVERAGE SUPERMARKET SALES BY DEPARTMENT
(Percent of total sales)



Source: AC Nielsen; Coriolis

These departments collectively have a total of 12,490 external retail competitors

WHO COMPETES WITH SUPERMARKETS?



1. GM = General Merchandise or Non-foods (e.g. dog food, laundry detergent); 2. HBC = Health & Beauty Care (e.g. toothpaste);
3. Nec: not elsewhere classified; Source: Statistics New Zealand (Business Demography Survey)

Within food-specific retailing, convenience stores and food specialists appear to be evolving from independents into well run chains

- **In terms of outlet numbers, supermarkets are vastly outnumbered by other food at home competitors (Appendix II-i)**
- **While the number of supermarkets has remained relatively flat, the number of other food type stores is fluctuating, with both winners and losers (Appendix II-j)**
- **Most categories of food specialist are showing sales growth (Appendix II-k)**
- **Category Specific Competitor Profiles (Appendix II-l to II-s)**

Primarily non-foods retailing is highly competitive and in turmoil as discounters replace more traditional outlets

- **Supermarkets are outnumbered by non-foods competitors (Appendix II-t)**
- **The primarily non-food FMCG sector is undergoing massive changes as discounters replace traditional department stores (Appendix II-u)**
- **Department stores and pharmaceutical, cosmetics and toiletries retailers are showing strong sales growth while other sectors are flat or down (Appendix II-v)**
- **Category Specific Competitor Profiles (Appendix II-w to II-aa)**

Supermarkets, and all food at home retailers, are losing sales and share of stomach to foodservice

- **Supermarkets are currently challenged by 10,288 foodservice establishments**
- **The number of food away from home outlets is growing rapidly (Appendix II-bb)**
- **Restaurants are showing much stronger turnover growth than other food away segments (Appendix II-cc)**
- **In terms of outlet numbers, there are now more than twenty five food and alcohol away outlets per supermarket (Appendix II-dd)**
- **Food retailing is losing 'share-of-stomach' to foodservice outlets and the United States market strongly suggests this trend will continue**

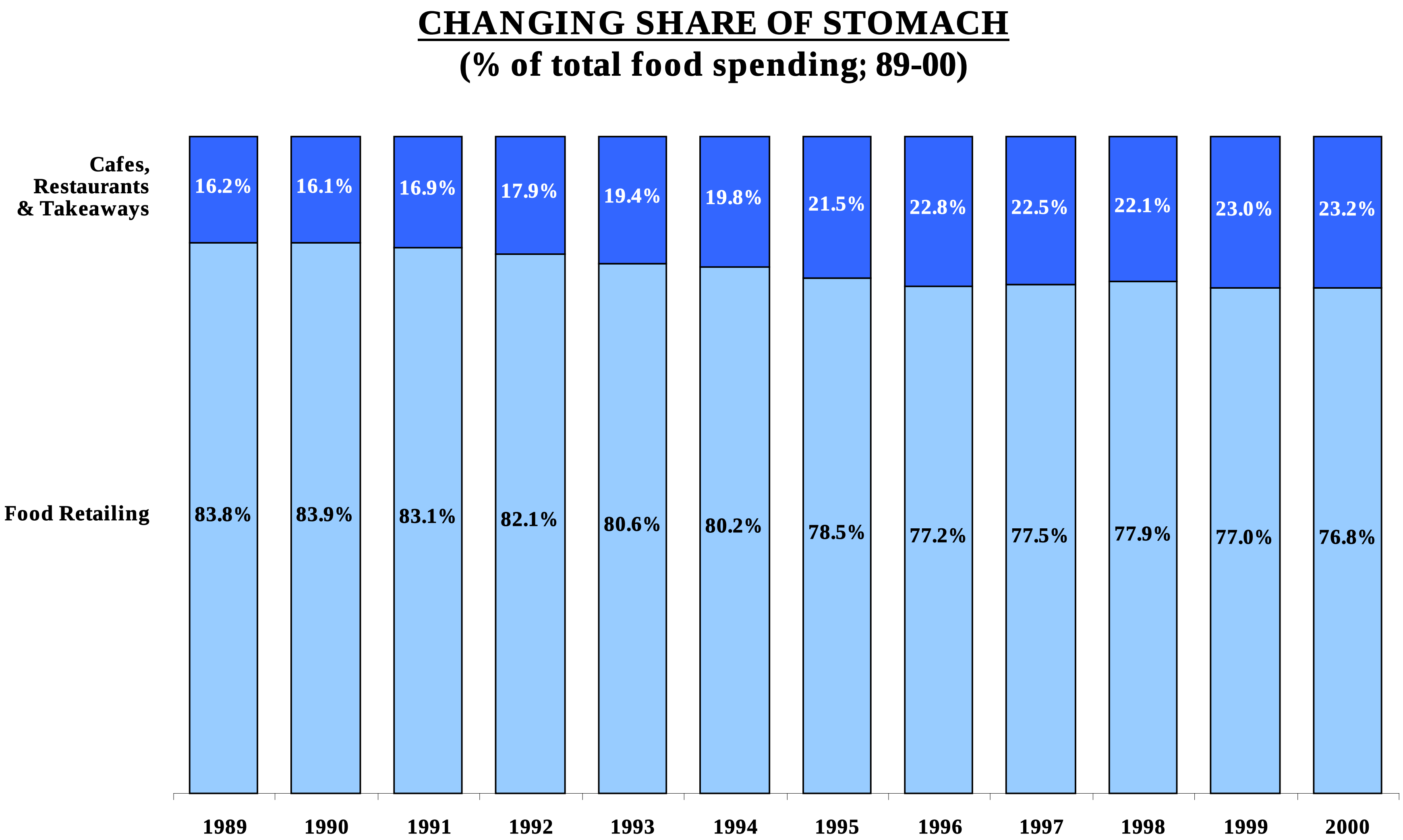
Supermarkets are currently challenged by 10,288 foodservice establishments

THE GROWTH OF FOODSERVICE

5,455 Cafés and Restaurants
3,195 Takeaway
1,237 Pubs, Taverns & Bars
401 Hospitality Clubs

Source: Statistics New Zealand (Business Demography Survey)

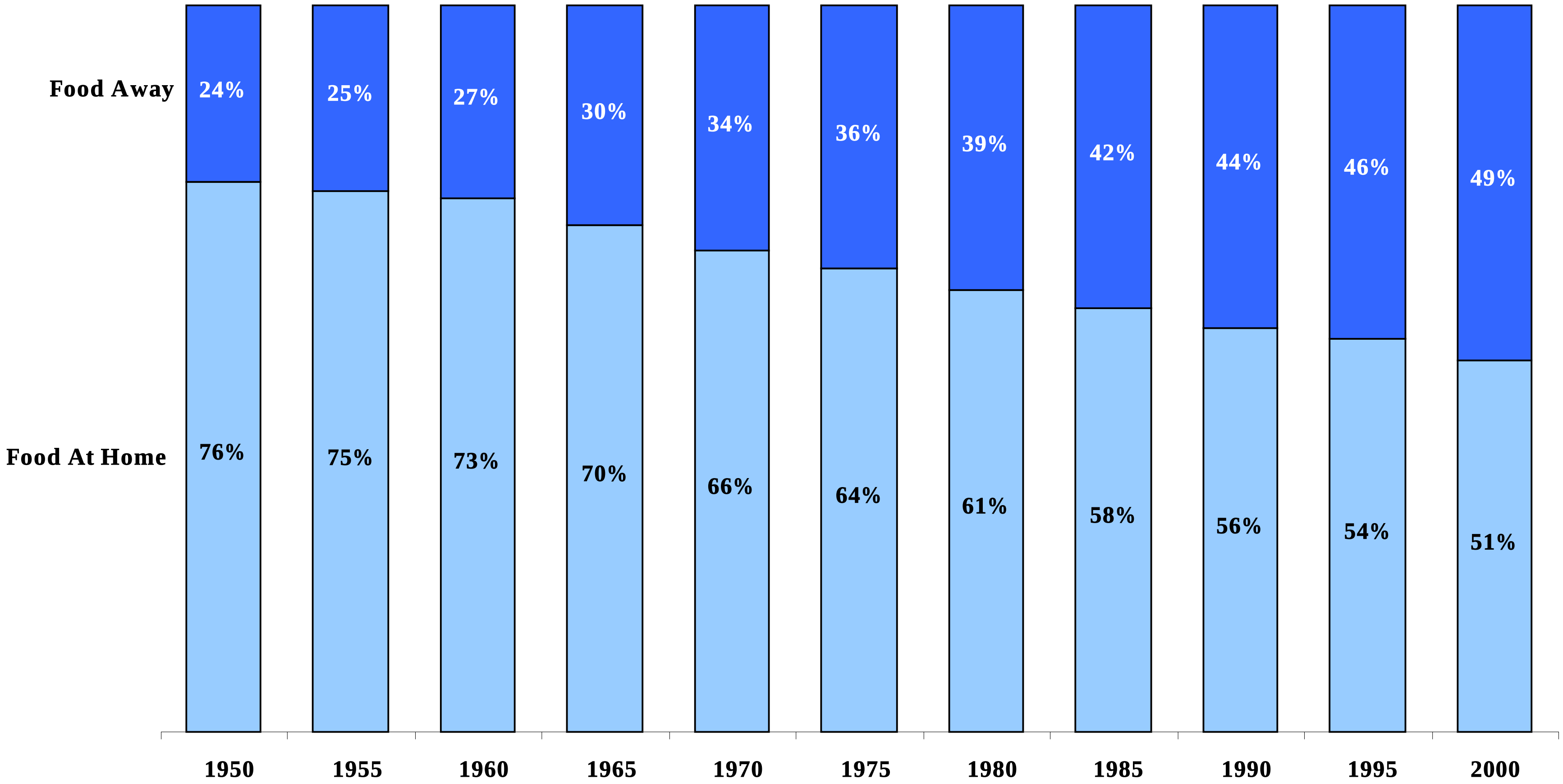
Food retailing, including supermarkets, is losing 'share-of-stomach' to foodservice outlets…



Source: Statistics New Zealand

… and the United States market strongly suggests this trend will continue

CHANGING SHARE OF STOMACH IN THE UNITED STATES
(% of total food sales; 50-00)



IIc. Supermarkets must react to this change or be replaced by emerging competitors

- **The ongoing change being observed is ultimately driven by the changing New Zealand consumer**
- **Retailing is a dynamic industry that undergoes constant change with new retail concepts constantly replacing the old**
- **The history of retailing in New Zealand fully supports this idea - new retail concept are constantly being introduced**
- **Supermarkets are faced with a number of growing challengers**
- **The importance and relevance of the supermarkets is falling with time**

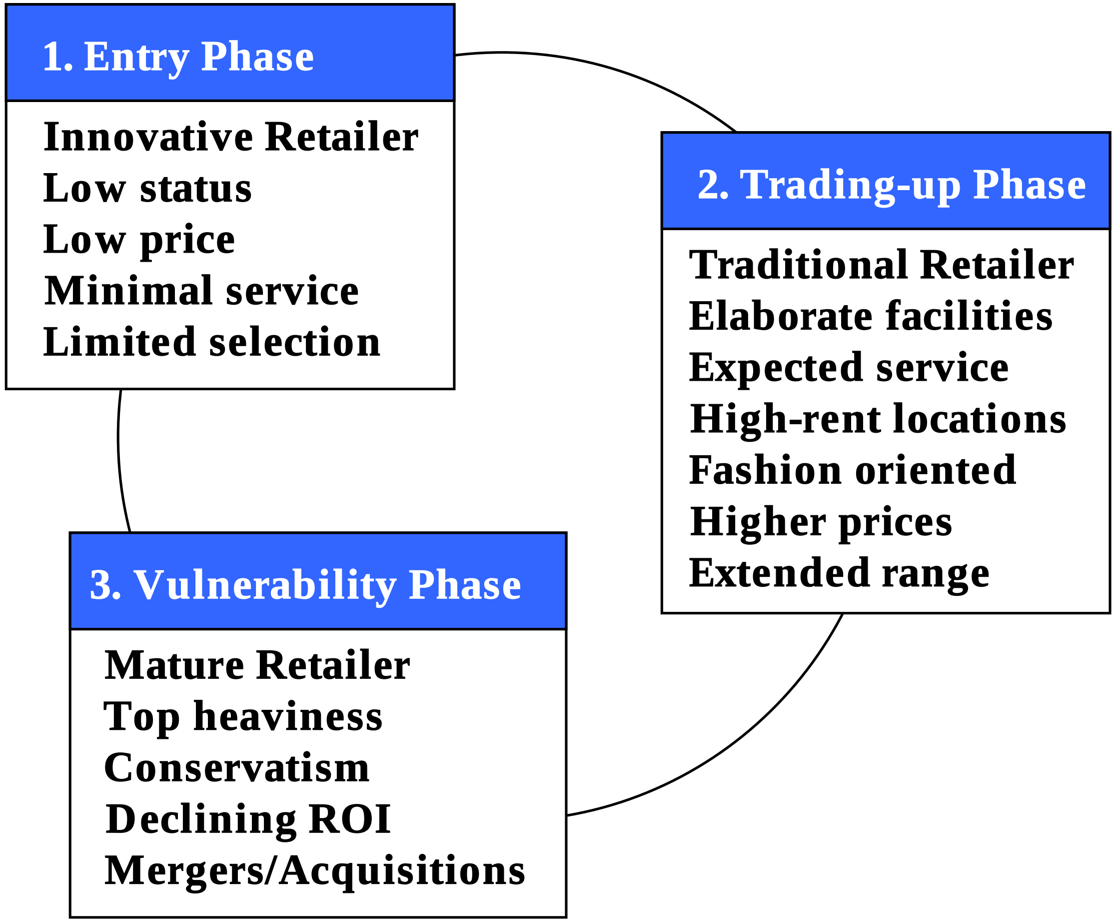
The ongoing change being observed is ultimately driven by the changing New Zealand consumer

DRIVERS OF THE CHANGING MARKET

	Past	Future
Demographic Changes	Young European Nuclear Family Rural; Dispersed Middle Class	Aging Multicultural Single; Smaller; Fewer Urban; North Polarised
Mindset Changes	Women at Home Primary Products The Commonwealth Rugby	Women at Work Value Added APEC Yachting
FMCG Changes	The Kitchen Table Local Supermarket Three Meals a Day Meat & Three Veg Stock-Up Shopping	Café Culture Asian Supermarket Snacking & Grazing Healthy Diet Top-Up Shopping

Retailing is a dynamic industry that undergoes constant change with new retail concepts constantly replacing the old

THEORETICAL MODEL: THE WHEEL OF RETAILING[1]



1. This is only a generalised model; counter examples exist; companies may remain in one phase for decades
Source: Theodore Levett, Harvard University

The history of retailing in New Zealand fully supports this idea - new retail concept are constantly being introduced

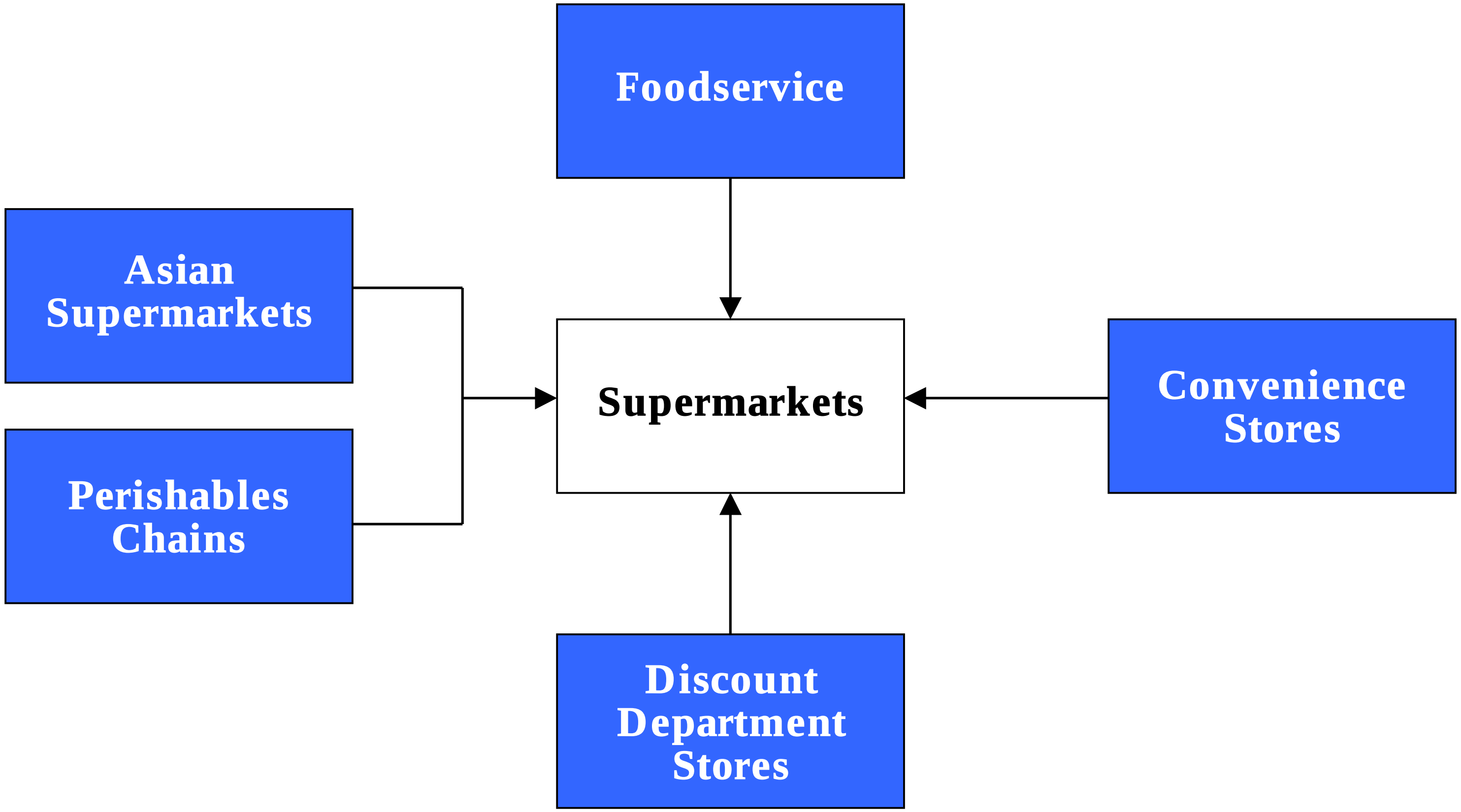
EXAMPLES OF NEW RETAIL CONCEPTS INTRODUCED IN NEW ZEALAND

1950s-60s	1970s	1980s	1990s	2000s
Foodtown	3 Guys	The Warehouse	Tai Ping[1]	Star Mart[1]
Four Square	Shoprite	Pak'N Save	Vegie World[1]	BP Connect[1]
Self Help	Deka	Countdown	Bin Inn	and maybe Aldi[1]
Super 7	Write Price	Kmart	Cost U Less	…
IGA	Key Stores	Big Fresh	The $2 Shop	
G.H.B.	Ben's Bargain Bins	Cargo King	Foodworld[1]	

1. See Appendix III Competitor Photos for example
Source: Coriolis

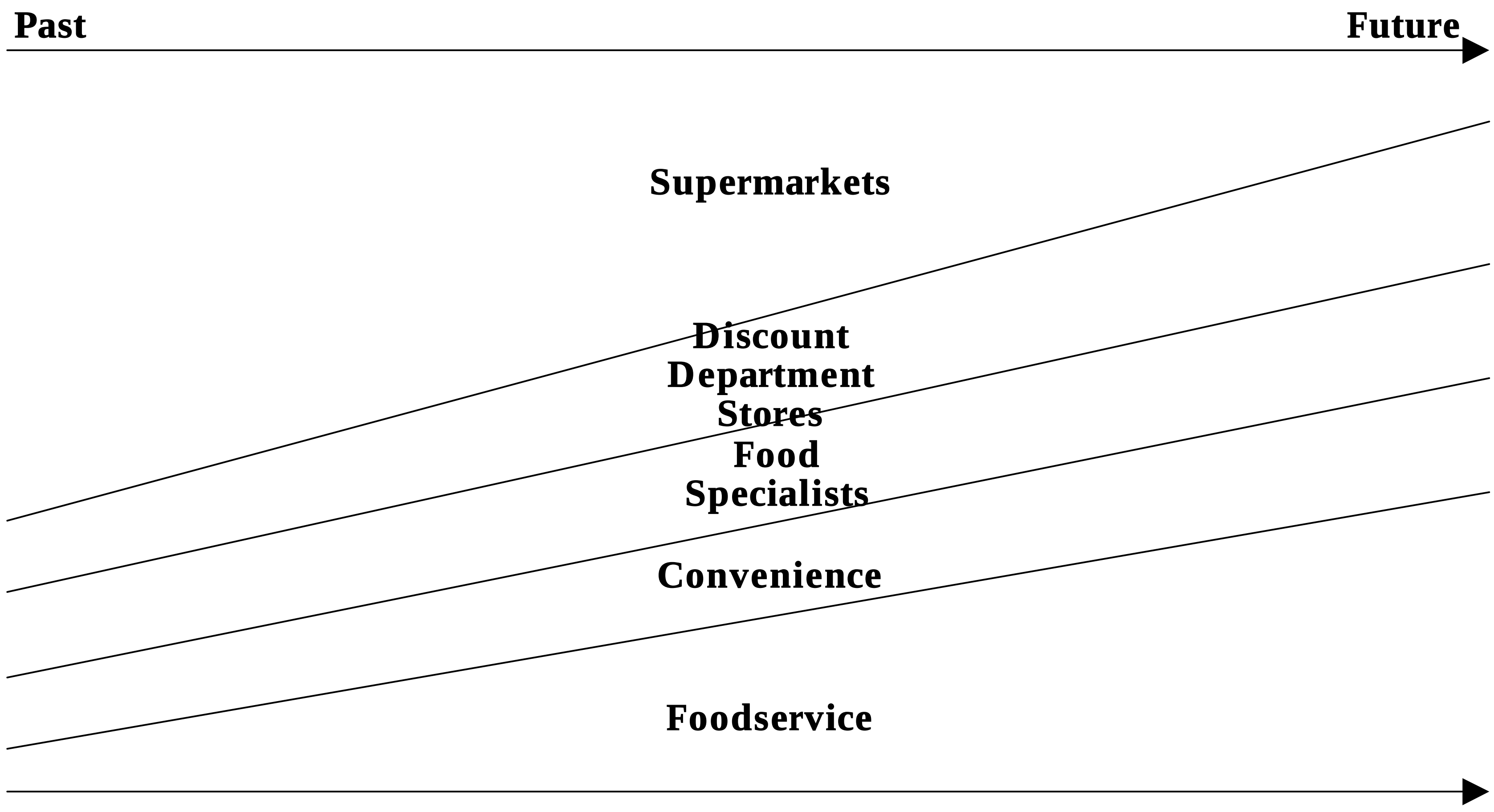
Supermarkets are faced with a number of growing challengers

CHALLENGES TO TRADITIONAL SUPERMARKETS



The importance and relevance of the supermarkets is falling with time

PROJECTED FUTURE SHARE OF STOMACH



III. Intense competition in the supermarkets segment has led to an ongoing process of consolidation

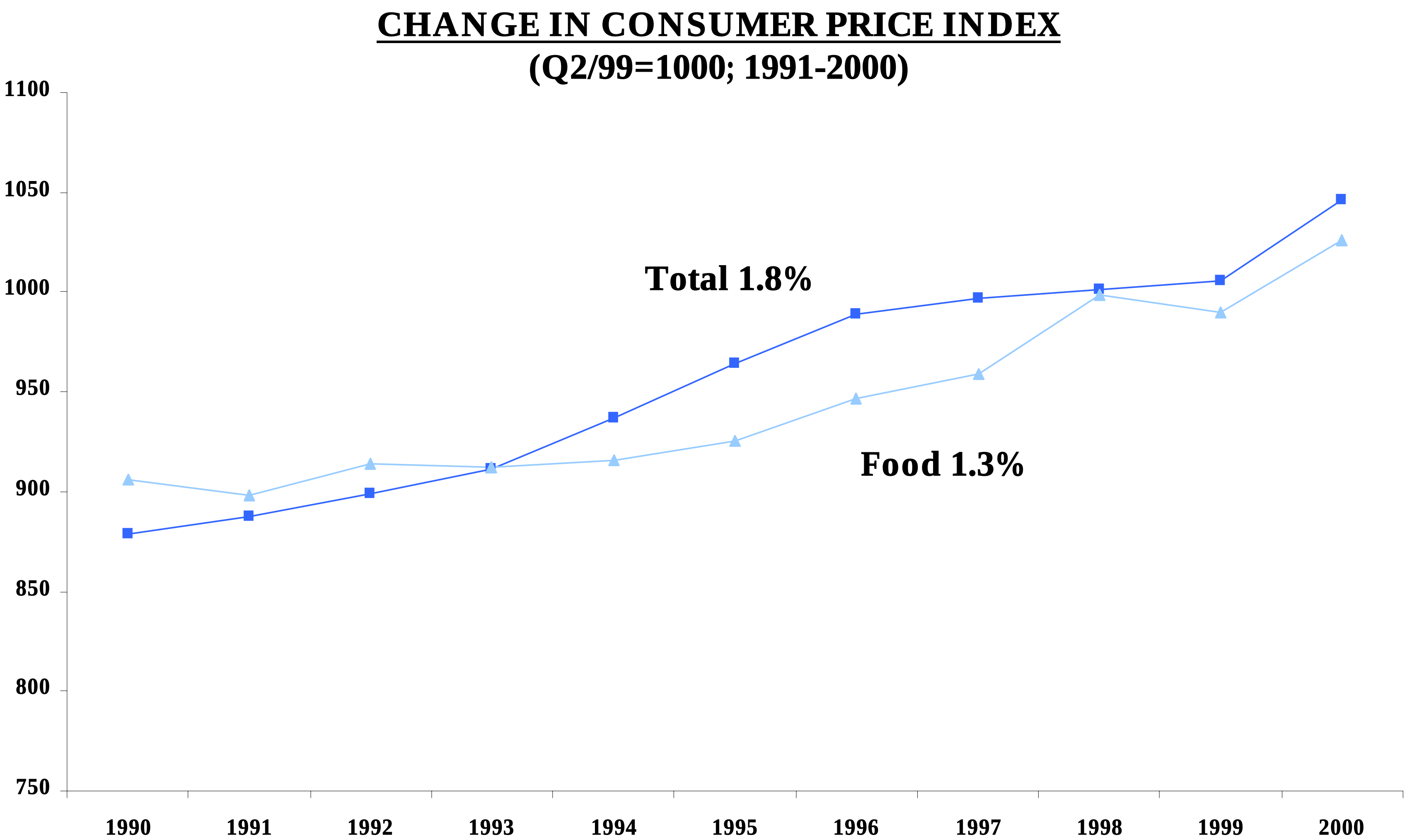
IIIa. Foodstuffs has been the clear winner in the supermarket sales war

IIIb. The supermarkets segment appears to be undergoing a natural process of consolidation

