

Coles - the Consumer Champion!

A Reputation Management Case Study

Robert Hadler

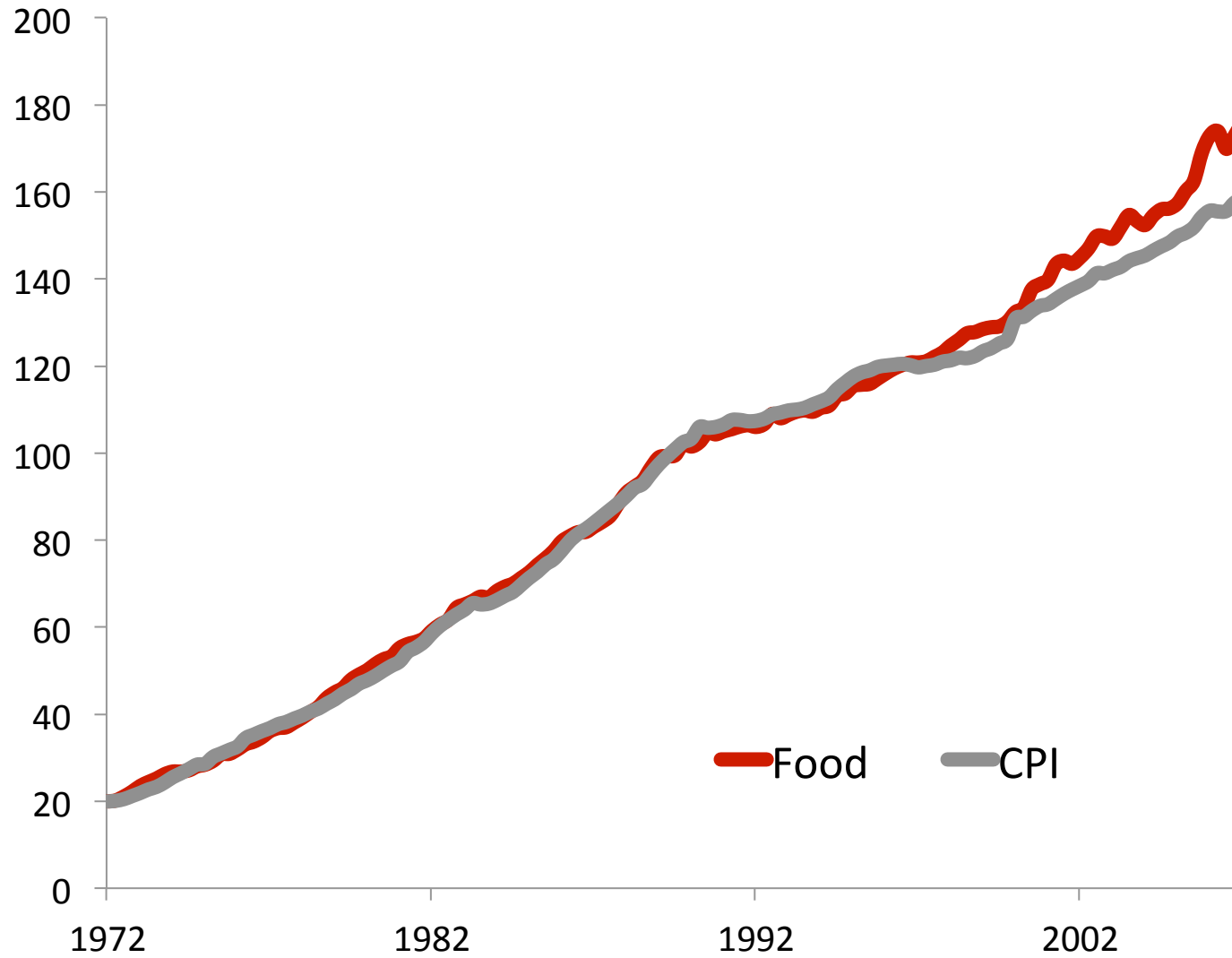
26 June 2013

coles

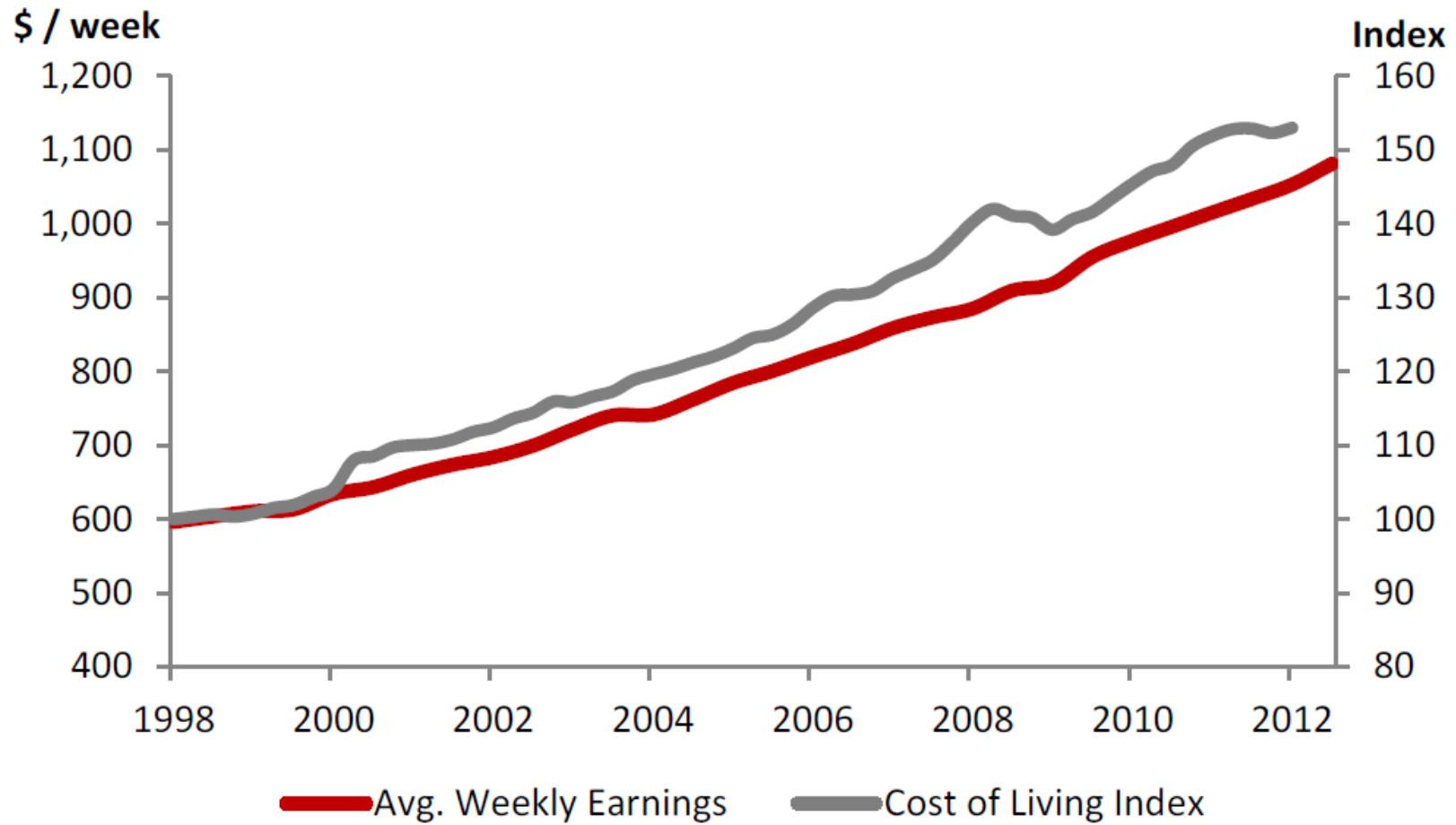
Key messages

- Coles is building customer trust by reducing prices
- The silent majority is demanding lower prices
- But the vocal minority don't like it & campaign against it
- Customers and team members are confused
- We use every PR tactic possible to neutralise the noise
- Election year polarised views and increased risk
- A 'game changer' was required to focus on lower prices

