An Overview of Private Label in Australia

Presentation to the
Monash Food Executive Program
October 2004
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 Retail Globalization: Who’s Winning” 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.
This document is not intended to be read alone.

It should only be read as an Appendix to our report “Towards Private Label Success” which is available on our website.

We are available to present both reports to interested parties.

This document was originally presented at the Monash Food Executive program in October 2004.
PROFILE OF AUSTRALASIAN PRIVATE LABEL PROGRAMS
Australian supermarket retailers trail global leaders in private label development

<table>
<thead>
<tr>
<th>Retailer</th>
<th># of Sku</th>
<th>Current Share</th>
<th>Announced target for marketshare</th>
<th>Announced target for number of sku</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woolworths</td>
<td>900</td>
<td>9%</td>
<td>?</td>
<td>+200</td>
</tr>
<tr>
<td>Coles</td>
<td>2,100</td>
<td>9%</td>
<td>30% or 40%</td>
<td>3,000</td>
</tr>
<tr>
<td>Bi-Lo</td>
<td>1,200</td>
<td>18%</td>
<td>30%</td>
<td>2,700</td>
</tr>
<tr>
<td>Metcash</td>
<td>n/a</td>
<td>9%</td>
<td>25%</td>
<td>?</td>
</tr>
<tr>
<td>Foodland</td>
<td>n/a</td>
<td>13%</td>
<td>20%</td>
<td>?</td>
</tr>
</tbody>
</table>
SUDDENLY HOT
However, after years of neglect and stagnation, private labels are suddenly hot in Australia

－ “Metcash said in August it would accelerate the roll-out of its Black & Gold and IGA home brands. That move came a fortnight after Woolworths Ltd's chief executive Roger Corbett unveiled plans for a premium home brand at Australia's biggest supermarket group. Coles has also been reviewing its approach as the market segment for generic brands grows.” *The Age, October, 2004*
Private Label in Australasia

Woolworths Limited
WOOLWORTHS GROUP STRUCTURE

Woolworths Group operates a range of retail businesses – this report focuses on the private label activities of the supermarket business

Woolworths corporate structure and sales
(A$B, FY 2004)

Note: Discontinued wholesale operation (sales $0.1b not shown)
Source: Woolworths full year results; Woolworths websites
WOOLWORTHS - PHASE I – GENERIC BRAND AND STORE BRAND
For a long period, Woolworths had a limited range of generics under the “Home Brand” and a few Woolworths store brands in perishables
Woolworths private label architecture until December 2000
EXAMPLES: HOME BRAND LABEL
Woolworths ‘Home Brand’ label is a classic generic scheme in the style of the original Carrefour “Produits Libres”

Version 1

Version 2
EXAMPLES: WOOLWORTHS STORE BRAND
The ‘Woolworths’ brand is only used on a few items in its perishables categories
EXAMPLES: WOOLWORTHS STORE BRAND
The ‘Woolworths’ store brand is strong in packaged salads
WOOLWORTHS - STAGE II – PSEUDO-BRANDS

In response to the arrival of Aldi, Woolworths launched a range of 160+ controlled label products under a eleven pseudo-brands

Woolworths Pseudo-Brands program
(Dec 2000)

