Guide to Retail for Small Food Producers
Guide to Retail for Small Food Producers

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Foreword

The Irish grocery retail market is made up of major multiple supermarket groups, convenience retailers, discounters, and specialist independents as well as direct to consumer channels such as farmer’s markets and online retailing. With a current value of around €9 billion, grocery retail in Ireland in all of its formats represents a key sales opportunity for most food producers.

As part of its strategy of assisting small businesses to grow their market in the retail sales channel, Bord Bia has developed this guide as a practical tool for such producers to better understand the Irish retail landscape and to familiarise themselves on how to enter and how to become established in this market. The guide includes profiles of the major multiples and discounters and an overview of independent specialists as well as a useful sample pricing model and a glossary of retail terms.

This Guide to Retail for Small Food Producers is part of a series of publications from Bord Bia that includes the Guide to Distribution for Food & Drink Producers and the forthcoming Guide to Farmer’s Markets for Small Food Producers. The Guide to Online for Small Food Producers and the Guide to Foodservice for Small Food Producers will complete the series in 2015.

Food Harvest 2020 and Bord Bia’s own strategic priorities articulate the importance of developing a vibrant and sustainable domestic market for artisan and small producers. Our hope is that guides such as this will enable an increasing number of businesses to turn retail opportunity into a growth advantage.

Aidan Cotter
CEO, BORD BIA
Introduction

The Guide to Retail for Small Food Producers is designed to offer the most up-to-date information available on winning and growing business in this sector for SME’s. The focus is on retail trade, namely multiple (e.g. Tesco Ireland, Dunnes Stores, Musgraves SuperValu/Centra), the discounters (Aldi and Lidl) and high-end independent specialists (e.g. Donnybrook Fair, Cavistons Food Emporium, Country Choice). Other distribution channels into the marketplace, such as farmers’ markets and foodservice, are not covered in this guide.

Information has been sourced from:

- Bord Bia Publications
- Bord Bia Trade Liaison
- Specialists who work in the food business

This guide has two objectives. Firstly, to highlight the issues that small companies and entrepreneurs face when entering the retail market in Ireland and, secondly, to outline the different demands that each route to market presents as they gain entry and grow their presence.
Who is this guide aimed at?

This guide should benefit any food or drink company looking to approach the retail trade in Ireland. It is for companies who are looking to make the step change from selling directly to consumers e.g. on-line or at farmers markets, fairs etc to working with a retailer whether this is one local store or a chain of stores.
Guide to Retail For Small Producers

The Irish Market for Speciality Foods

Section 3
The Irish grocery retail market is worth around €9bn, which includes sales through the major multiples, discounters, and symbol groups. While Irish shoppers now shop through a number of different channels including farmers markets, online, supermarkets, independent specialists etc, there will come a time when in order to grow your business you will need to get your product into stores, be they local or around the country, so it is important that you have an understanding of how this market operates.
The grocery market in Ireland is very concentrated, with just three retailers having over 70% market share i.e. Tesco, Dunnes and Musgraves. Despite this concentration, it is a competitive market, and has becoming increasingly so with the growth of the discounter sector through the success of Aldi and Lidl. In recent years, these retailers have successfully changed the perception of the quality of the products in their stores, and Irish consumers have been increasingly willing to shop there. In addition Aldi and Lidl have also successfully communicated the Irishness of their offering. One of the key differences between the discounters and other multiple retailers is the size of the ranges they carry. Choice is more limited with the discounters and they are less likely to stock a wide range of well known brands. Despite this limited choice these two retailers now account for approximately 12-15% of the market, with the remaining share split between independents, symbol groups, and retailers such as M&S. This means that any food and drink company looking to grow their sales in Ireland will need to engage with at least one of the top five retailers, however, as will be explained later in this guide, this can be at a local store by store basis.

All of the retailers mentioned above have a range of “private label products” (also referred to as own label). Private label accounts for just under 40% of value sales in the Irish market. Private labels serve two main purposes for retailers which are worth bearing in mind. Firstly, they tend to give the retailers higher margins as they have more control over the product development, packaging etc and the suppliers don’t have to invest in expensive consumer campaigns as they do with brands. Secondly, private label offerings are a way for one retailer to differentiate themselves from their competitors. The retailers try and build a loyalty to the private label range which shoppers can’t get in other stores. Private label strategies have become increasingly sophisticated and most of the retailers will have a range of core private label tiers, value/everyday, mid-price, and premium and they could also have other ranges such as organic, healthy eating and freefrom.

Country of origin is important to consumers, and whilst provenance can be communicated easily when selling directly at a market, it is a little more difficult once your product is stacked on a shelf, so make sure that your branding and packaging makes it easier for consumers to get this message.
However, characteristics such as ‘home grown’ or ‘locally produced’ will not be enough to guarantee success through repeat sales, you first and foremost need to deliver a good quality product which offers value for money and meets a consumer need.

Beyond where products are sourced from, there are a number of other long term consumer trends which are important to consider, particularly when developing new products and also looking for reasons for retailers to list your range. These include:

- **Demand for convenience** – this can be two fold – convenience in terms of doing their shopping e.g. online groceries or convenience store formats and convenience in terms of product providing an easy solution to a meal/hunger need. Think about how your product can help time pressured consumers

- **Health** – despite the increasing levels of obesity, many consumers do want to actively manage their health, either through buying products which are lower in fat/salt/sugar etc or buying products which give them added benefits (functional foods) e.g. vitamins or minerals, lowering cholesterol etc. Where does your product fit on the health spectrum? If it doesn’t and your product is a treat or suitable for an indulgence occasion then the key is making sure it is worth the guilt

- **Smart shopping** – consumers are increasingly planning their shop before they go i.e. using lists, deciding which store to shop at, checking offers on line and looking for promotions, discounts. The growth in technology makes it easier for consumers to compare and contrast

If you are interested in finding out more about consumer trends and the Irish retail market, Bord Bia can help. You will find publications on our website [www.bordbia.ie](http://www.bordbia.ie)
What should you do if you are planning to enter this market?

