

Welcome to FairChoice

*The site that
empowers you to
make savings on your
weekly cost of living!*




FairChoice Holdings Pty Ltd

Strategic Plan **Empowering Consumers**

May 2008

 *Fair Electricity and gas*

 *Fair Insurance*

 *Fair Petrol & Diesel*

 *Fair Household appliances*

 *Fair Groceries*

Select the product
you wish to buy
from the options
at left.

FairChoice Holdings Pty Ltd

Strategic Plan

*“The scope for consumers to compare the offers of retailers and their willingness or ability to alter where they shop are likely to influence competition between grocery retailers”
– ACCC March 2008*



Specifically – FairGroceries.com.au & GroceryChoice.com.au

1. External and Industry Environment Analysis

- There are 8.44 million households in Australia
 - Australians spend \$128 billion per year on food, non-alcoholic beverages, alcohol and tobacco
 - Of this figure, \$81 billion is attributed to packaged goods
 - There has been increasing and significant public concern regarding the competitiveness of retail prices in the grocery industry and the pricing of household grocery products
 - There is particular concern that Australia has a highly concentrated grocery industry
- Grocery food prices have increased at much higher rate than the headline inflation rate
 - Aggregated OECD data confirms that over the past few years food price inflation has been higher in Australia than many other industrialised countries
 - The larger price increases in Australia have been for milk, cheese, bread, fruit and vegetables
 - On 22 January, 2008, the Assistant Treasurer and Minister for Competition Policy and Consumer Affairs directed the ACCC to undertake an inquiry into the competitive of retail prices for standard groceries (see Annex A)



The logo for Coles, featuring the word "coles" in a bold, red, lowercase sans-serif font.The Woolworths logo, featuring the tagline "The Fresh Food People" in green script above the word "WOOLWORTHS" in red capital letters, flanked by two red horizontal lines.The IGA logo, featuring the words "Local Heroes" in red script next to the "IGA" acronym in white capital letters inside a red oval.The FOODWORKS logo, featuring the word "FOODWORKS" in white capital letters on an orange rectangular background.

2. Industry Landscape

- Grocery retailers include these major supermarket chains:
 - Coles
 - Woolworths
 - IGA
 - Aldi
 - Foodworks
 - Specialists such as butchers, fruit and vegetable shops and retail baker outlets and convenience stores
 - There has been 13 major grocery retail acquisitions since 2005 involving Foodland/Actions' West (61 supermarkets) and 18 supermarkets by Woolworths

- Grocery wholesalers are:

- Coles
- Woolworths
- Metcash

Coles and Woolworths service their own supermarkets while Metcash services the majority of the 'rest' including IGA which promotes that it has greater than 3000 stores

3. Current Consumer Behaviours

- According to the ACCC, the actions and choice of consumer play an important role in driving competition in grocery retailers
- The scope for consumers to compare the offers of retailers and their willingness or ability to alter where they shop are likely to influence competition between grocery retailers
- Many consumers are attracted to grocery retailers who offer the lower prices
- Other important consumer considerations are:
 - Range of products and brands
 - Service and friendliness
 - Freshness of perishables
 - Distance and travel times
 - Car parking
 - Shopping experience convenience
- Bundling. Consumers buy different bundles of grocery items. The differences in bundles purchased by consumers makes it difficult for them to compare prices across grocery retailers and for retailers to convey their price offers





ABC News

News Home Just In Australia World Business Sport Entertainment Weather Opinion Blogs

Hot tags: [australia](#), [sport](#), [government-and-politics](#), [nsw](#), [federal-government](#), [states-and-territories](#), [world-politics](#), [law-crime-and-justice](#), [disasters-and-accidents](#), [crime](#)

[Print](#) [Email](#) [Add to My Stories](#)

ACCC boss outlines grocery inquiry

Posted Wed Jan 23, 2008 12:31pm AEDT

The consumer watchdog says it will investigate dozens of claims from small retailers, big supermarkets and farmers about what is driving up grocery prices.

The Federal Government has ordered the Australian Competition and Consumer Commission (ACCC) to begin a six-month inquiry into the nation's grocery prices.

The ACCC chairman Graeme Samuel, says he wants to identify any anti-competitive structures within the industry.

"The large retailers, Woolworths yesterday for example said its the result of the drought, there are export demands, there is bio-fuel demands on our food sources," he said.

"The smaller retailers say it's the fault of the big retailers.