IIIa. Foodstuffs has been the clear winner in the supermarket sales war

- **Supermarket retailing is highly competitive and focused on price**
  - **Food retailers are operating in a deflationary environment**
  - **Supermarket advertising is almost exclusively focused on price**
  - **Supermarkets compete fiercely on price, however the absolute price difference between them is quite small**
- **The number of supermarkets in New Zealand is growing very slowly and in the past decade, there has been no significant change in supermarket store numbers**
- **The supermarket segment is effectively made up of three chains (Foodstuffs, Progressive and Dairy Farm) and an independent and other segment**
- **Foodstuffs has consistently been the clear winner in the battle for supermarket sales dollars**
- **Collectively, Foodstuffs has gained seven percent market share in five years**

Food retailers are operating in a deflationary environment



 Source: New Zealand Reserve Bank

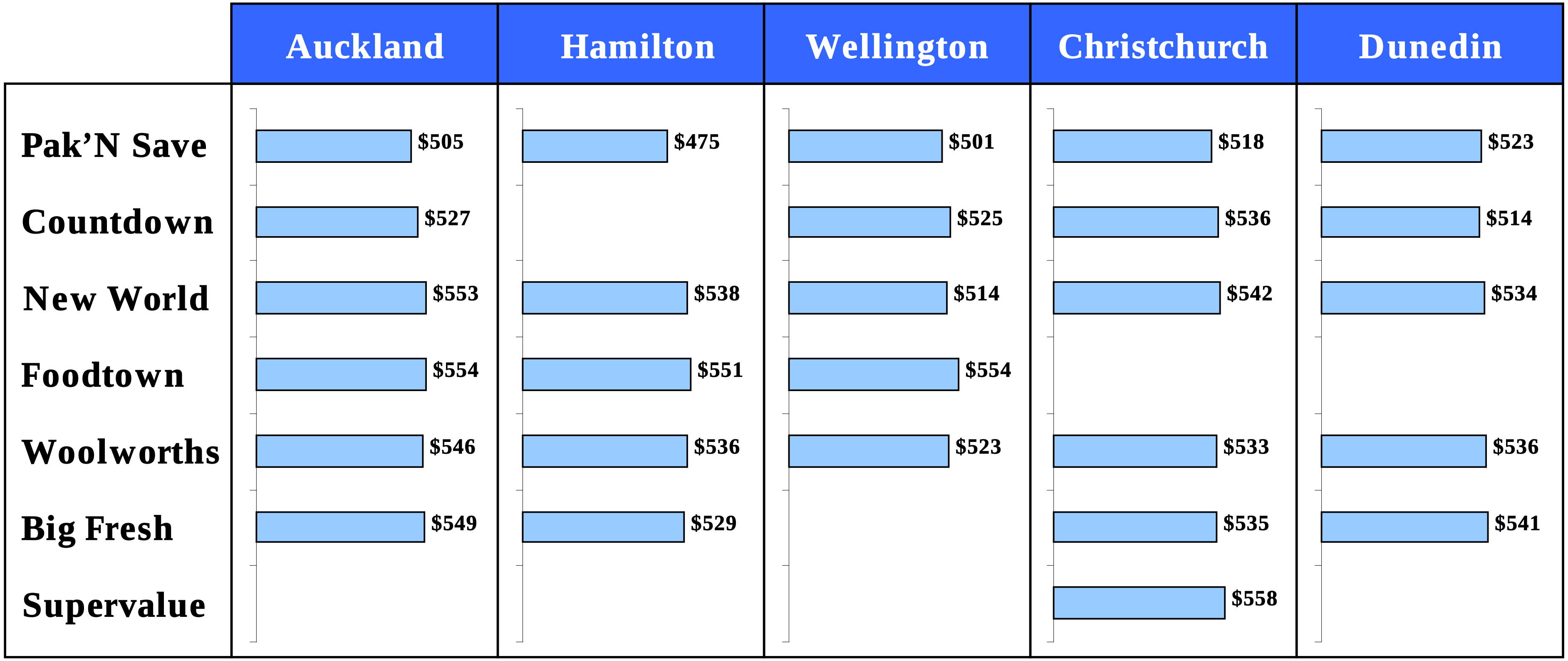
Supermarket advertising is almost exclusively focused on price

NEW ZEALAND SUPERMARKET ADVERTISING SLOGANS

Price	3 Guys	Leaders in low prices True discounters
	New World	First in Food For a lower total food bill
	Pak'N Save Food Warehouse	Lowest food prices in New Zealand
	countdown	You can count on Countdown to keep prices down
	BigFresh	More in your trolley for less
	Price Chopper	Chops grocery prices
Quality	woolworths	The Real Fresh Food People Freshest Today
	Foodtown	… for good food

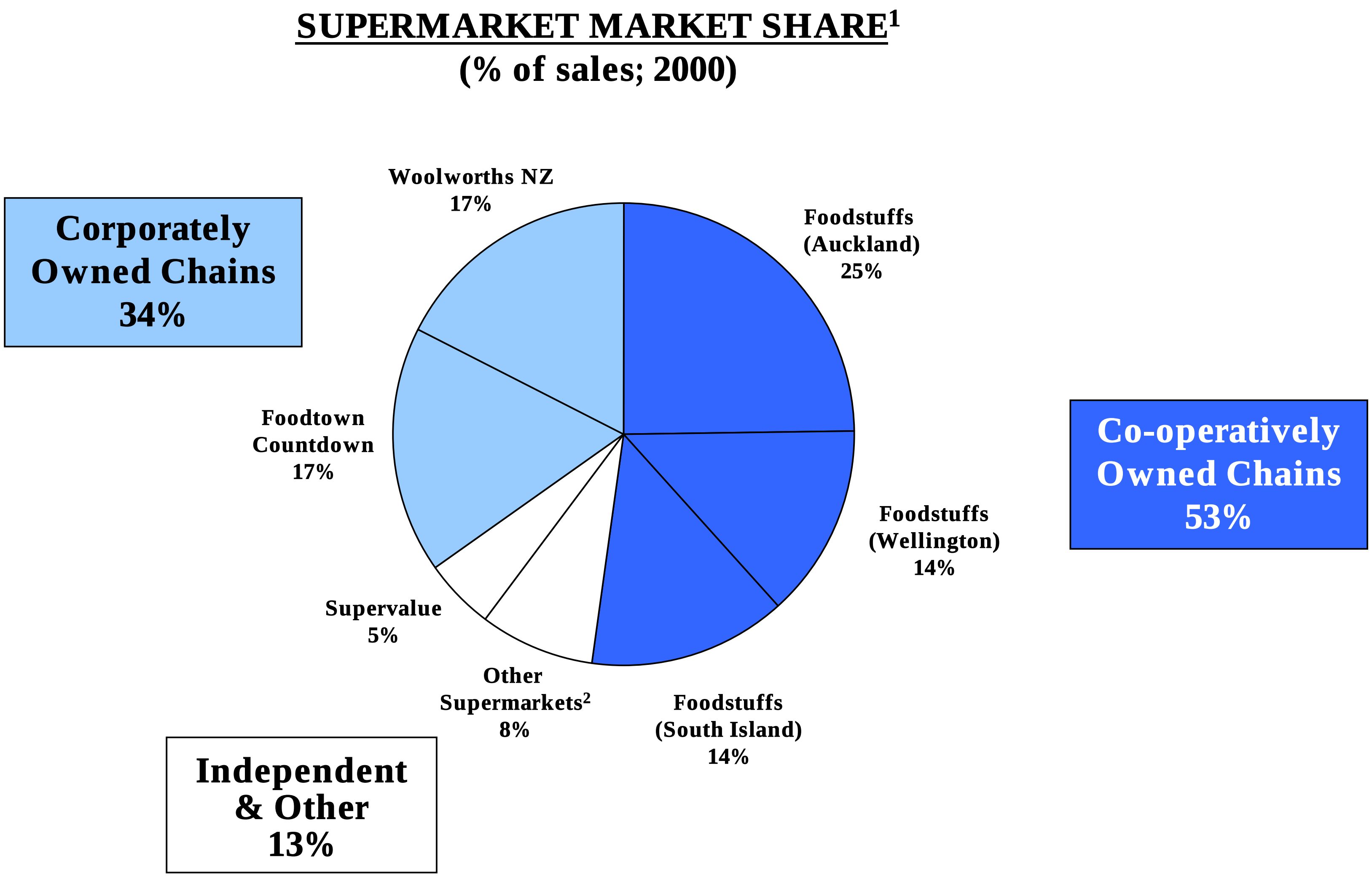
Supermarkets compete fiercely on price, however the absolute price difference between them is quite small

COST OF AN AVERAGE BASKET BY STORE BY REGION
(Dollars; sum of select items; June 2001)



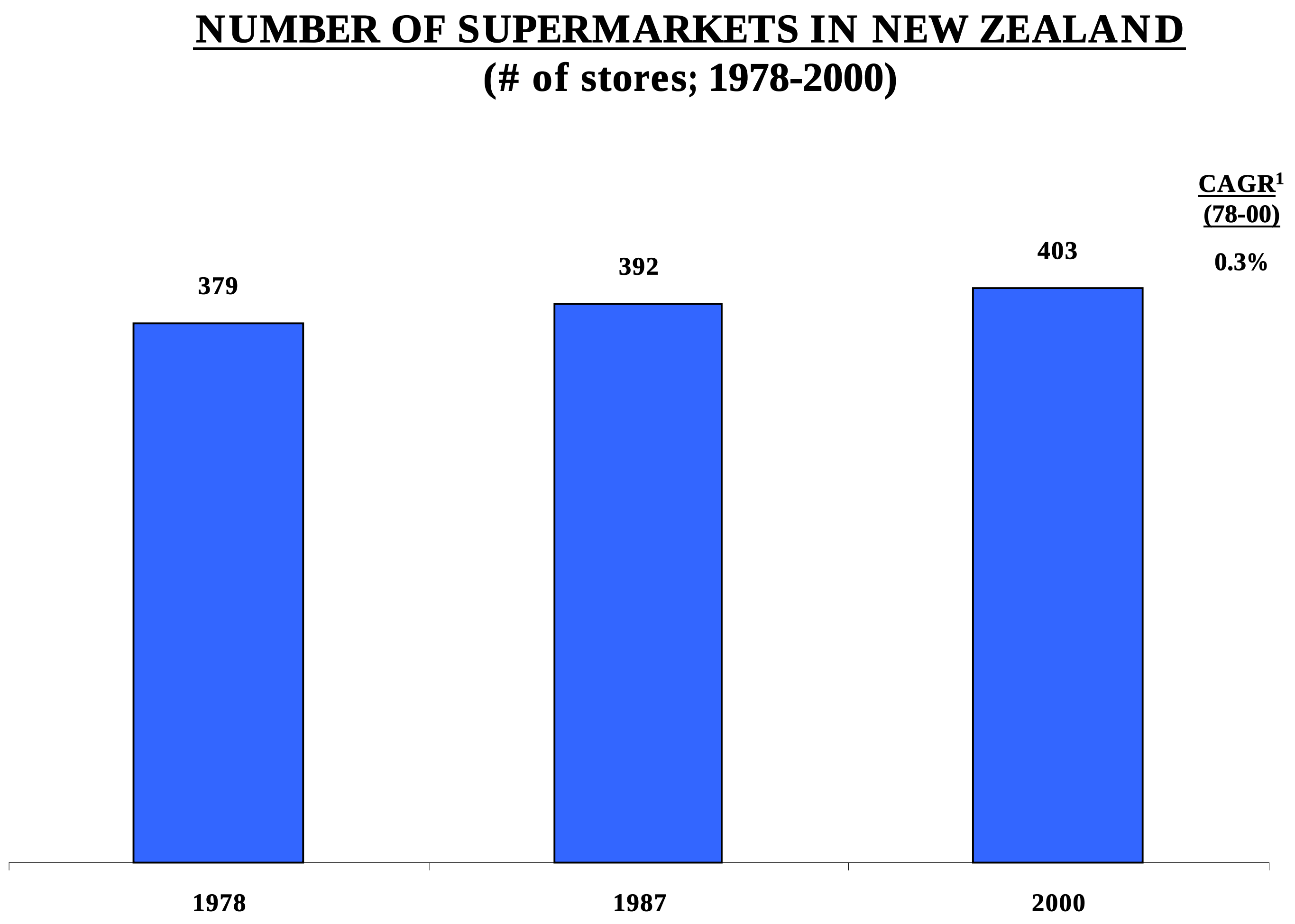
 Source: Consumer Magazine (preliminary review draft); Coriolis analysis

The supermarket segment is effectively made up of three chains (Foodstuffs, Progressive and Dairy Farm) and an independent and other segment



1. ANSIC definition, excludes dairies, convenience, etc.; reported sales used for market share build-up methodology will include some Cash & Carry and other sales; 2. Includes Asian Supermarkets, large grocers, and other large independents; Source: Statistics NZ RTS; various annual reports; Coriolis

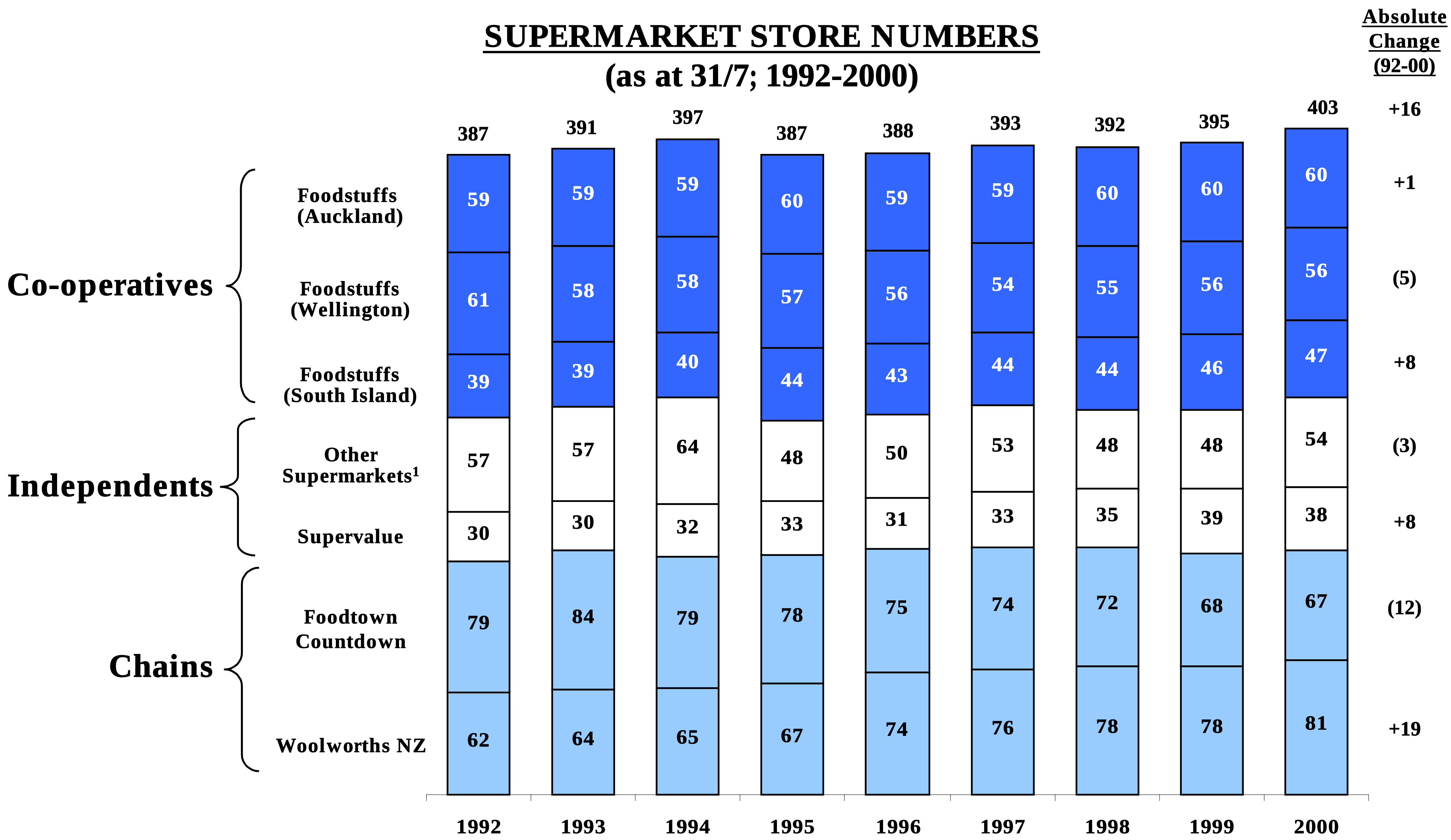
The number of supermarkets in New Zealand is growing very slowly…



1. CAGR: Compound Annual Growth Rate: measure of yearly change
Source: Statistics New Zealand (Business Demography Survey)

…and in the past decade, there has been no significant change in supermarket store numbers

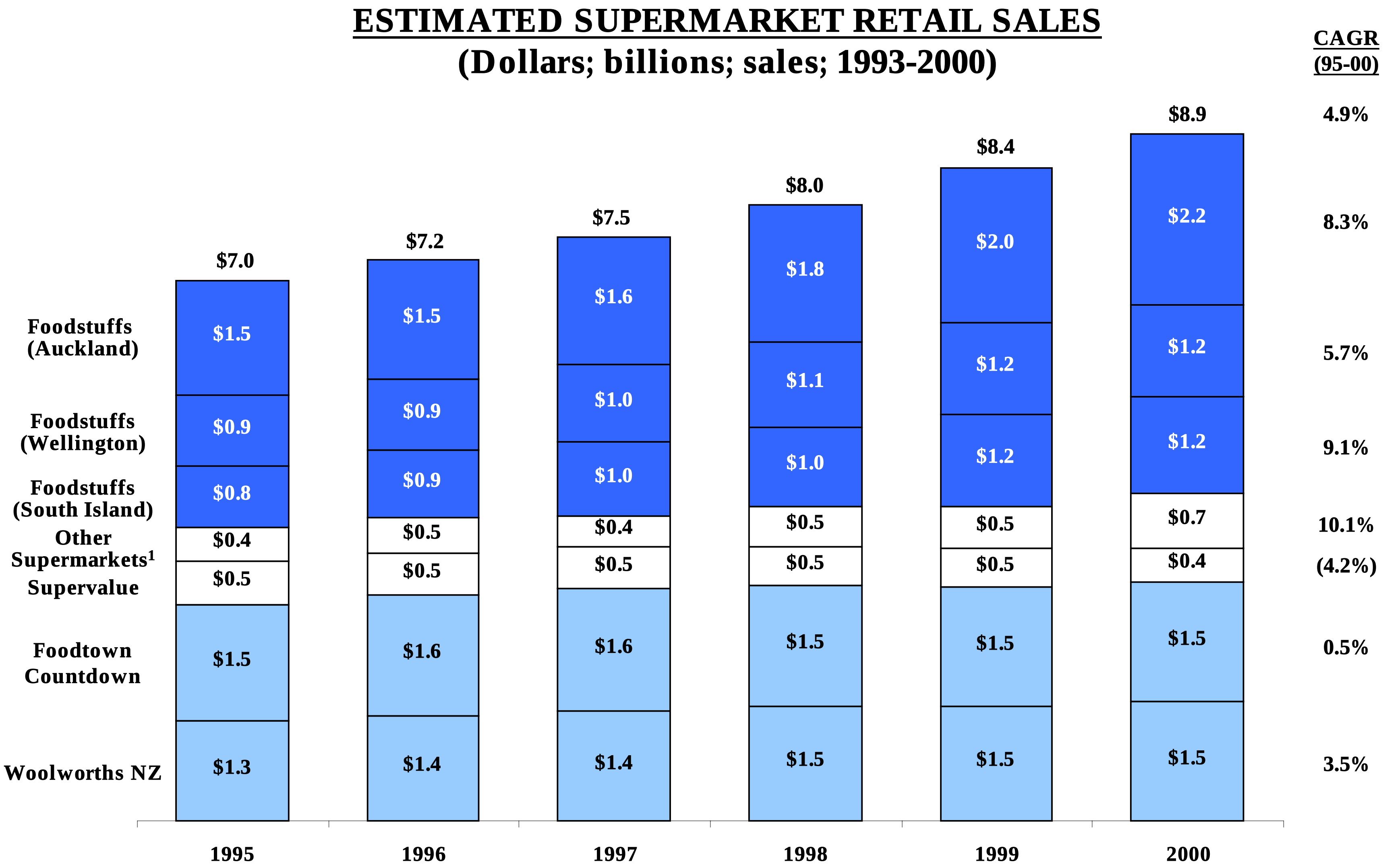
SUPERMARKET STORE NUMBERS
(as at 31/7; 1992-2000)



1. Includes Asian supermarkets, large grocers, and other large independents; does not include dairies and convenience stores

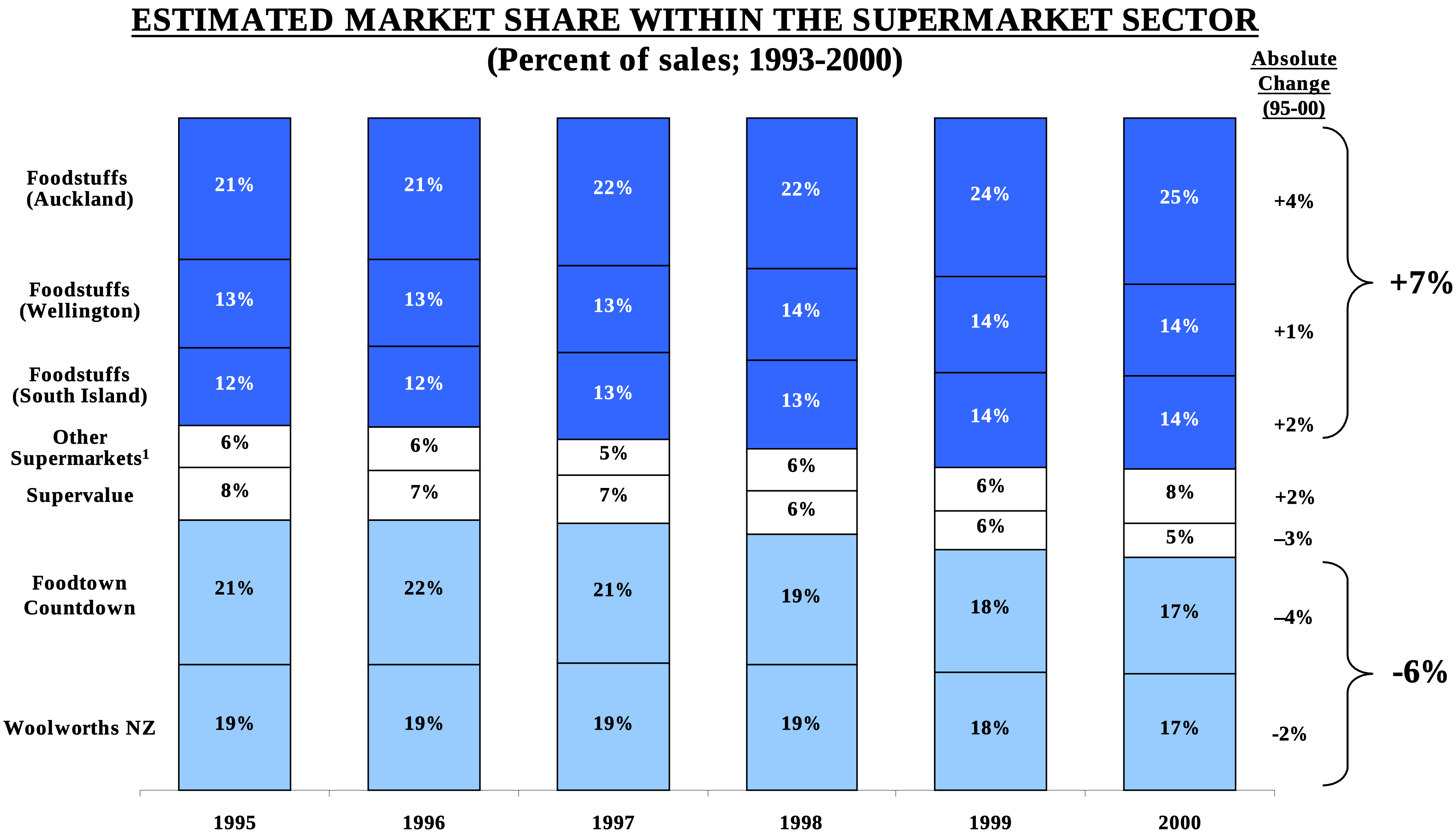
Source: AC Nielsen; Statistics New Zealand (Business Demography Survey); Coriolis analysis

Foodstuffs has consistently been the clear winner in the battle for supermarket sales dollars



1. Includes Asian supermarkets, large grocers, and other large independents; does not include dairies and convenience stores
Source: Statistics New Zealand (Retail Trade Survey); AC Nielsen; Dairy Farm, FAL, Progressive & Foodstuffs annual reports; Coriolis analysis

Collectively, Foodstuffs has gained seven percent market share in five years



1. Includes Asian supermarkets, large grocers, and other large independents; does not include dairies and convenience stores

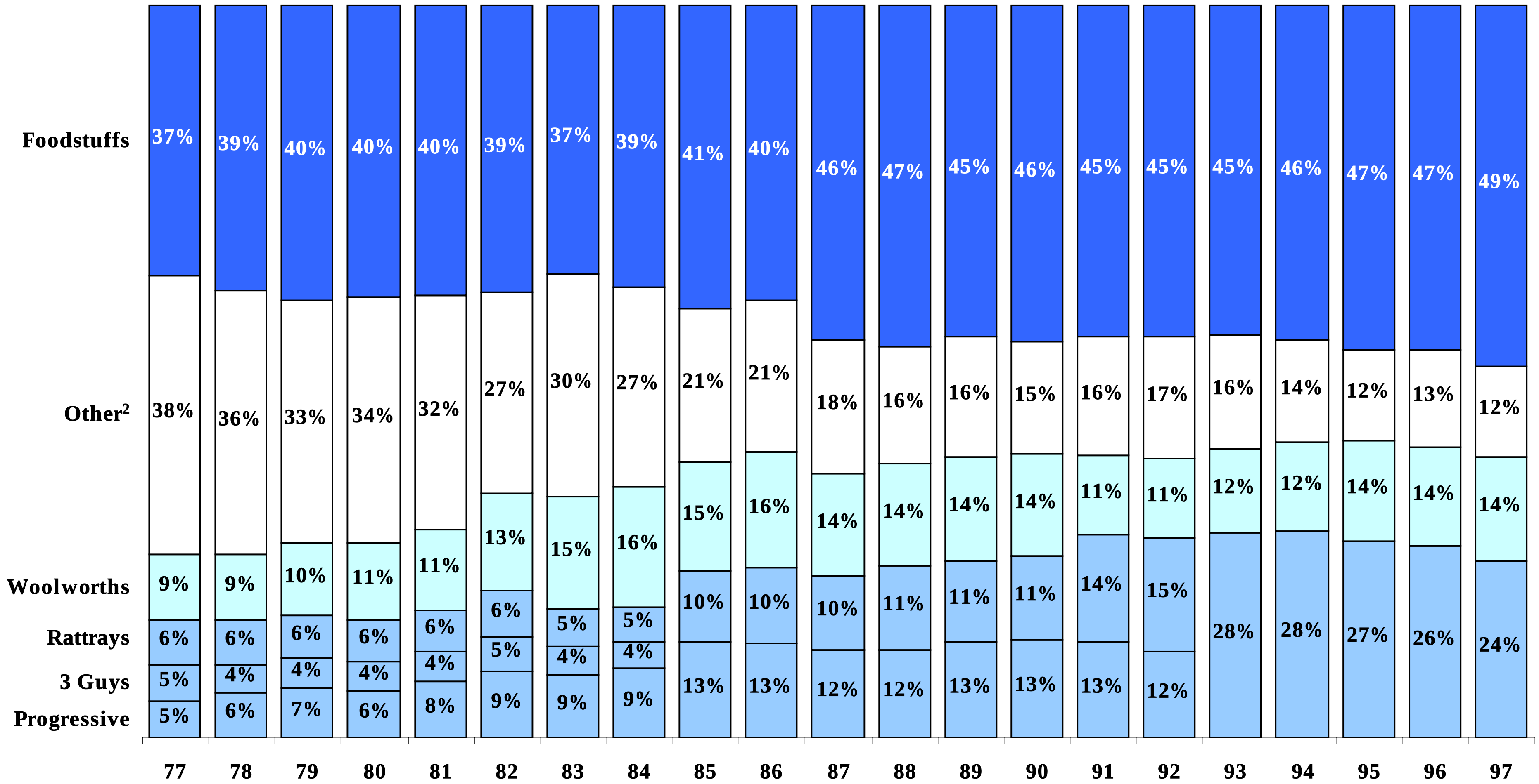
Source: Statistics New Zealand (Retail Trade Survey); AC Nielsen; Dairy Farm, FAL, Progressive & Foodstuffs annual reports; Coriolis analysis