<table>
<thead>
<tr>
<th>Pseudo-Brand</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Cool</td>
<td>Longlife juices/drinks, carbonated soft drinks, cordials/drink bases, water/non-alcoholic drinks</td>
</tr>
<tr>
<td>Ark</td>
<td>Pet food</td>
</tr>
<tr>
<td>Asaka</td>
<td>Biscuits</td>
</tr>
<tr>
<td>Avora</td>
<td>First aid, papergoods, toiletries</td>
</tr>
<tr>
<td>Bowman’s</td>
<td>Biscuits, breakfast foods, jams/spreads, snacks, beverages, chilled juice/drinks, longlife juice/drinks</td>
</tr>
<tr>
<td>Café Lane</td>
<td>Beverages</td>
</tr>
<tr>
<td>Clarisse</td>
<td>Toiletries</td>
</tr>
<tr>
<td>Echo Valley</td>
<td>Chilled spreads/fats, self service delicatessen, chilled cheese, ice cream</td>
</tr>
<tr>
<td>Hillendale</td>
<td>Canned fruit/desserts, frozen poultry, frozen vegetables, prepared foods, canned fish, canned vegetables, frozen fish, frozen meals</td>
</tr>
<tr>
<td>Marketta</td>
<td>Cooking oils, canned vegetables, condiments, pasta/rice</td>
</tr>
<tr>
<td>Starmark</td>
<td>Cleansing products, paper goods</td>
</tr>
</tbody>
</table>

Source: Coriolis analysis
EXAMPLES: QUALITY/VALUE PSEUDO-BRANDS
The pseudo-brands were linked into a family by the Quality/Value star, but had no attachment to the Woolworths name.
RESPONSE TO ALDI
The pseudo-brand range was a direct response to the arrival of Aldi in Australia

- “The lines were developed to fill a void in Woolworth’s private label offer as well as in response to the entry of the German discounter Aldi into the Australian market... They are eyeballed up against the Aldi products in the stores around the Aldi area. So, although they are dearer in other stores, in the stores that are competing with Aldi, they are the same price as the Aldi products.” Bernie Brookes, GM Buying and Marketing, Woolworths AU, January 2001

- “Woolworths has been quietly rolling out a range of premium private label grocery products in a strategy aimed at countering one of Aldi’s major strengths in its early days of launch in Australia. Aldi, the Germany-based deep discount grocer, which has just opened stores in Sydney, operates on price and a limited range of predominantly private label products. The Woolworths range, which, similar to Aldi, carries different brands in different categories, is being stocked in all stores, not just those within firing range of the Aldi opposition... It is positioned in price above Woolworths’ Home Brand generic range and below the national brands, although, last week, some of the promoted national brand specials were cheaper than the Woolworths “control brand.” Foodweek, February 2001

- “It’s not a premium private label, but rather a ‘control brand.’ There is a bit of a difference there which is important to us - a private label would carry the Woolworths name. This is more of a tactical brand. It gives us flexibility. We can pull it any time we want. We have had brands like this for many years, including the Little Wishes baby products range, Naytura health range and the Chevron electrical products range. This is an extension of that. It has 160 SKUs across 45 categories, and that is as far as we plan to go.” Bernie Brookes, GM Supermarket Buying and Marketing, Woolworths AU, February 2001
A BRIEF EXPERIMENT
After poor consumer response, Woolworths pulled back from its pseudo-brands program

- “Woolworths has conceded defeat in its effort to compete with German giant Aldi on generic branding. In late 2000, Woolworths introduced six or seven company-owned ranges in “controlled brands” to compete with the Aldi supermarket chain, which primarily stocks its own brands... Profitable Bowmans and Ark lines would be retained, but those that had not yielded the desired volume would be ‘exited on a slow basis.’” *Foodweek, Oct 2002*

- “Long term, I think it demonstrates that while we’re good at retailing, we’re not particularly good at marketing brands and that’s not our core proposition. We’d rather use the supplier brand and have Home Brand there as a generic offering... Home Brand will be our sole offering in long-life food because we believe there are enough brands and manufacturers around already.” *Bernie Brookes, GM Buying and Marketing, Woolworths AU, October 2002*
NO PLANS FOR A WOOLWORTHS BRAND
For years Woolworths denied any interest in launching a Woolworths store brand in grocery

- “We have no plans to introduce a Woolworths private brand or a ‘fair dinkum’ private label.” Bernie Brookes, GM Supermarket Buying and Marketing, Woolworths, February 2001