A comprehensive plan is essential. Give time and consideration to each step and ensure the approach is logical, consistent and coherent. Work through each step on a phased basis; doing so will help you build an effective business plan and will give you the necessary knowledge and know-how to effectively implement it.
The key steps are:

- Knowing the consumer your product is likely to appeal to and why.

- Research and build a thorough knowledge of your intended (target) market, i.e., the end consumer, understanding things like where they shop, how price conscious they are, are they young, old, single, families etc.

- Clearly define your product offering, i.e., precisely what it is that you offer your target consumer

- Work out your production plan - the steps involved in producing the product from sourcing raw materials through to packaging the finished product

- Consider the current status of your company’s finances – have you got the working capital to make any required investments in the product or plant to secure a listing and update your cash-flow projections to take a new listing into account
• Develop a pricing structure that takes account of all aspects of product development, from raw material through to finished product. A complete understanding of these costs will empower you in the running of your business.

• Make sure you have accurate costings for each product. Also look at the impact that higher sales volumes will have on price, there might be economies of scale that could give greater profitability or the opportunity to lower prices or both.

• Decide on how best you can get the product to the end consumer. This involves developing an understanding of the retail operators in the marketplace, remember not all retailers have the same consumers.

• Ensure that you have a good understanding of what is involved in getting your product ‘listed’ and plan accordingly.

• Be prepared for a time delay particularly with the multiples and discounters from agreeing the listing to your product being on shelf.

• Build up a fully costed distribution-logistics plan, which charts all transport and distribution costs involved in the business.

• Plan out and cost how you intend to promote and sell your product once you have secured a ‘listing’ but remember that these costs should have been included in your pricing structure.

• Ensure that your overall implementation plan adheres to a set timetable.
1. Getting to know your market

This is the most critical step in the entire process. Understanding the market is crucial if you are to have an effective business proposition.

Some of your information requirements may come from ‘desk research’, i.e. reading material which is already documented. The balance may require your own research, part of which could involve speaking directly with specialists, both from the trade and the industry at large. You should look to get a good insight into consumer trends and shopping behaviour. Bord Bia will be able to help with this. Visiting your target retailer plus their main competitors is essential. This will enable you to gain an understanding of their existing range and where your product will fit within it. It is a good idea to do an audit of the range, noting down brand names, pack sizes, price points and any promotions so that you start to understand your competitors and what prices consumers are paying in the category.

**Your understanding of the category and the marketplace you intend to supply will be revealed by your answers to the following questions:**

- What type of product will I produce and why?
- Is there a consumer need for my product and will I be able to sell sufficient volumes to ensure a viable business?
- Which retailer best suits my product?
- Where does my product fit within the existing range?
- How is my product better/different than other products within the range?
- Where does the price point for competing products lie and does my product compete?
Look at the bigger picture, both nationally and even internationally, and get an understanding of current trends and what is on offer in the wider marketplace. See how you can bring something new into the market rather than just another ‘me too’.

Check to see if there are any gaps in the product ranges offered by retailers that you might fill. Store owner/managers may be useful to talk to for your research, but it is likely that these will be from the independent sector. Multiple retail buyers and those in the discounters are very time pressured and will rely on suppliers understanding their categories and knowing where the opportunities are. They will however, appreciate that smaller companies will not have the budget to invest in huge amounts of data, but they will nonetheless expect you to have visited the stores, checked their ranges etc as outlined previously.

It is worth noting that Bord Bia has a large library of market research and other information resources which are a useful support for you.

Having completed this research, you should now know what competitor products are currently on the market, their pricing, composition and packaging, and how they are promoted, sold and distributed. You should also know where to source raw materials, which retailers are relevant to your product in the marketplace, as well as the corresponding buyer contact details (name, number, etc).

You will also need to know what statutory regulations apply to your proposed business, e.g. food safety, health, insurance, labelling, etc.
Two fundamental questions you need to be able to answer are:

- Does your premises meet the required hygiene standards?
- Are your ingredients acceptable under current food safety legislation?

Retailers, particularly the multiple and discounters will look for reassurance in this regard, you should have a HACCP system in place as a minimum. If you have aspirations to be an own label supplier, your premises are likely to be audited by the retailer to ensure you meet their minimum standards, which will be close to BRC standards.
2. Defining your product offering

**Why should the consumer buy my product?**

Your ability to demonstrate that your product meets a consumer need, not currently being satisfied by other products in the range and at a price consumers are willing to pay is central to your engagement with the retailer and, ultimately, the end consumer.

Know and be able to articulate what differentiates your product from your competitors. What is its USP (unique selling point)? It can be established by the choice of ingredients, form and style of product, packaging and price positioning.

**Spend time and effort on branding and packaging**

Your brand should reflect what you stand for, what you want consumers to expect from you. A successful brand is not just about great pack design - your brand is more than just a logo, it incorporates how your consumers and customers feel about you, the experiences they have with your business, and their perceptions of you, this will include everything from how the phone is answered to the state of your delivery vans.

Having a strong brand identity enables consumers to choose your product quickly and easily. A good design will be a shortcut enabling consumers to find a product on a shelf. It can also be a reason to buy over and above the product itself. Consumers may identify with your story, your values etc. As well as protecting the foodstuff, the packaging you choose tells the story of your product. Its format, style, colour and shape ultimately delivers your message and what your brand is about.

An increasing focus on packaging and presentation is necessary as companies seek to enhance market share in a highly competitive marketplace. Your product will have to sell itself when you are not in the store to promote it. The packaging therefore becomes your ‘silent salesperson’, providing standout on shelf and drawing consumers to it. Competition is now global, so it is
Vital that your brand and packaging takes account of current trends and innovations as Irish retail buyers across the spectrum are continually offered new and exciting products by companies from around the globe.