IIIb. The supermarkets segment appears to be undergoing a natural process of consolidation

- **Consolidation of grocery retailing is clearly a long term trend in New Zealand**
- **Supermarket consolidation is ultimately a function of technology driving increasing economies of scale**
- **Supermarket consolidation is also happening to balance the power of manufacturers - a massive wave of mergers and acquisitions is sweeping global FMCG manufacturers**
- **International experience suggests that a market of New Zealand's size may only support two major supermarket chains**

Consolidation of grocery retailing is clearly a long term trend in New Zealand

CORE GROCERY MARKET SHARE[1]
(% of purchases; sample of GMA member companies; 77-97)



1. Purchasing relativity by sample of GMA members by retail grocery customer; will not match p40 or 44 due to differing methodology;
2. Includes Wardell Brothers, Dingwall & Paulger, R.A. Wilkie, G.U.S. Wholesalers, Associated Wholesalers, and Shoprite; Source: GMA NZ; Coriolis analysis

Supermarket consolidation is ultimately a function of technology driving increasing economies of scale

DRIVERS OF SUPERMARKET CONSOLIDATON

	Explanation
Increasing buying power	– FMCG Manufacturers provide bigger customers with lower prices – Reduced trade barriers and parallel importing increased direct importing by retailers (larger volumes = lower prices)
Increasing economies in warehousing	– Central warehousing favours the group with the biggest warehouse – Technology is countering the previous diseconomies of scale – Receiving less than full truckloads dramatically increases costs
Increasing investment in technology	– IT investments are increasing the efficiency of retailing (ordering, shelf management, labour scheduling, pricing, and support systems) – Large fixed costs favour groups with more stores
Increasing investment in private label	– Private label (or store brands) are more profitable for the retailer and cheaper for the customer (because of lower marketing and advertising) – Developing a successful private label program is expensive – Many private label products require minimum production quantities

Supermarket consolidation is also happening to balance the power of manufacturers - a massive wave of mergers and acquisitions is sweeping global FMCG manufacturers

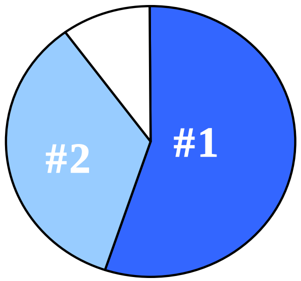
MAJOR FMCG MANUFACTURER ACQUISITIONS

Companies	Food Business Description	Acquisition Year Sales	Acquired	Food Business Description	Purchase Price	Date	Acquisition Year Sales
Nestlé	Chocolate/Coffee	$50.5B	Ralston Purina	Pet Food/Care	~$10B	Pending	$2.8B
Procter&Gamble	Chips/Household	$40.0B	CLAIROL	Hair Care	$4.0B	2001	~$1.6B
PHILIP MORRIS	Grocery	$30.9B	NABISCO	Biscuits/Cereal	$19.2B	Mid 2000	$8.3B
Unilever	Tea/Soap/Other	$32.6B	BESTFOODS Slim-Fast BEN&JERRY'S	Spreads/Sauce Diet Drink Ice Cream	$24.3B $2.3B $0.3B	June 2000 2000 2000	
PEPSICO	Cola/Snacks	$20.4B	QUAKER	Breakfast Food	$13.8B	Pending	$5.0B
ConAgra Foods	Frozen/Meat	$19.0B	International Home Foods	Canned Goods	$2.9B	Aug. 2000	$2.1B
General Mills	Grocery/Dairy	$6.7B	Pillsbury	Baking	$10.5B	Pending	$5.8B
Kellogg's	Cold Cereals	$7.0B	Keebler	Biscuits	$4.3B	Oct. 2000	$2.8B

International experience suggests that a market of New Zealand's size may only support two major supermarket chains

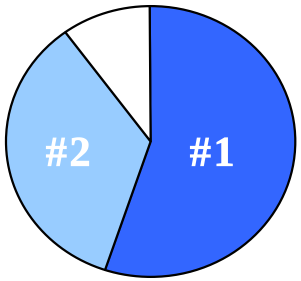
TOP TWO SUPERMARKETS SHARE OF SUPERMARKET SALES[1]
(% of supermarket sales; select countries; 2000)

New Zealand (Post Merger)



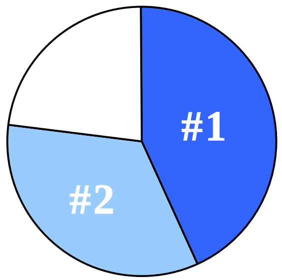
Population = 3.7 million

Switzerland



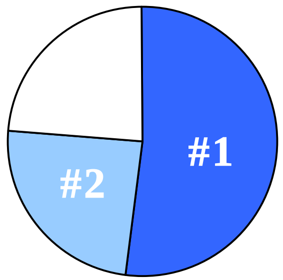
Population = 7.3 million

Australia



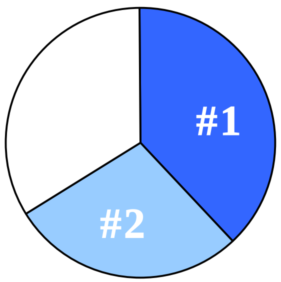
Population = 19.2 million

Netherlands



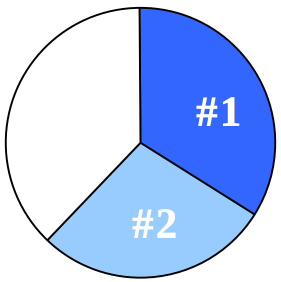
Population = 15.9 million

Finland



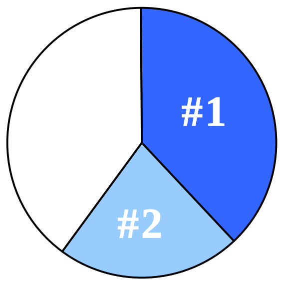
Population = 5.2 million

Norway



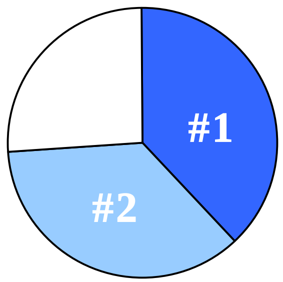
Population = 4.5 million

Denmark



Population = 5.3 million

Hong Kong



Population = 7.1 million

Source: FAS; Euromonitor; AC Nielsen; Dansk Supermarked; Points de Vente; Coriolis analysis

IV. The merged entity will be clearly constrained in its ability to raise prices

IVa. Foodstuffs is a strong competitor with a unique structure and the highly successful Pak'N Save store format

IVb. There are readily available substitutes to any or all departments of a supermarket

IVc. New competitors have the ability to enter the market

IVa. Foodstuffs is a strong competitor with a unique structure and the highly successful Pak'N Save store format

- **Foodstuffs is three legally separate co-operatives that act as grocery wholesalers to shareholder owner-operators of various store formats and well as to cash & carry independents**
- **Foodstuffs is showing very strong growth in all regions**
- **The highly successful Pak'N Save store format has been the key to Foodstuffs success**
- **A simple model suggests that Foodstuffs could capture seventy percent of New Zealand supermarket sales within ten years and the consequences of having a market with a very large player are significant**

Foodstuffs is three legally separate co-operatives that act as grocery wholesalers to shareholder owner-operators of various store formats and well as to cash & carry independents

FOODSTUFFS GROUP STRUCTURE
(Dollars; millions; sales 1999; store numbers 2000)

Foodstuffs (NZ) Ltd.

Retail Sales:	+$5,000[1]
Wholesale Sales:	$3,888
Supermarkets:	163

Foodstuffs (Auckland) Ltd.

Wholesale Turnover:	$1,759
Supermarkets:	60

- New World 42
- Pak'N Save 18
- Four Square 141
- James Gilmour & Co Ltd. Wholesale
- Gilmours Cash & Carry 10

Foodstuffs (Wellington) Co-op Society Ltd.

Wholesale Turnover:	$1,091
Supermarkets:	56

- New World 41
- Pak'N Save 7
- Write Price 8
- Four Square 114
- Toops Wholesale Ltd.
- Toops Cash & Carry 5

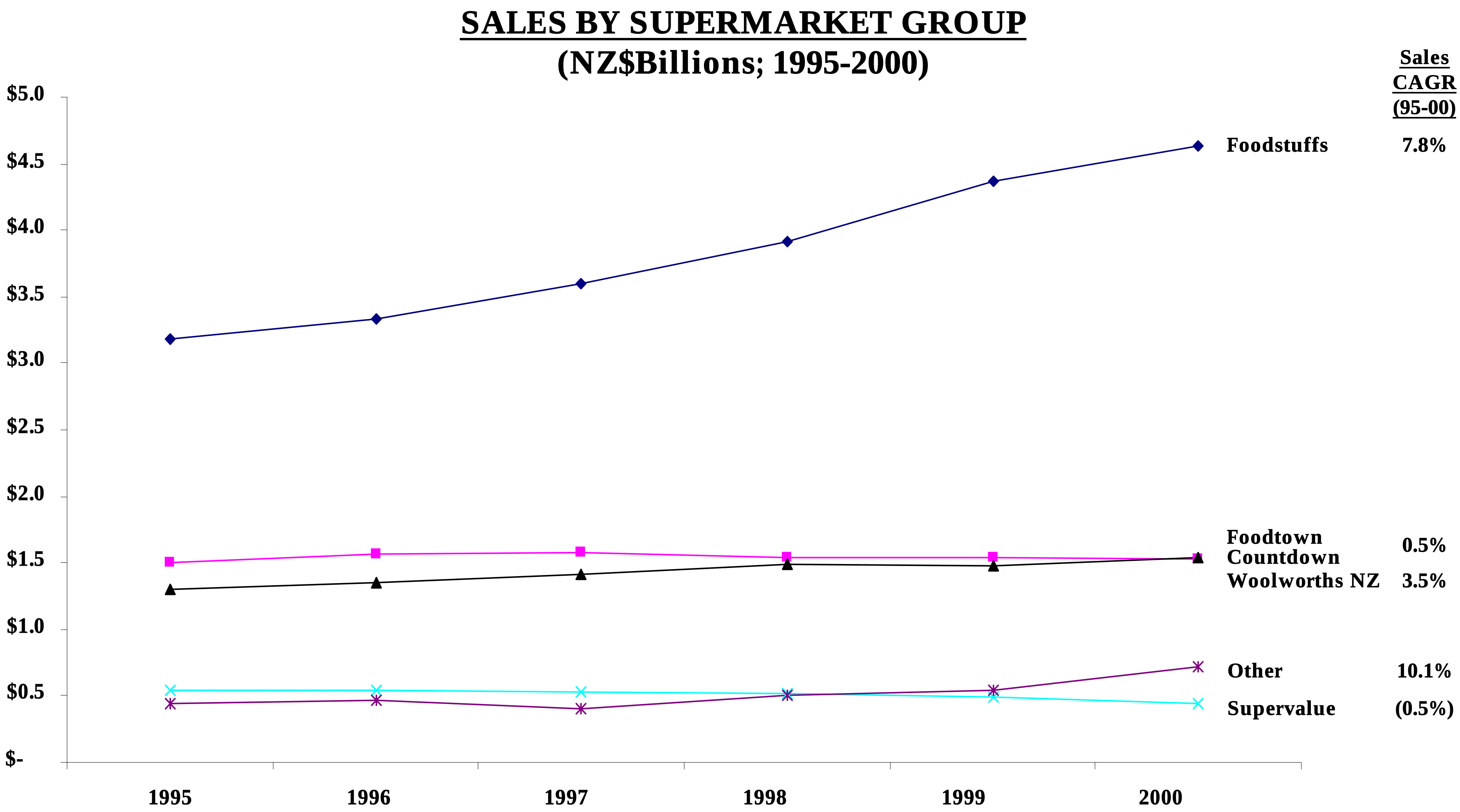
Foodstuffs (South Island) Ltd.

Wholesale Turnover:	$1,038
Supermarkets:	47

- New World 40
- Pak'N Save 7
- Four Square 98
- On The Spot Convenience 244
- Trents Wholesale Ltd.
- Trents Cash & Carry 7

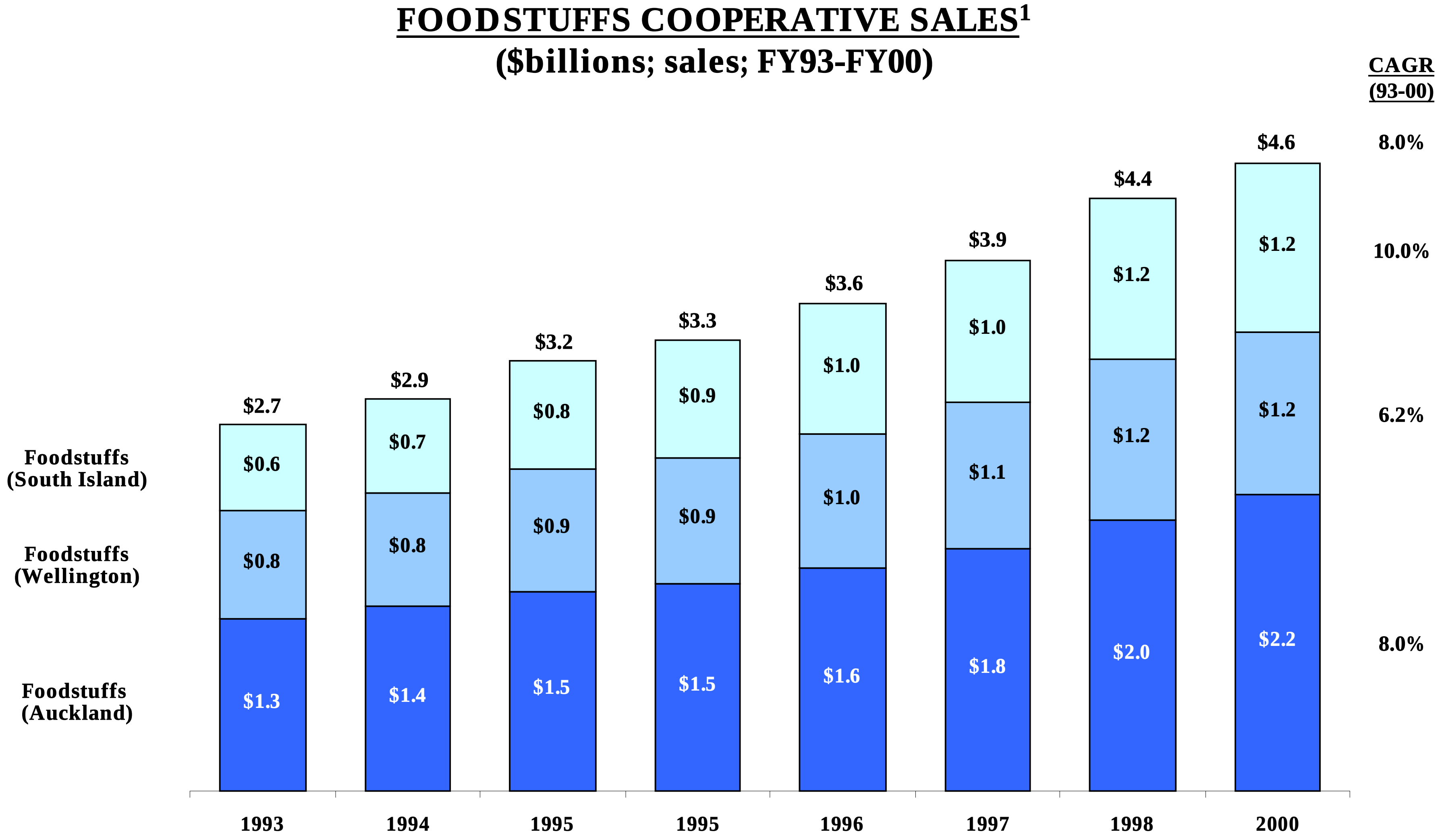
1. Includes cash & carry, Four Square and banner group sales
Source: Foodstuffs Corporate Profile 1999; Foodstuffs Annual reports; AC Nielsen; other

Foodstuffs has been growing much faster than its competitors…



 Source: Various annual reports; Coriolis analysis and estimates

…and is showing very strong growth in all regions

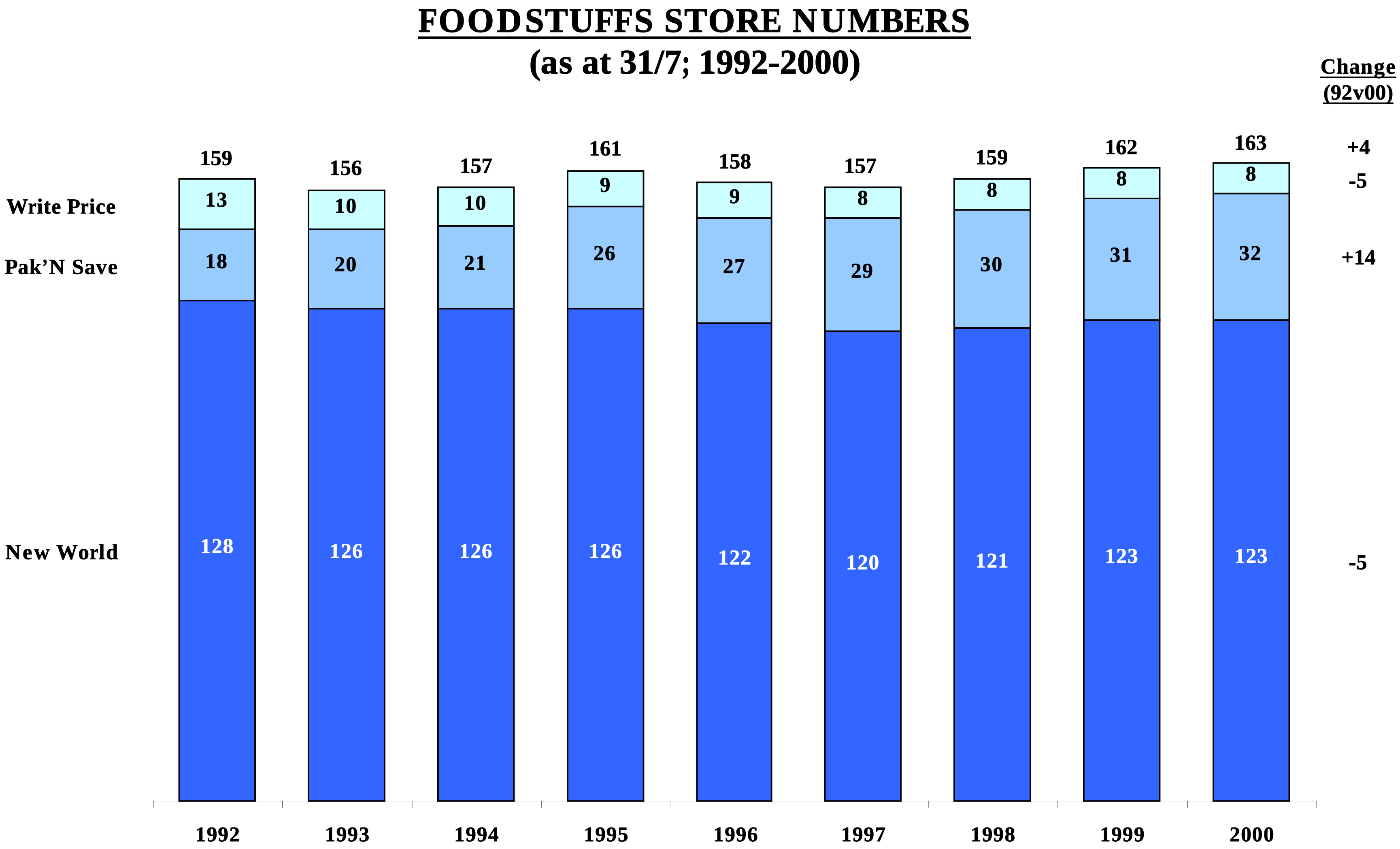


1. Includes wholesale sales to non-supermarkets; Foodstuffs uses March years, counted as prior year (e.g. 2001 as 2000)
Source: Foodstuffs; Coriolis estimates for Wellington and Christchurch for 2000

The highly successful Pak'N Save store format has been the key to Foodstuffs success

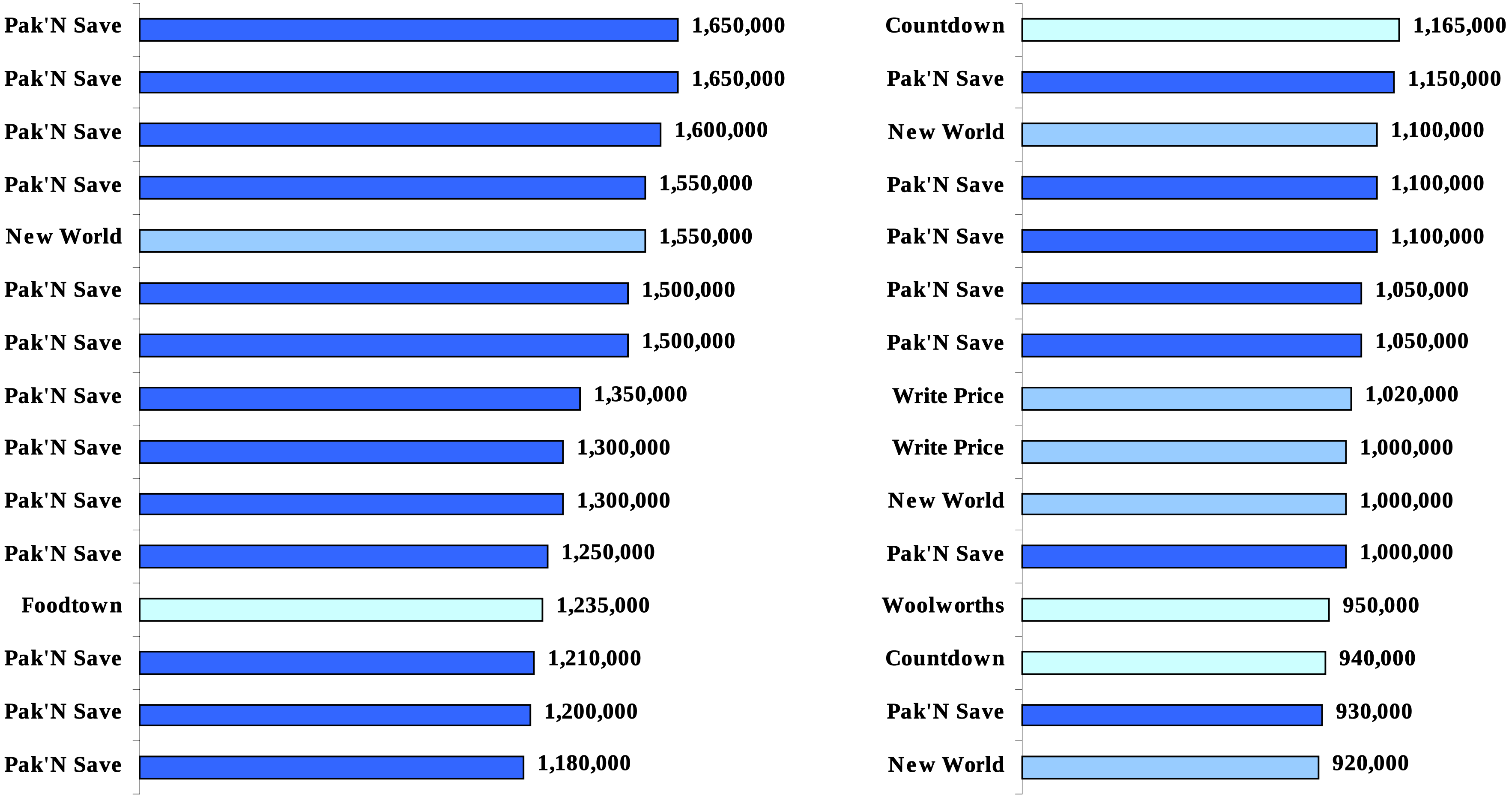
- **The Pak'N Save store format has been the main source of Foodstuffs store numbers growth**
- **Twenty six of the top thirty supermarkets in New Zealand are now Foodstuffs stores, twenty are Pak'N Save stores**
- **Pak'N Save captures about twenty three percent of New Zealand supermarket sales with just thirty two stores**
- **The average Pak'N Save has double the weekly sales volumes of its nearest competitor**
- **Consumers pass a significant number of other supermarkets to get to Pak'N Save**

The Pak'N Save store format has been the main source of Foodstuffs store numbers growth



Twenty six of the top thirty supermarkets in New Zealand are now Foodstuffs stores, twenty are Pak'N Save stores