- “We don’t have any plans to venture into a Woolworths brand. Rather, our plan at the moment is to increase the quality of the Home Brand product and the continuation of its 765 lines.” Bernie Brookes, GM Buying and Marketing, Woolworths AU, October 2002
PLANS FOR A WOOLWORTHS BRAND
Recently Woolworths announced plans for a premium Woolworths brand in grocery

- “We feel that the cycle we are in, it’s the right time to do it. Overseas, there’s quite a big move in this direction and we think it’s a trend that can deliver to Woolworths significant cost and gross profit benefits going forward.” Roger Corbett, Chief Executive, Woolworths Limited, August 2004

- “Woolworths will escalate the battle against rival Coles Myer by launching its own brand of premium labels to drive profit growth, putting further pressure on suppliers already battling for shelf space as both retailers cut back slow-selling product lines… Both retailers are facing criticism from food and liquor suppliers about their determination to reduce the number of slow-selling lines on their shelves to reduce costs, while seeking to generate higher sales through promoting their home brands.” AFR, August 2004

- “Woolworths, until now, has adopted a totally different strategy [than Coles]. It carries the low tier Homebrand and there are no tiers above. Woolworths has not revealed how many notches up it will go with its new premium label. By using the word premium, it would indicate a big jump up of two or three notches to the equivalent, or ahead of, the Coles brand. However, using the words, premium home brand, as it did this week, would be a bit like saying Franklins is going to launch a premium No Frills.” Foodweek, August 2004
INITIALLY LIMITED PREMIUM RANGE
The initial range will feature a limited range of 200 premium skus

- “Chief Executive Roger Corbett said Woolworths... would introduce about 200 Woolworths-branded premium product lines in its supermarkets in the next six to twelve months.” AFR, August 2004

- “The company already uses the Woolworths name on a range of fresh products such as meat and salad, and plans to expand into dry food and health and beauty products. The move into premium home brands follows Coles Myer’s rollout of its Coles, Savings, Persona, Reliance and Farmland labels.” AFR, August 2004
WOOLWORTHS PRIVATE LABEL ARCHITECTURE

Woolworths current private label architecture features a tier one generic, a range of pseudo-brands being phased out and an emerging tier two store brand under the Woolworths name.

Woolworths private label architecture

- Tier I
  - Tier 1½ Pseudo-Brands
    - 160 sku
    - Being Eliminated
  - 765 sku
- Tier II
  - ~50 sku
- Other
  - Occasional Controlled labels
WOOLWORTHS PRIVATE LABEL STRUCTURE
Woolworths private label program is currently very limited by international standards

Woolworths private label architecture

<table>
<thead>
<tr>
<th></th>
<th># of sku</th>
<th>Label</th>
<th># of sku</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Brand</td>
<td>765</td>
<td>Home Brand</td>
<td>765</td>
<td>Tier I generic</td>
</tr>
<tr>
<td>Quality/Value</td>
<td>160+*</td>
<td>Ark Bowman’s</td>
<td>160+*</td>
<td>Range of pseudo-brands launched in response to Aldi; being phased out</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marketta</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Others</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woolworths</td>
<td>50</td>
<td>Fresh</td>
<td>50</td>
<td>Existing use of Woolworths brand in perishables categories such as dairy and produce</td>
</tr>
<tr>
<td>“New Brand”</td>
<td>[200+]</td>
<td></td>
<td></td>
<td>New initiative recently announced; no details</td>
</tr>
<tr>
<td>TOTAL</td>
<td>~900+</td>
<td></td>
<td></td>
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</table>
Private Label in Australasia

Coles Myer Ltd.
COLES MYER STRUCTURE
Coles Myer incorporates a range of retail businesses, many of which have private label; this report focuses only on the supermarket component (Coles and Bi-Lo)

Coles Myer corporate structure and sales (A$B, FY 2004)

Sales: $32.3b

Food & Liquor
- Sales: $18.0b
- coles express
- harris technology
- coles onLINE

General Merch. & Apparel
- Sales: $10.9b
- Kmart
- Officeworks
- Target
- MYER Megamart