Whatever design you choose there are some simple questions that must be answered. Does your product fit on the shelves of the targeted retailers and, if relevant, can it be stacked? When you are out visiting stores, put it on a shelf and see if it has standout, how much space it takes up and does it fit the height of the shelf. It is important to remember that when dealing with buyers from the multiples and discounters, shelf space is at a premium and usually one product is delisted to make way for a new one, so they will be reluctant to list a product where the packaging dimensions are significantly outside the category norm. Additionally, remember that your packaging must feature a product barcode and a detailed list of ingredients. If you are planning to work in the multiple retail sector, the product’s outer-case packaging will also need a barcode. Increasingly the multiples and discounters like products to be in SRP’s (shelf ready packaging) – an outer display unit containing the product which can go directly onto the shelves. If you invest in SRP, make sure your brand name is clearly visible on the box, but also ensure that the box does not hide the individual packs.

**Have a plan for product development**

New products are continually being launched in the retail sector, some with more success than others, and whilst the failure rate can be off putting it is important for companies irrespective of size to be looking at new products/flavours to launch. Consumers’ needs and tastes change and companies need to adapt products to these changes.

You will need to be innovative in your planning and keep a close eye on the trade and evolving market trends. Consider the feasibility of new product introductions on a phased basis, of introducing seasonal variations, or of new flavours to maintain consumer interest in your range. Multiples and high-end independent specialists will expect you to have the foresight and competencies to adapt to the changing tastes of their customers. Spend time in stores just looking, and stay up to date with trade press to see what competitors are doing, or even what is happening in other categories.
3. Your production plan

Every product goes through a number of stages and processes, before it is ready for distribution to the point of sale. A production plan is essential to track these steps, to detail the machinery and raw materials that are required and the time scales involved.

Equally, understanding the actual cost of creating your product, i.e., the cost per unit is crucial to the development of your overall pricing model.

The production plan must also include the quantity and mix of products required and the level of ‘finished’ stock you intend to hold.

These figures should come from your sales forecast which will be based on the market research you have undertaken.
4. Your pricing structure

In determining the price of your product you must take account of all the costs in relation to its manufacture, distribution and promotion. Rent and wages must be included, as must any margin demanded by the distributor and/or retailer who works with you in getting your product to the ultimate consumer. The price you sell to the distributor/retailer must cover all of your costs and give you a profit. Equally, the final consumer price (i.e. the retail price after the distributor and/or retailer have added their margins) should be competitive in terms of the offering from your competitors. (See Appendix A)

The majority of retailers look for percentage margin (not mark up). The margin will be on the final retail price to the consumer, not your selling price to them. It is important to therefore work back from your recommended retail price to see what margin the retailer is likely to make, however, be aware that the final consumer price may be higher or lower than you anticipate, so do the numbers for both. If the margin is too low they are unlikely to list your product, or they will push up the retail price to a point where your product won’t sell.

There are other costs which you need to be aware of, including the cost of promoting and handling fees for cases supplied through distribution centres. When costing for promotions, generally you will need to maintain the retailers’ margin, sometimes they are willing to share some of the costs, but it is safer to assume not when you are doing your planning. For bigger companies, as you grow your sales with the multiple retailers you may want to consider buying promotional space on the gondola ends (consumers tend to go to the space at the start/end of isles to look for promotions). Some retailers may require a discount (Long Term Agreement or LTA) at the end of a month or quarter and you need to be clear if such a discount will be required when building your price.
Some costs which you will need to consider include:

- Overheads e.g. light, heat and power.
- Raw materials
- Labour
- Packaging
- Cost of transporting your product to the shop or distribution centre
- If the retailer has a distribution centre, you will be required to pay a case price for every case the retailer transports to their stores on your behalf
- Agent fee if you are using such a service to sell your product
- Cost of subsidising price promotions
- Cost of promotional tasting of your product
- Discounts or LTAs required by retailers

To help keep costs down, a policy of tendering for packaging and raw materials could be introduced on an annual basis. You should also see if there are any other small producers with whom you could combine volume items, like packaging, to secure better prices. Even if you don’t tender for supplies, it is always worth revisiting quotes because once you start to grow and are ordering bigger quantities, there should be discounts for buying in bulk. However, make sure you don’t tie up too much cash in stock such as packaging that you aren’t going to use within a reasonable timeframe. It is important to keep an eye on commodity price forecasts as you need to ensure you are confident that your pricing will cover your costs for the foreseeable future. Buyers are unlikely to consider a price increase before a year of trading, and even then you will need to build a strong case to justify any rise.
Deciding where your product fits into the market in terms of pricing is a very important consideration. If you decide to charge a premium price at the top end of the market you must be able to justify it to the buyer, and the consumer must be able to appreciate the difference in terms of taste, benefit and presentation, particularly now that consumers are savvy and recognise that value for money is not just about price. If they cannot, your product will remain on the shelf and the retailer will quickly lose faith in it and is likely to delist it at the first opportunity. Your market research will give you a benchmark on pricing, in terms of what the market can bear and the level of margin the trade demands to stock the product. You should also do a product benchmarking – tasting your products and your competitors, to make sure that the price you are charging reflects the quality of the product. Sometimes, competitors products can taste better than expected, it is crucial to be as unbiased as possible when doing an exercise such as this.

Your market research will give you a benchmark on pricing, in terms of what the market can bear and the level of margin the trade demands to stock the product.
5. Choosing your route into the marketplace

Your chosen route to market (retail, foodservice, online etc), i.e. the way you will reach your end consumer, will very much influence the potential growth and profitability of your business. Equally, it will have repercussions for how you set up and run your operation, particularly in terms of production, logistics and operations.

*At retail level, there are a number of choices in the Irish market:*

**The multiple groups:**

The bigger retail chains such as Dunnes Stores, Tesco, Aldi, Lidl etc. offer companies the potential for nationwide distribution, or a national listing. However, this may not suit your aspirations or volume capabilities. The good news is that being able to supply all stores is not a prerequisite to doing business with any of these retailers, it is possible for a producer to supply only a small number of stores. Some retailers have specific regional buyers in place who can advise new, smaller suppliers who wish to supply on a limited store basis.