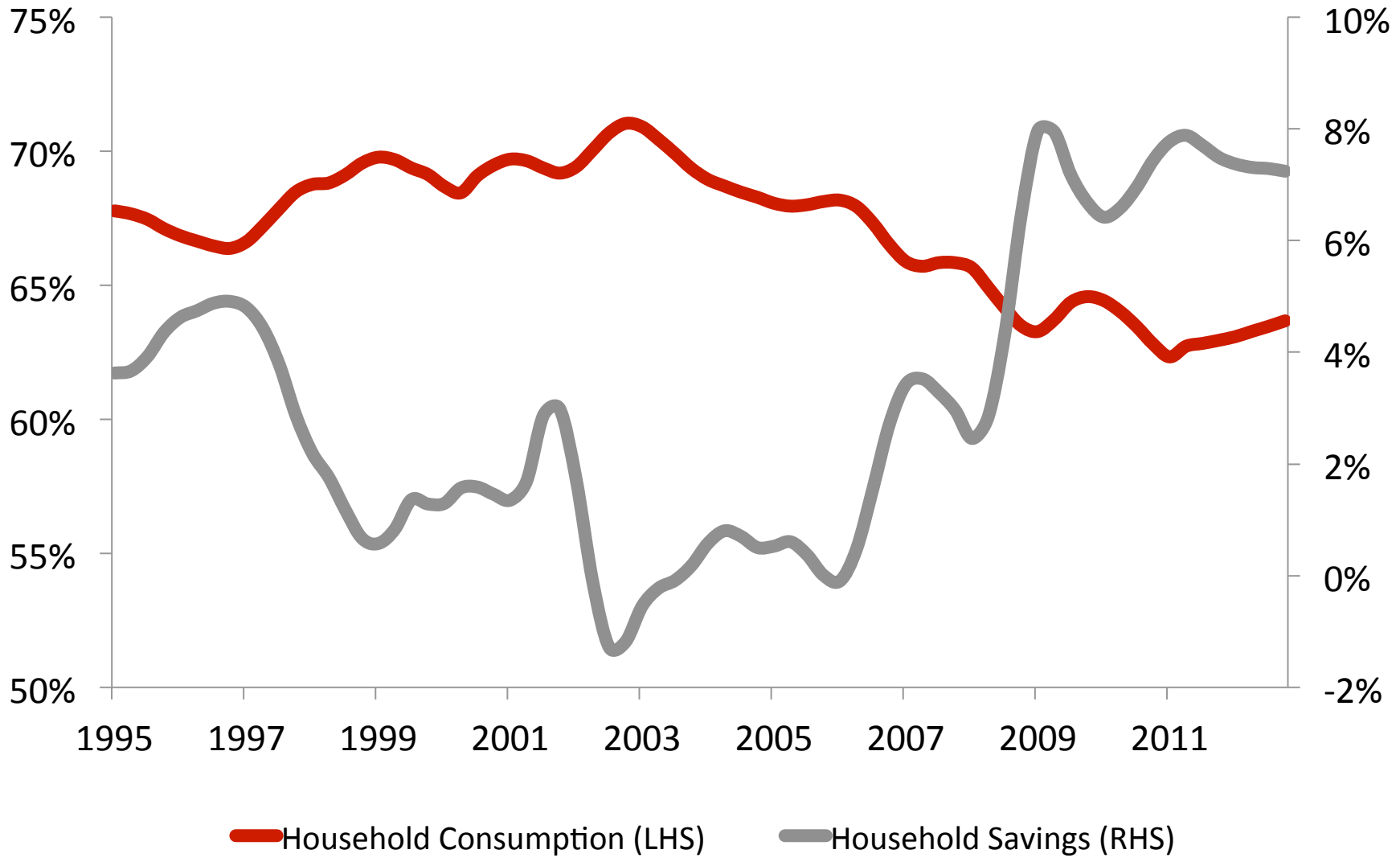
30 years of food inflation



Rising cost of living



Consumers saving – not spending



Source: Australian Bureau of Statistics, May 2013



8 out of 10 customers want lower prices



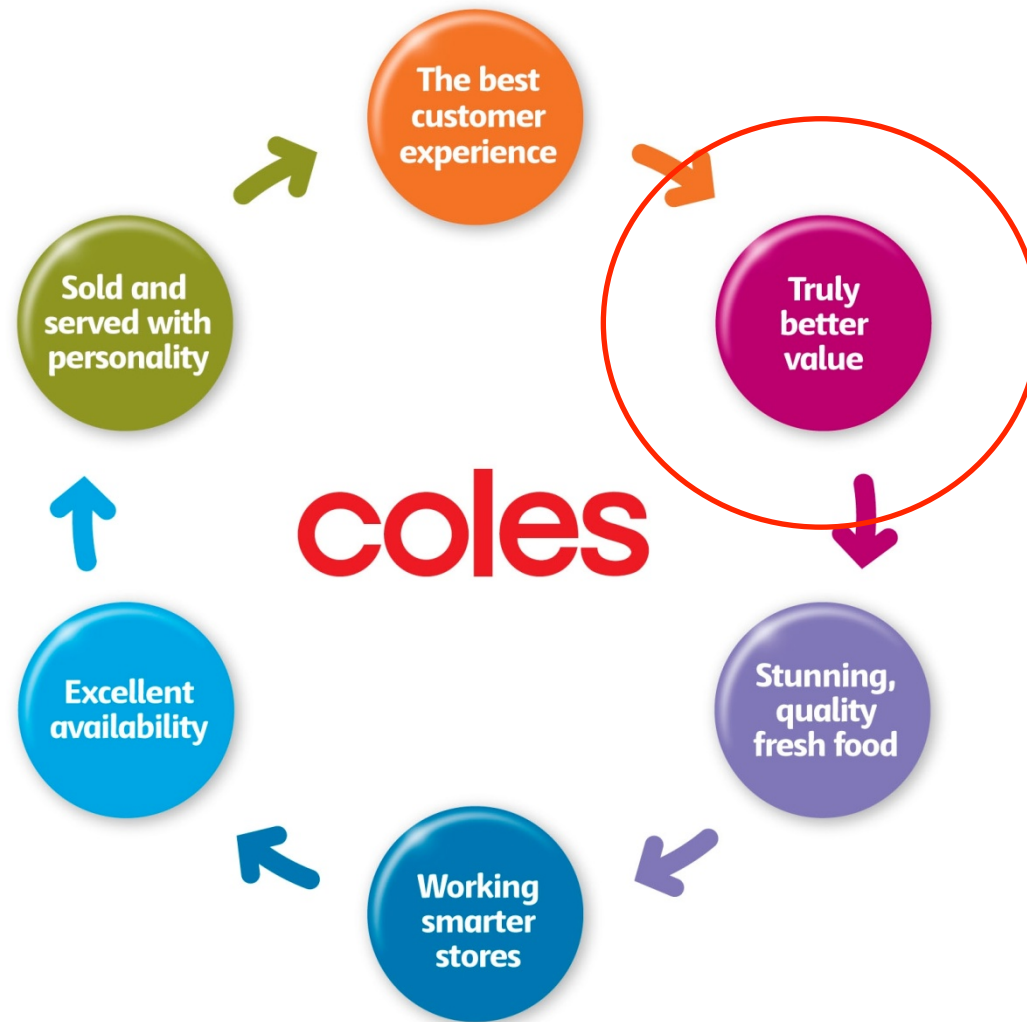
*Regional (non-capital city with population of 10,000 or more) Sig higher (than lowest score in group) ▲

Q1. General attitudes

Following are some statements that people have made about household shopping. For each, please indicate if you agree or disagree and whether that is strongly or somewhat. Firstly...



Our virtuous circle...



Because we all buy milk...

...we've brought the price of Coles Brand Milk down.

Not on special. **DOWN and STAYING DOWN**, every day!



