

# Chairman & CEO Update

May 2020

Dear Member,

## Update on the Coronavirus Pandemic Crisis (COVID-19)

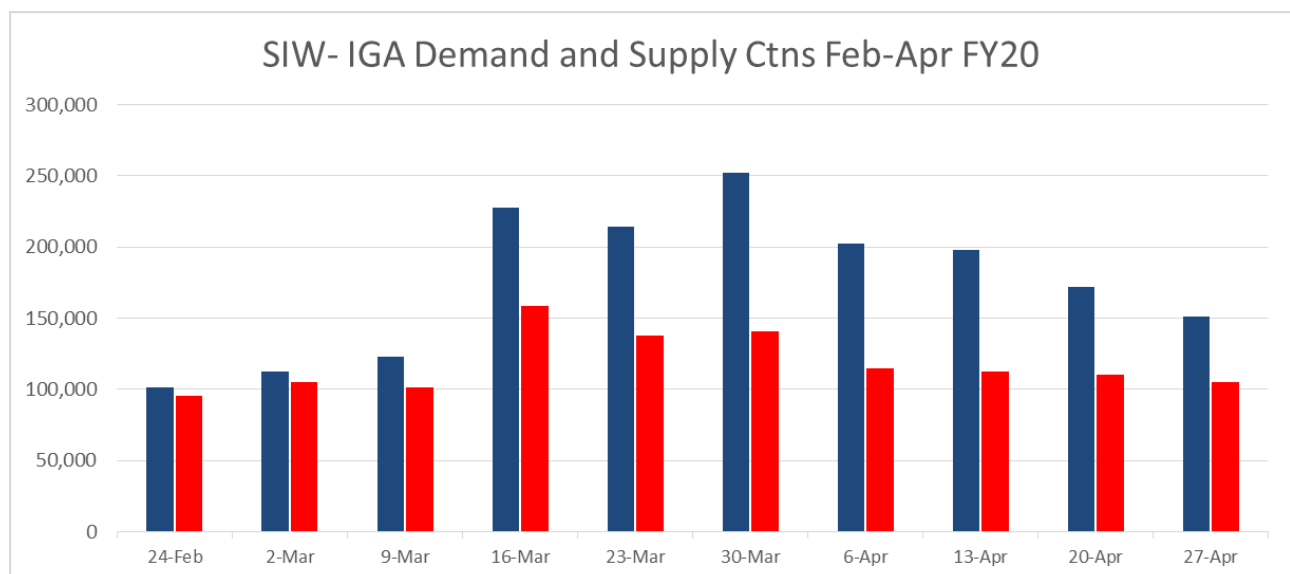
The Coronavirus pandemic crisis (COVID-19) has affected our retail business like nothing else before it. Sales growth has been unprecedented and many members have gained new customers as shopping locally has been a preferred option for many and enforced on others due to government restrictions.

We believe that the independent grocery market share has grown consequently due to the perceived safety and convenience of shopping closer to home and the need for more meals at home due to the closure of the hospitality industry.

Recently both Woolworths and Coles announced 3<sup>RD</sup> quarter FY20 sales results that including the impact from the panic buying occurring in the early stages of the Coronavirus Pandemic. Woolworths reported a +10.3% comparable growth for food sales and Coles reported +13.1% sales growth for the same period. Whilst TIR does not have access to our total member retail sales for direct comparison, we can however report that SIW Grocery purchases (excluding cigarettes) had growth of over +22% for the comparable period. This strongly indicates a change in retail share.

The dramatic change in demand and supply has been difficult to manage by most stakeholders within the Retail Supply Chain. In the following chart, you will see SIW'S IGA carton demand peaking at 150% more than normal in the last week of March.