Source: Coles Myer full year results; Coles Myer websites
BI-LO – STAGE I – STORE BRAND
Bi-Lo has long had a basic store brand
EXAMPLES: BI-LO STORE BRAND
The Bi-Lo store brand featured basic packaging design and labels under a uniform or “American-style” design architecture
BI-LO – STAGE 1½ – UPGRADED STORE BRAND
Bi-Lo then upgraded its private label program in response to the arrival of Aldi
EXAMPLES: UPGRADED BI-LO STORE BRAND
The upgraded Bi-Lo store brand still featured a uniform design architecture, but better quality packaging design and colour photos.
GOOD RESULTS
Bi-Lo achieved success with its upgraded and expanded private label range

“We’re very pleased with the performance of BI-LO’s expanded private label range.” Alan Williams, Chief Operating Officer
Food and Liquor, Coles Myer, October 2001
COLES – PHASE I – TWO TIER ARCHITECTURE: GENERIC AND GROUP
At the time of the merger with Myer, Coles supermarket had a two-tier private label architecture of a non-name generic and a group brand

Coles private label architecture in the mid-1980’s
EXAMPLES: SAVINGS LABEL
Coles then replaced its pure generic brand with the Savings generic label
VERTICAL INTEGRATION - SANDHURST DAIRIES
From 1987 to 1991, Coles owned Sandhurst Dairies and Charlton Feedlot which supplied stores in some areas with milk and beef
COLES - PHASE II - TWO TIER ARCHITECTURE (v2): GENERIC AND STORE
In the late 1990’s Coles began to replace the Farmland group brand with the Coles store brand

Coles private label architecture in 1999+

Tier 1
Tier 2
EXAMPLES: COLES STORE BRAND
Coles launched a range of well designed and attractive Coles branded products using a mixed or “UK-style” packaging scheme
Coles then revived Farmland and launched a number of new pseudo-brands in response to the arrival of Aldi in Australia

<table>
<thead>
<tr>
<th>Pseudo-Brand</th>
<th>Categories</th>
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</thead>
<tbody>
<tr>
<td>Farmland</td>
<td>Food and grocery</td>
</tr>
<tr>
<td>Persona</td>
<td>Health and beauty, toiletries</td>
</tr>
<tr>
<td>Reliance</td>
<td>Household, cleaning</td>
</tr>
<tr>
<td>Candy Lane</td>
<td>Confectionery</td>
</tr>
<tr>
<td>Banquet/Purr</td>
<td>Pet food</td>
</tr>
</tbody>
</table>
EXAMPLES: COLES PSEUDO-BRANDS
Coles pseudo-brands were an imitation of Aldi’s packaging style and range
EXAMPLES: COLES PSEUDO-BRANDS - PETFOOD
Coles also developed two pseudo-brands for pet-food

- Banquet
- Purr
COLES - STAGE IV – ENDORSED PSEUDO-BRANDS
Coles then endorsed its range of pseudo brands with the Coles store brand

Coles endorsed Pseudo-Brands program (2001)
EXAMPLES: COLES ENDORSED PSEUDO-BRANDS
Coles endorsed pseudo-brands attempt to give consumers' comfort in their purchase decision through the presence of the Coles name
EXAMPLES: COLES ENDORSED PSEUDO-BRANDS
Coles carried the Coles Reliance pseudo-brand into general merchandise, a strange move for a company that owns a wide range of controlled labels through Kmart, Target and Myer
COLES - STAGE V - SUB-BRANDS - COLES ORGANIC SUB-BRAND
Coles then developed a Coles Organic range, which it later upgraded/updated
COLES - STAGE V - SUB-BRANDS - COLES WORLD FLAVOURS SUB-BRAND
Coles has recently launched its Coles World Flavours sub-brand
COLES SUPERMARKET PRIVATE LABEL ARCHITECTURE
The current private label situation in Coles supermarkets is in transition, with multiple brands and messages on the shelf

