Metcash Unit Pricing Submission

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Agenda

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- Metcash Position
- Metcash Scope & Footprint
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- Unit Pricing Data Flows
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- Unit Pricing Font Size
- Cost Comparison (Trickle feed v's Big Bang)
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Purpose

- Provide unit pricing information to enable consumers to make more informed purchase decisions on grocery related products (excl Liquor, Fresh per Kg & GM) as part of their "main shop".

Metcash Position

- **Metcash believes & supports:**

  – Informed consumers and

  – A transparent, competitive market

  In a price competitive environment where consumers perform their "main shop"

Metcash Scope & Footprint

- **IGA>D (Supermarkets)**
  - 2700 independently Owned and operated Supermarkets
  - Brands Inclusive of:
    - Supa-IGA
    - Foodworks
    - Supabarn
    - IGA
    - IGA Express
- **Campbell's Cash & Carry (Non-supermarkets)**
  - 80,000 SMB/Organisations/Small Retail Outlets
  - Brands inclusive of:
    - 7/11
    - BP & other Petrol Convenience
    - Lucky 7

Information Technology Footprint

- 4 mainframe systems
- File format changes & integration
- Over 30 different back office software vendors
- Many hardware platforms, printers etc.
- See diagram

Unit Pricing Data Flows

Metcash Price Info Manual Entry
(25,000 Products)
Upgrade x 4 Mainframe Systems
($$$)

Retailer Price Info Manual Entry
(9,000 Products)
Upgrade x 2700 Store Systems
($$$)

Product
Catalogue File
($$$)

Back Office Software System
(Upgrade 30+ Vendor's Solutions)
($$$)
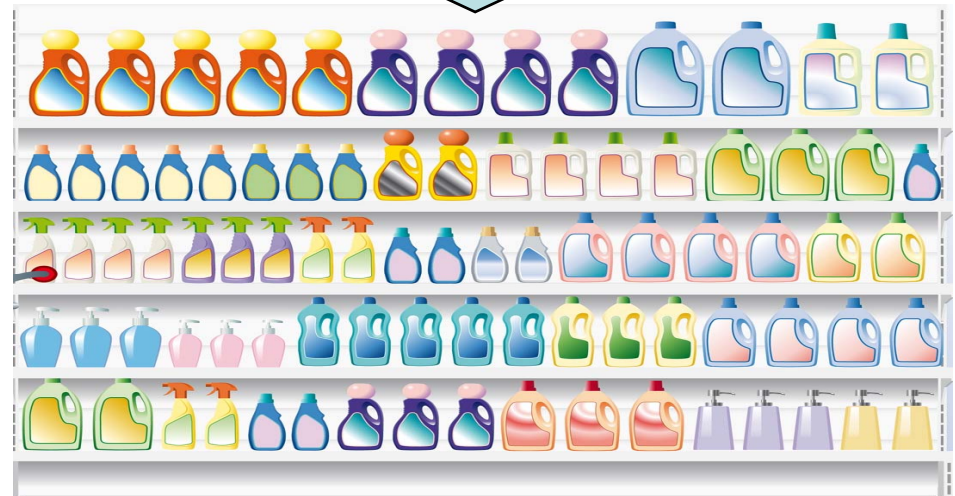
$ - Re-label (Current Size) x 2700 Stores
$$$ - Re-label/Re-strip (Increased Size) x 2700 Stores
$$$ - Relay shelving due to reduced trading area
$$$ - Electronic Shelf Edge Labels (ILID)
$$? - Fresh/Deli Weigh Scales

Major Unit Pricing Impacts

- Unit Pricing Display Font Size (Size Constraints)
- Price Display Impact Points (Shelf, ESL, Handbills, Shelf Talkers, Internet)
- #'s of Labels per Store (5,000-30,000)
- IT System Upgrades
  - Wholesaler (Metcash)
  - BOSV (30+ Retail Software Providers)
  - Retailer (In-Store System)
- Big Bang (all at once) vs. Trickle Feed (as you go over time)

Unit Pricing Font Size

- **Printed Labels**
  - Current Label Size (25 mm)
  - Possible new Label Size (40 mm)
    - Shelf Stripping Upgrades
    - Store Layout Upgrades
- **ESL (Electronic Shelf Labels)**
  - New Label Size
    - Unique Australian Requirement

Cost Comparison

Cost	'Trickle' Feed Best Case*	'Big Bang' Worst Case**
IT Systems Costs (incl Retailer – 8 BOSV)	$0.9M	$1.2M
Additional Software Vendors (9-30+ BOSV)	$1M	$2M
Shelf Edge Label Costs (incl Hanging)	$0	$8.8M
Electronic Shelf Edge Labels (ILID)	$0	$5.2M
Shelf Stripping Costs (incl Labour)	$0	$6.6M
Shelving Relay Costs (incl Labour)	$0	$?M
Direct Product Data Entry at Store Level	$?M	$?M
Fresh Food Scale changes	$?M	$?M
Total Implementation Costs	**$1.9M+**	**$23.8M+**
On-going Costs (Metcash)	$0.4M pa	$0.4M pa
On-going Costs (Retailer)	$?M	$?M

• - No Shelf Ticket Font Increase

** - Shelf Ticket Font Increase, assumes no CCC Customer Impact & exclude All Non-Scan Stores

Recommendation

- Working committee setup including "main shop" players to establish unit pricing standards
- \> 1200 m^2 Supa IGA store size only, mandatory with phased implementation
- \< 1200 m^2 Voluntary Unit Pricing Code (not main shop)
- In-Store Capability (2400 supermarkets – 90%) by Dec '09
- Trickle-Feed 100% Compliance in Supa IGA by Dec '10
- Exclude Liquor, Fresh per Kg, General Merchandise
- Unit price size display to fit current shelf edge label
- One National system – one set of standards