Musgraves/SuperValu/Centra is slightly different to the other multiple retailers as the individual store owners/managers have the discretion to buy directly in certain circumstances without the product having to be listed at head office (only permitted to buy a small percentage of their range this way). This offers opportunities to local producers who wish to dip their toe into a multiple type retail outlet on a small scale. However, it is worth noting that stores can only source around 5% of their range outside of the centrally listed range. Those seeking to be a successful long-term supplier to SuperValu generally seek a listing at head office (central billing), which offers greater access to the SuperValu network of stores nationwide. However, it is still necessary to market products to individual store owners as well as the central buyer, to ensure uptake at store level, and it will also be necessary to deliver to each of these stores. Central billing and central distribution is where the listing is with head office and the products go through the Musgrave’s distribution centres out to stores.
Independent stores:

High-end independent specialists are an obvious target for small companies entering the market for the first time. Urban shops often focus on high quality, convenience, premium priced products sourced locally, nationally and internationally, while rural outlets often support local producers and producers of an artisan nature. For some companies a strategy of just supplying independent high end stores can be profitable, particularly if the company does not have the capability of producing high volume products. One of the main challenges will be around distribution and getting products to stores up and down the country. A solution to this is to work with a distributor who already supplies the stores you wish to target, or share transport with another local producer. If you go down the distributor route, it will be important to have a proactive relationship with both the distributor and the stores.

Your choice of route to market depends on your business objectives. The fundamental question is which route will be most effective at introducing your product to the consumer you are targeting.

(See section on Retailer Profiles)
6. Getting listed

Whether dealing with an independent specialist or multiple retailer you need a plan to get your product listed. The first step is arranging to meet with the owner or buyer. It is important to be well prepared for this meeting i.e. make sure you have been out to visit their stores, that you know the products that they have in your category and that you understand what ‘gap’ your product is going to fill. Ensure that you bring product samples to the meeting so that the owner/buyer will have a clear understanding of your product.

*Key points to be discussed include:*

- Introduction to your company and your capabilities
- Product type
- Product unique selling points, i.e., what makes your product different
- Pack sizes
- Ideal positions to locate the product in-store

You should also give the owner/buyer an overview of your business and inform them of any awards or press coverage you may have received. Make sure that the buyer has your contact details so that they can follow up with you.
Among the issues which need to be agreed during the course of the meeting are:

- Cost price of your product

- What volumes are expected and how many shops will you be listed in (if a multiple retailer)?

- What is the hurdle rate for the category (i.e. the minimum number of units you need to sell in a week per store to keep your listing)

- What is the category average wastage rate – it will be important for your products to fall at least within the average if not below. High wastage costs stores money and makes them less likely to want to stock your product

- How and when will orders be placed? You may be required to phone weekly to get the order if it is an independent specialist shop, or you may receive the order electronically* if it is from a multiple retail operator

- What will be the lead time from placing an order to the product being on the shelf e.g. day one order for day three delivery

- What will be the time lag between agreeing to list the product and getting it on shelf? This can be as long as 12 weeks depending on where the retailer is in their ranging cycle
• Does the buyer have ranging windows i.e. set times in the year when they review their range, if so ask for the dates so that you know when to be coming to them with new ideas etc.

• When can you expect payment, once the goods have been delivered to the retailer?

*most of the multiple retailers and discounters will order electronically – the acronym you will hear is EDI (electronic data interchange). The internet has made it easier for all suppliers to receive and process orders through EDI as most retailers will have a web based system that you can use – there is usually an ongoing fee for this. It is generally more cost effective to set up all potential customers accounts at the start, rather than adding them individually. It can often be a help to speak with other suppliers who have gone through EDI set up to avoid any errors during this stage.

What is the category average wastage rate – it will be important for your products to fall at least within the average if not below.
7. Building a logistics plan

Storing finished products and delivering them to the point of sale as specified by the order should not be a complicated process. Yet it is frequently an issue of contention in the supplier / retailer relationship.

You need to know how your finished products will be stored and what type of facilities are required to keep the produce fresh, clean and saleable.

A distribution-logistics plan maps out, step by step, the process from initial transportation of raw materials through to the completed product being delivered to the retailer. All of these actions need to have been included in your costing model, so that your price to the retailer covers all of your outgoings in this regard.

You have a number of options with regard to getting your product into the marketplace. Some of these are as follows:

1. Delivery of product directly to the retailer using your own transport. This will work well for local trade and a small number of independent specialists but may not be an option for supply into multiple retail or independents located across the country.

2. Collaborate with other local producers to share transport, this can be cost effective particularly if one of the businesses already has vehicles (which aren’t full) which are calling to the same stores. This requires tight coordination and trust between the various parties.

3. Contract transport to a third party logistics provider. While there is an obvious additional cost, it leaves your team free to concentrate on the production and selling of your goods.
4. Use of a distributor. A distributor normally buys the goods from you and provides a range of services including that of transport, warehousing and sales. If you decide to use the distributor route, you need to invest time and effort into identifying the right one for your business and then be able to give them a reason to work with you e.g. convince them that there is a market for your product, and that you will support it with tastings, promotions etc. While the distributor will do the day to day selling and order taking it is important that you maintain direct contact with your key retail accounts. You should look to attend a number of retailer meetings with your distributor on an annual basis, in addition to having a quarterly planning meeting with the distributor.

5. Bord Bia’s Guide to Distribution for Small Food & Drink Producers in Ireland has practical detail on how to choose the best distribution solution for your business. See www.bordbiavantage.ie
8. Your promotional plan

Having achieved a listing or delivered product to the store the promotional phase of your marketing plan needs to click into action. There are many imaginative and cost-effective ways in which you can generate publicity to promote your product.

Present a clear and logical promotional plan to the buyer and actively work with them to ensure that your target consumer becomes aware of your product.

Your market research will help you understand what forms of promotion are utilised in the market and assist you in deciding what is best for your product.

*Promotional tools most frequently used include:*

- In store merchandising
- Tasting
- Introductory offers
- Seasonal offers
- Price promotions
- Advertising
- Public relations
If you have a limited budget choose the activities which will be most effective in generating trial. Tastings as an in-store activity work well for many producers and, where possible, should be done by you and your own team. Many of the larger multiple retailers will, however, require you to use a dedicated agency which can be expensive. However, it is possible that some of them will allow local suppliers to do tastings provided they have the necessary hygiene certificates, it is always worth asking.