Coles Full Cream Milk 2L

WAS \$2.47

on 25/01/11

Coles Lite Milk 2L

WAS \$2.99

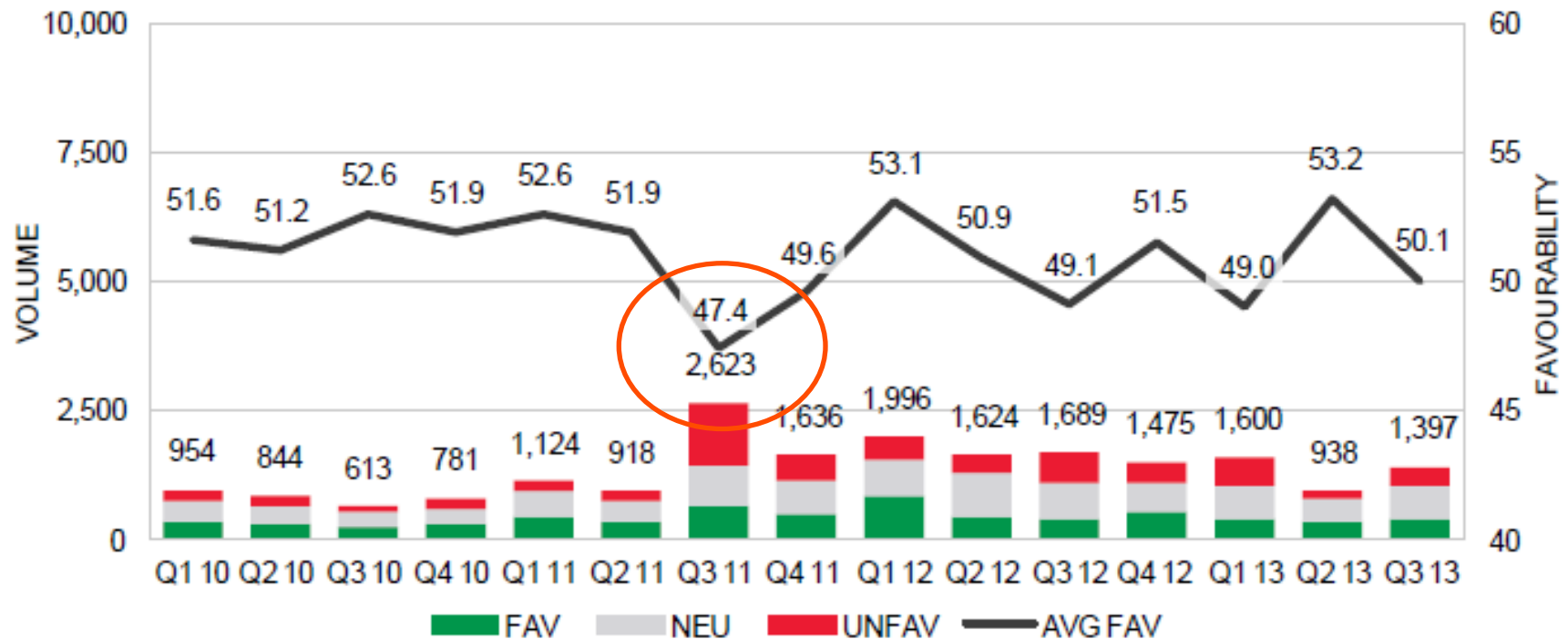
on 25/01/11

Quality food costs less at

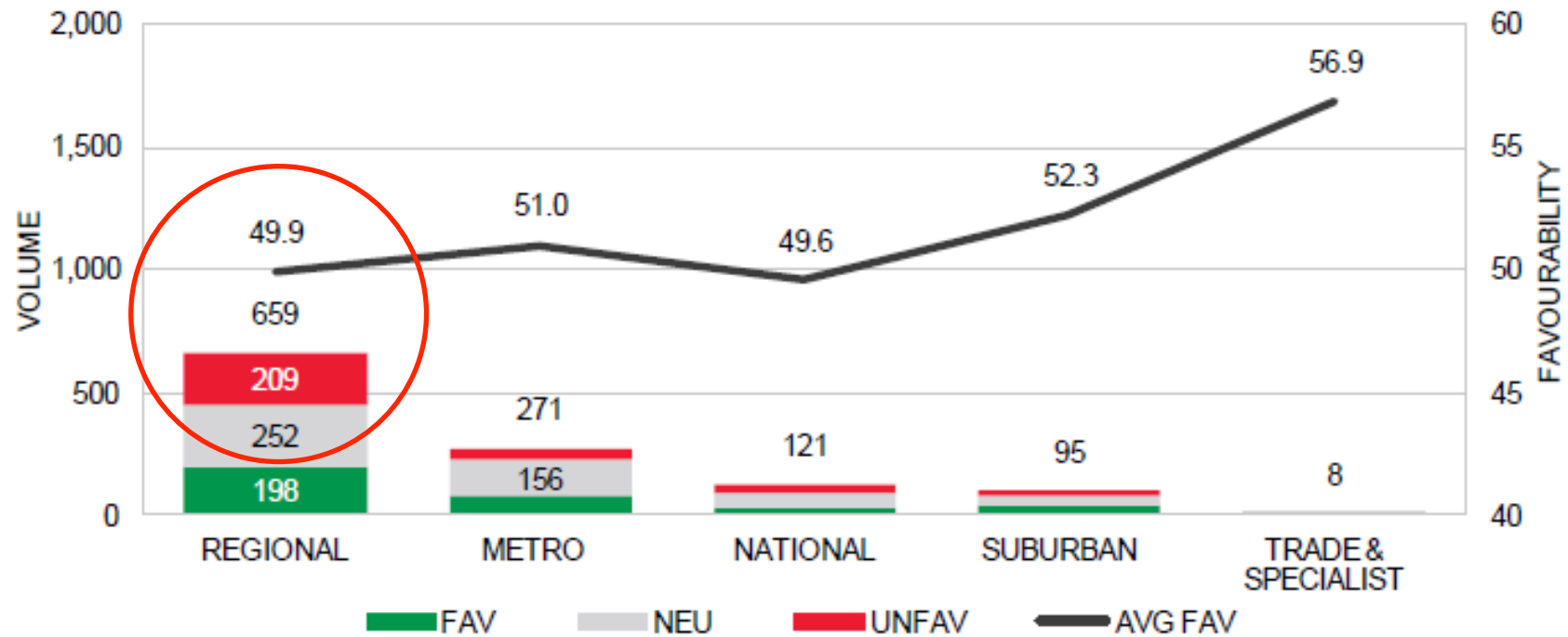
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“Down Down” milk created a lot of noise



Rural & regional noise was loudest



There was the inevitable farmer protest...