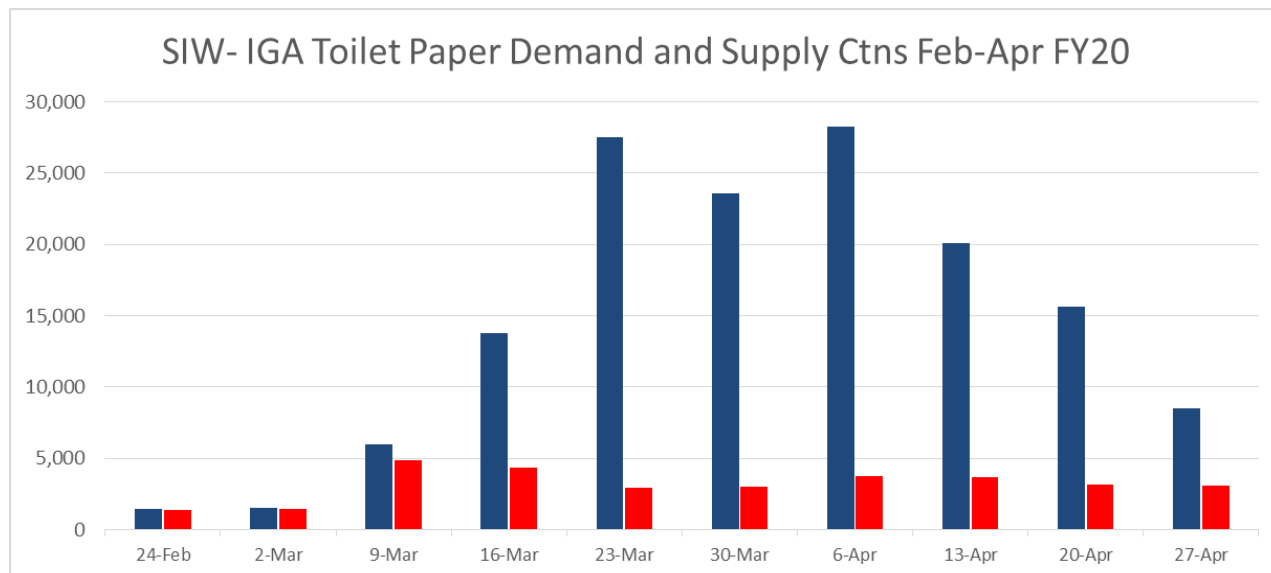
### Demand (Blue) and Supply (Red) Trend IGA Tasmania Feb-Apr 2020



There has been no precedent to this demand spike and due to “just in time” supply chain practices employed by retailers and suppliers alike, there were no national stockpiles to draw on, so we have had to endure very low service levels in many categories.

Toilet Paper stock also remains difficult to secure, and whilst the supply of bulk packs has been adequate, albeit not ideal, many of the smaller packs remain in short supply. You can see the huge IGA carton demand impact on SIW within the following chart.

#### Toilet Paper Demand (Blue) and Supply (Red)



There are some small signs that supply is improving and with overall demand settling down, SIW has now removed all order slimming. However, we are still considering when to stop the (T) Toilet Paper SKU allocations.

The last two weeks have seen improvements in service levels, moving from 50% to 73% supply. Out of stocks are also improving every day and we are now seeing highly sought after products such as hand wash and hand sanitisers starting to arrive at the SIW DC. We trust that members are using the SIW stock status reports within the IGA Daily Update email to target your purchases to fill those empty shelves.

We are aware that a few media reports are indicating that both Woolworths and Coles have greatly improved levels of supply and are removing or changing buying limits. The improvement locally is not as visible as the mainland despite SIW efforts in filling the DC. SIW has increased days of supply on available stock by around seven additional days and will maintain this buffer until demand fully stabilises.

Whilst many members are experiencing dramatic growth, we do acknowledge that some members have not had the same opportunity, particularly in tourist and holidaymaker towns, as the impact is very different. If any member is experiencing a dramatic sales downturn, there may be some relief from either National or State Government support packages. Stuart Main, our TIR Financial Accountant is keeping abreast of the business support packages and may be able to point you to some options. Contact Stuart for more details via email at [stuart.main@igatas.com.au](mailto:stuart.main@igatas.com.au).