Public relations at a local level is often good value for money and retailers are often quite open to helping suppliers create publicity for both the product and their respective stores. You will find that local radio stations and newspapers are always eager to find new material for airing and that they are open to featuring local business stories. In particular, if you have won any awards, this is an ideal opportunity to approach them. Do not hesitate to send details of your product and samples to some of the national food writers. They are always open to new ideas and very often find it refreshing to hear directly from the producer.

Increasingly social media offers smaller companies the opportunity to talk to a large audience without the need for a huge budget. Facebook, Twitter etc. can be a great platform for food companies, however, it will be important to invest time and effort into these channels. It isn’t necessary to be posting messages or tweets 24/7 but regular updates, new news stories etc. will be required to build a following.
Price promotions if you can afford them are an effective way of increasing sales. However, it is unlikely that smaller companies will have the budget for the deep cut regular promotions undertaken by some of the big brands. If possible try and budget for one or two promotions a year, particularly when you are trying to encourage consumers to try a new product or flavour. The important thing with promotions is to ensure that you budget to maintain the retailer’s margin. Whilst they might agree to share the cost and it is definitely worth asking, it is safer to assume that you will need to fund it 100%.
9. Actioning and implementing your project

An action flowchart detailing the sequence of ‘to do’s’ will help you understand the scale of work your project involves and the interdependent nature of the process.

Put a target completion date on each action and, if you have a team working with you, allocate responsibilities to each member. Ensure that they all know what is expected of them and when they should have their task(s) completed.

Finally, set review dates to ensure that you receive updates. This will give you an opportunity to intervene before any potential hurdles become critical obstacles.

Once your product has launched in a store or stores, make sure you visit the stores to check that it is on shelf, and talk to store staff to get their feedback on how it is performing. Make sure you monitor waste so that you can discuss ways of reducing this with the buyer if there are concerns (e.g. maybe send in smaller case sizes). Make sure you are on top of performance so that when you sit down with the buyer to review, there aren’t any negative surprises.
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The Irish Market for Speciality Foods

Section 3
Retailer profiles

Dunnes Stores

Musgraves (SuperValu)

Tesco Ireland

ALDI and LIDL

Independent Specialists
Dunnes Stores

Dunnes Stores, an Irish family owned multiple retailer, is focused on their Irish heritage and supply base. Dunnes Stores celebrates their 70th anniversary in business in 2014 and currently has 98 stores in the Republic of Ireland, with stores also in Northern Ireland, UK and Spain.

Dunnes Stores stock a typical range of tiered good, better and best product lines under both brand and private label, as well counters for butchery, bakery etc in store. They work with Irish suppliers to ensure a selection of branded artisan products on shelf, as well as private label ranges that mention the Irish supplier.

Suppliers can be listed on a national or local basis, but will need to contact the buyer at head office in both cases. It is essential to develop a close relationship with the buyer, as they need to understand ALL the requirements (e.g. packaging costs, minimum order runs, etc) of supplying product to Dunnes Stores and whether their company is at the right stage to service a multiple account.

All potential suppliers, from local to national listings, will need to contact the head office buyer to discuss and evaluate opportunity to supply into Dunnes Stores. Dunnes Stores is open to Irish suppliers who understand their strategy, and who have products that offer a point of difference to their customer base.

In terms of logistics, Dunnes Stores currently works with a number of dedicated third party operators.
Musgraves (SuperValu)

Musgrave’s Retail Partners Ireland (MRPI) has its head office in Cork. This retail operation includes SuperValu and Centra in Ireland, and also includes Mace stores in Northern Ireland.

Local retailers and the local communities they serve are centre stage to SuperValu’s strategy. The majority of stores are independently owned and operated under the SuperValu franchise model. Each store operates to standardised planograms, with some local overlay options. Generally the target for each retailer is to have a 95% sourcing compliance rate, with an option to source up to 5% of their ranges at their discretion.

Certain stores use this 5% allowance to focus on local and artisan suppliers that can provide them with a point of difference, support local and Irish producers and build up loyalty among their customer base. New suppliers can approach their local store owners directly to get a listing under the 5% rule.

SuperValu also prides itself on the range and quality of their fresh offer, and have fish, meat, and deli counters in most stores.

For suppliers to SuperValu, it should be noted that even when a product is listed centrally through the head office buying team it does not necessarily mean that the product will automatically appear in each store as each store owner has some discretion regarding the products they order. What this means for new suppliers is that they will need to build up relationships with store managers so that their product is known and ordered on an ongoing basis. The trading managers at head office will conduct range reviews to amend product listings.

Deliveries to Musgrave stores can be done either directly to store (limited), through central billing (generally van sales/local distributors delivery to store) or through central distribution (supplier delivers his product to the Musgrave’s depots and they organise the distribution to stores).

Superquinn was bought by Musgrave’s in 2011, and in early 2014 the Superquinn name will disappear and be replaced by SuperValu.
Tesco Ireland

Tesco made its debut into the Irish retail scene in 1997. Since then it has grown to 142 stores, selling a wide range of food and drink products, as well as clothing, electrical and homeware.

Tesco stocks both branded and private label products in all stores, as well as having a selection of counters including fish, meat, deli etc in larger stores. Tesco are aware of the importance of Irish products to Irish consumers, and have embedded this into their trading strategy. They have the facility for a supplier to start supply under a local listing (less than 10 stores), and to use this listing as an opportunity to grow organically within their stores.

Tesco also run a series of ‘Homegrown’ events throughout their stores which allows Irish suppliers promote their products e.g. in-store tastings etc.

Tesco stores are all owned by Tesco and managers are employed by Tesco. Their operations run to strict processes and procedures, and planogram compliance is paramount to them. All suppliers to Tesco must go through the listing process at head office, and categories have regular range reviews where the buyers assess the trading performance of the category and products within.