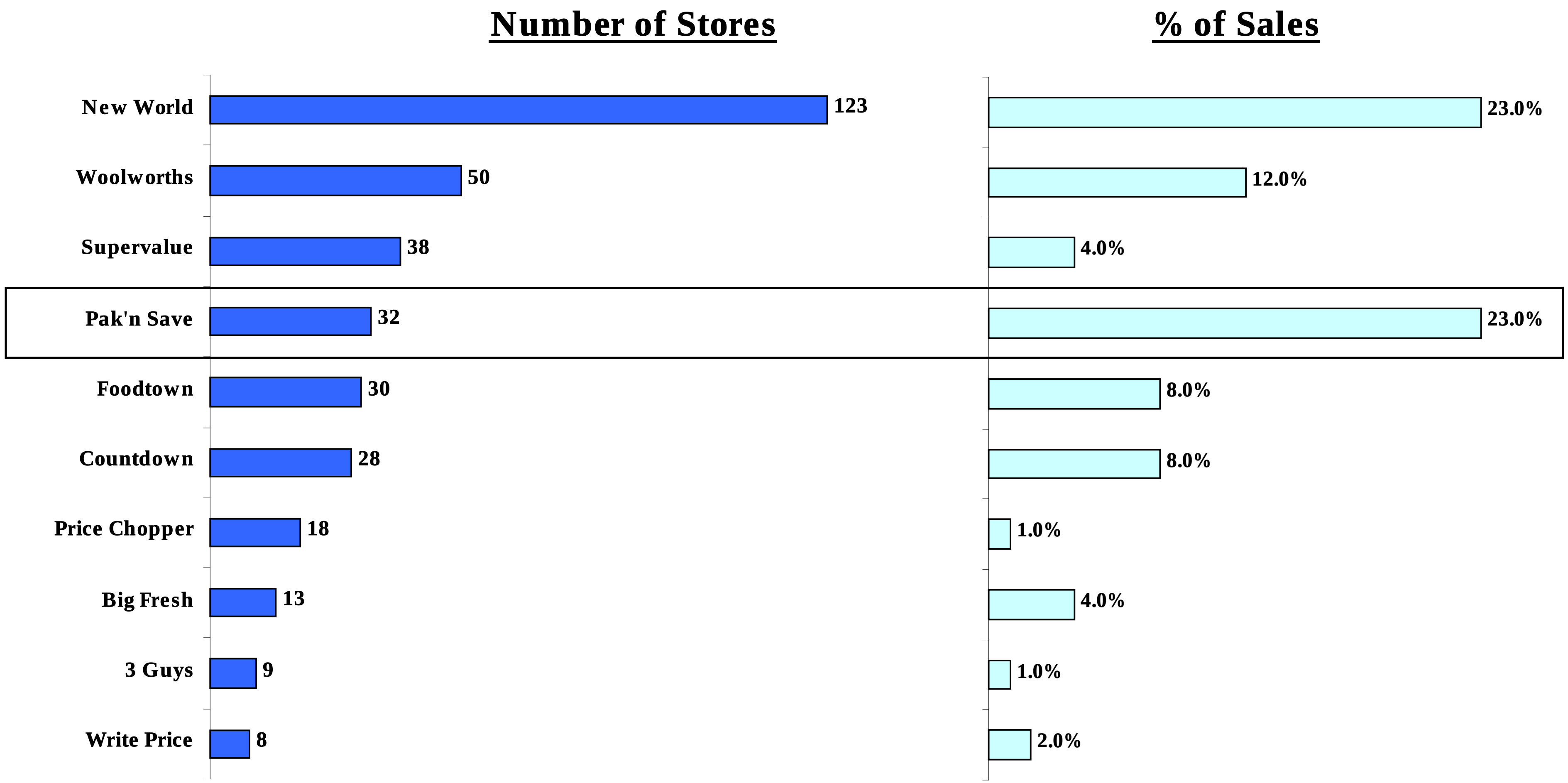
SUPERMARKET PERFORMANCE: STORES VS SALES[1]
(Estimated sales of specific store per week)



CORIOLISRESEARCH *1. Store locations not given for competitive reasons*
Source: Progressive; Coriolis analysis

Pak'N Save captures about twenty three percent of New Zealand supermarket sales with just thirty two stores

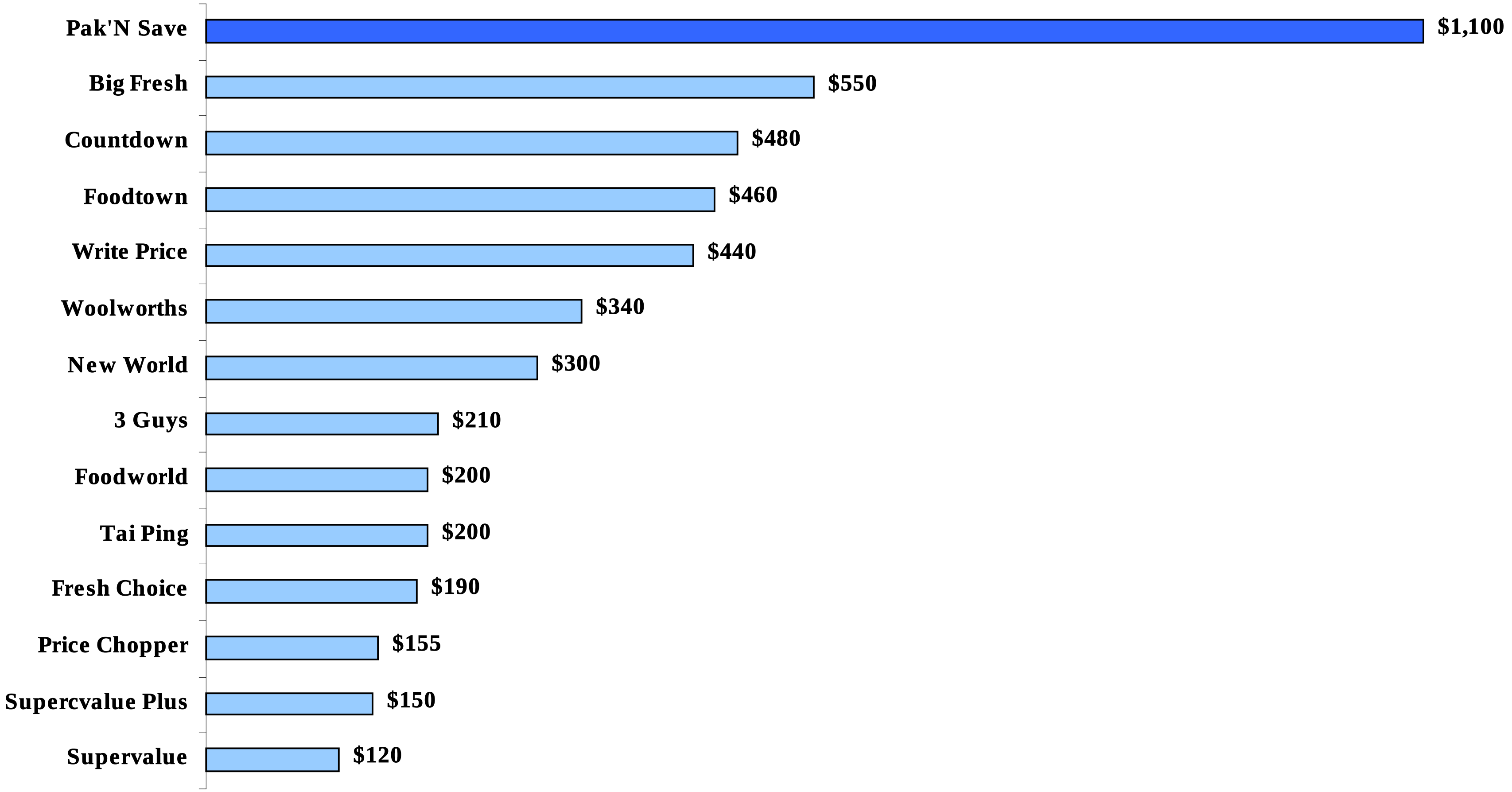
ESTIMATED SUPERMARKET PERFORMANCE: STORES VS SALES[1]



1. Foodstuffs and Supervalue numbers will not sum to p40 due to presence of Cash & Carry and other sales in those numbers
Source: As p40; AC Nielsen; additional Coriolis analysis

The average Pak'N Save has double the weekly sales volumes of its nearest competitor

ESTIMATED SALES PER STORE PER WEEK
(Dollars; thousand; per week; 2000 estimated)



 Source: Coriolis

Consumers pass a significant number of other supermarkets to get to Pak'N Save

SUPERMARKETS PER PAK'N SAVE
(32 PNS; 403 total supermarkets; as at 31/7/00)

Pak'N Save	**32**

11.6 other supermarkets per Pak'N Save

New World	123
Woolworths	50
Supervalue	38
Pak'N Save	32
Foodtown	30
Countdown	28
Price Chopper	18
Big Fresh	13
3 Guys	9
Write Price	8
Other	54
TOTAL OTHER	**371**

A simple model suggests that Foodstuffs could capture seventy percent of New Zealand supermarket sales within ten years…

HYPOTHETICAL MODEL: FOODSTUFFS GROWTH CONTINUES

FOODSTUFFS

$4.6B Current Sales X **7.8% per year for 10 years[1]** = **$9.8 Billion In 2010**

TOTAL MARKET

$8.9B Current Sales X **4% per year for 10 years** = **$13.2 Billion In 2010**

$$\frac{\$9.8 \text{ Billion}}{\$13.2 \text{ Billion}} = \boxed{74\% \text{ Supermarket market share}}$$

1. *Historic growth rate 1995-2000*

Source: Coriolis

… and the consequences of having a market with a very large player are significant

- **The market would likely be less competitive**
- **Progressive and Woolworths (whoever they are owned by) will be less able to compete effectively with Foodstuffs**
- **Suppliers will have less negotiating power**
- **Foodstuffs will have a greater ability to exert influence on grocery prices**
- **Consumer choice will be severely restricted**
- **The consumer will be better served by having a strong competitor to Foodstuffs to provide countervailing power**

IVb. There are readily available substitutes to any or all departments of a supermarket that act as a significant threat/impediment

- Supermarkets collectively have a total of 12,490 external retail competitors and 10,288 foodservice competitors
- Consumers regularly receive price information from non-supermarket FMCG retailers
  - Weekly flyers in the mail
  - Radio and television
  - Visually on external signage
- Consumers regularly visit non-supermarket FMCG retailers
  - The Warehouse
  - Petrol Stations
  - Butchers, Bakers, Greengrocers
  - Others
- The narrow net profit margin structure typical of supermarkets means that even small changes in sales volume translate into large changes in profit therefore supermarkets will offer competitive prices

IVc. New competitors have the ability to enter the market

- **Existing food specialists and small supermarket chains could expand**

- **Existing FMCG chains could expand their offer**

- **New international supermarkets could enter the New Zealand market**

Existing food specialists and small supermarket chains could expand

EXAMPLES OF POTENTIAL COMPETIVE EXPANSION

	Potential Action
Tai Ping Asian Supermarkets[1] (8 Supermarkets)	– Open significant number of new outlets – Expand from Auckland/Hamilton into Wellington – More directly target European shoppers
Pumpkin Planet (14 Produce Outlets)	– Continue to increase number of outlets – Increase grocery and dairy range – Expand number of outlets
Mad Butcher[1] (19 Meat Outlets)	– Continue to increase number of outlets – Increase grocery and dairy range – Become the 'Mad Grocer'
Bin Inn (52 Bulk Food Outlets)	– Continue to expand packaged grocery range – Add perishables offering to larger stores

1. See Appendix III Competitor Photos for example
Source: Coriolis

Existing FMCG chains could expand their offer

EXAMPLES OF POTENTIAL COMPETIVE EXPANSION

	Potential Action
The Warehouse[1] (47)	– The Warehouse already sells a significant FMCG range – Expand into perishables (e.g. produce, meat, bakery) – Wal-Mart in the U.S. successfully followed this path
Super Liquor (99) Liquorland (84) Liquor King[1] (34) Glengarry[1] (22)	– Ability to compete with supermarkets legal not market function – If supermarkets are allowed to sell spirits, these groups will likely develop a more supermarket-like offering
Mobil (524) BP[1] (354) Shell (870)	– Increase range, increase sales volume, lower prices – Further develop perishables offer (e.g. bakery) – Convert basic shops to extended offer
Star Mart[1] (82)	– Expand existing stores, continue to open new stores – Launch Star Supermarket format (currently in Australia) – Provide limited but full range supermarket offer

1. See Appendix III Competitor Photos for example
Source: Coriolis

Wal-Mart, a U.S. discount department store, added supermarkets to its stores and in ten years became the number one supermarket chain - a simple model suggests that the Warehouse could do the same and capture eight percent of New Zealand supermarket sales

HYPOTHETICAL MODEL: THE WAREHOUSE EXPANDS INTO FOOD

47 Stores	X	$300,000 per week[1]	=	$733 Million per year

$733 Million / $8900 Million	=	8% Supermarket market share

CORIOLISRESEARCH

1. Additional supermarket items sales; in addition to average Warehouse store weekly sales of $440,000 per week (I.e. $740,000/week total)
Source: Coriolis

New international supermarkets could enter the New Zealand market

- **Aldi is a global supermarket powerhouse that plans to open in New Zealand and a simple model suggests that Aldi could capture six percent of New Zealand supermarket sales**
- **Pick N Pay is a successful South African supermarket group that that has recently bought part of Franklins in Australia and a simple model suggests that Pick N Pay's Hypermarket store format could capture nine percent of New Zealand supermarket sales**

Aldi is a global supermarket powerhouse that plans to open in New Zealand

POTENTIAL MARKET ENTRANT: ALDI GmbH

Global Sales:	**US$35Billion**	**Number of Stores:**	**5,800**
Ownership:	**Private (Albrect Family)**	**Number of Countries:**	**11**
Store Format:	**Limited Assortment Discounter[1]**	**Key Strengths:**	**Massive global buying power Ability to deliver low prices Global rollout of simple format**

Why New Zealand?

- **Trademarked their name here in 1998**
- **Trade press indicated they plan to expand to New Zealand**
- **Ex-Aldi UK Managing Director says they will**
- **Launched in Australia last year (2000)**
- **Concept proving very successful in Australian market**

1. See Appendix III Competitor Photos for example
Source: Coriolis

… and a simple model suggests that Aldi could capture six percent of New Zealand supermarket sales

HYPOTHETICAL MODEL: ALDI EXPANDS INTO NEW ZEALAND

80 Stores X **$120,000 per week** = **$500 Million per year**

$$\frac{\$500 \text{ Million}}{\$8900 \text{ Million}} = \boxed{\text{6\% Supermarket market share}}$$

1. Additional supermarket items sales; in addition to average Warehouse store weekly sales of $440,000 per week (I.e. $740,000/week total)
Source: Coriolis

Pick N Pay is a successful South African supermarket group that that has recently bought part of Franklins in Australia…

POTENTIAL MARKET ENTRANT: PICK N PAY

Global Sales:	**R$13.8Billion**	**Number of Stores:**	**543**
Ownership:	**Public**	**Number of Countries:**	**5**
Store Format:	**Supermarkets Hypermarkets**	**Key Strengths:**	**Strong hypermarket format Technological leadership**
Why New Zealand?	**– Moving aggressively into Australasia with recent Franklins stores purchase – Strong cultural and immigration ties to New Zealand - a number of ex-PNP employees in New Zealand – Pick N Pay Hypermarkets would compete well with Pak N Save**		

… and a simple model suggests that Pick N Pay's Hypermarket store format could capture nine percent of New Zealand supermarket sales

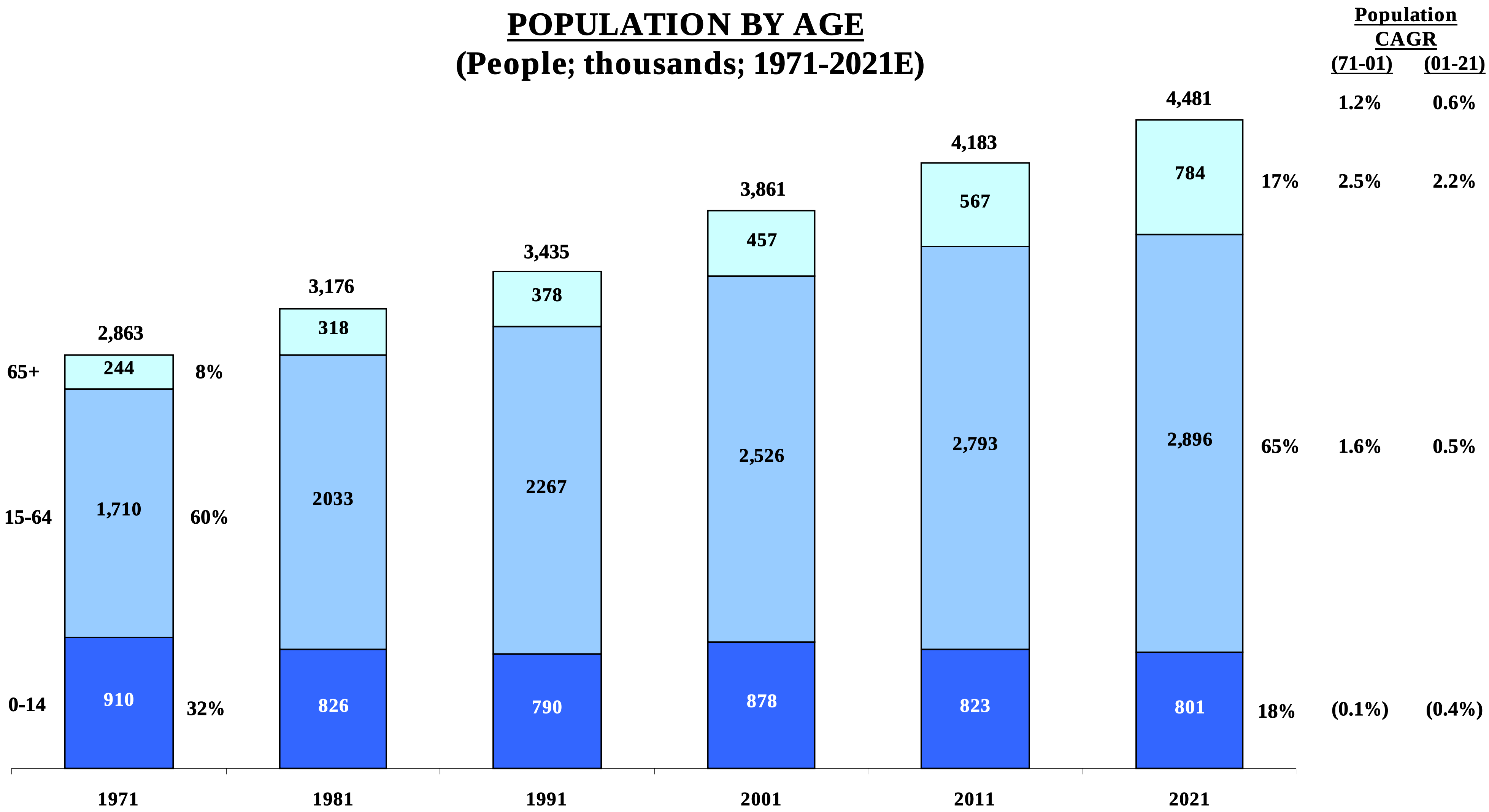
HYPOTHETICAL MODEL: PICK N PAY EXPANDS INTO NEW ZEALAND

10 Stores	X	$1,500,000 per week	=	$780 Million per year

$$\frac{\$780\ \text{Million}}{\$8900\ \text{Million}} = 9\%\ \text{Supermarket market share}$$

Appendix I: Changing consumers: New Zealand consumers are changing with strong implications for fast moving consumer goods (FMCG) retailing

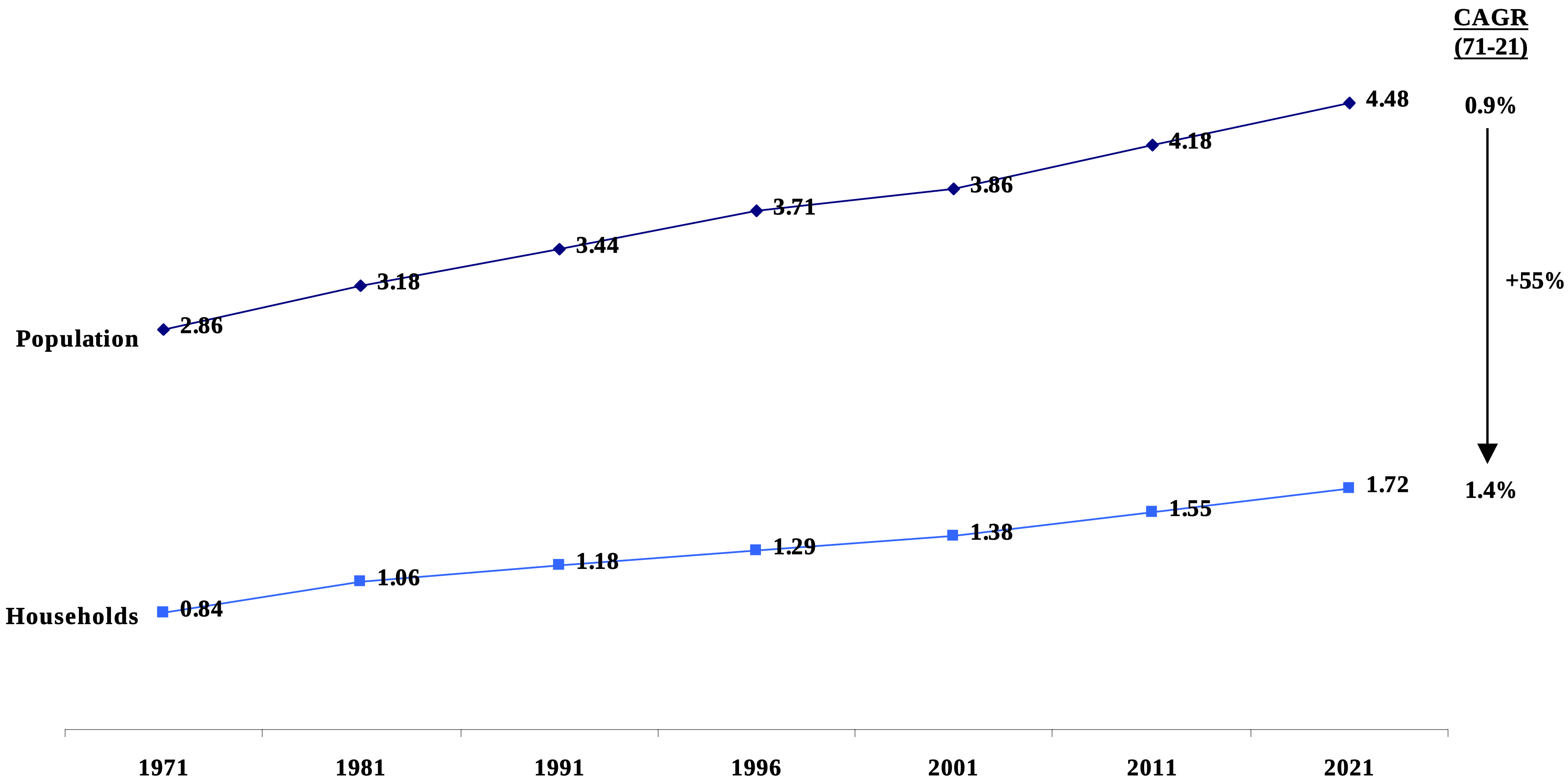
Declining birthrates and longer lifespans have led to a rapidly aging population living in more, but smaller, households



Note: Medium/Medium scenario
Source: Statistics New Zealand; Coriolis analysis

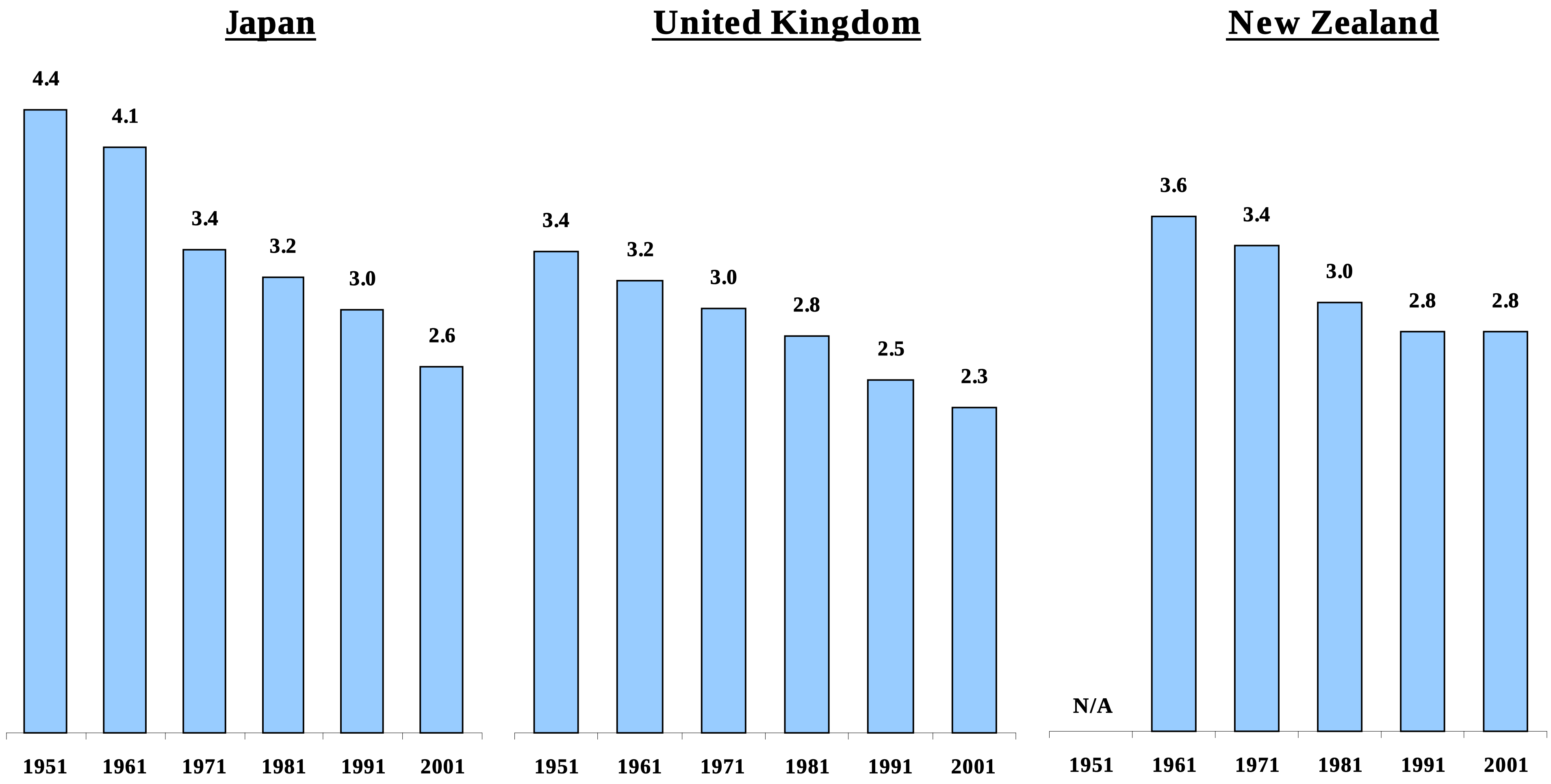
The number of households is increasing fifty five percent faster than the number of people

PEOPLE VS. HOUSEHOLDS: CHANGE OVER TIME
(Number; millions; 1971-2021E)



Household sizes are getting dramatically smaller across the developed world…

DECLINING HOUSEHOLD SIZES
(# people per household; 1951-2001)

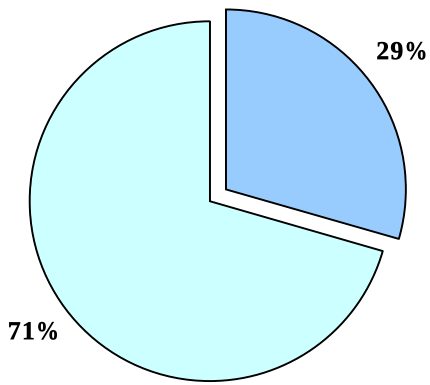


Source: Ministry of Public Management, Home Affairs, Posts & Telecommunications (Japan); Office of National Statistics (UK); Statistics New Zealand; Coriolis Analysis