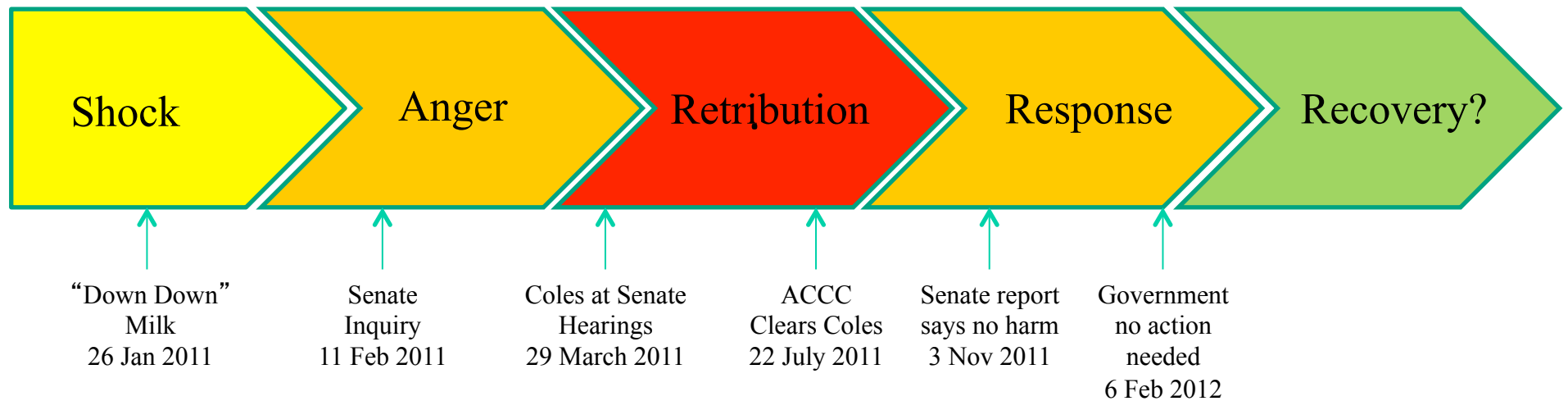
A lot of angry farmer meetings



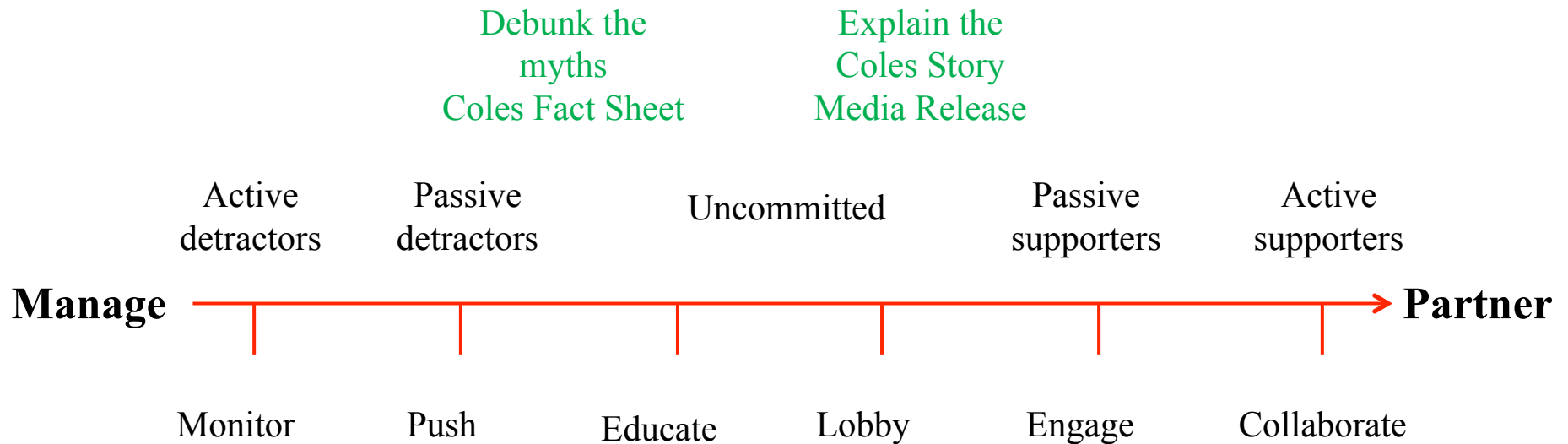
Grandstanding agri-politicians...



We held our ground and worked patiently through the issues cycle



We implemented a targeted stakeholder strategy to neutralise the noise



But the agri-political fallout continued after the 'Down Down' milk anniversary

One year later...
STILL DOWN

DOWN AND STAYING DOWN

100% WA

\$2_{ea}

WAS \$2.47
26/01/11
Coles Brand Full Cream Milk 2L
\$106 per litre

WAS \$2.99
26/01/11
Coles Brand Hilo Milk 2L
\$106 per litre

Quality food costs less | **coles**

And the fallout intensified after we extended 'Down Down' on the 2nd anniversary

**DOWN DOWN
BREAD AND MILK**
Now at Coles Express

Also available
at Coles Stores

**coles
express**

DOWN
Price with
DOWN

\$2⁰⁰

DOWN
Price with
DOWN

\$2³⁰

WAS \$3.20 Coles Milk 2L
Down Saver 00191512

WAS \$3.00 Coles Dried White
or Wholemeal 700g
Down Saver 00191512

DOWN
Price with
DOWN

DOWN
Price with
DOWN

WHITE
SANDWICH
HIGH FIBRE

The dairy industry started using social media

 **Simone Smith**
@Simone_Smith04

Follow

Supplied pic #dairycrisis #ausdairy
@weeklytimesnow #coles #warrnambool
pic.twitter.com/LZtTCajk

Reply Retweet Favorite More



7 RETWEETS 1 FAVORITE

3:04 PM - 16 Jan 13 · Embed this Tweet

Flag media

 **Lisa Claessen**
@LClcaessen


Follow

Hi folks, help us show @coles we value our #dairyfarmers and the #milk they provide to consumers - pls sign and RT change.org/en-AU/petition...

Reply Retweet Favorite More

8 RETWEETS

5:36 PM - 16 Jan 13 · Embed this Tweet

 **David Williams**
@david_vacy

Follow

Heard of another Dairy closing in the Hunter Valley gutted that this dedicated dairy farmer has become another victim of @Coles

Reply Retweet Favorite More

18 RETWEETS 1 FAVORITE

3:57 PM - 16 Jan 13 · Embed this Tweet

Reply to @david_vacy @Coles

 **breegg** @breegg 21h
@david_vacy @coles DREADFUL news! We should be supporting our local primary industries. #dreadful !
Details

 **Big_Bad_Wolf1950** @BigBadWolf1950 18h
@david_vacy Free enterprise is not easy.
Details



Farmer Power emerged as a political force



Contact People

Contact Details For Farmer Power

Phillip Bond - pi007@westvic.com.au or mobile [0418 610 282](tel:0418610282)
Chris Gleeson - elmbanks01@gmail.com or Mobile [0417 547 519](tel:0417547519)
Jock O'Keefe - jokeefe@westvic.com.au or mobile [0429 330 263](tel:0429330263)

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Disgruntled dairy farmers roll into Warrambool to protest against dwindling milk prices. More.