Tesco operates a central distribution logistics channel, and they have a number of depots that distribute fresh, frozen and chilled product directly to their stores through their highly sophisticated distribution operations. Few products get delivered directly to store, the exceptions being generally short life products such as bread, and some local only listed products.
ALDI and LIDL

The performance of the discount channel in Ireland has been growing strongly and steadily since their arrival. At the end of 2013 the combined market share of the discounters was approximately 15% of the total grocery market in Ireland.

Aldi and Lidl entered the Irish market using their traditional ‘hard discounter’ trading approach with pricing the main focus. However, both amended this approach in an effort to win more customers from all demographics in Ireland. Their strategy, delivered through an improved product range, with a strong focus on Irish sourcing across the majority of food and drink categories, and strong media campaigns that communicated quality, savings and strong traceability messages has been a success for both discounters.

Discounters, by carrying a much reduced range compared to the multiple retailers, are risk averse when it comes to listing new products, and generally will only take on products with a proven track record in the market.

The discounters are interested in working with the Irish supply base. Generally this will be under the discounter’s retail or private label, and it will be necessary for the supplier to be BRC or similar accredited. Also, capacity and company capability to build a sustainable business model with the discounters is imperative. It should be noted that there are also options to supply the discounters on a promotional (non-permanent) basis.
Independent Specialists

Independent store owners generally have a wide range of speciality and often local food and drink products. The growing interest and demand for Irish food and drink, particularly in recent times, has lead to an increasing offer of Irish sourced products in the majority of independent stores, which gives them their point of difference from multiple retailers. Service is also critically important in these stores.

Many of the independent stores have adapted their business models to suit the economic environment, and introduced innovative retail practices to maintain their customer base. The increasing prevalence of online communications, including twitter and facebook have provided affordable and creative platforms for independents to reach existing and new customer bases. Online sales are also seeing growth, albeit from a low base.
Delivery to independent stores is generally either direct or through third party distributors. Independent stores can be accessible to smaller food and drink producers and can be a good source of advice and guidance, particularly at the early stages of product development.

Working out commercial viability is a must before considering supply into this channel, particularly with respect to distribution costs which can often be higher than expected to a new producer.
What are the key differences between multiple retail and independent specialists?
SECTION 4 WHAT ARE THE KEY DIFFERENCES BETWEEN MULTIPLE RETAIL AND INDEPENDENT SPECIALISTS?

General listing of product

Multiple Retailers and Discounters

The multiple retailers and discounters have central buying and merchandising teams who make the decision on whether your product will be carried or listed in their stores, where in the shop it will be merchandised and how many ‘facings’ it will receive (the number of products visible on the shelf).

If a product is listed for all or a specific group of stores, it is important to visit as many stores as possible in advance of and after the product is launched to make sure the store staff are aware of your brand, and that the product is merchandised as agreed with the head office buyer i.e. it appears on the shelf where it is meant to be.

It is worth developing relationships with store staff as they can give you feedback on how your product is selling and if there are any concerns with it.

You will also need to keep the buyer updated (at least half yearly) on sales, promotional plans or details on new products. It is advisable to keep a record of every visit to each store, noting issues such as ‘off sales’ (products not in stock), mis-merchandised products, damages removed, etc.

As mentioned previously, Musgrave SuperValu/Centra stores operate somewhat differently to the other multiples. However the fact that stores can list products directly and that central billing is no guarantee of a listing at store level means that it is crucial you develop relationships with store managers and visit the stores on a regular basis. You need to ensure that they order your product and then that it is merchandised correctly.
**Independent Specialists**

The independent specialist buyer is likely to be on site and may in fact be the owner/manager of the shop. Information requirements may not be as detailed as with the multiple buyer, but it is important to have a promotional support plan available.

With independent specialists, you generally have greater access to the decision maker and the staff who influence how your product is merchandised and promoted. Typically, independent specialists shops have less shelf space than the multiples. You, as a potential supplier, must be very clear on how your product can add to the existing range. It is also important that you are seen to understand the pressure these stores are under from the multiples. As they find it hard to compete on price, they need to ensure they carry products which aren’t available in the multiples, this is one of the key ways they differentiate themselves. As a supplier you can help them by offering something different to what you have listed in the multiples e.g. a different flavour.

You have the flexibility of agreeing key points on site at the time of the crucial buying meeting. The fact that the buyer and staff are on site removes the additional layer of contact required in dealing with the multiples. As with multiple retail, it is important to remain in regular contact with the buyer/manager.
Product Delivery

Multiple Retailers and Discounters

Musgraves/SuperValu/Centra (if you are listed for central billing and central distribution), Tesco Ireland, Aldi and Lidl use central distribution warehouses. These receive bulk deliveries from suppliers for all of the stores in their group. Each individual store draws off this central stock as required and the product is delivered by the retailer’s own delivery fleet. Central distribution generally requires the supplier to have the ability to deliver six days per week.

You need to consider how to best manage these requirements. Will you have your own delivery van or pool resources with other companies? Some retailers operate a backhaul system (where they pick up from your premises, at a cost), for the purposes of enhancing cost efficiencies (it means they aren’t running empty lorries on the road). Alternatively, you could consider appointing a third party, who can warehouse and deliver stock on your behalf. Suppliers must be mindful of the type of vehicle which is allowed to drop stock at the distribution centre, as only specific vans are compatible with the receiving bays. There are also specific drop off times which need to be adhered to when delivering to depots.

These distribution centres are run very efficiently and the onus is on suppliers to ensure that they have all their paperwork, barcodes (inner and outer case codes) attached to each pallet and that they scan accurately. If not the products will be rejected and will be sent for return to the supplier. This will result in a fine as well as non payment for the goods.

It is possible, particularly in the case of SuperValu, to deliver direct to stores, but some of the other retailers may permit this on a local basis or depending on the product category.

Dunnes Stores currently works with a number of third party operators in terms of distribution and again there is the potential to deliver direct to stores depending on volume and product type.
Independent Specialists

An order from an independent will be for direct delivery to the retail outlet that you are supplying. If you are working with a distributor they will take the order from the retailer.