Coles private label architecture
COLES PRIVATE LABEL STRUCTURE
Coles currently has about 3,300 private label skus across Coles and Bi-Lo

Coles private label architecture

<table>
<thead>
<tr>
<th></th>
<th># of sku</th>
<th>% of total store sales</th>
<th>Label</th>
<th># of sku</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coles</td>
<td>2,100</td>
<td>9%</td>
<td>Coles</td>
<td>450</td>
<td>“As good as” branded positioning</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Coles Organic</td>
<td>50</td>
<td>Successful sub-brand targeted at healthy shoppers</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Coles Farmland</td>
<td>1,500</td>
<td>“Everyday low price” range targeted launched in response to Aldi; being phased out</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Coles Persona</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Coles Reliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bi-Lo</td>
<td>1,200</td>
<td>18%</td>
<td>Bi-Lo</td>
<td>1,200</td>
<td>Tier I price fighter range</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
<td>~3,300</td>
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</table>
CAIN AND THE NEXT PHASE
The arrival of Steven Cain from the UK has triggered a renewed push for private label

- “House brands, by and large, are a great way of delivering value to customers.” Steven Cain, MD Food and Liquor, June 2003

- “Mr Cain used to work for the UK’s Asda supermarket chain, where he oversaw an aggressive push into private labels.” Sydney Morning Herald, September 2004

- “Coles is already heavily involved in overseas expertise since appointing Steven Cain. Cain came to Coles last year from Asda in the UK to head up the food, liquor and fuel division. So Coles is looking to the UK experience.” Foodweek, August 2004

- “Looking ahead, food and liquor sales growth will be driven by great value and innovative offers across the network, including expansion of fresh food to increase customer frequency and basket size and continuing development of house brands.” John Fletcher, CEO, Coles Myer, August 2004

- “Coles Myer is trying to achieve better synergies between the liquor unit and supermarket by basing their managements in the same office in the Melbourne suburb Tooronga. Coles Myer's head of food and liquor operations, Steven Cain, recruited from Britain last year, is expected to make further changes to the $17-billion division. Cain is expanding fresh food offerings in supermarkets and the number of house-brand products in supermarkets and liquor stores.” BRW, July 2004
COMBINING COLES AND BI-LO?
The recent combination of Coles and Bi-Lo backroom functions may also lead to a consolidated private label architecture across both brands

- “The restructure [of Coles Supermarkets and Bi Lo backroom functions] will enable the company to redirect funds to areas that will drive growth in the business, including house brands, fresh foods and business transformation... The restructure could also give Bi Lo customers access to more products and services, including an improved house brand and fresh food offer.” *Steven Cain, MD Food and Liquor, September 2004*
THIRTY PERCENT IN THREE YEARS
Coles recent results announcement included a slide on the strategic direction for private label, setting a target of 30% by 2007.

House brands as heroes

Lowest price  Best quality

Share of sales ▲ to 30% by FY07

Source: Coles Myer Full Year Results presentation
THREE TIER STRATEGY
Coles plans to achieve 30% in three years using a three tier strategy

- “House brands will more than double their share of overall sales, from 13% to 30% by 2007, as in the US and Britain.”
  *John Fletcher, CEO, Coles Myer, September 2004*

- “Coles Myer is targeting 30 per cent of Bi-Lo and Coles supermarket sales from private labels by fiscal 2007. It is hoping the development of a three-tiered and more sophisticated offering of "good, better and best" products in a range of packaging will overcome the Australian shopper's suspicion of private labels. It has established a team of executives, headed by former Bi-Lo managing director Peter Merritt and guided by group managing director for food, liquor and fuel, Steven Cain.” *Sydney Morning Herald, September 2004*