Fire fears as Victoria bakes
UPDATE: VICTORIANS have been told to brace for severe fire conditions today with temperatures expected to hit 43C in northern Victoria.
Add Comment

DAIRY PAIN
Is the dairy industry at a crisis point?
Yes 64%
No 36%

Export demand for SA grain
South Australia's grain harvest for 2012/13 will be worth almost \$2

Have Your Say

- Kat's eyes on Victoria
- Companies favoured in foreign buy-up
- Mobile coverage under fire
- Dairy farmers threaten blockade
- Kids warned off ATV use
- Weaner calf prices to fall
- ATV ban pressure grows
- Parental shift on ATVs needed
- Mulesing deadline alive again
- Summer weather keeps farmers home

Opinion more opinion

Murray Goulburn on wrong path: Farmer
WHY is Murray Goulburn Co-op rewarding the inefficient, asks TIM KOOLOOS
Add Comment

MORE POLLS [CLICK HERE](#)

Bob Katter jumped on the bandwagon

2010-2011-2012-2013

The Parliament of the
Commonwealth of Australia

HOUSE OF REPRESENTATIVES

Presented and read a first time

Dairy Industry (Drinking Milk) Bill 2013

No. , 2013

(Mr Katter)

A Bill for an Act to enable dairy farmers to obtain a fair price from processors for drinking milk, and for related purposes

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We started a social media campaign for customers & team members



We started a new advertising campaign



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We issued grower 'success story' booklets



We issued Fact Sheets to debunk the myths

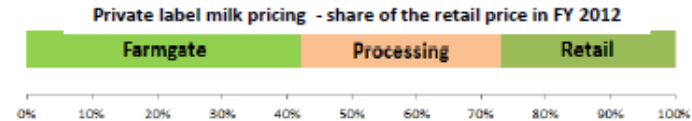
Milk (WA)

Share of the retail price

- According to Dairy Australia data farm gate prices have been relatively steady over last three seasons.
- Dairy farmers receive more than 40% of the retail price.

Market structure

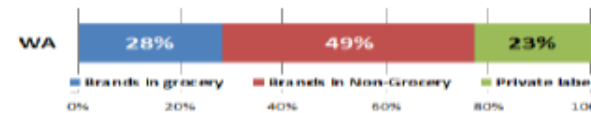
- Only 23% of total fresh white milk sales (or 14% of WA milk output) is sold as private label milk – lower than other eastern states due to the strength of processor brands and the higher share of sales through independent retailers.
- WA milk production has declined in the last decade, while an increasing portion has been processed into fresh milk products. Volumes of manufactured dairy products have declined while drinking milk has increased proportionally as sales have grown.
- Dairy Australia data shows that milk production in WA has fallen by 15% over the last decade but per farm output increased by nearly 75% (to 2 million litres per farm) as productivity has increased.



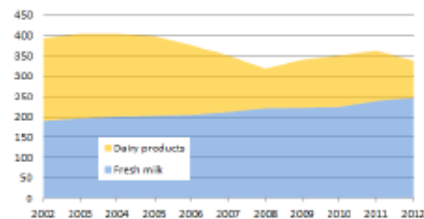
Farmgate milk prices in WA (cents per litre)



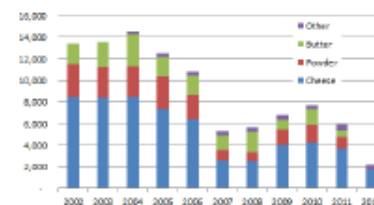
Share of fresh white milk sales between brands and private label in the WA market in 2011/12



The use of WA's milk output in milk and dairy products 2002-2012 (millions of litres)



WA production of dairy products (other than milk) 2002-2012 (tonnes)



WA farm numbers and per-farm output



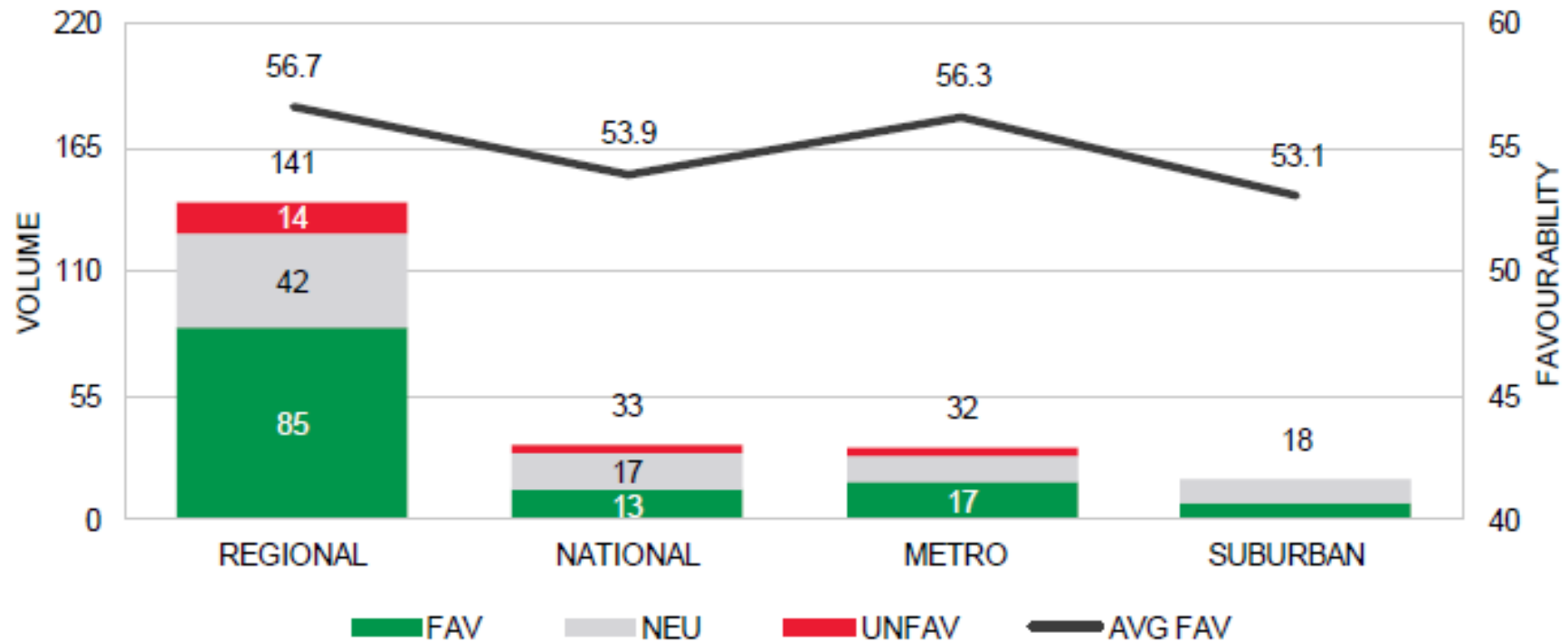
The 'game changer'