Most independent specialists want to build a relationship with their suppliers. They prefer to deal directly, if possible, with the suppliers, both in terms of order taking and delivery. Many urban-based stores, however, will source product via third party operators, particularly if they can avail of a range of goods. To supply independent retailers, you will need a cost effective and efficient system to deliver your products on a regional/nationwide basis. Bear in mind that many of the smaller specialists retailers do not have large amounts of storage space.
Conclusion

Food and drink companies looking to grow their business will at some point need to start to supply their products into stores. The Irish retail market offers a number of different retailers to target, from independent single store owners through to the multiple retailers with stores around the country and in some cases internationally as well.

In order to be successful it is important to develop a plan for entering the retail market. It is vital that you thoroughly research the segment(s) of the market in which you are interested, and develop your strategy accordingly, remember not all retailers have the same consumer base. You need to decide on your target market and understand the demands of the retailers operating in this market. Obviously the skills/resource requirements are greater should you decide to supply the multiple retailers as opposed to a local independent but equally so is the potential for growth. Understanding consumers, their needs and their shopping habits should be central to all food and drink companies, it should drive product development and be a core part of any buyer presentation you develop when looking for a listing. The retail market is concentrated and competitive and there is little room for any ‘me too’ products.
Appendices

Appendix A – Sample pricing model and margin calculations

Appendix B – Useful terms

Appendix C – Useful contacts
Appendix A – Sample pricing model and margin calculations

All relevant costs in the production, sale and delivery of a product must be included in price calculations.

**Calculation 1: Cost of product**

Cost of Raw Materials  
+  
Cost of Production  
+  
Cost of Logistics  
+  
Cost of other overheads  
= Cost of saleable product

**Calculation 2: Trade price of product.**

Cost of saleable product  
+ Desired Profit  
= Trade Price of Product

**Calculation 3: Retail price of product**

Trade Price of Product  
+ Retailer Profit  
+ Cost of Retailer / 3rd party Logistics Fee  
+ Retailer Rebate (depending on retailer)  
= Retail Price (RRP)

**Calculation 4: Retailer margin**

Cost price to retailer = A €10  
Retail Price to Consumer = B €15  
% Margin = \( \frac{B - A}{B} \times 100 \)  
\( \frac{15 - 10}{15} \times 100 = 33.3\% \)
Appendix B – Useful terms

You will find that both the independent specialist and the multiple retailer use words/terms from time to time that you may not be familiar with. It is also worth noting that meanings can sometimes vary depending on the context in which they are used.

Some examples:

- **Agent** = independent contractor, who does not take ownership of the goods but who acts as a salesperson and is typically paid on a commission basis

- **Backhaul** = Where the retailers own transport collects the stock from the supplier, returning from store deliveries, and takes it back to the distribution centre

- **BOGOF** = Buy one get one free promotion

- **BRC** = BRC Global Standards is a safety and quality certification program for manufacturers

- **Business Plan** = A document which summarises the operational and financial objectives of a business and contains the detailed plans and budgets showing how these objectives are to be achieved

- **Central Billing** = With regard to Musgrave SuperValu-Centra, this is where product is listed on its central ordering system, but is subject to direct store delivery. Payment, however, is processed centrally, and this is known as Central Billing

- **DC** = Distribution Centre. This is the warehouse where your stock is held in bulk so that it can be sent onwards to the branches of the larger multiple retailers

- **Distributor** = Buys your goods, stores them and sells them onto a third party. A distributor will typically provide a range of services including transport, warehousing facilities and a sales service

- **DSD** = Direct store delivery. This is a method of delivering merchandise from manufacturer directly to the retail store, by-passing retail warehouse facilities

- **EAN** = European Article Numbering System. This is the...
barcode standard used in retailing. The barcode is represented by numbers and bars, which are used on packaging, enabling a product or outer case to be scanned

- **EDI** = Electronic Data Interchange. This is a way of sending orders and invoices electronically and is used more by the larger multiple retailers

- **EPOS** = Electronic point of sale. This is the method of recording store sales by scanning product bar codes at the store tills

- **Facing** = The (linear) space allocated to your product on the shelf. One facing = one line of your product, etc.

- **Fixed Costs** = Costs that do not vary depending on production or sales levels e.g. rent, insurance

- **Gondola** = Shelving

- **Gondola Ends** = The space at the end of the shelving which is usually used for promotions, suppliers can pay for this space

- **HACCP** = Hazard Analysis and Critical Control Point. This is a proactive, preventative system which identifies, evaluates and controls food safety hazards

- **Lead Time** = The time between when the retailer places an order and the supplier needs to deliver

- **Listing** = To secure agreement from the retailer that it will stock the supplier’s product in some or all branches, once established on its central ordering system

- **Long Term Agreements (LTAs)** = Payment made by the supplier to the retailer based on a % of product sales, over a period of time. Some payments can be volume related, however, the majority are open ended. Also known as a rebate or discount

- **Margin** = The profit expressed as a percentage of the selling price

- **Marketing Plan** = A plan which outlines the specific actions you intend to carry out so as to interest potential customers in your product and ultimately to persuade them to buy it. It describes and defines actions and policies that the company should adopt in respect of the four Ps – Product, Price, Place and Promotion

- **Mark Up** = The profit expressed as a percentage of the cost price

- **Merchandising** = The allocation of shelf space and the physical layout of product within a specific
category or fixture. Some suppliers may use their own team to ensure optimum presentation of product, subject to retailer permission

- **Planogram** = Pictorial diagram of a category layout on-shelf

- **POS** = Point of sale. This can mean the physical location where the product is displayed for sale or can relate to the marketing material displayed with the product

- **Private Label** = A brand that is owned by the product’s reseller (either distributor or retailer) rather than by the manufacturer, also referred to as Own Label

- **Range Review** = When buyers look at their range and decide what changes to make e.g. what to list and what to delist

- **SEL** = Shelf edge label. This is the descriptor which identifies the adjacent product on the shelf, and provides information such as selling price, barcode, product description etc.