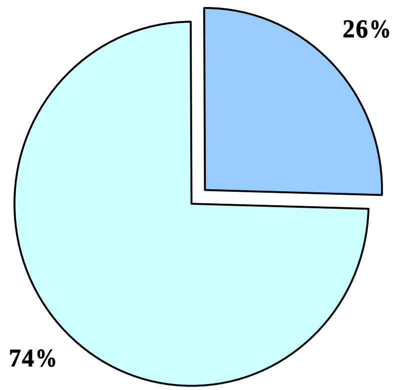
… and in many countries, 25-30% of households are now one-person

ONE PERSON HOUSEHOLDS
(% of household with one person; select countries; 1999)

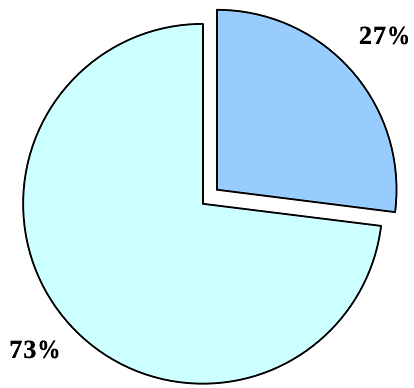
United Kingdom



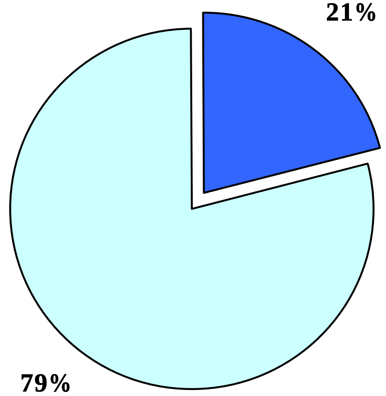
United States



Japan

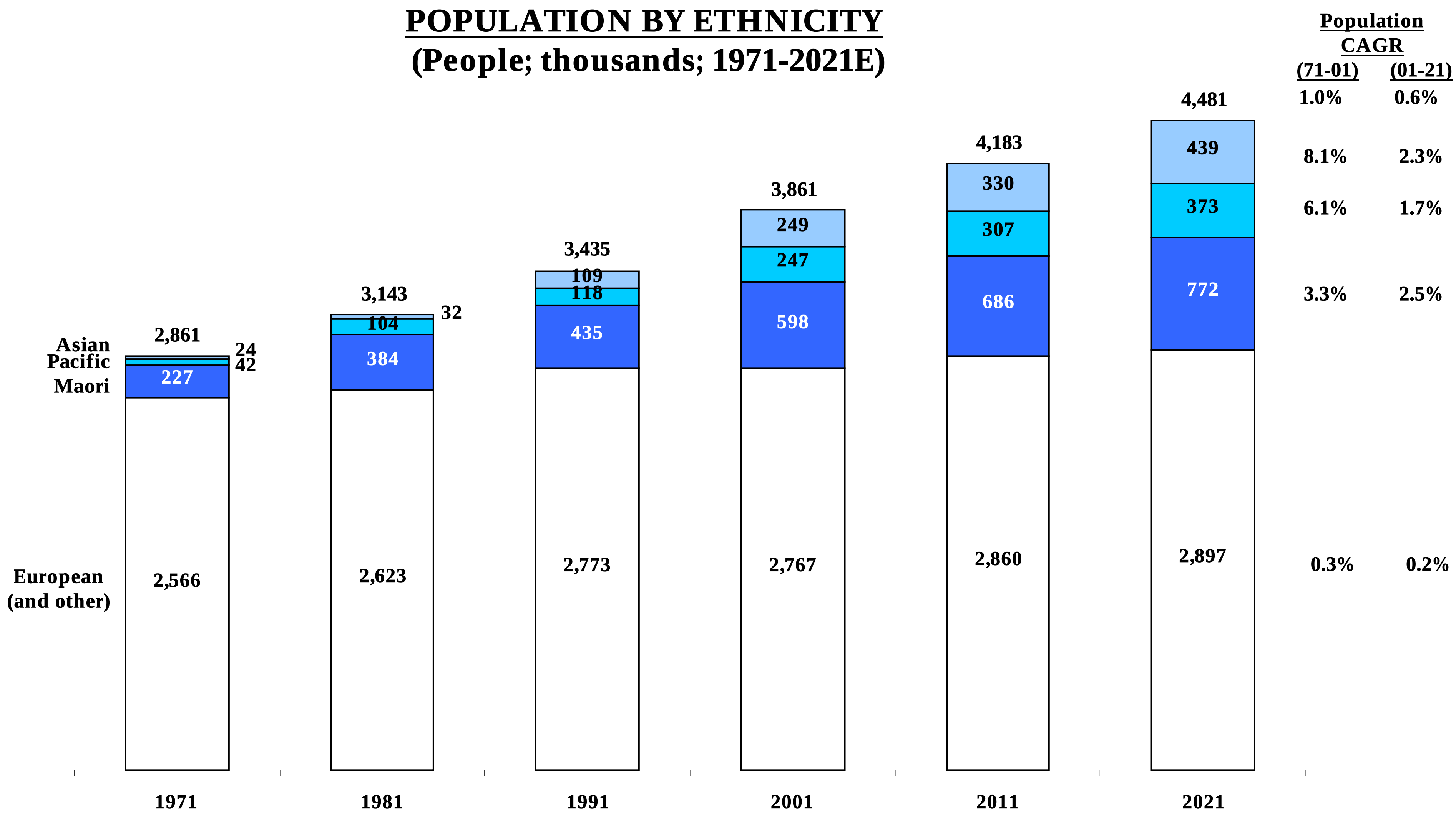


New Zealand



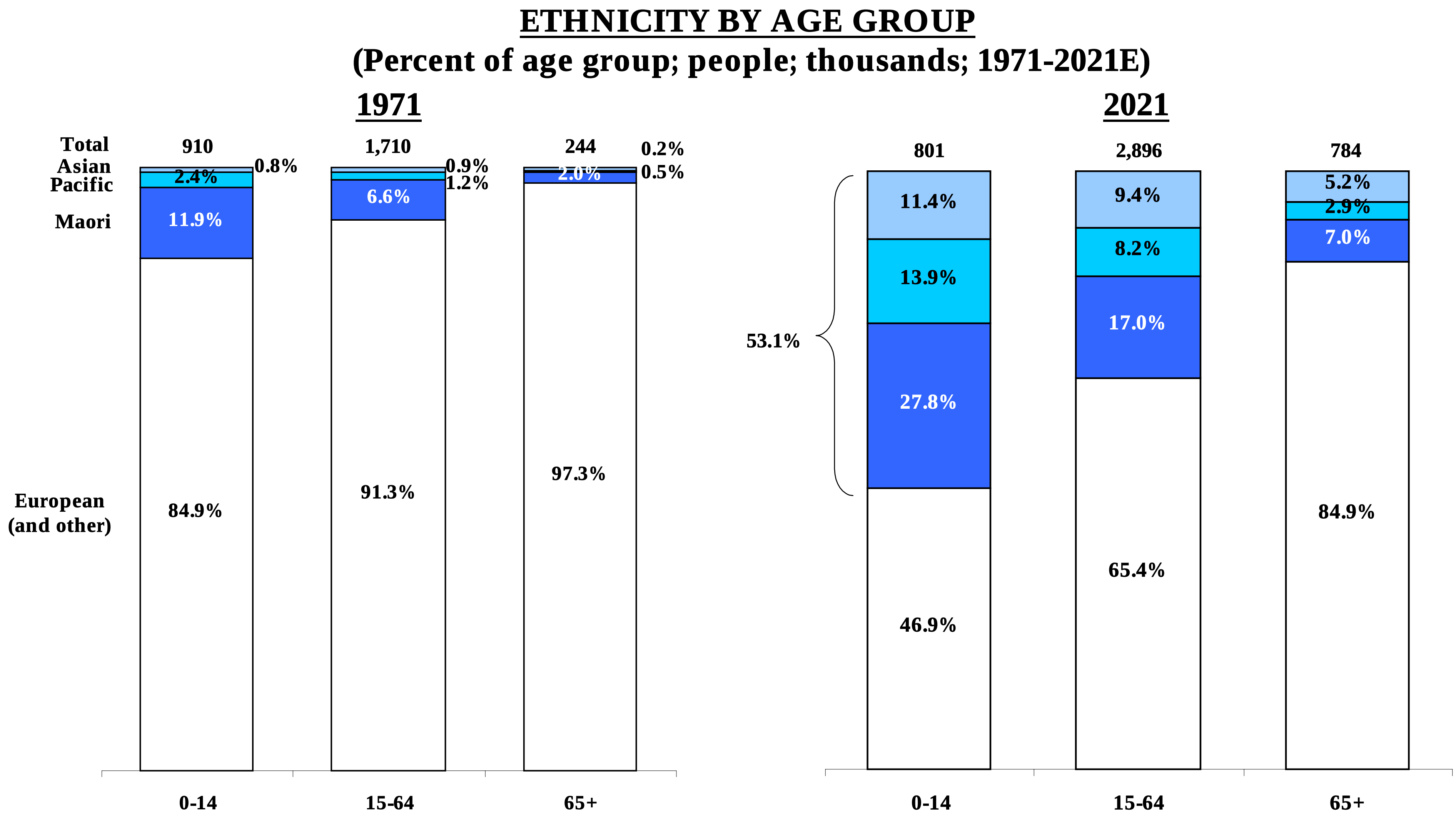
Source: Ministry of Public Management, Home Affairs, Posts & Telecommunications (Japan); Office of National Statistics (UK); US Census Bureau; Statistics New Zealand; Coriolis Analysis

Europeans will have gone from ninety percent of the population in 1971 to an estimated sixty five percent by 2021



Note: Medium/Medium scenario
Source: Statistics New Zealand; Coriolis analysis

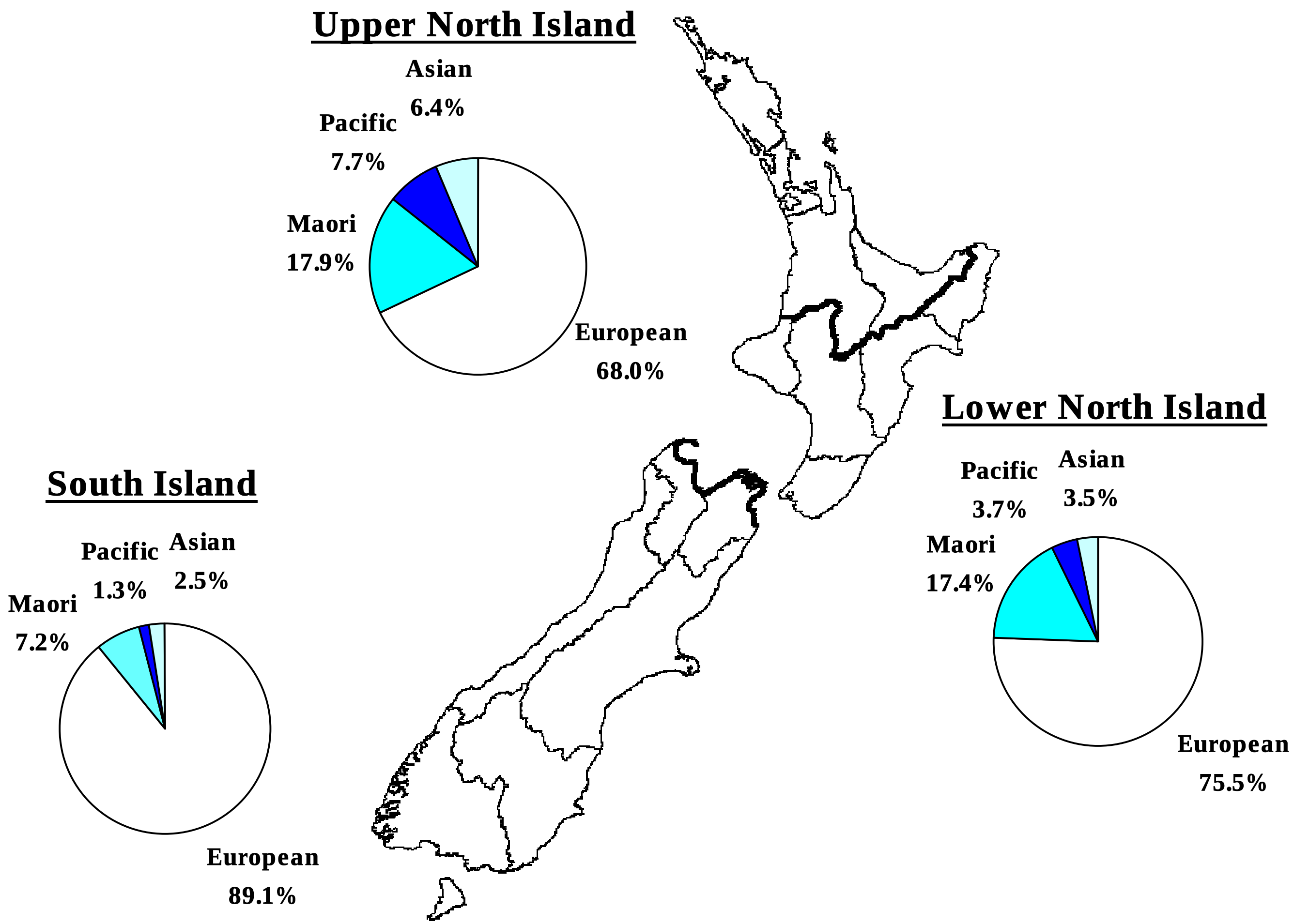
This growing ethnic diversity will be especially apparent in the children of 2021



Note: Medium/Medium scenario
Source: Statistics New Zealand; Coriolis analysis

However, the North is, and will probably remain, more multicultural than the South

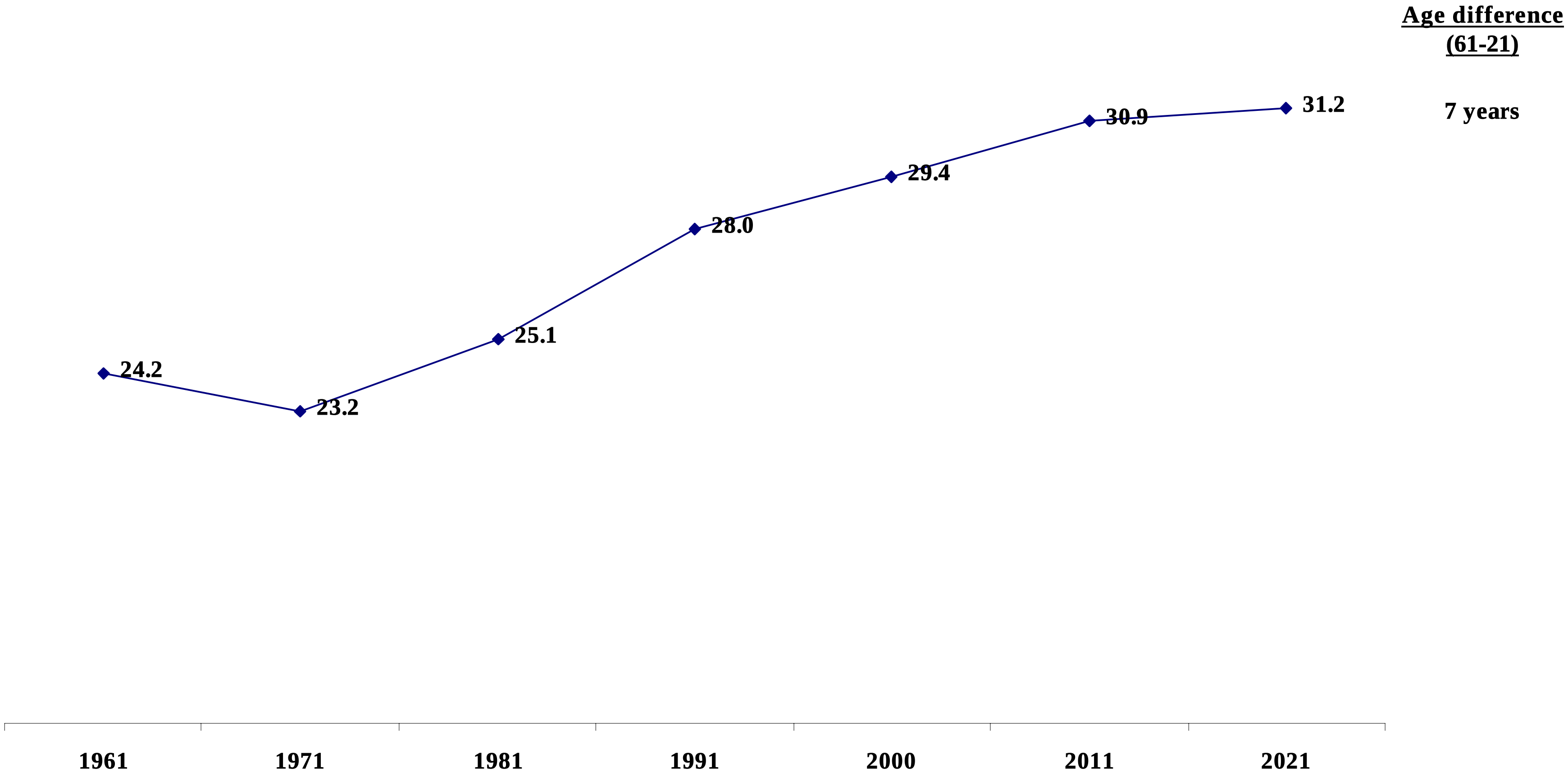
ETHNICITY BY REGION[1]
(Percent; 1996)



1. Does not include 'Not Specified' comprising 4.2% of the total population; European includes 'Other' (0.4%), consisting of Middle East, African etc; Source: Statistics New Zealand; Coriolis analysis

Women are choosing to have fewer children later in life

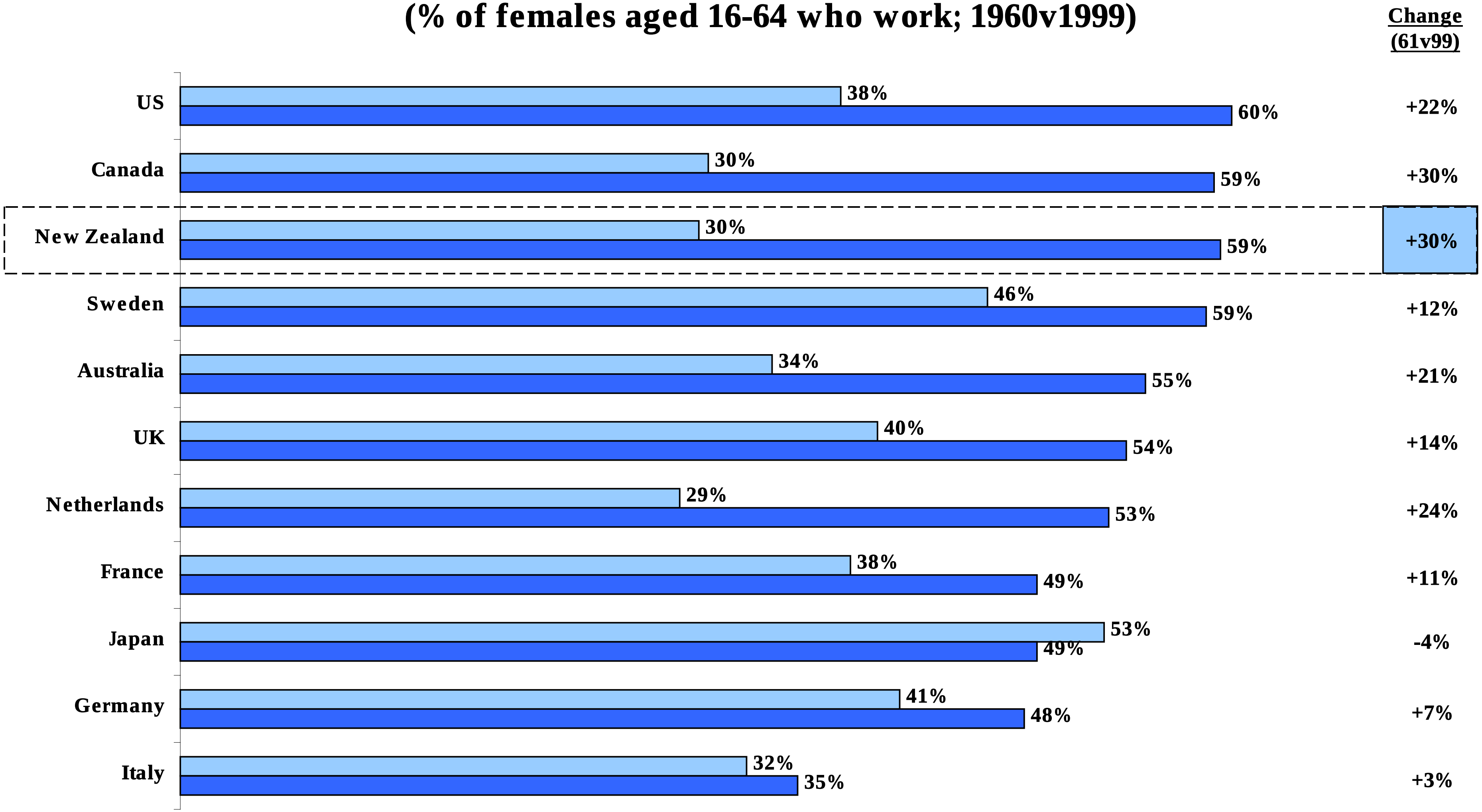
AVERAGE AGE OF NEW MOTHERS
(Average age at birth of first child; 1961-2000)



Note: Medium/Medium scenario
Source: Statistics New Zealand; Coriolis analysis

New Zealand women have doubled their participation in the workforce in the past thirty years, the largest shift in the developed world

FEMALE PARTICIPATION IN THE WORKFORCE[1]
(% of females aged 16-64 who work; 1960v1999)

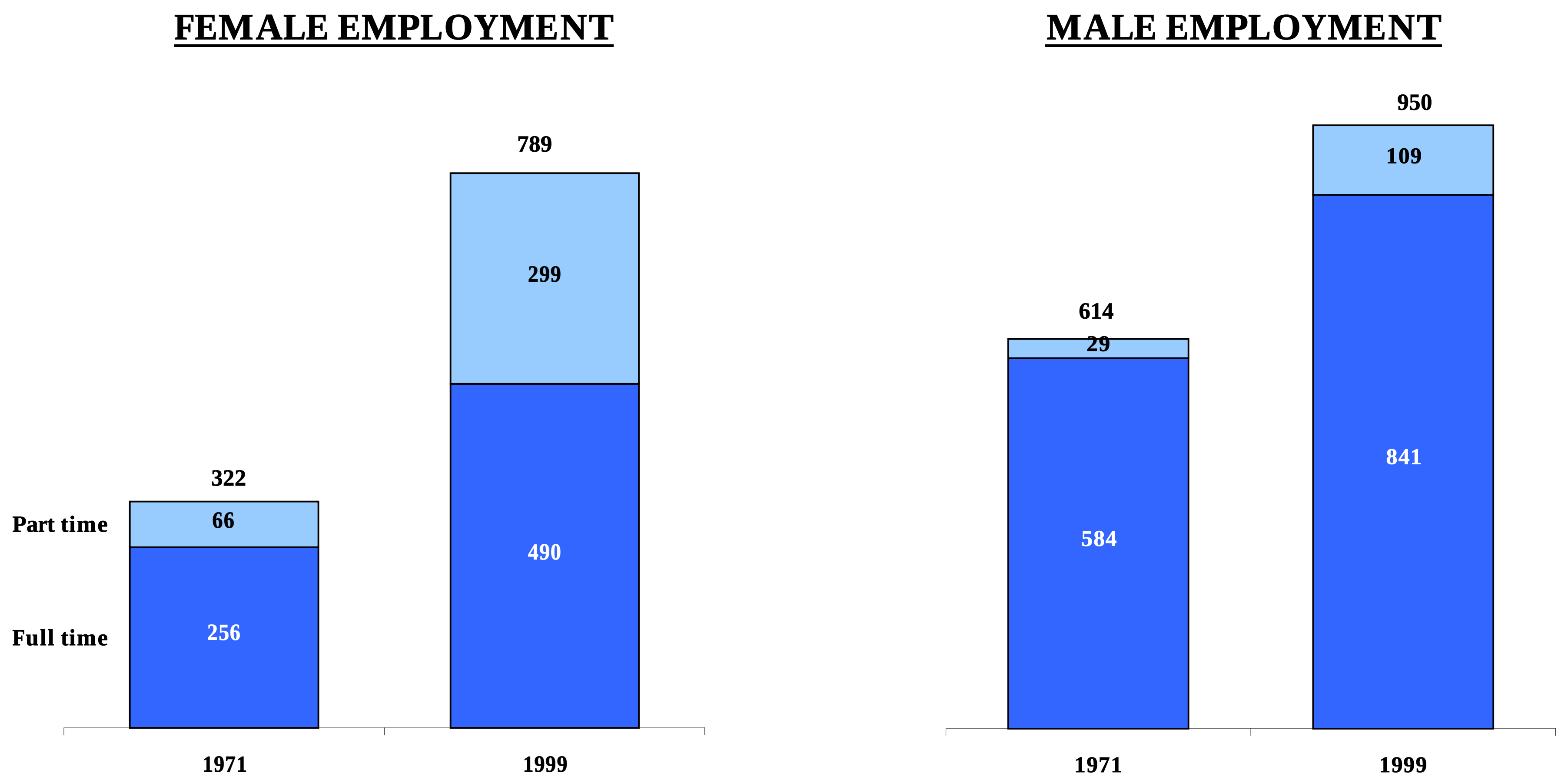


CORIOLISRESEARCH

1. Note: New Zealand uses 1970 data (v. 1960)
Source United Nations Statistics Division; Statistics New Zealand; Coriolis analysis

However, New Zealand women are more likely than men to work part time, partially in an attempt to balance their family requirements