- “Sources said it was keen to expand the talent and staff numbers for the buying teams that would develop house brands for Coles and Bi-Lo. The retailer is expected to unveil three tiers of house brands before Christmas and has said previously that it wants up to 40 per cent of sales to be house brand products compared with 10 to 15 per cent now. To bridge the difference, Coles Myer will have to negotiate new deals and new product lines with existing suppliers who also supply national brands under their own labels.” *The Age, August 2004*

- “Coles has three tiers – budget or generic at the lower end, Farmland, the middle tier allied to food, plus a tier above which is the Coles top range brand. The retailer would see its Coles brand as its premium brand, but not the same as President’s Choice or Sainsbury’s.” *Foodweek, August 2004*

- “Cain wants to lift house brands in the Coles supermarket chain from 9% to 16% by mid-2006. The Bi-Lo chain will increase house brands from 15% to 30% over the same period, and Liquorland is expected to increase its house brands from 20% to 40%. It is unclear whether this will work on alcohol, especially wine. Strong brands are selling cheaply due to the wine surplus.” *BRW, July 2004*
RANGE GROWTH
This massive growth will entail a corresponding increase in range and consequently shelf-space, which will impact existing brands

- “Coles’ house brand ranges currently represent 5% of the total range of between 30,000 and 40,000 products in stores. The company wants to increase house brands in Coles supermarkets to around 15% and in Bi Li stores to 30% of total ranges.” *Foodweek, September 2004*

- “Coles Myer’s strategy... calls for the number of house-brand products to grow from 2000 to more than 3000 in Coles stores and from 1200 to 2700 in Bi-Lo outlets by mid-2006.” *AFR, August 2004*
OVERVIEW - SECOND TIER RETAILERS
METCASH - OVERVIEW
The IGA and Black & Gold brands achieve about 9% market, but this is targeted to rise to 25% over the next few years

- “Just over nine per cent - about $364 million - of Metcash's entire sales are its own generic brands but it expects that to rise to 25 per cent over the next few years.” The Age, October, 2004

- “Metcash is bucking national trends, reporting “staggering growth” of its generic brands, IGA and Black & Gold, sales of which have increased by more than 20%. However, scan data figures show no growth in the generics market nationally across all grocery channels, making the independents’ performance even more significant. Metcash says generic sales have exceeded $325 million on an annualised basis through independent supermarket chains and the customers of Campbell’s Cash & Carry. Together, the IGA and Black & Gold brands constitute about 10% of the total sales of independent supermarkets throughout Australia, with Metcash expecting that share to rise to 15% in the next couple of years.” Foodweek, July 2003

- “Both brands [B&G and IGA] will continue to expand their product ranges in food, cleaning products, clothing and toiletries... We are planning to embark on an aggressive program of promotions, including point of sale merchandising and other ‘below the line’ activity to stimulate further interest in its generic products... We have found that while the big chains are cutting back their investment in and sales of generic products, our customers are demanding more brands covering a broad spectrum of grocery categories... One of the major factors in the success of our generic brands is the fact that we maintain very high product quality and undertake constant product evaluation to ensure standards are maintained.” Mike Jablonski, Merchandise Director, Metcash Trading, July 2003
LAUNCHING IGA SUB-BRANDS

Metcash is launching IGA sub-brands, including IGA First, IGA Baker’s Best and IGA Way of Life

- “IGA has further expanded its product line with a range of 16 products under the IGA ‘Baker’s Best’ brand name, which had shown a 65% growth in sales over the last year... The IGA First Label brand of more than 350 products, has shown strong growth.” Mike Jablonski, Merchandise Director, Metcash Trading, July 2003