"The farmers say they're being ripped off and the big retailers are forcing down the prices they receive at the farm gate so we want to get to the bottom of this."

However, the national body representing Australia's food and grocery manufacturers says it is confident a grocery price inquiry will find a highly competitive food supply industry operating throughout the country.

The Australian Food and Grocery Council has welcomed the ACCC's six-month investigation into supply, wholesale and retail grocery prices.

The council's chief executive, Dick Wells says by absorbing the cost increases brought on by the drought and higher transport costs, manufacturers and retailers are fuelling a fiercely competitive environment.

But he says that may not be enough to bring grocery prices down.

"Many of the cost increases that we've been wearing aren't reflected in the price," he said.

"I mean if you want to look at manufacturers' margins in Australia, they've been declining and so we're concerned that there's an expectation that a lid can be kept on food prices when in fact the

MY TAGS

- [environment](#)
- [government-and-politics](#)
- [health](#)
- [indigenous](#)
- [offbeat](#)
- [science-and-technology](#)

Add Tag Page links here to follow news categories important to you.

[View all tags](#) | [Tag cloud](#)

Help

MY STORIES

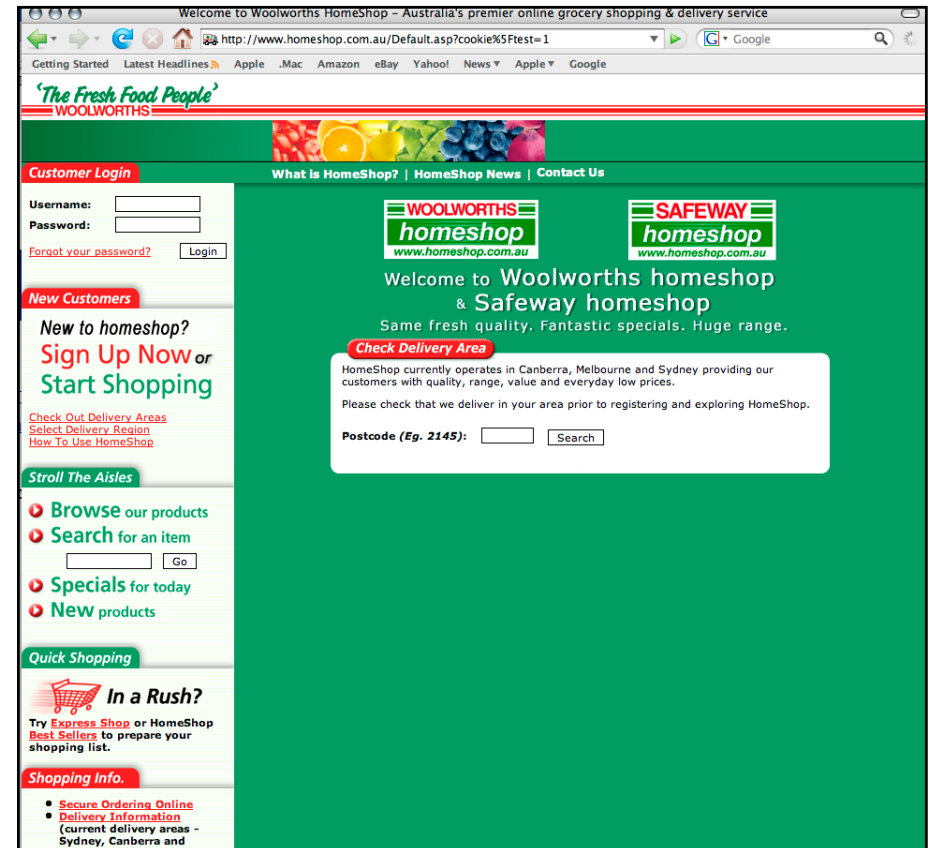
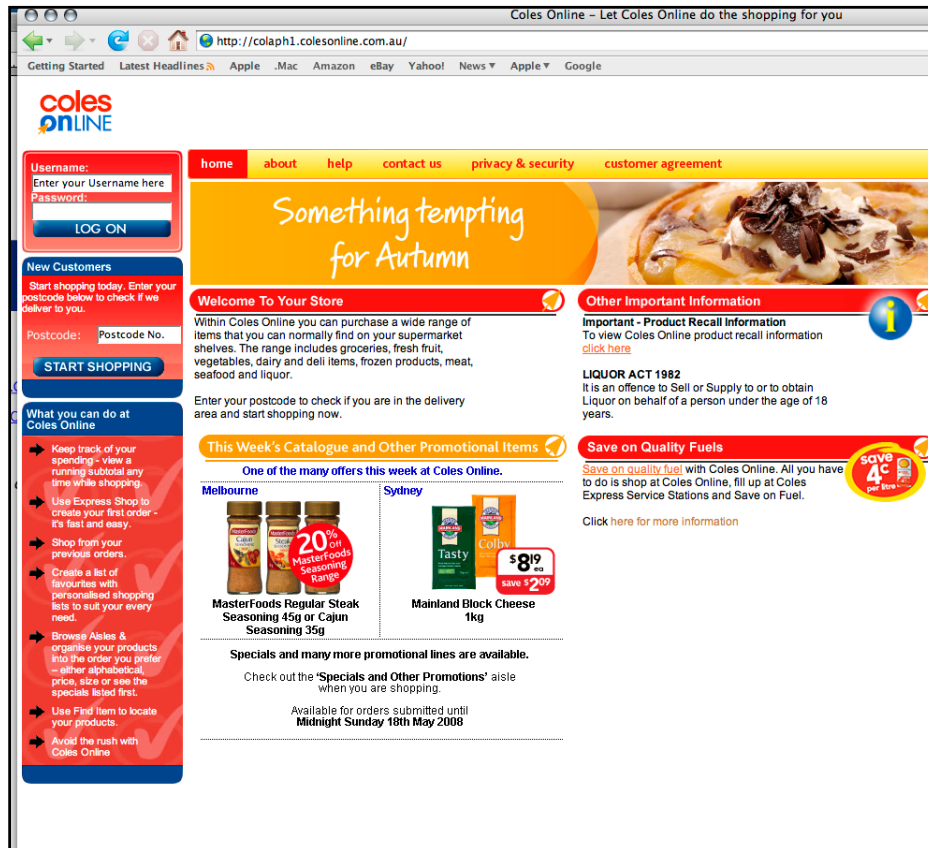
Bookmark stories, video and audio clips you may want to access later.

