

Research Implications & Recommendations for Suppliers

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Bord Bia

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Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Outline

- ✓ Key conclusions from research
- ✓ What are the implications for suppliers?
- ✓ Summary recommendations

Changing dynamics in Irish Foodservice market



Consumer behaviour significantly altered

- Eat out but spend less
- Eat out less frequently
- Stop eating out



Significant pressure on operators to maintain business

Operators are adjusting

Strong focus on key areas

✓ Costs

- Internal costs
- Ingredient costs

✓ Prices

Challenge for suppliers is how can they help operators;

- Attract more people/get them to spend more per visit

✓ Marketing

- Meal deals
- Special menu's
- Stronger advertising



Wholesaler requirements changing



✓ Cutting prices

“You must analyse the profitability of each product to reduce price to customers.”

✓ Reducing catalogue ranges

- Do this for them by cutting/replacing weak products

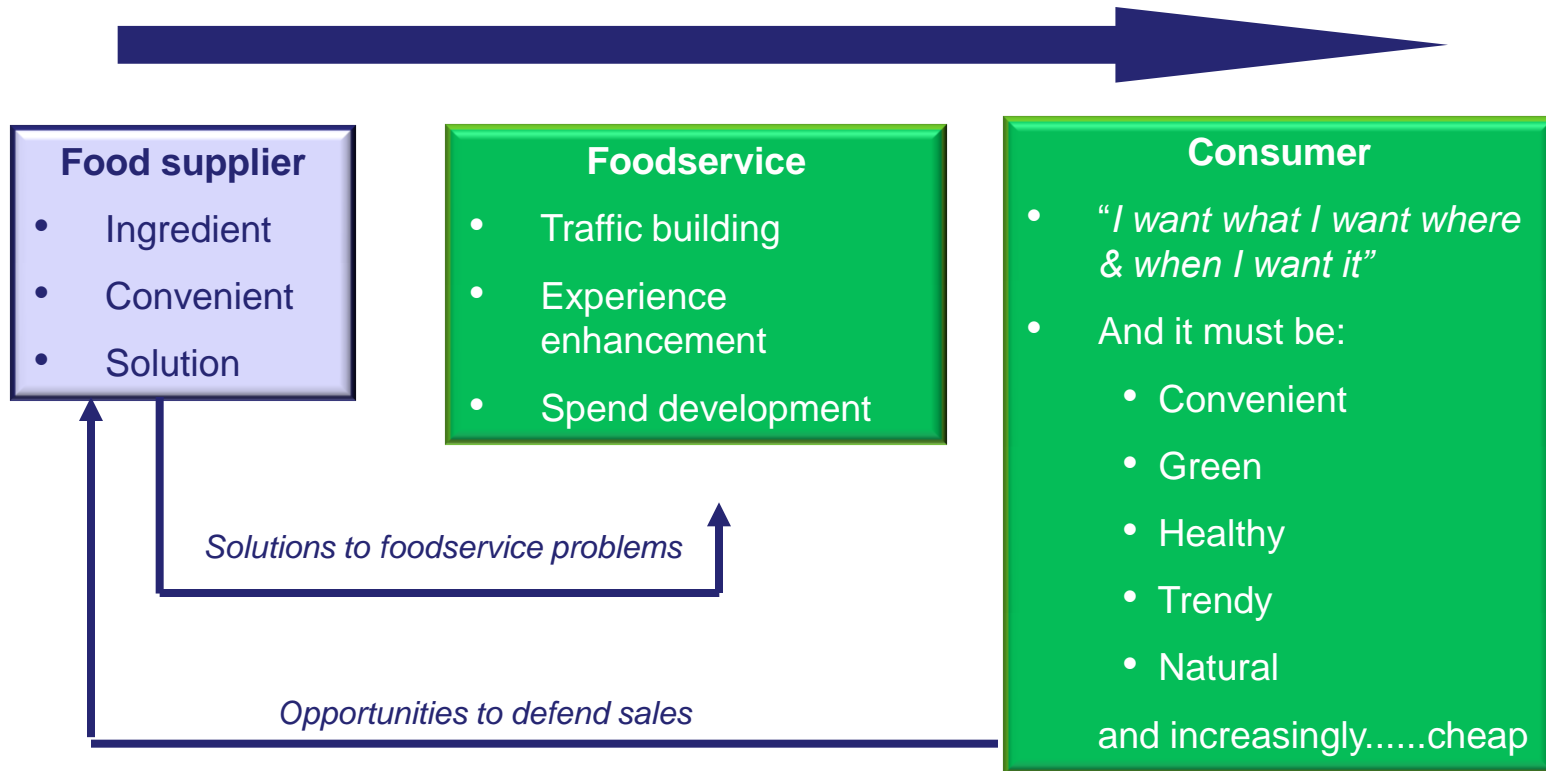
✓ Not looking for new products

“Any NPD must replace existing SKUs. They must not cannibalise sales across product.”

What are the implications for
suppliers?

Understanding foodservice is critical

- Need to understand needs of your customer and their customer



Foodservice suppliers must major on two fronts
Realise consumer *wants* while delivering foodservice *needs*

Need to know your customer

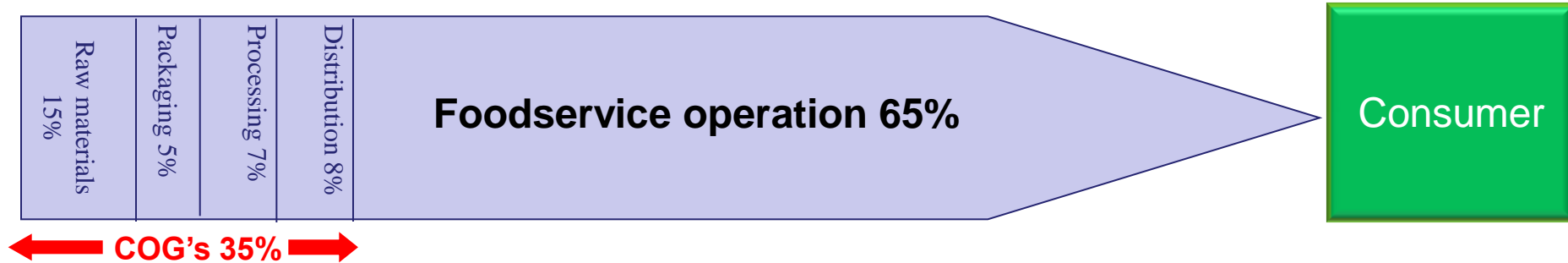
Who should you see as key customers and what are they looking for?

- ✓ Key decision maker is the foodservice operator
 - Operators respond to consumer needs and wants
- ✓ Distributors, wholesalers – are either your route to customers or gatekeepers
 - Typically they respond to operator demand.
- ✓ The more direct the contact with the ultimate customer the more control

**Need to invest time and resource to
understand what customers really want**

Understand what the foodservice operator offers

A typical foodservice value chain (% of consumer price)