A new milk deal with a farmer cooperative



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An immediate shift to positive coverage



We created clear air for our price story



FINANCIAL REVIEW

Critical time for 'consumer champion'

Coles boss **Ian McLeod** made a bold commitment on a rare appearance before a business luncheon in Sydney on Tuesday.

He promised that a basket of groceries in Australia will cost less in real terms in five years' time. It is a pledge that **Woolworths** is not willing to reiterate for the obvious reason that anything could happen in half a

food becomes a key election issue as it was in 2007 when former prime minister **Kevin Rudd** promised a grocery inquiry.

The big difference now is that voters have little to complain about. Coles and Woolworths are investing a lot of effort making sure Canberra realises that grocery prices are falling relative to CPI.

Scottish-born McLeod said the average grocery bill has fallen 5 per cent since he arrived in Australia to help turn around Coles's dismal supermarket operations five



Pushing grocery prices down benefits all

It's fashionable to criticise the big supermarket chains but many of these criticisms don't stand up to scrutiny. Supermarket shoppers are not loyalists. As chief executive of Coles **Ian McLeod** said this week, they will cross the road for lower prices. In recent years it's consumers who have benefited since the once languishing Coles squared up to market leader Woolworths.

Multinational suppliers have traditionally viewed Australia as a small market where they could wring out whatever price they think the markets could bear. This was true until Wesfarmers bought Coles in 2007 and the supermarket price wars began in earnest. Foreign multinationals found themselves pushed from price dictators to being collateral damage, with the supermarkets using their suppliers' former fat margins as a basis for discounting their own private labels, leading to a remarkable price deflation.

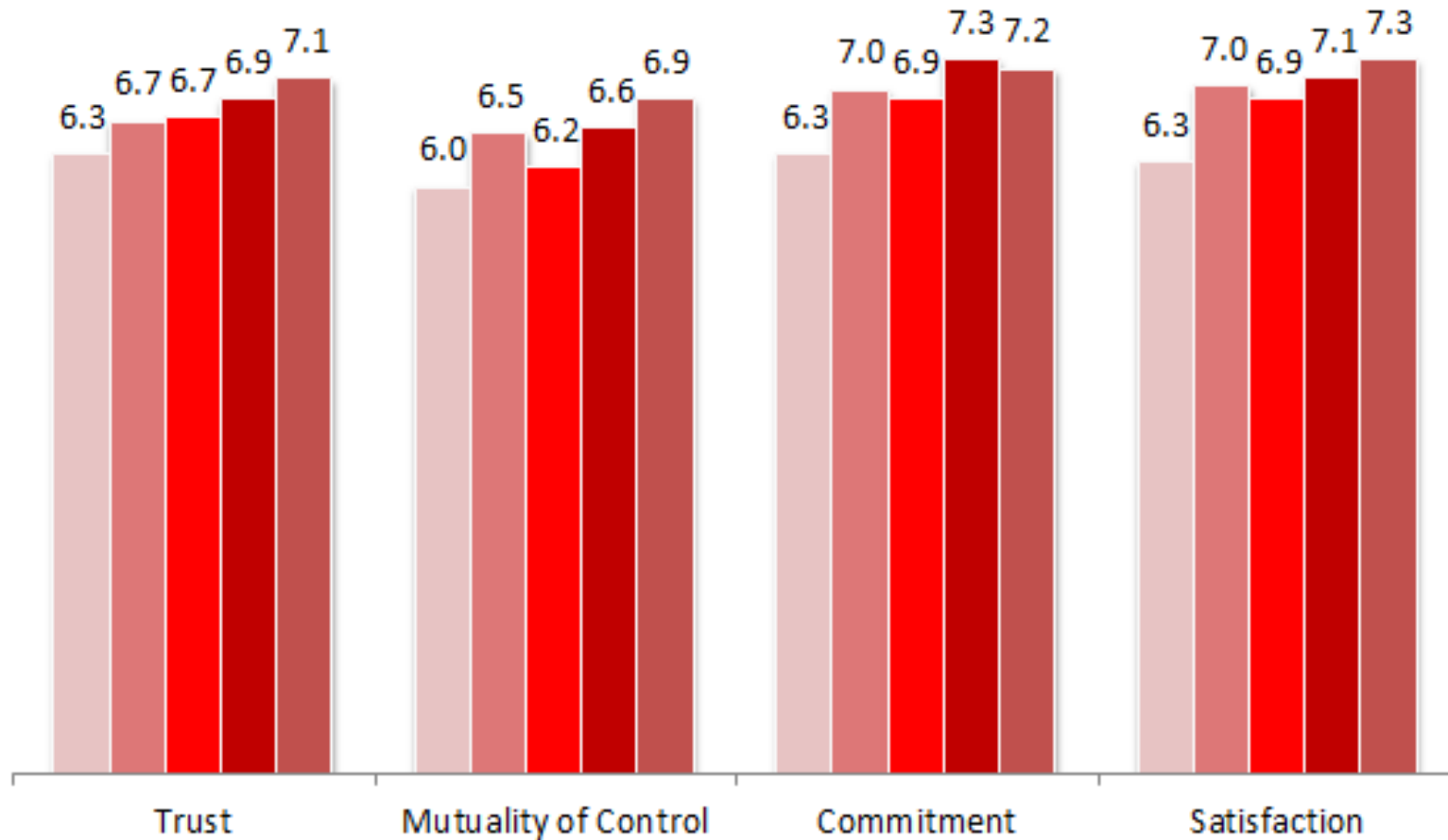
Pressure from both the high dollar and supermarket competition is forcing the fragmented and relatively inefficient food processing sector to consolidate and invest in new facilities or ship out in a sometimes painful but necessary adjustment.