- “Independent supermarket supplier Metcash Trading Ltd opened up a new front in the growing battle for generic brand sales, launching a health-focused home brand. The IGA 'Way of Life' range was established to provide nutritional food to consumers who are “weight and nutrition conscious.” The range includes gluten-free, lactose-free, yeast-free apricot fruit bars, reduced fat table spread, organic black tea, low-joule fruit cordials, vegetarian eggs and ice cream... Metcash merchandise director Mike Jablonski described the new Way of Life range as the "greatest development in private labels since they were originally launched". IGA launched its label in 1991. Metcash chief executive Andrew Reitzer said Metcash intends to grow the IGA Way of Life range into every possible category in the supermarket. He said hundreds more products were currently being considered.” The Age, October, 2004

- “Australian wholesaler Metcash Trading, which supplies independent supermarkets, is launching an own-brand line of health-focused foods. The IGA Way of Life range includes gluten-free, lactose-free, yeast-free apricot fruit bars, reduced fat table spread, organic black tea and low-calorie fruit cordials. Metcash said the aim was to provide nutritional food to those consumers who are “weight and nutrition conscious”. Metcash chief executive Andrew Reitzer said the company is considering the launch of many more products under the Way of Life brand and plans to expand the range to include non-food items.” Just Food, October 2004
COMPLIANCE A CHALLENGE FOR INDEPENDENTS
Achieving a common vision and store compliance is always a challenge for a wholesaler to independents

- “[South Australia’s] Foodland IGA will continue to focus on building sales of manufacturers brands and will aggressively promote them... We are concerned about Metcash Trading's push for a much larger proportion of house brands in independent stores, because Foodland's intention is to continue to market manufacturers brands aggressively. "We built our business on manufacturers brands and we believe they offer the best prospects for long term growth in our stores.” Mark McLauchlan, CEO, Foodland IGA, September 2004
FOODLAND (FAL) – OVERVIEW
FAL has a plans to grow its private label program across its company owned stores in Australia and New Zealand

- “It’s a major part of the future... There’s huge upsides in customer loyalty and margin enhancement.”  *Trevor Coates, Managing Director, Foodland, August 2004*

- “Whether it will get to the levels seen in the US and UK in mid 40%, I doubt, but America has come from virtually nothing to about 40% in the last 15 to 20 years, the UK’s about 48%, so I’m very optimistic... If your product’s good, it gives you loyalty and it adds value... To achieve 13% is very encouraging. I see no limit to what we can do if we handle the process as we have now both in Queensland and in New Zealand. It’s not quite to that level in NZ, but getting close... But I know BI-LO has a quite a strong position, but it’s got a huge amount of SKUs. We have got one third of the SKUs BI-LO and Coles have, yet in the case of Coles, our performance, is better in terms of percentage of sales. We’ll certainly extend our SKUs, but not for the sake of it. We’ll add SKUs to our range where we think it is appropriate. But I think 40% is optimistic. If you said 20% within the next two to three years, I’d agree with you. I think it will then continue to grow and I’m sure that’s likely to be the case with a concentrated effort by all retailers in Australia.”  *Trevor Coates, Managing Director, Foodland, May 2003*

- “FAL has advertised in the Canadian trade press. There is an opportunity in Australia, says FAL, for a head of corporate brands to be based here... FAL is looking to Canada, and possibly trying to draw someone out of Loblaws in an endeavour to emulate overseas experience. Many in the food industry consider Loblaws carries the best PL in the world.”  *Foodweek, August 2004*

- “We are continuing to improve profitability through cost reduction and improved sales of Action chain, bolstered by the refurbishment fresh, general merchandise and house brand program in Queensland stores, increased its ranges.”  *Trevor Coates, Managing Director, Foodland, March 2004*
PICK’N PAY/INTERFRANK/FRANKLINS
Franklins continues to offer the No Frills brand it bought/inherited from Dairy Farm

“Under an agreement with InterFrank, Pick’n Pay’s operation in Australia, Franklins will continue to sell products under its No Frills icon brand during the sell-down of its stores, although the No Frills business name has been sold to InterFrank… Pick’n Pay is not interested in First Choice or private labels generally, but is impressed with the potential power of the No Frills generic line, which it aims to further develop.” *Foodweek, October 2001*