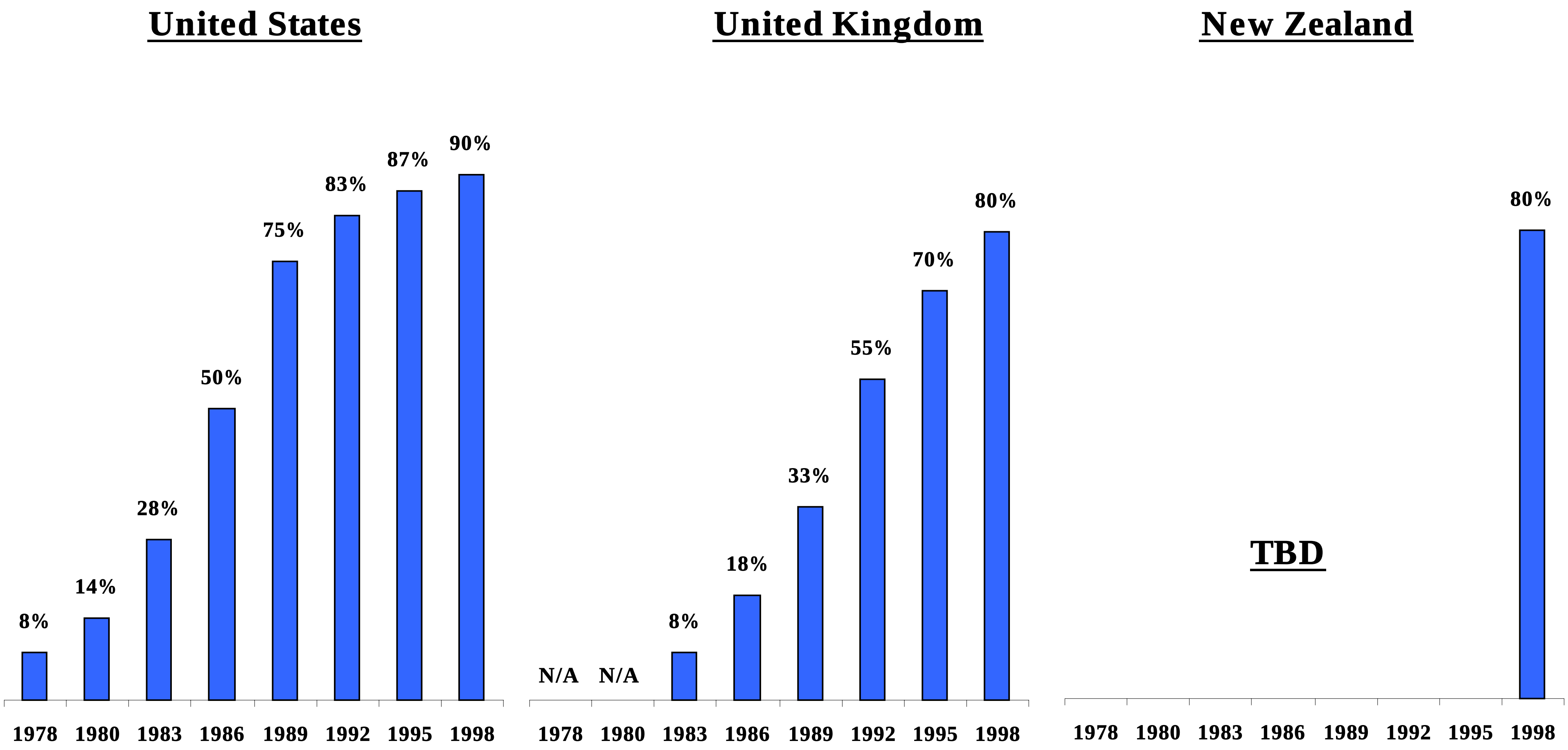
EMPLOYMENT BY GENDER
(Thousands; 1971 vs. 1999)



 Source: Statistics New Zealand (Household Economic Survey); Coriolis analysis

As one example, this reduced time availability has led to rapid adoption of the microwave

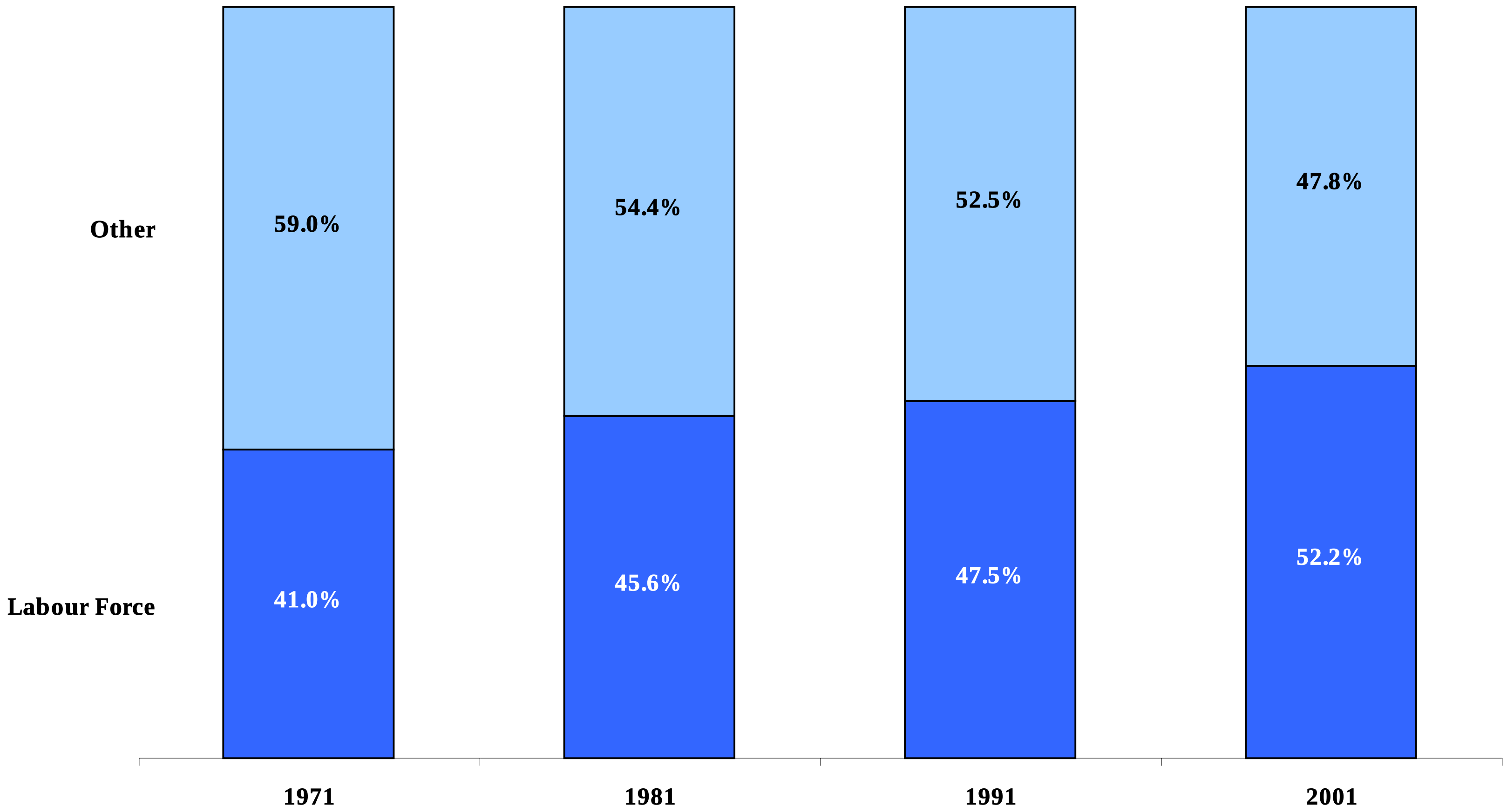
HOUSEHOLDS WITH A MICROWAVE
(% of households; 1978-1998)



 Source: Ministry of Public Management, Home Affairs, Posts & Telecommunications (Japan); Office of National Statistics (UK); Statistics New Zealand; Coriolis analysis

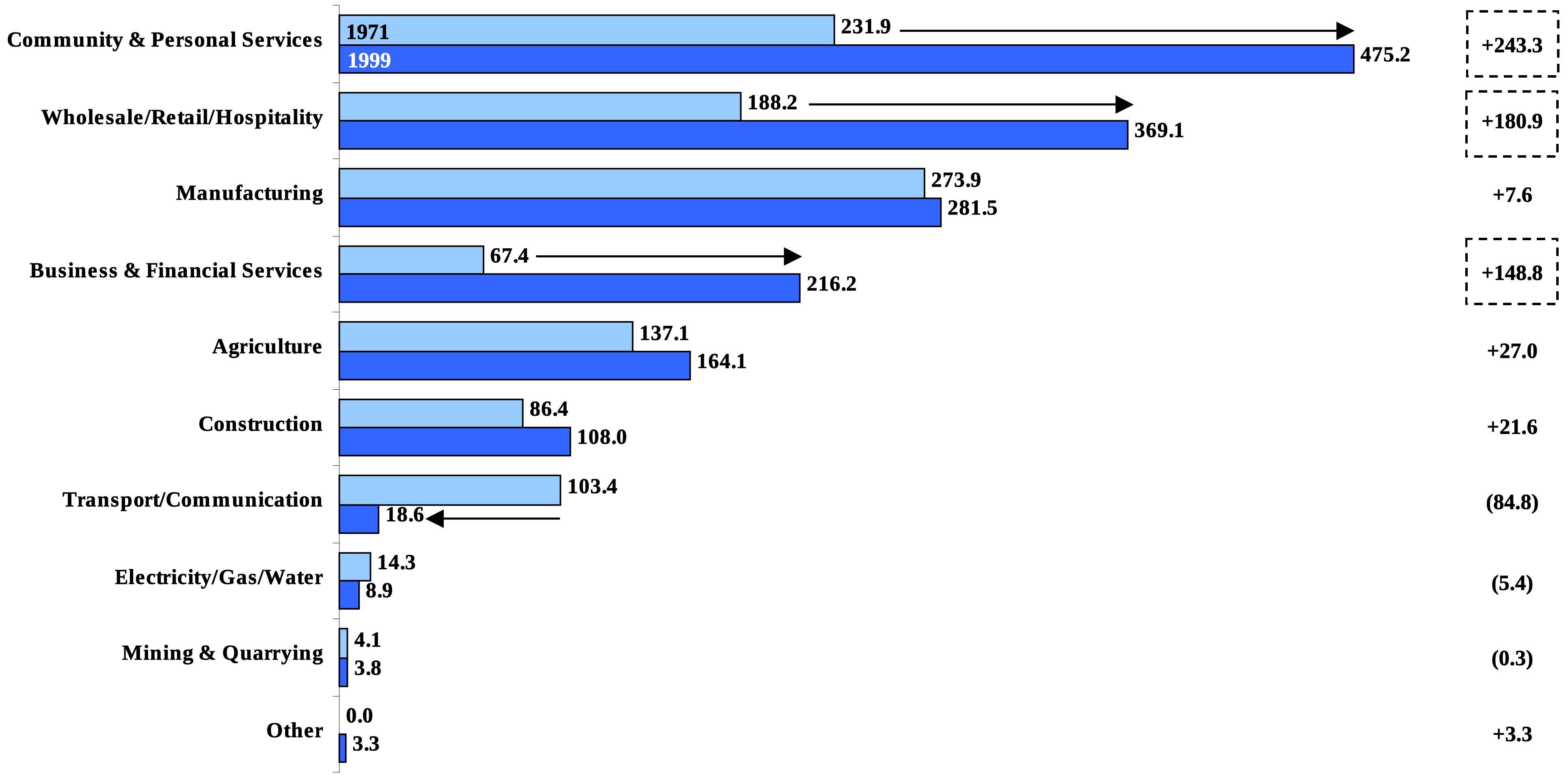
A larger percent of the total population is working…

PARTICIPATION IN THE LABOUR FORCE
(Percent of total population in labour force; 1971-2021)



… primarily in the service industries

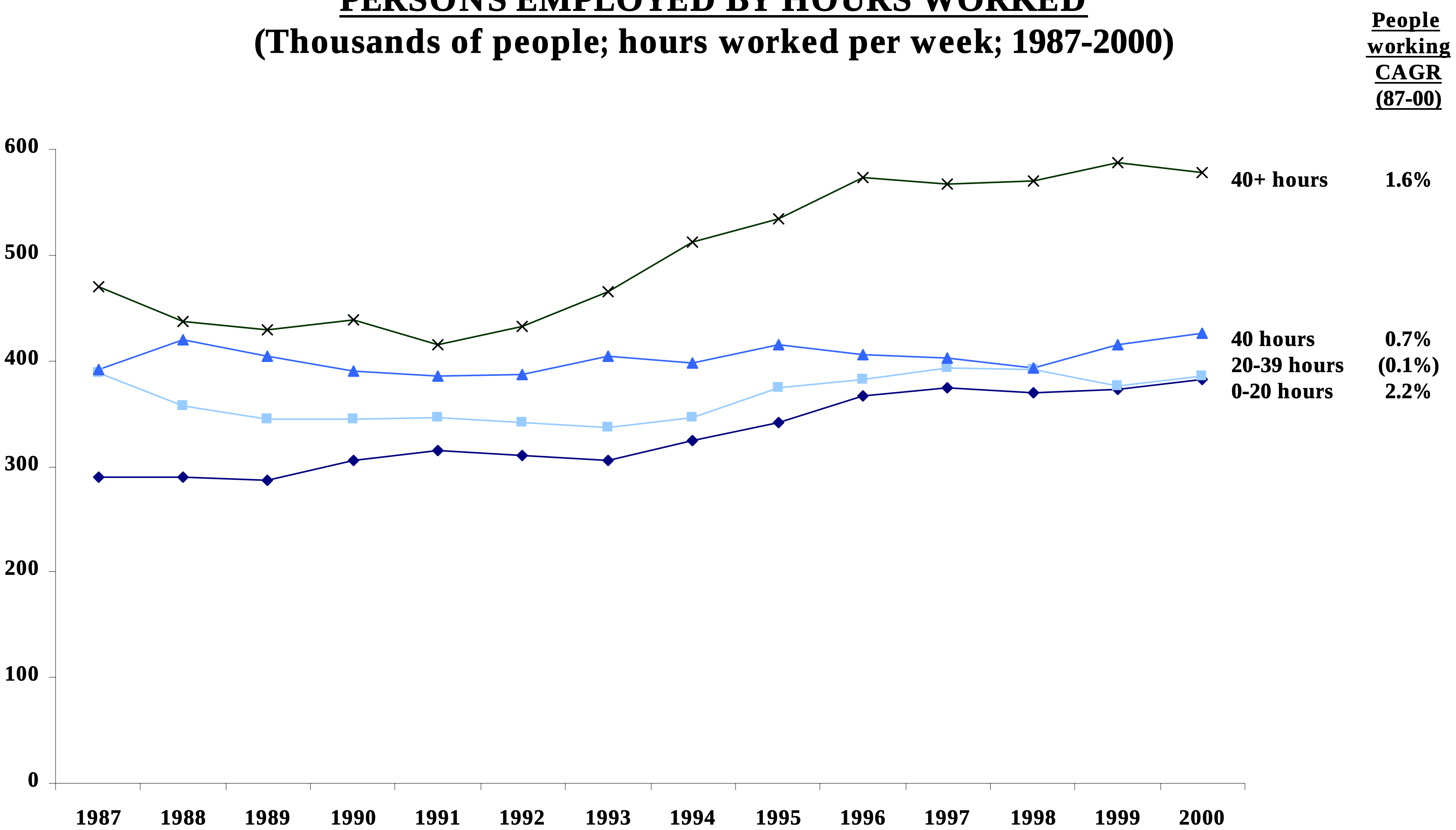
EMPLOYMENT BY INDUSTRY
(People; thousands; 1971v1999)



An increasing numbers of people are working longer hours

PERSONS EMPLOYED BY HOURS WORKED

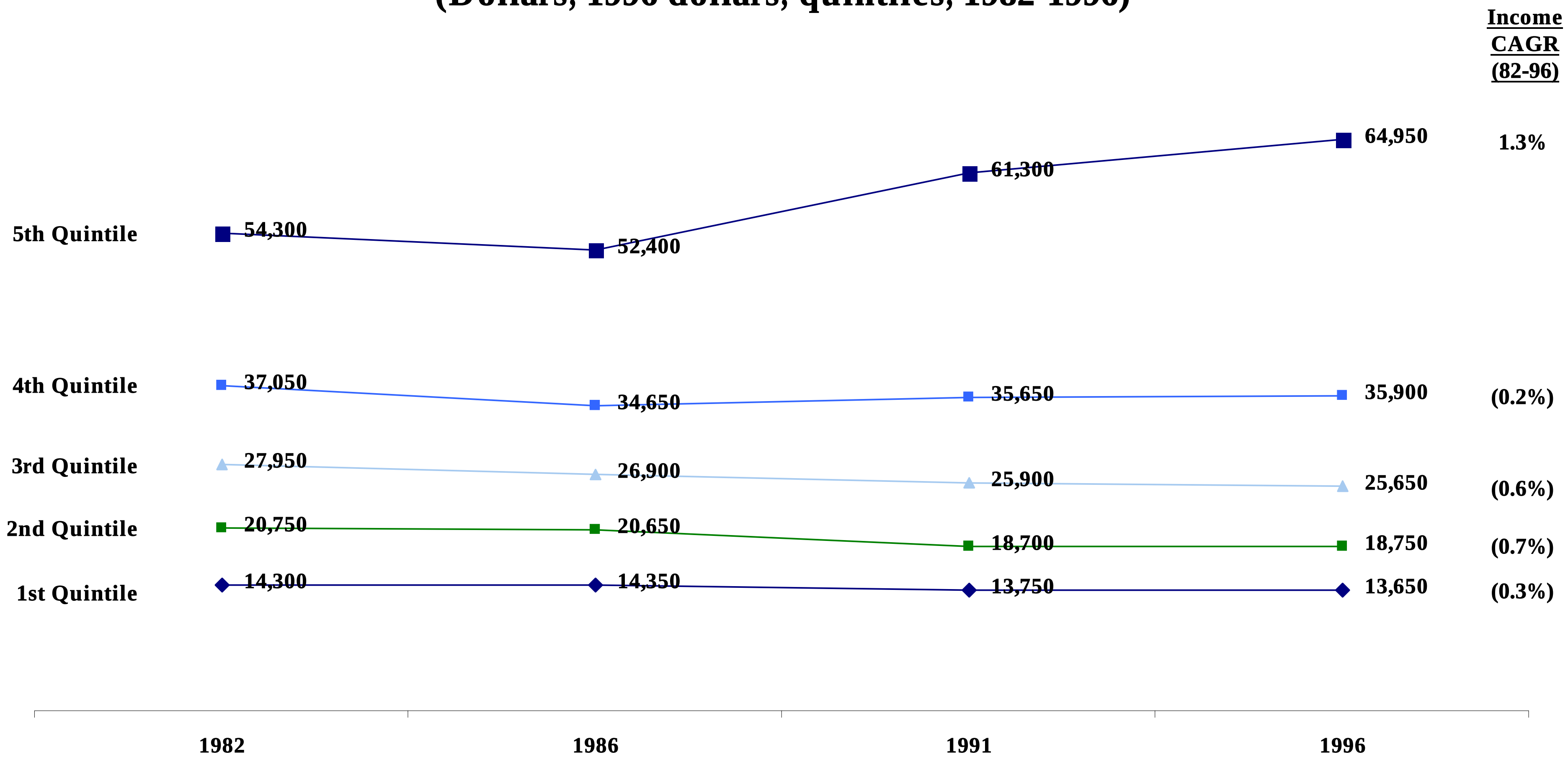
(Thousands of people; hours worked per week; 1987-2000)



However, this hard work is not necessarily translating into income - the rich are getting richer while the rest of the population has falling real incomes

AVERAGE HOUSEHOLD EQUIVALENT DISPOSABLE INCOME[1]

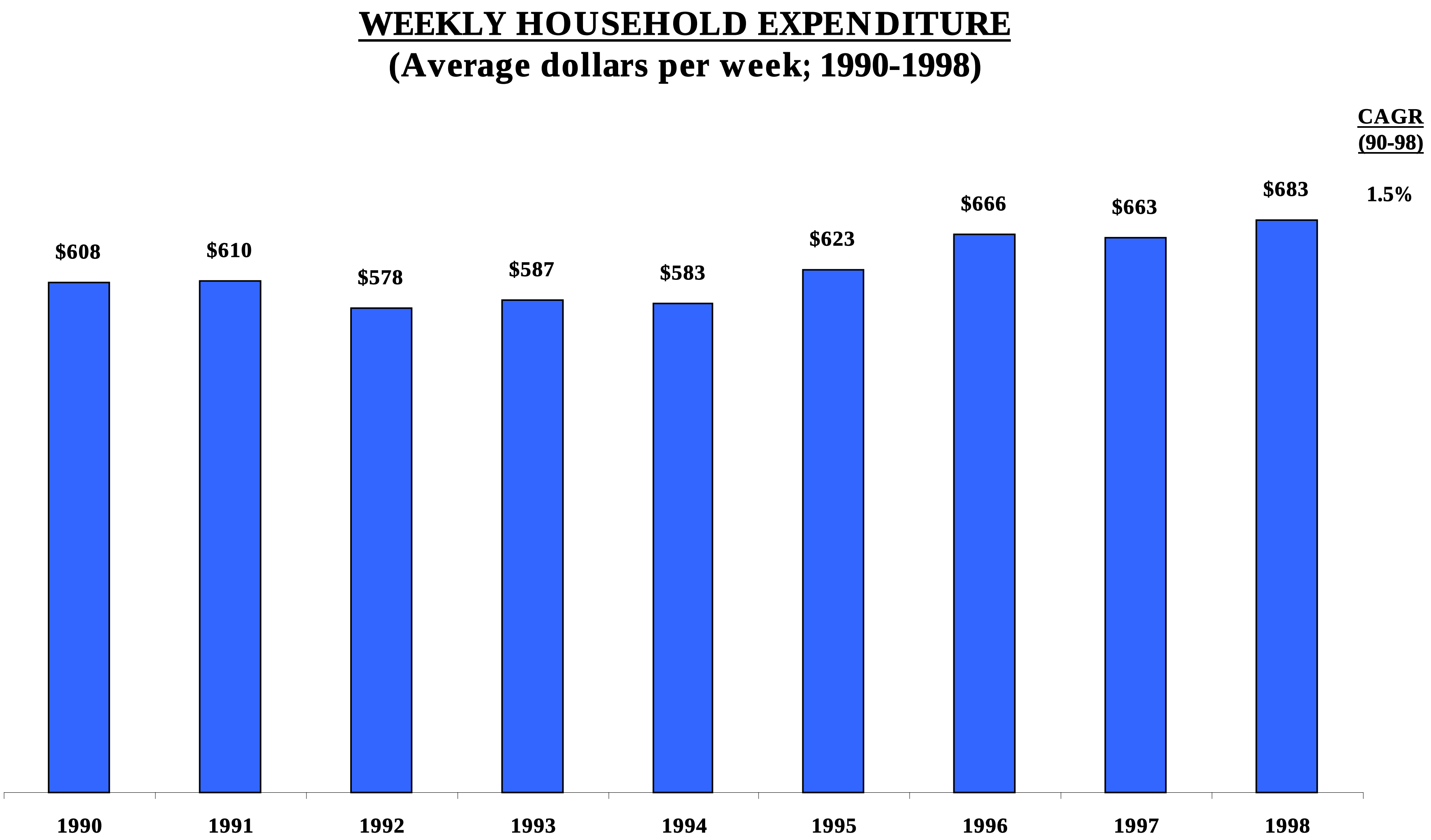
(Dollars; 1996 dollars; quintiles; 1982-1996)



1. Households: not adjusted by source for falling household sizes
Source: Statistics New Zealand (Household Economic Survey); Coriolis analysis

Appendix II: FMCG retailing: In New Zealand, FMCG pathways to the consumer are highly competitive and changing rapidly

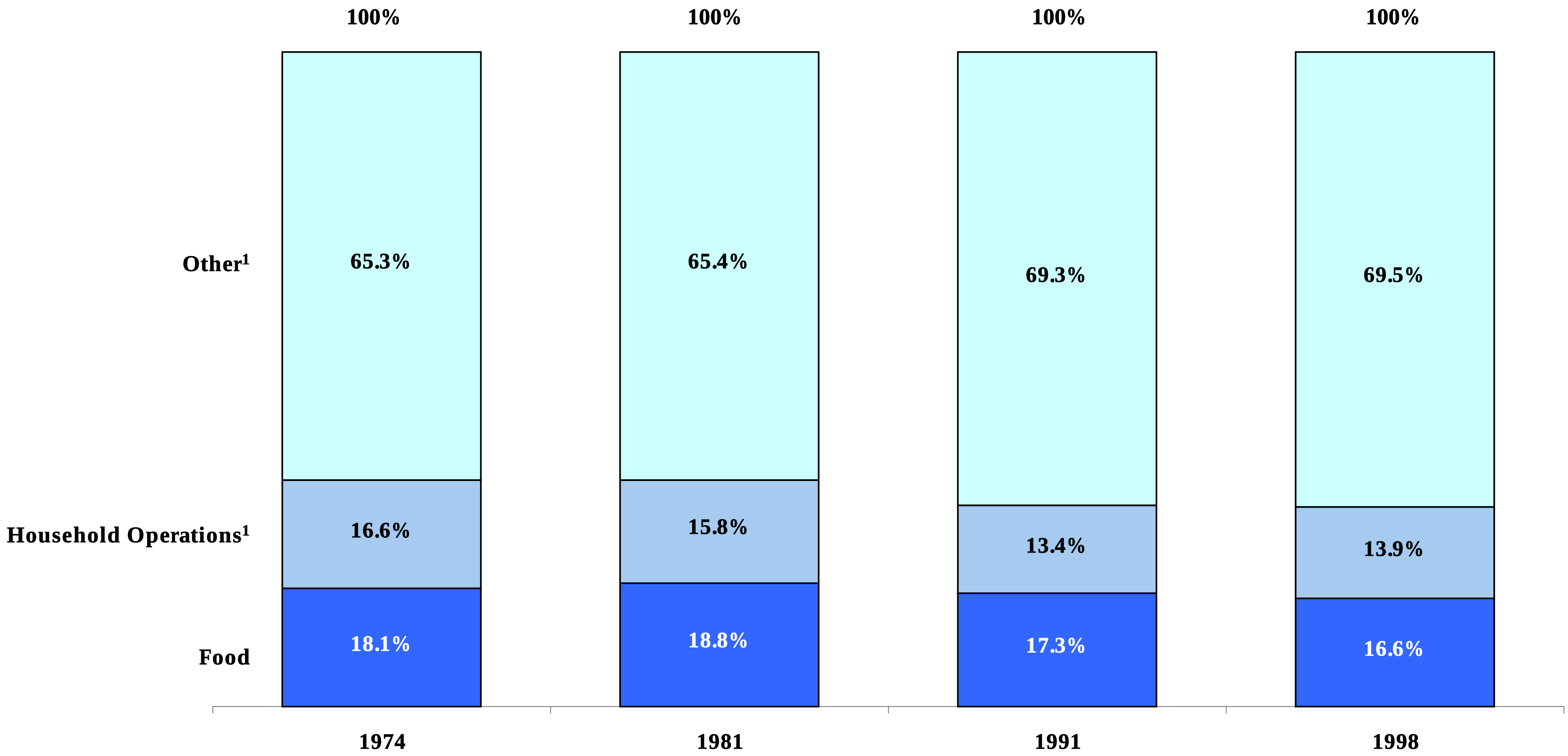
Average weekly household expenditure is flat



Note: Not adjusted for inflation, population growth or changes in household size
Source: Statistics New Zealand, (Household Expenditure Survey)