Help



4. Socio Political Landscape

- Retailers are under increasing social and political pressure to show more transparent competitive practices
- The government and the ACCC have both publicly committed to 'doing something about grocery prices'
- Gordon Samuel has committed to 'doing public good' for the remainder of his working life
- There is an increasing media tendency towards treating some issues as a *cause celebre* – the mooted abandonment of the National Carer's Allowance motivated significant media involvement and public support



5. Online Activity

- www.colesonline.com.au – Coles Pty Ltd
- www.homeshop.com.au – Woolworths Pty Ltd

" Perfect for senior citizens, busy working people and people with disabilities "

Some consumer views:

April 27th, 2008

Pros: Convenient, great customer service, sometimes free products, easy payment, great range of products.

Cons: A few times the vegies weren't too great. Delivery cost is not too cheap, so you have to shop efficiently.

Overall: I've shopped with Coles Online for 2 years and I'm very satisfied with the service. The drivers/delivery people are friendly and bring the items to your door. I pay by credit card, making it really convenient. You can reserve your delivery time and create your order as you go throughout the week, or have a permanent shopping list. I really like the range and variety of product and prices available. You don't tend to impulse buy like you do at the shops. I now save money on delivery fees by buying my groceries only every 2 months. I get dairy and vegies from another supplier where the delivery is free. They readily exchanged damaged products where applicable.

February 10th, 2008

Pros: Completely hassle free shopping, great online deals, high standard of customer service

Cons: Unfortunately only available in selected areas

Overall: While living in Sydney I shopped with Coles Online for a year and was very satisfied with the experience. It was very convenient to be able to shop anytime and use the option to save lists of regularly purchased items. The delivery fee was only a few dollars and cheaper than travelling to the store. Payment was no problem using mobile EFTPOS. We were definitely saving money by being able to pick up specials, including exclusive online offers, and the website even offers a clearance aisle. We usually received a free product with every order to try such as a frozen meal. Everything you can buy at the supermarket is available through the website, although sometimes items are substituted or not available. This did tend to happen with at least one item every week, but it was also possible to select no substitutions in the options given. The bill did vary a little from the total given at ordering, a few dollars more or less. Delivery time could be selected within a range of a few hours and there was never an issue being left waiting around. A full invoice was provided and no items were ever damaged or spoiled. The only problem I ever had was a bag being overlooked on the truck, but this was fixed by telephoning customer service who had the missing items delivered within an hour with no hassle and a packet of lollies as an apology. If Coles Online was available where I am currently living I would certainly have continued to use this service without any hesitation.