Since coming to this country in 2000, Aldi has opened about 300 stores and more are on the way, so this market, while concentrated, has not locked out competition. And as trade unions continue their protest against the "casualisation of labor", it's worth noting that in the past five years the majority of the Coles 100,000 plus workforce has gone from casual to permanent.

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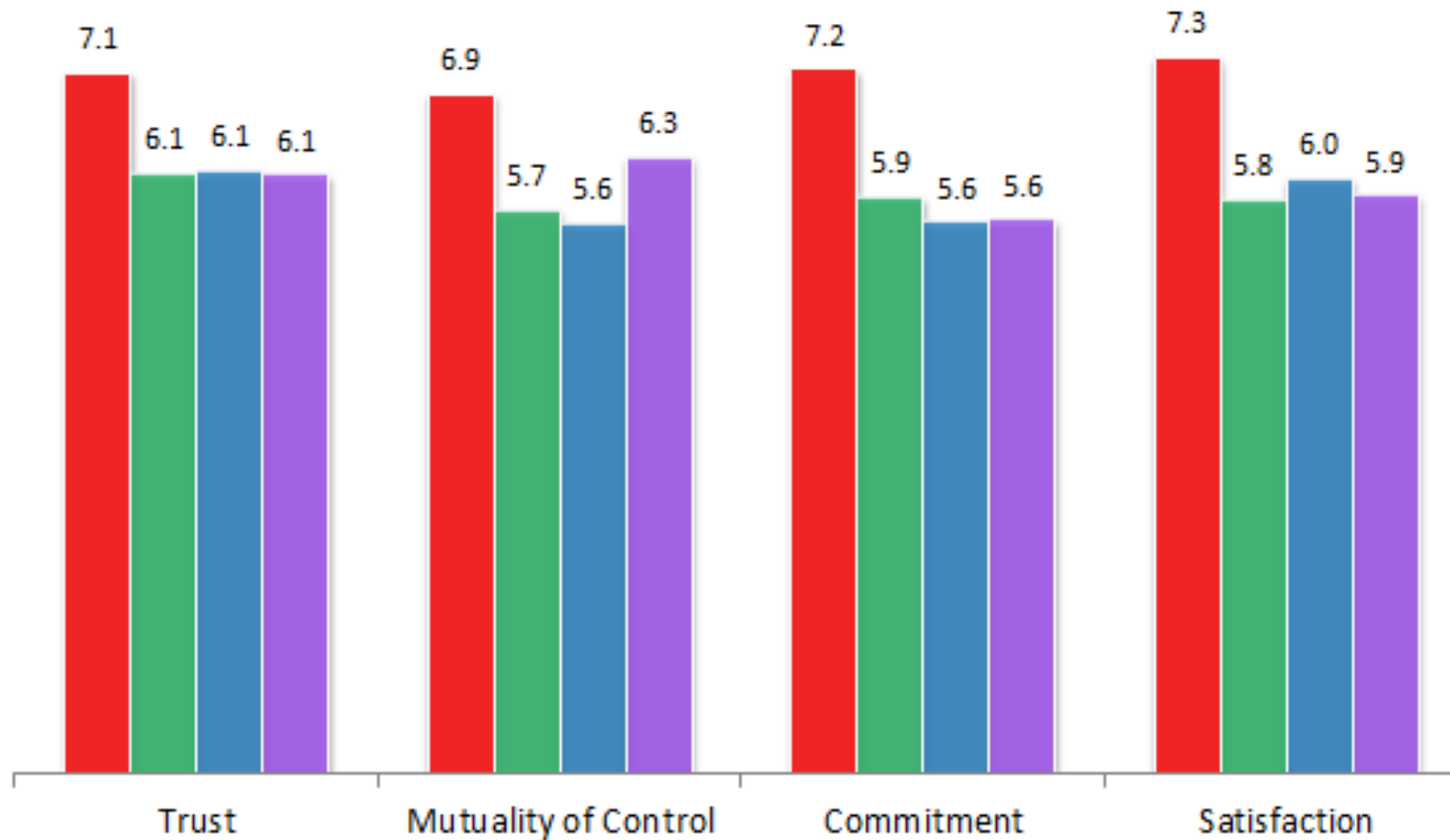
Trust – has improved every year...

2013 Edelman's Trust Index



Trust – better than our competitors

2013 Edelman's Trust Index



Key lessons

- The customer comes first – always!!
- Be prepared for fallout with other stakeholders
- Guard against a political and regulatory response
- Constantly strive to debunk the myths
- Be prepared to change the game to win the day
- You can still build stakeholder trust in difficult times
- The journey continues.....

Questions?

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