Consumers spending on food and household operations is falling over time

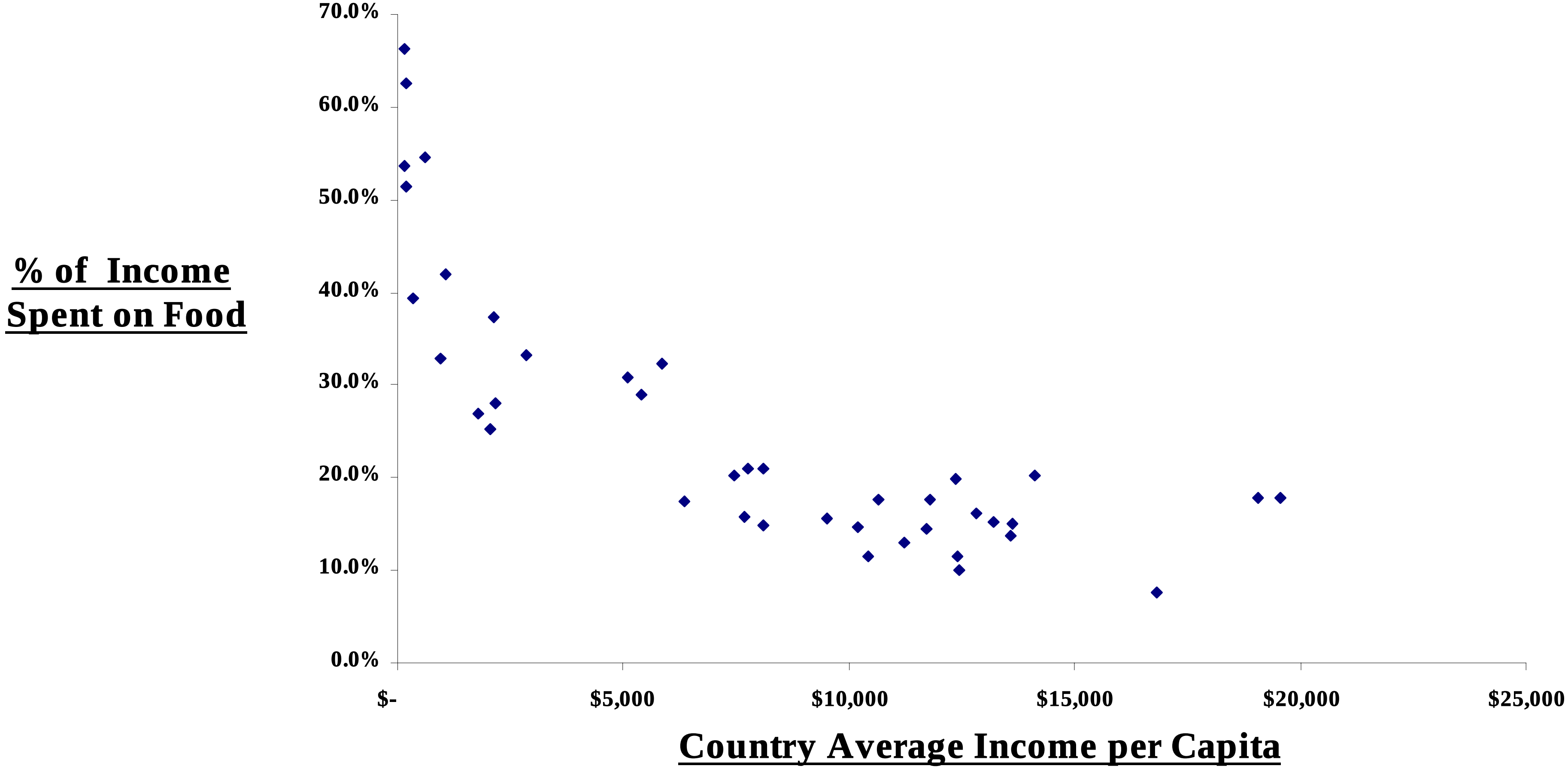
HOUSEHOLD EXPENDITURE BY TYPE
(Percent of total; 1974-1998)



1. Both Household Operations and Other include FMCG and non-FMCG expenses
Source: Statistics New Zealand, (Household Expenditure Survey)

This trend should continue: on a global basis, as incomes rise, the percent of income spent on food declines

FOOD SPENDING AS A % SPENDING VS. COUNTRY INCOME PER CAPITA
(% of personal expenditure on food; income at US$PPP; select countries; 1995)



Consumers have different types of shopping trips…

TYPES OF SHOPPING TRIPS RANKED BY IMPORTANCE OF ATTRIBUTES

	Price	Selection	Quality	Service	Speed
Routine Shop	◑	●	●	◑	●
Stock-up Shop	●	●	●	○	○
Fill-in Shop	○	○	○	○	◑
Same Day	○	◑	●	●	◑
Adventure	○	●	●	●	○

Source: Food Marketing Institute (USA)

High ● **Medium** ◑ **Low** ○

… and chose a destination based on its ability to meet their needs

STORE FORMATS RANKED BY ATTRIBUTE STRENGTH

	Low Price	Large Selection	Product Quality	Service	Speed
Dairy/Grocer/Convenience	○	○	◑	○	●
Butcher, Baker, Greengrocer	●	◑	●	●	◑
Pharmacy, cosmetics & toiletries	●	◑	●	●	◑
Local Supermarket	◑	●	●	◑	◑
Food Warehouse	●	◑	◑	○	○
Discount Department Store	●	◑	◑	○	○

 Source: Coriolis

High ● **Medium** ◑ **Low** ○

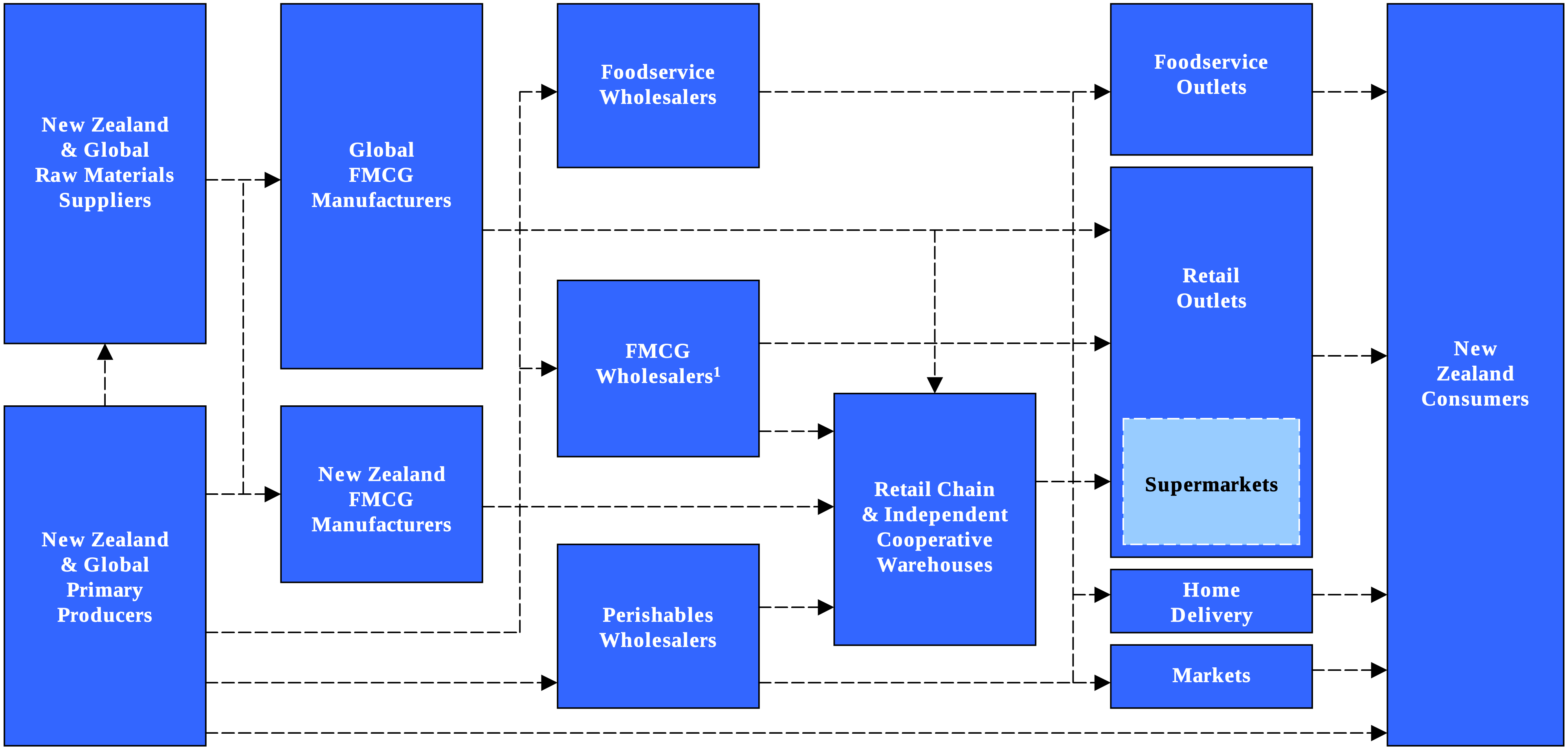
Fast moving consumer goods retailers are defined by the high volume, low margin nature of their business

FMCG DEFINITION

	Fast Moving Consumer Goods	Consumer Durables
Consumer Definition	Consumed Low cost Low commitment Frequent purchase	Used repeatedly High cost High commitment Occasional purchase
Retailer Characteristics	High volume Low margins	Low volume High margins
Examples	Chocolate bar Bottle of wine Toothpaste Lightbulb Newspaper	Television Dishwasher Automobile Computer

Fast moving goods travel to consumers through a large number of pathways from the producer to the final consumer

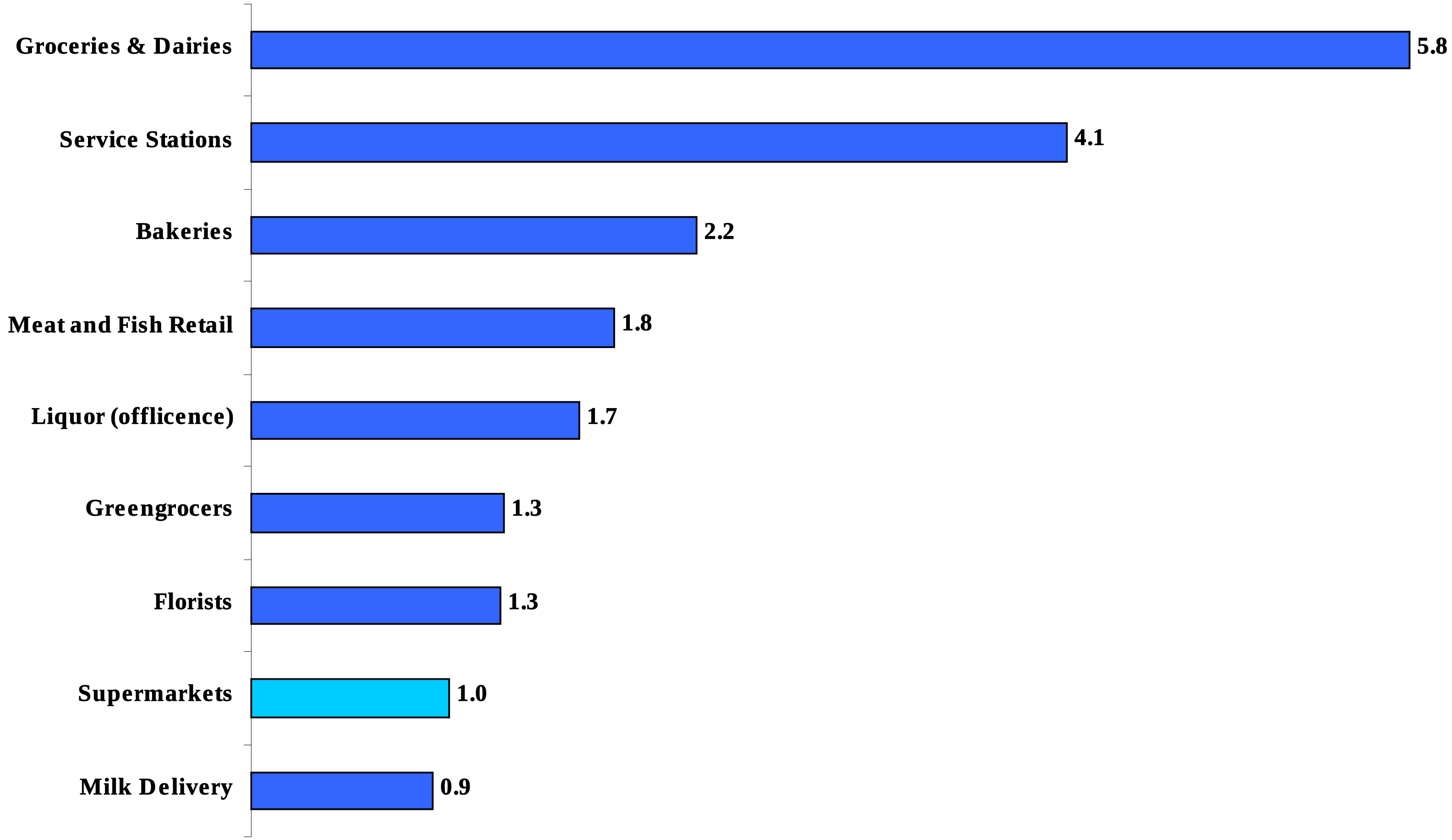
PATHWAYS TO THE CONSUMER



1. *FMCG Wholesales includes specialist importers or exporters, local offices/warehouses of non-local manufacturers; high value/low volume item specialists (e.g. gourmet, pharmacy), other*

In terms of outlet numbers, supermarkets are vastly outnumbered by other food at home competitors

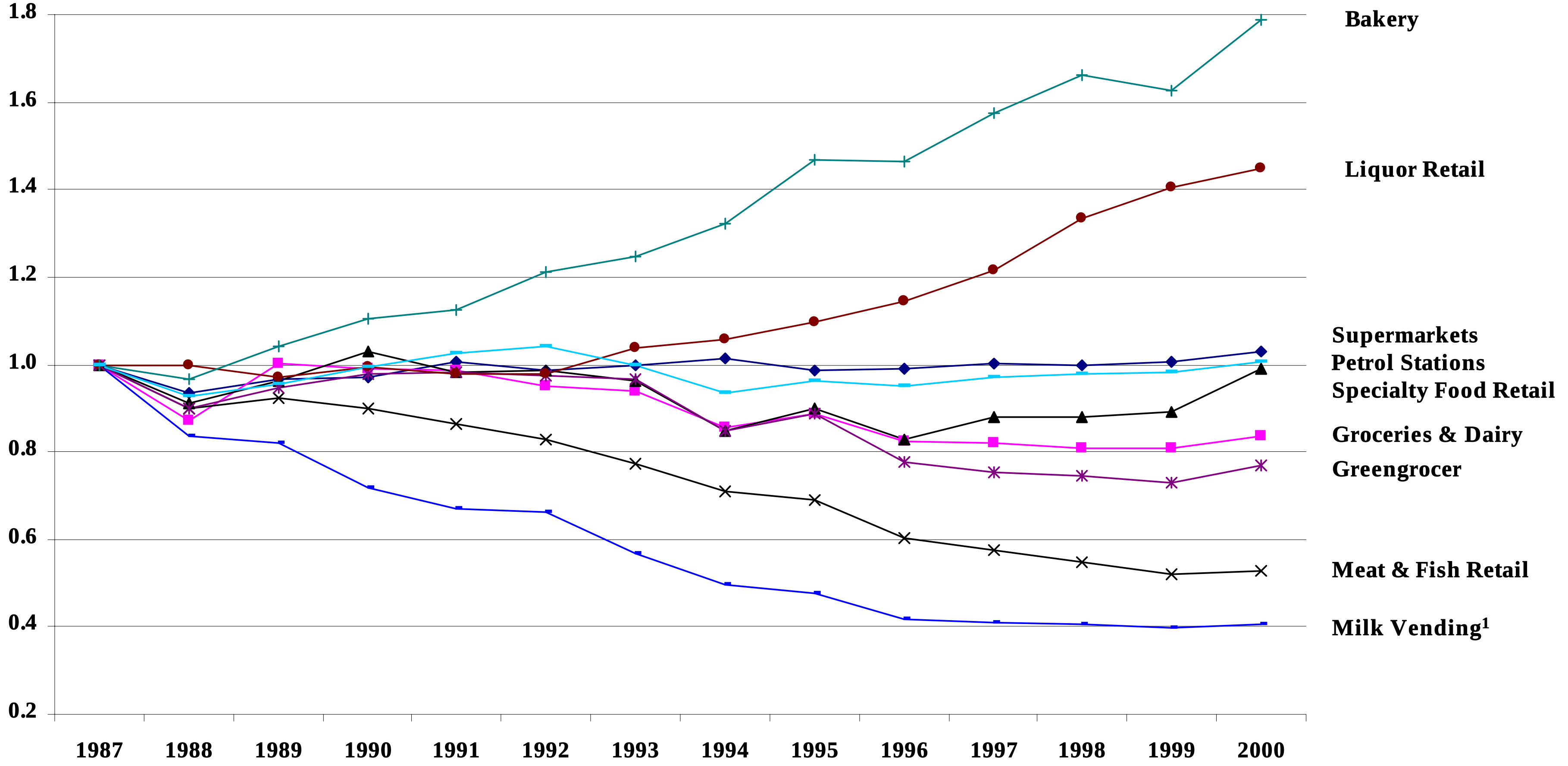
FOOD AT HOME OUTLETS PER SUPERMARKET[1]
(# of outlets per supermarkets)



1. Number of outlets divided by 403 supermarkets (e.g. 516 greengrocers divided by 403 supermarkets = 1.3 greengrocers per supermarket
Source: Statistics New Zealand (Business Demography Survey); Coriolis analysis

While the number of supermarkets has remained relatively flat, the number of other food type stores is fluctuating, with both winners and losers

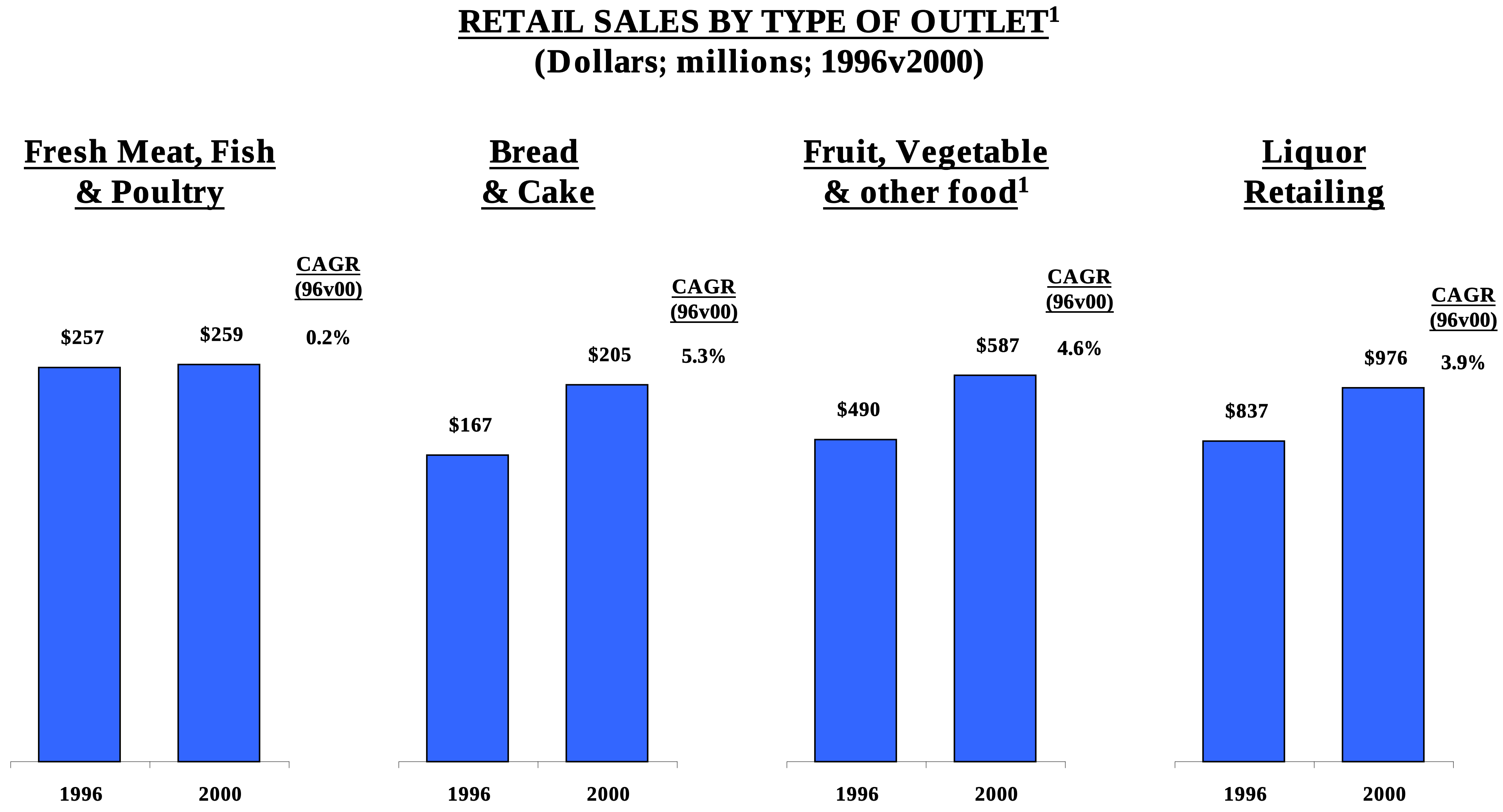
RELATIVE CHANGE IN OUTLET NUMBERS BY TYPE OF RETAILER
(Number of outlets in 1987=1; 87-00)



1. Home delivery

Source: Statistics New Zealand (Business Demography Survey); Coriolis analysis

Most categories of food specialist are showing sales growth



1. Due to confidentiality restrictions no finer breakdown available; includes milk home delivery and specialised food
Source: Statistics New Zealand (Retail Trade Survey)

The retail bakers sector is showing strong growth, both by chains and by independents

RETAIL BAKERIES/CAKE SHOPS

Brand	# of outlets	Supplier/Owner
Bakers Delight	27	Franchised
Baker Boys	15	Independents
KBs	13	Franchised
Baker Street	5	Private
Other Retailers	832	
Total Retailers	904	

Source: Industry Interviews; Statistics New Zealand, (Business Demography Survey)

Liquor retailing is highly competitive, with a number of strong chains battling with independents

LIQUOR RETAILERS

Brand	# of outlets	Supplier/Owner
Super Liquor	99	Franchised
Liquorland	84	DB Breweries
Liquor King	34	Lion Breweries
Glengarry	22	Glengarry Hancocks Ltd
Other Retailers	429	
Total Retailers	668	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

The four major petroleum companies are making a global push into convenience retailing

PETROL/CONVENIENCE RETAILING

Brand	# of outlets	Supplier/Owner
On the Run Mobil Mart Mobil Stations (other)	39 199 286	Exxon Mobil
BP Express BP Connect BP Stations (other)	42 11 301	BP Amoco
Select Shell shop	98 772	Royal Dutch Shell
StarMart Caltex Shop Caltex	82 149 52	Chevron-Texaco (Caltex)
Challenge	130	Fletcher Energy
Gull Shop	20	Private (Rae family)
Total	2,181	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

The classic Kiwi dairy is evolving into professional chains of convenience stores with better pricing and a more relevant product offer

GROCERY/CONVENIENCE/DAIRIES

Brand	# of outlets	Supplier/Owner
On the Spot	244	Independently owned; supplied by Trents
Four Square	353	Independently owned; supplied by Foodstuffs (Various)
Price Cutter	56	Independently owned; Supplied by Rattrays (Infogate)
Super 7	69	Independently owned; Supplied by Rattrays (Infogate)
Others	1,635	
Total	2,357	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

Independent greengrocers and florists are still a very strong force in New Zealand retailing

GREENGROCERS/FLORIST RETAILERS

Brand	# of outlets	Supplier/Owner
Pumpkin Planet	14	Private; franchised
Vegie World	8	Private
Total Greengrocers	516	
Total Florists	507	

 Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

While the number of independent butchers shops is down, total sales have remained stable - implying an increasing turnover per outlet

BUTCHERS/FISHMONGERS/DELI'S

Brand	# of outlets	Supplier/Owner
Mad Butcher	19	Private
Lenards Chicken	5	Private; being sold
Aussie Butcher	4	Private
Other Retailers		
Total Retailers	737	

 Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

New Zealand has a strong Cash & Carry sector servicing primarily small retailers and foodservice

CASH & CARRY WAREHOUSES

Brand	# of outlets	Supplier/Owner
Gilmours	10	Foodstuffs (Auckland)
Toops	5	Foodstuffs (Wellington)
Moore Wilson	6	Private
Rattrays	6	Infogate
Trents	7	Foodstuffs (South Island)
Other Retailers		
Total Retailers		

 Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

There is also a large group of other specialist retailers each with a different offer and different market niche

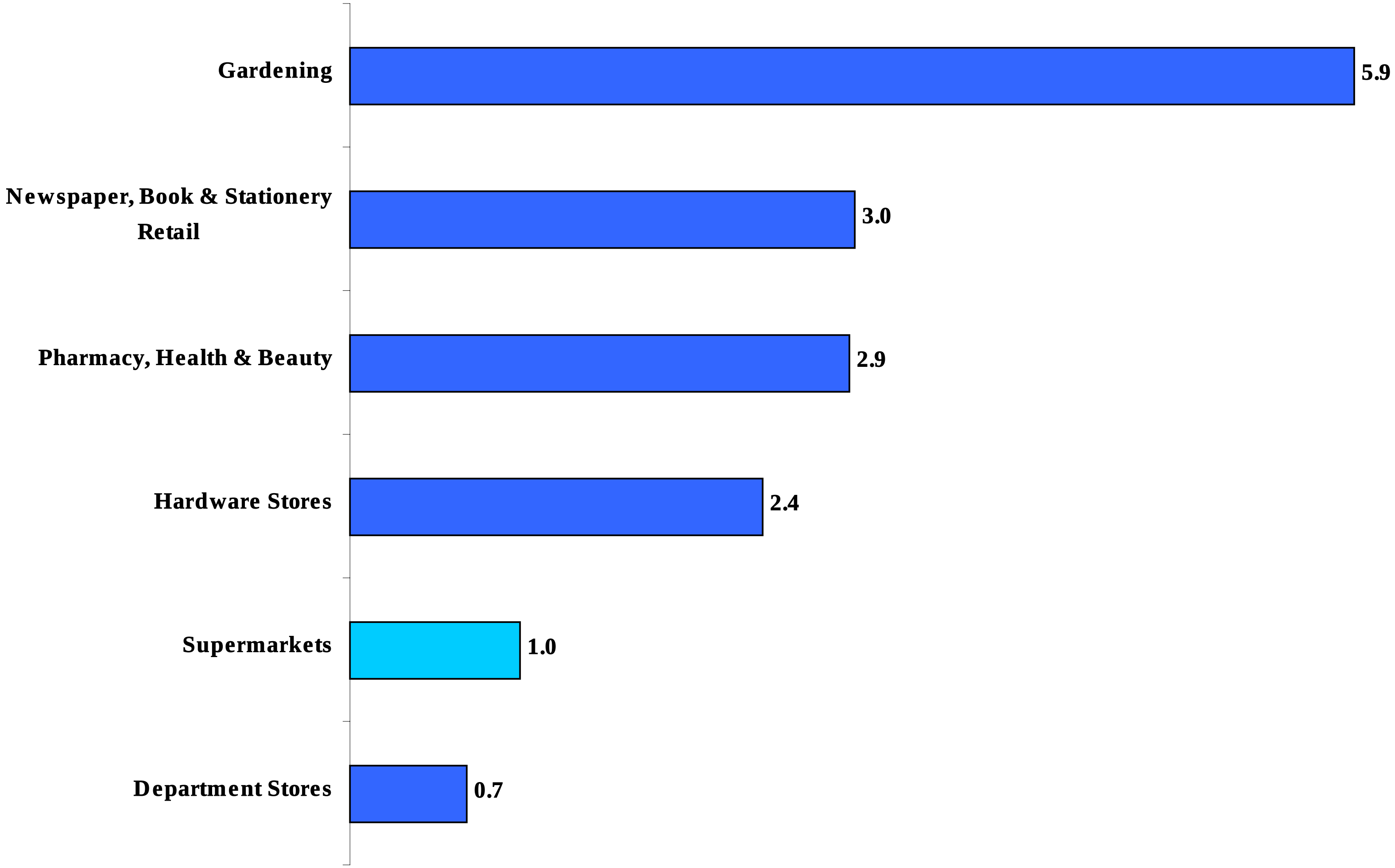
SPECIALTY RETAILERS

Brand	# of outlets	Supplier/Owner
Bin Inn	52	Franchised
Bulk Barn	3	Independent
Total Public Markets	64	
Total Specialty Food Retailing	554	

 Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

Supermarkets are outnumbered by non-foods competitors

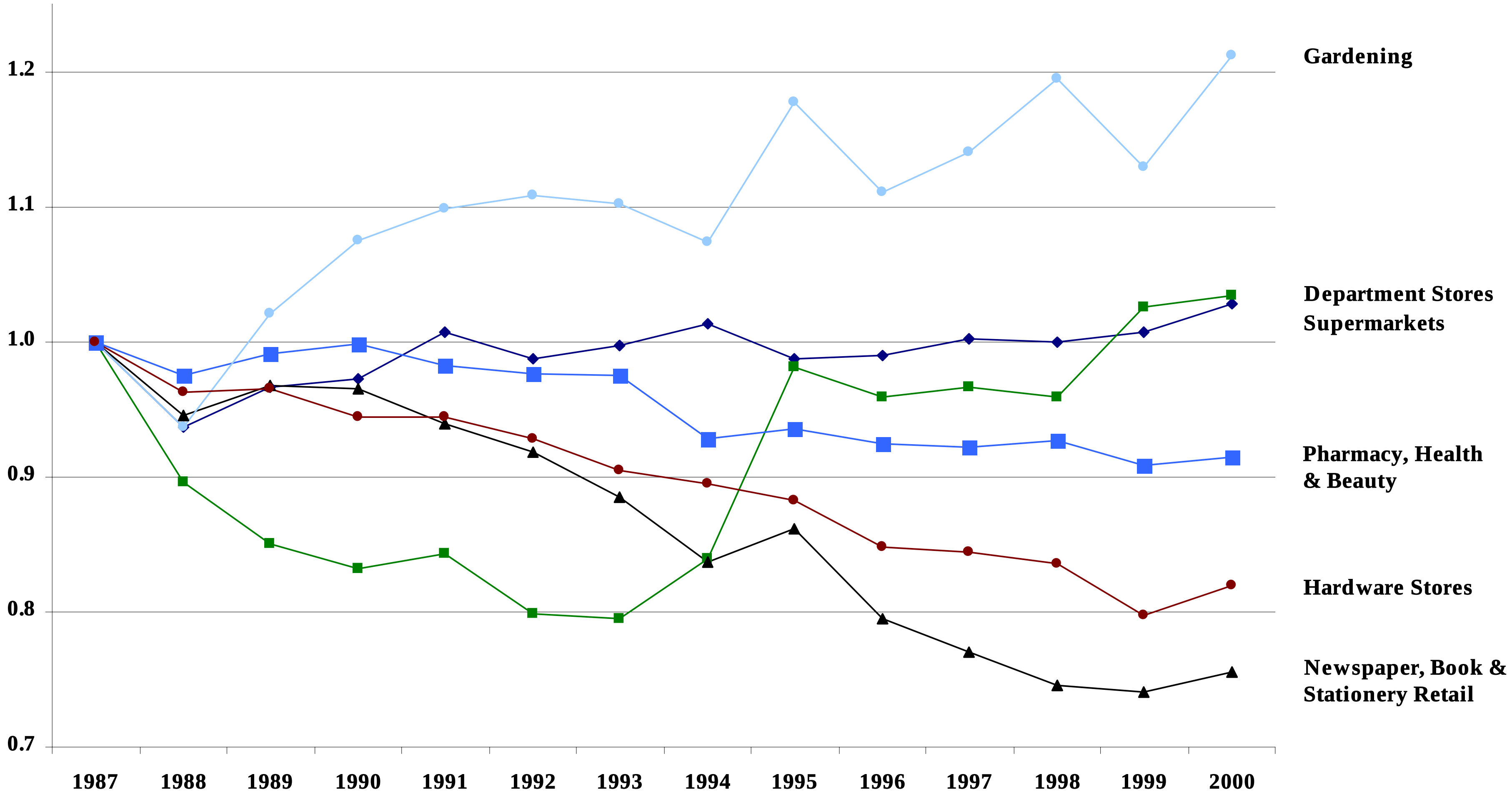
PRIMARILY NON-FOODS OUTLETS PER SUPERMARKET[1]
(# of outlets per supermarkets)



1. Number of outlets divided by 403 supermarkets (e.g. 516 greengrocers divided by 403 supermarkets = 1.3 greengrocers per supermarket
Source: Statistics New Zealand Business Demography Survey; Coriolis analysis

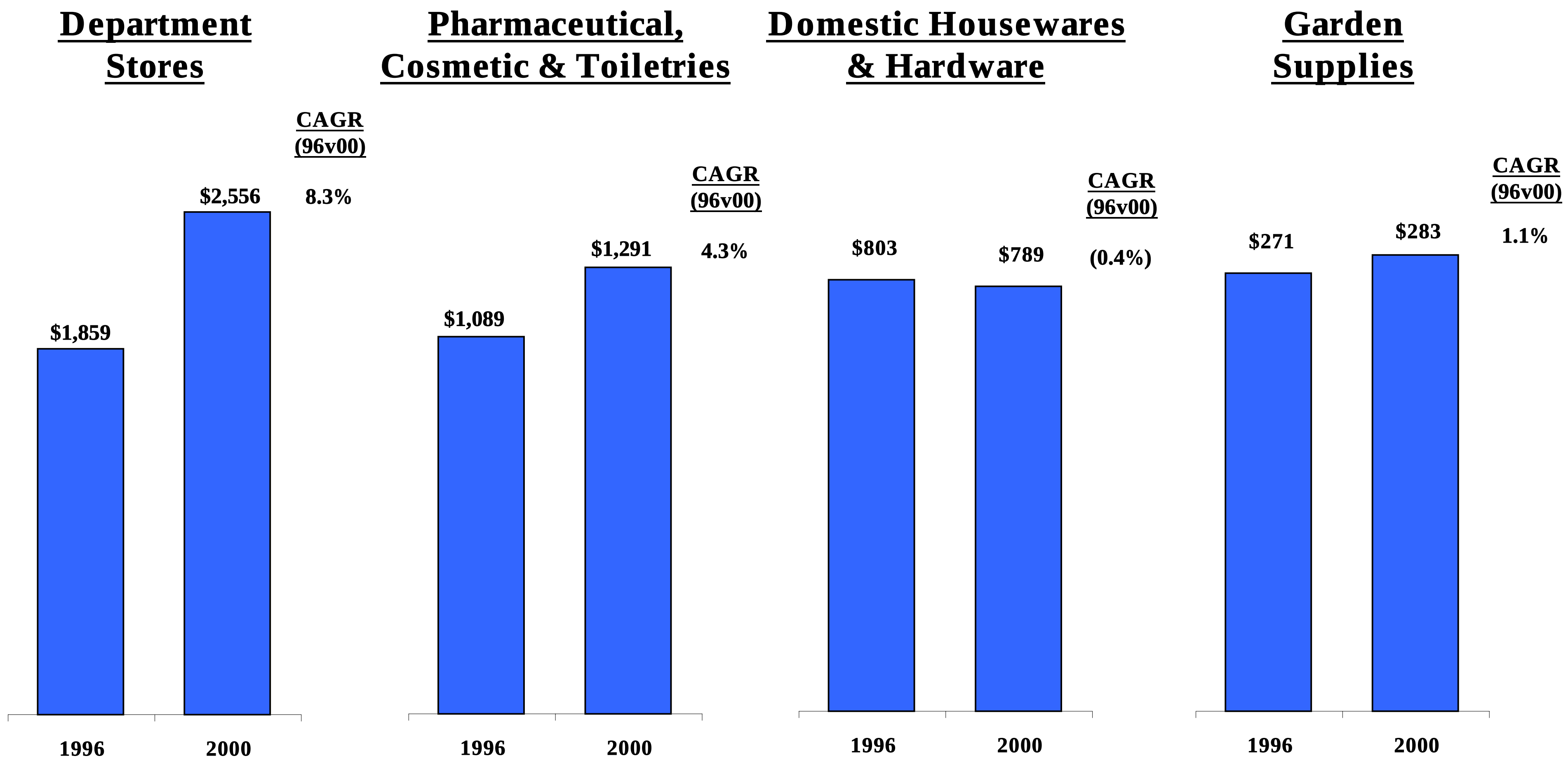
The primarily non-food FMCG sector is undergoing massive changes as discounters replace traditional department stores

RELATIVE CHANGE IN OUTLET NUMBERS BY TYPE OF RETAILER
(Number of outlets in 1987=1; 87-00)



Department stores and pharmaceutical, cosmetics and toiletries retailers are showing strong sales growth while other sectors are flat or down

RETAIL SALES BY TYPE OF OUTLET[1]
(Dollars; millions; 1996v2000)



1. Due to confidentiality restrictions no finer breakdown available; includes milk home delivery and specialised food
Source: Statistics New Zealand (Retail Trade Survey)

Competition in the department store sector is fierce, with new price-oriented discounters like The Warehouse and The $2 Shop displacing old favourites

VARIETY/DEPARTMENT RETAILERS

Brand	# of outlets	Supplier/Owner
Farmers	63	FAL
DEKA	62	FAL (closing)
The Warehouse	47	Public
The $2 Shop	40	Franchised
Briscoes	28	Private
K-Mart	11	Coles Myer
Rendells	7	Private
Other Retailers	19	
Total Retailers	277	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

There is a strong hardware sector with growing FMCG sales, especially in detergents and cleaning products

HARDWARE RETAILERS

Brand	# of outlets	Supplier/Owner
Hammer Hardware	85	Franchised
Mitre 10	130	Franchised
ITM	83	Independently owned
Placemakers	55	Private & Fletcher Distribution
Benchmark Building Supplies	42	Corporate
Other Retailers	582	
Total Retailers	977	

 Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

There are a large number of chain and independent chemists and health and beauty specialists selling a wide range of health and beauty related products

PHARMACEUTICAL, COSMETICS & TOILETRIES RETAILERS

Brand	# of outlets	Supplier/Owner
Unichem	120	Independents (Zuellig Pharma banner group)
Amcal	82	Independents (Zuellig Pharma banner group)
Care Chemists	16	Independents (Zuellig Pharma banner group)
The Chemist Shop	7	Independents (Zuellig Pharma banner group)
Other Retailers	955	
Total Retailers	1,180	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

The line between most newsagents and stationers, and convenience stores is becoming blurred

NEWSPAPERS, BOOKS & STATIONERY RETAILERS

Brand	# of outlets	Supplier/Owner
PaperPlus	171	Franchised
Whitcoulls	32	Blue Star Retail Group
Office Products Depot	38	Franchised
Warehouse Stationery	32	Public
Books&More	23	Franchised
Bennetts Bookstores	7	Blue Star Retail Group
Stationery City	6	Private
Other Retailers	846	
Total Retailers	1,193	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

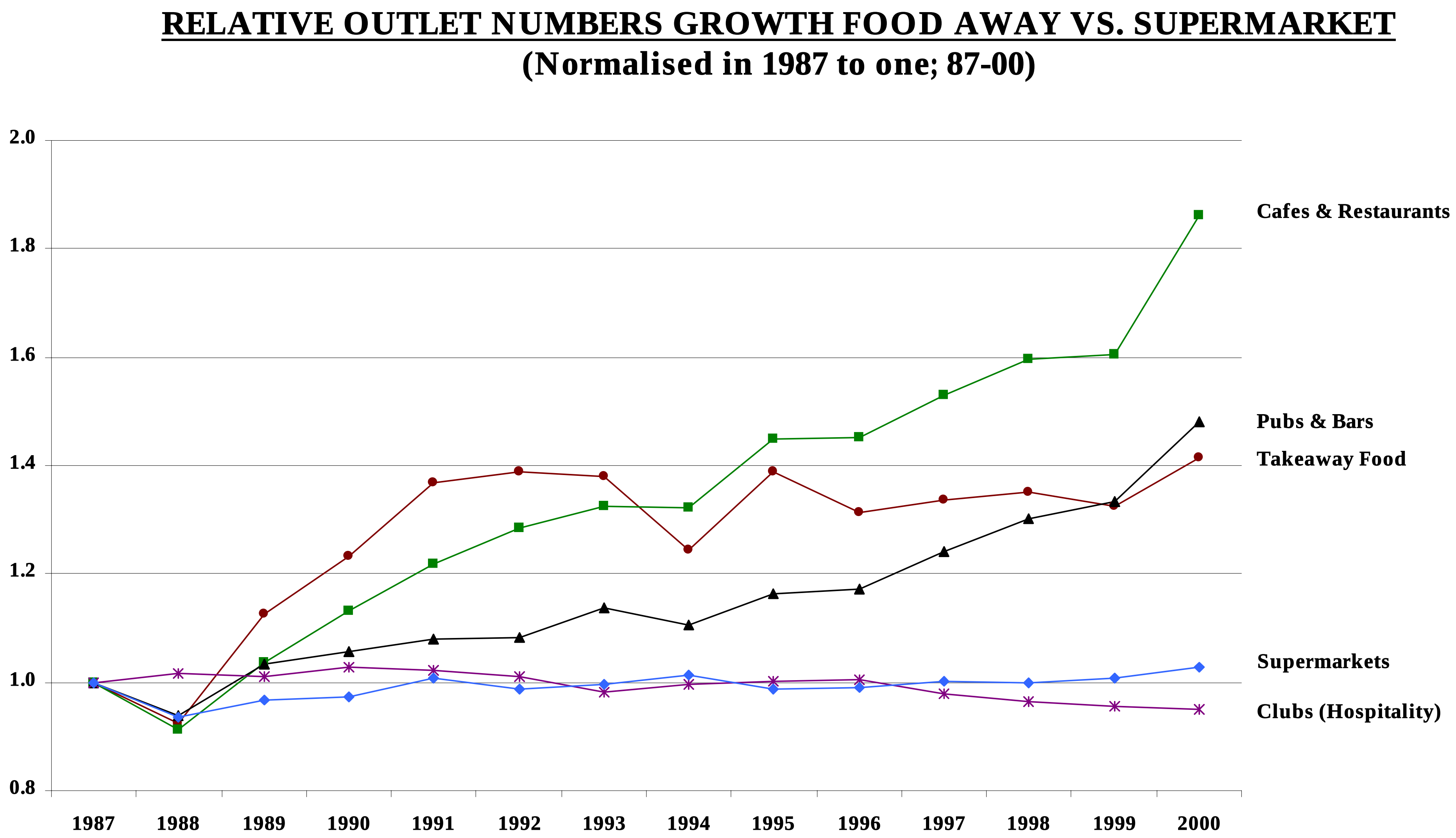
The garden supplies sector is still highly fragmented

GARDEN SUPPLIERS

Brand	# of outlets	Supplier/Owner
Palmers Garden World	20	Mitre 10
Oderings	9	Private
Athol McCully	3	Private
Gardenways	3	Franchised
Turners Garden Centre	2	Private
Other Retailers	364	
Total Retailers	401	

Source: Industry Interviews; Statistics New Zealand (Business Demography Survey)

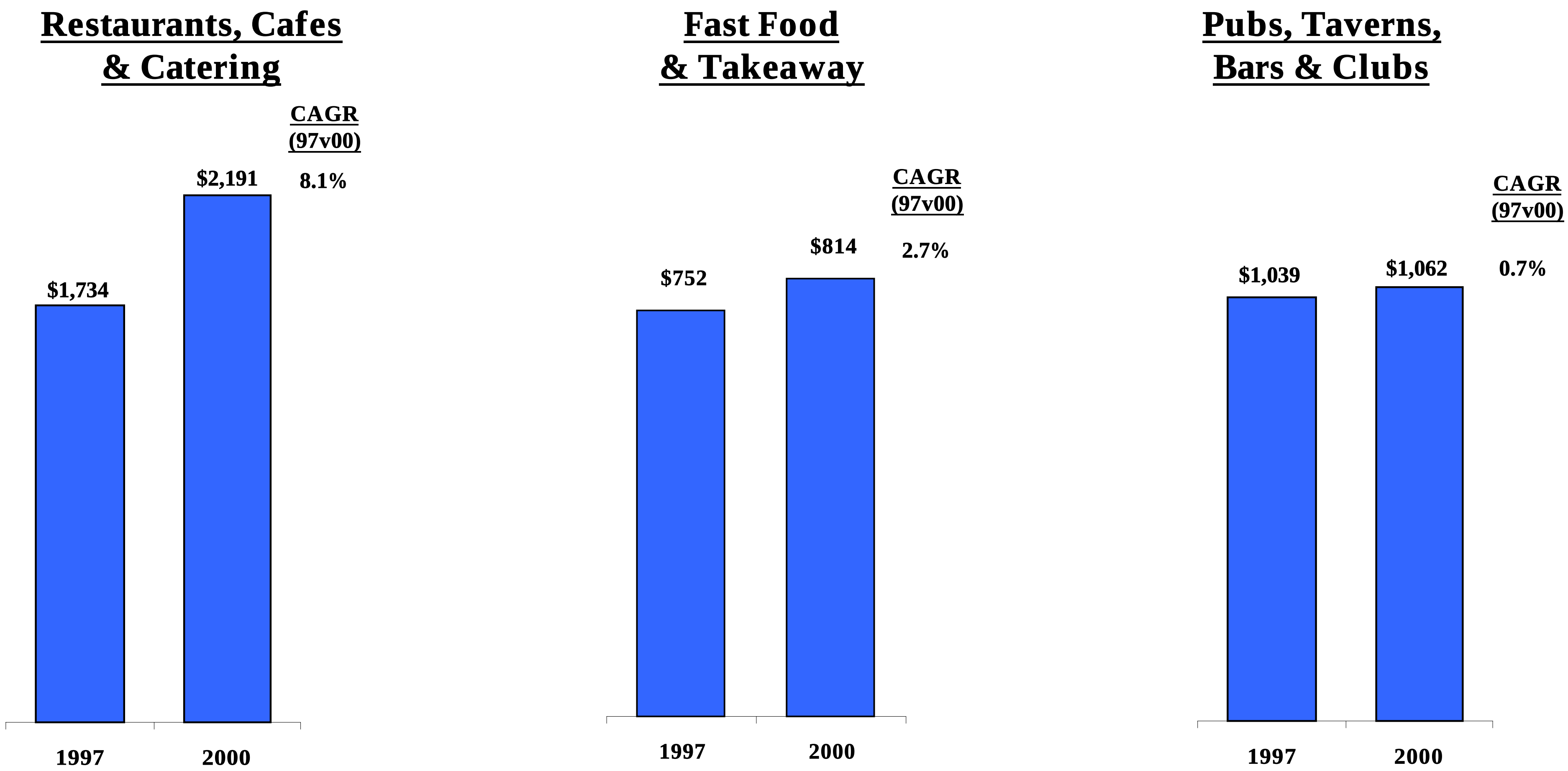
The number of food away from home outlets is growing rapidly



 Source: Statistics New Zealand (Business Demography Survey); Coriolis analysis

Restaurants are showing much stronger turnover growth than other food away segments

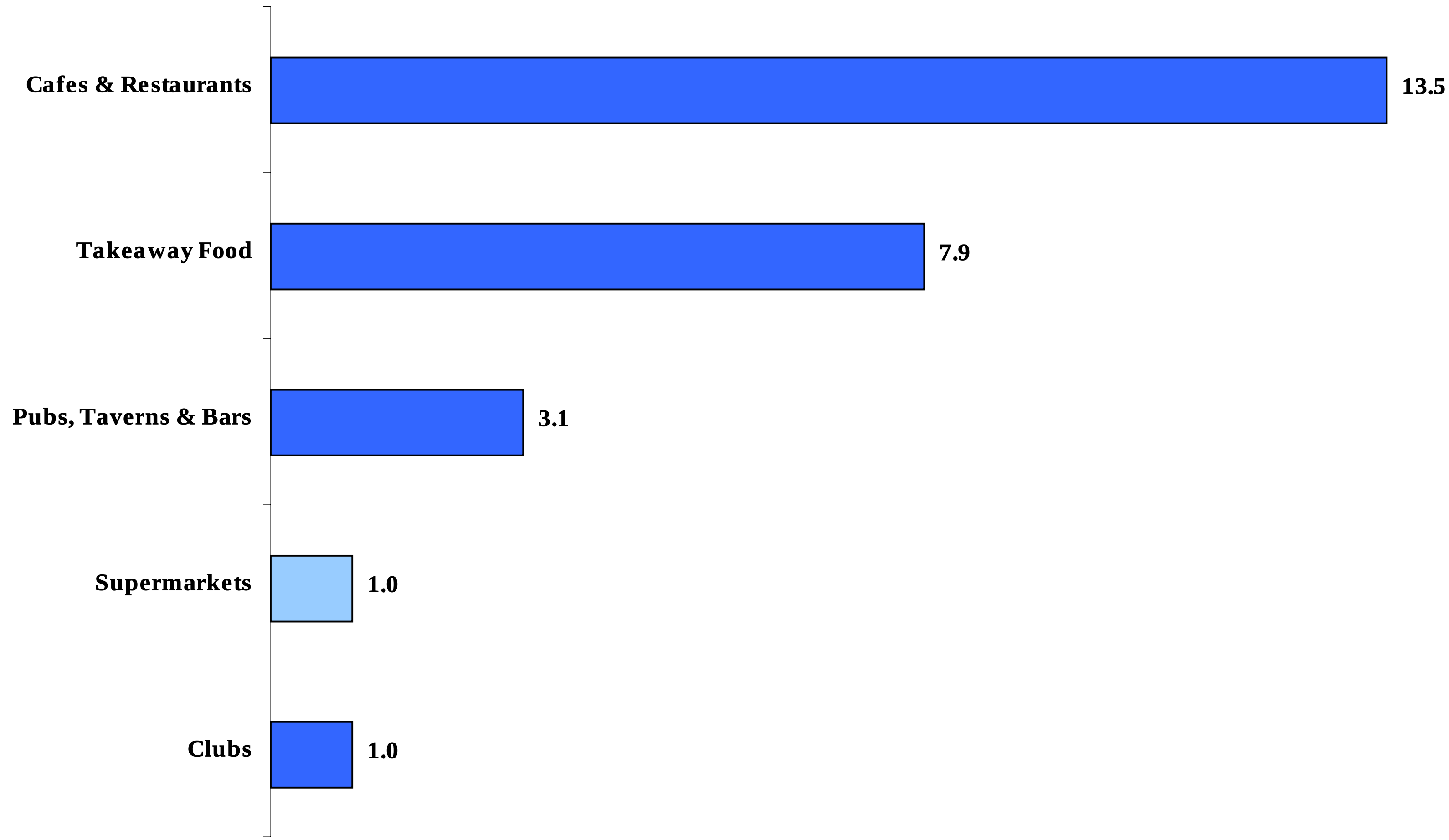
RETAIL SALES BY TYPE OF OUTLET[1]
(Dollars; millions; 1997v2000)



1. Redefined as SNZ classifies fast food as unlicensed restaurants, not takeaway
Source: Statistics New Zealand; RANZ; Coriolis analysis

In terms of outlet numbers, there are now more than twenty five food and alcohol away outlets per supermarket

FOOD AWAY OUTLETS PER SUPERMARKET[1]
(# of outlets per supermarkets)



1. Number of outlets divided by 403 supermarkets (e.g. 401 greengrocers divided by 403 supermarkets = 1.3 greengrocers per supermarket
Source: Statistics New Zealand (Business Demography Survey); Coriolis analysis

Appendix III: Competitor Photos

Photo

CORIOLISRESEARCH

FoodWorld, Bader Drive, Mangere

Photo

CORIOLISRESEARCH

FoodWorld, Watford St, East Tamaki

Photo

CORIOLISRESEARCH

Tai Ping Trading, Salesyard Rd, Otahuhu

Photo

CORIOLISRESEARCH

Gai Lee Asian Food Warehouse, Atkinson Ave, Otahuhu

Photo

CORIOLISRESEARCH

Ings Asian Food Warehouse, Great South Rd, Otahuhu

Photo

CORIOLISRESEARCH

Whenuapai Gardens, Atkinson Ave, Otahuhu

Photo

CORIOLISRESEARCH

Vegie World, Salesyard Rd, Otahuhu

Photo

CORIOLISRESEARCH

Bulk Food Savings, Valley Rd, Mt Eden

Photo

CORIOLISRESEARCH

StarMart, Dominion Rd, Mt Eden

Photo

CORIOLISRESEARCH

BP Connect, Jervois Rd, Ponsonby

Photo

CORIOLISRESEARCH

Gull Shop, New North Rd, Kingsland

Photo

CORIOLISRESEARCH

Challenge, Great North Rd, Western Springs

Photo

CORIOLISRESEARCH

LiquorKing, Ponsonby Rd, Ponsonby

Photo

CORIOLISRESEARCH

Glen Garry, Ponsonby Rd, Ponsonby

Photo

CORIOLISRESEARCH

Cardales Stationery City, Albany

Photo

CORIOLISRESEARCH

Warehouse Stationery, Wairau Park

Photo

CORIOLISRESEARCH

Hardware House, Lambie Dr, Manukau

Photo

CORIOLISRESEARCH

Placemakers, Wairau Park

Photo

CORIOLISRESEARCH **Mitre10, Target Rd, Wairau**

Photo

CORIOLISRESEARCH **Mitre10, Target Rd, Wairau**

Photo

CORIOLISRESEARCH

The Mad Butcher, Massey Rd, Otahuhu

Photo

CORIOLISRESEARCH

Bakers Delight, Dominion Rd, Mt Eden

Photo

CORIOLISRESEARCH

Farmers Home Centre, Link Rd, Wairau

Photo

CORIOLISRESEARCH

Briscoes, Link Rd, Wairau

Photo

CORIOLISRESEARCH

The Warehouse (including Care Chemist), Albany

Photo

CORIOLISRESEARCH

Amcal, Dominion Rd, Mt Eden

Photo

CORIOLISRESEARCH

New World, Victoria St West, Freemans Bay

Photo

CORIOLISRESEARCH

Pak'N Save, Albany

Photo

CORIOLISRESEARCH

Price Cutter, Ponsonby Rd, Ponsonby

Photo

CORIOLISRESEARCH

Gilmours, Cavendish Dr, Manukau

Photo

CORIOLISRESEARCH

Foodtown, Dominion Rd, Mt Eden

Photo

CORIOLISRESEARCH

Woolworths, Richmond Rd, Ponsonby