February 10th, 2008

Pros: Convenient option that saves you time having to go to the grocery store.

Cons: Each week 2-5 items may be sold-out. Substitutes are sometimes not even similar to the product they are substituting. Not accessible in more rural areas. Not as many specials as the supermarkets.

Overall: Grocery shopping online is a great option if you tend to buy similar items on a weekly basis. You can save your list and just add additional items. Otherwise it can be a timely process to form a new list each week. It doesn't compare to seeing the items in the aisles. Haven't had a problem with fresh fruit and vegetables. I would recommend this service seeing if this service is available in your area. Perfect for senior citizens, busy working people and people with disabilities.

6. Opportunities

- There is no centralised competitive portal for consumers to shop online for the lowest grocery prices
- There is an opportunity to promote a “FairChoice” participation brand i.e. a “FairChoice endorse company”
- The time is ‘right’ to garner significant government, media and community support
- Significant support might be expected from retailers who can expect to successfully compete with Coles and Woolworths on a level playing field
- The concept can be warehouse based with little need for heavy footfall traffic areas
- The concept benefits from other activities of FairChoice Holdings Pty Ltd, which will promote a single consumer portal.





7. Threats

- The duopoly (Woolworths and Coles) may refuse to participate
- Established companies with critical mass financing (such as iSelect or ninemsn or Yahoo) may create their own sites
- Lack of finance
- Lack of government and industry 'will'

8. Capabilities and Challenges

- Company principal has significant media/promotions and marketing expertise with which to launch the project
- Company principals have experience in dealing with government and government advisors
- Partners or participating shareholders are expected to have significant experience or interests in grocery retailing

9. Critical Industry Success Factors

- No legislative changes that will adversely affect the proposal e.g. transparent unit pricing may have a negative affect on technology
- Ultimately it can not sustain operations without the participation of the major supermarket chains

10. Key issues relating to the industry

- The industry is currently under scrutiny
- Coles (for example) has been accused of price gouging
- Key drivers for consumers are ease of shopping – they can actually buy groceries elsewhere more cheaply



11. Company Analysis

- Current directors complement each other with specialist marketing, marcoms and financial skills
- The company is not wedded to any particular technology
- Key advisors have been identified and are actively supporting the concept

12. Core competencies

- Strategic vision and the highest levels of leadership, financial rigour; marcoms, planning and risk assessment and management

13. Strategic Intent

- Create a single portal where retailers provide their bids for essential, frequent and high volume consumer (and later SME) transactions e.g.
 - Groceries
 - Fuel
 - Energy
 - Land and air travel
 - Whitegoods
 - Electronics



14. Strengths

- Considerable blue chip experience in leveraging the support of media and government
- Financial discipline and planning
- Willingness of directors to 'learn' from the experiences of others
- Modest overheads
- No debt

15. Weaknesses

- Company directors have no personal, high-level 'gravitas' with which to 'open doors'
- The company lacks a media partner to guarantee success
- The company has expertise in only two of the agricultural sectors and none of the consumer sectors with which they wish to engage
- The initial success of the company is inextricably tethered to the success of its business development employees
- Limited resources



16. Performance

Financial

- Operating costs comprise:
 - Establishment fees (legal etc)
 - Consulting fees (representing income foregone)
 - Marcoms comprising website development, copywriting
 - Website maintenance
 - Advertising and media placement
 - Media relations
 - Travel, incidentals and administration
- Operating revenues :
 - Primary income is derived from a fee of one dollar for every \$100 spent through the portal i.e. 1%
 - Based on total current basket sales in Australia, the potential maximum income would be \$810 million p.a.
 - A participation rate of one in 100 households generates an income of \$8.1 million per year

17. Marketing

- A lack of investment capital compels the company to seek a media partner
- Launch is likely to be by Federal Minister for Consumer Affairs if not Prime Minister
- Attendees could include state ministers for consumer affairs and industry bodies as well as ACCC
- Media coverage is highly likely

18. Operations

- Operations would be based out of Melbourne; though there is potential for interstate representation and overseas affiliation

19. Human Resources

- A business Development Manager would be appointed
- Executive Directors would come on board 'full time'
- Online development is secured in return for minor shareholding
- A staff of about 10 is envisaged when the operation is underway