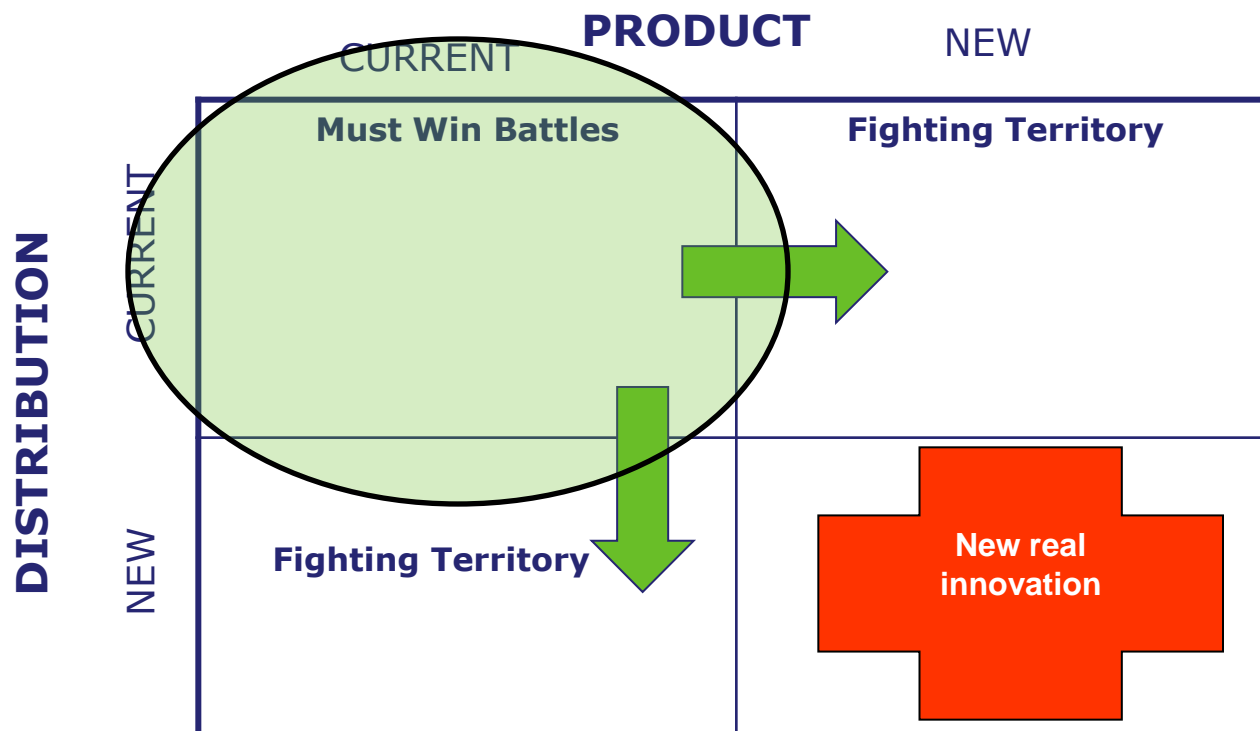
Understand what operator supplies extra to 65% of the consumer price

- Sustenance + convenience, quality, differentiation, ambience, experience

Food companies supply a basic ingredient

- Understand the operator's proposition and their added value
- Use it to improve your share of consumer price

Customer/business analysis



- Where are my “must win battles”
- Where is my fighting territory and what are the opportunities
- Can I risk new real innovation?

Summary recommendations

Build your knowledge of the foodservice market

- ✓ Foodservice is one of the worst documented consumer markets
- ✓ Yet the importance of good market intelligence is clear
- ✓ Developing partnerships with distributors, wholesalers & operators is most cost effective way of building understanding

Seek out ways of sharing information with trade while also developing understanding of consumer trends

Address the difficult questions

✓ **How do you best align your strategy to that of your best clients?**

- Are they looking to cut cost?
- Are they extending their offering to attract new customers?
- Are they looking for new occasions?
- Are they hurting, surviving or growing?

✓ **How can you cut your costs with simpler products and range?**

- Review your offering and your recipes

The first step is to QUESTION everything!

Most actions will require tough decisions

Act quickly

- ✓ **Suppliers are first target in times of falling sales**
 - It is better to be first and be pro-active rather than reactive.
- ✓ **Planning horizons are reduced & decisions are taken more quickly**

Apply the basic rules of good management

- Prepare in advance
- Benefit from what has happened
- Keep informed and do research
- Be realistic, accept things that could be uncomfortable
- Plan for different outcomes
- Keep close to customers
- Build relationships/partnerships

Focus, focus and then focus again

- ✓ **Focus on business stability not growth**
 - Growing through recession *“is like pushing water uphill”*
- ✓ **Focus on the do-able wins**
 - Focus marketing effort on your key product range – *“the 20% that delivers 80%”*
- ✓ **Focus on your key existing customers**
 - Competitors will try to win your customers – defend them first and foremost!
- ✓ **Focus and target your resource**
 - *“In our company we had a rule that for every euro of marketing support we put in we needed to be sure that we would get 2 euro’s back in either additional business or better prices”*
- ✓ **Focus on profitability and cash**
 - *“The key question in recession is profitability – for us, for wholesalers and for operators”*

Summary

- ✓ **Understanding your customers and the final consumer is key**
- ✓ **Examine your relationships with customers/intermediaries**
- ✓ **Communicate regularly and share information**
- ✓ **Adopt a proactive approach to maintain position**
 - Help operators help themselves.....and you!
- ✓ **Assess all aspects of your costs**
- ✓ **Don't forget to plan for post recession**

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