- **Shelf Life** = the length of time a product is safe to eat. Retailers will look for shelf life from the time the product leaves the factory

- **SRP or Shelf Ready Packaging** = Outer packaging in which the product is delivered to the shop, while also functioning as a display unit for the product in-store. As a result individual product handling is not required by staff

- **SKU** = Stock keeping unit. This is a uniquely identifiable line or product within a product range. A particular product may have many variations each of which would be a unique SKU

- **Supply Chain** = The entire chain which the product travels through from raw materials through to consumption

- **USP** = Unique Selling Proposition (or point). This is the unique product benefit that differentiates your product from that of the competition

- **Variable Costs** = Costs that change in direct proportion to the activity of a business e.g. packaging, raw materials

- **Waste Support** = Suppliers may be asked to subsidise the cost of waste stock in the initial weeks following product launch. Sometimes a percentage discount may be sought to cover ongoing demand and returned products
# Appendix C – Useful contacts

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Address</th>
<th>Telephone</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bord Bia, Clanwilliam Court,</td>
<td>Lower Mount St., Dublin 2.</td>
<td>(01) 6685155</td>
<td><a href="http://www.bordbia.ie">www.bordbia.ie</a></td>
</tr>
<tr>
<td>Enterprise Ireland,</td>
<td>East Point Business Park, Dublin 3.</td>
<td>(01) 7272000</td>
<td><a href="http://www.enterprise-ireland.com">www.enterprise-ireland.com</a></td>
</tr>
<tr>
<td>Bord Iascaigh Mhara,</td>
<td>Clogheen Road, Clonakilty, Co.Cork.</td>
<td>(01) 2144100</td>
<td><a href="http://www.bim.ie">www.bim.ie</a></td>
</tr>
<tr>
<td>Udaras na Gaeltachta, Na Forbacha,</td>
<td>Co Galway.</td>
<td>(091) 503100</td>
<td><a href="http://www.udaras.ie">www.udaras.ie</a></td>
</tr>
<tr>
<td>County and City Enterprise Boards.</td>
<td></td>
<td></td>
<td><a href="http://www.enterpriseboards.ie">www.enterpriseboards.ie</a></td>
</tr>
<tr>
<td>Department of Agriculture,</td>
<td>Food &amp; the Marine, Agriculture</td>
<td>(01) 6072000</td>
<td><a href="http://www.agriculture.gov.ie">www.agriculture.gov.ie</a></td>
</tr>
<tr>
<td>Food Safety Authority of Ireland</td>
<td>Abbey Court, Lr Abbey St, Dublin 1.</td>
<td>(01) 8171300</td>
<td><a href="http://www.fsaie.ie">www.fsaie.ie</a></td>
</tr>
<tr>
<td>Teagasc, Oak Park, Carlow.</td>
<td></td>
<td>(059) 9170200</td>
<td><a href="http://www.teagasc.ie">www.teagasc.ie</a></td>
</tr>
<tr>
<td>Companies Registration Office,</td>
<td>Parnell House, 14 Parnell Square, Dublin 1.</td>
<td>(01) 8045200</td>
<td><a href="http://www.cro.ie">www.cro.ie</a></td>
</tr>
<tr>
<td>Health &amp; Safety Authority,</td>
<td>10 Hogan Place, Dublin 2.</td>
<td>(1890) 289389</td>
<td><a href="http://www.hsa.ie">www.hsa.ie</a></td>
</tr>
<tr>
<td>IBEC, Confederation house,</td>
<td>84-86 Lr Baggot St., Dublin 2.</td>
<td>(01) 6051500</td>
<td><a href="http://www.ibec.ie">www.ibec.ie</a></td>
</tr>
<tr>
<td>Small Firms Association,</td>
<td>84-86 Lr Baggot St., Dublin 2.</td>
<td>(01) 6051500</td>
<td><a href="http://www.isme.ie">www.isme.ie</a></td>
</tr>
<tr>
<td>ISME, 17 Kildare St., Dublin 2.</td>
<td></td>
<td>(01) 6622755</td>
<td><a href="http://www.isme.ie">www.isme.ie</a></td>
</tr>
<tr>
<td>Patents Office, Government</td>
<td>Government Buildings, Hebron Road, Kilkenny.</td>
<td>(056) 7720111</td>
<td><a href="http://www.patentsoffice.ie">www.patentsoffice.ie</a></td>
</tr>
</tbody>
</table>
Revenue Commissioners,  
Dublin Castle, Dublin 2.  
T: (01) 6792777  
W: www.revenue.ie

Central Statistics Office,  
Skehard Road, Mahon, Cork.  
T: (021) 4535000  
W: www.cso.ie

Western Development Comission,  
Dillion House, Ballaghaderreen,  
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T: (094) 9861441  
W: www.wdc.ie

InterTradeireland, The Trade and  
Business Development Body, The Old  
Gasworks Business Park, Kilmorey  
Street, Newry, Co. Down, BT34 2DE.  
T: (028) 3083 4100 (048 from Ireland  
W: www.intertradeireland.com

Irish Internet Association, The Digital  
Hub, 157 Thomas Street, Dublin 8.  
T: (01) 5424154  
W: www.iia.ie

Skillnets Ltd, 5th Floor, Q House,  
Furze Road, Sandyford, Dublin 18.  
Tel: (01) 2079630  
W: www.skillnets.ie
Retailers referenced in guide


Cavistons Food Emporium, 59 Glasthule Road, Sandycove, Dun Laoghaire, Co Dublin. T: (01) 2809120 W: www.cavistons.com

Country Choice (Delicateseen & Coffee Bar), 25 Kenyon Street, Nenagh, Co Tipperary. T: (067) 32596 W: www.countrychoice.com

Donnybrook Fair, 91 Morehampton Road, Dublin 4. T: (01) 6683556 W: www.donnybrookfair.ie

Dunnes Stores, Beaux Lane House, Mercer Street Lower, Dublin 2. T: (01) 6112100 W: www.dunnesstores.com


Musgrave SuperValu-Centra, Tramore Road, Cork. T: (021) 4803000 W: www.musgrave.ie

Superquinn, Superquinn Support Office, Suttons Cross, Dublin 13. T: (01) 8167100 W: www.superquinn.ie

Tesco Ireland, Gresham House, Dun Laoghaire, Co Dublin. T: (01) 2808441 W: www.tesco.ie

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