For those members that have received unprecedented sales growth, the reasons are many but in most cases, your loyal customers trust you and your new customers have been impressed

with your instore offers, implementation of social distancing measures and visible cleaning routines. We stress to all members that you must maintain the mandated COVID-19 social distancing processes and cleaning standards. The community will expect this for many months to come and some aspects will be required indefinitely.

The TIR staff have been working hard to provide members with all the important and relevant information throughout this crisis. The Coronavirus (COVID-19) webpage within the IGA Tasmania Retailer Zone is constantly updated and remains the best place to obtain all your retail related COVID-19 social distancing and cleaning resources. The IGA Daily Update email continues to be your daily source of relevant updates and we encourage you to ensure you are viewing this email regularly and actioning all advice.

One of the more interesting changes caused by COVID-19 crisis is the increased uptake of online shopping and home delivery and in many cases by the more elderly and vulnerable members of our communities. These customers are one of our key demographics and there is risk to losing a lot more of them to more established online retailers. If you had thought that you were not impacted by online ordering because of your location, it may be worth reviewing your situation. [Myfoodlink.com.au](https://myfoodlink.com.au) has been an ecommerce partner to many retailers within the national IGA network and we encourage you to consider this option going forward. Once again, consumer behaviours and demands are shifting, and hence we all need to be proactive in providing alternative supply solutions where feasible to do so. Please talk to your IGA area manager for more details.

### What will our retail environment look like after COVID-19?

John Ross, IGA Inc. CEO recently penned some views on what IGA is seeing internationally especially from China as they get back to a post Covid-19 trading environment. John provides some interesting insights which remain relevant to our own trading environments. [You can read his report here](#)

### Promotions and Advertising

IGA along with other major retailers made the decision to wind down advertising and promotions in the early days of the COVID-19 panic buying spree. The reasons for doing this are well known and do not have to be reiterated here. Despite the temporary wind down of advertising across the industry, we did decide to keep our 'hand in the game' with some TV and Press advertising and as this reminded the public that IGA was an option for all customers, both old and new. We maintained most of the weekly specials through instore shelf-talker activity throughout the period to ensure we continued our value offer. There were some cancellations to specials due to stock shortages but this only accounted for less than 10% of our normal promotional offer.

We have slowly begun to ramp up our advertising presence especially in the online digital catalogues which link to the store locator information on the IGA website and via a direct email we push out to thousands of customers within our database each week.

Our digital catalogue will contain more specials throughout May as we continue to produce a single version. Pricing will begin to become more aggressive on products where we can ensure that we have adequate stock holdings to meet retailer and consumer demand. From the w/c 3rd June, we plan to be back to normal item & price advertising levels. We have planned to have the full amount of TV specials we had prior to COVID-19, and will revert to producing two 'online' versions of the catalogues as previously provided, with the reintroduction of the

printed version subject to a further review and feedback from members. We are still considering our options around our future press coverage but we will maintain a presence regardless, albeit on a reduced platform.

Travis Allen, TIR's Advertising & Media Strategy Manager will be in contact with members soon in regards to provision of printed catalogues as per the comments noted above.

### Clash Site

As last advised in September 2019, the TIR board resolved to proceed with a formal application to the Australian Competition and Consumer Commission (ACCC) seeking an authorisation relevant to sections 45 and 46 of the Competition and Consumer Act in relation to the proposed TIR Clash Site Policy.

To support this matter, and prior to the any formal application being made, TIR was required to proceed with the separate appointment of an independent consultant to undertake a detailed review of the Tasmanian Grocery Market. The review, amongst other matters, was to consider the market position of TIR and the IGA brand in supporting the independent network in Tasmania, relevant to the proposed provisions in the Clash Site Policy and Authorisation application to the ACCC. This included a comprehensive assessment of key inputs that TIR supplies in the relevant market and the alternative sources of inputs by other suppliers.

Earlier this year TIR engaged Deloitte Access Economics to prepare this report, a draft of which has just recently been provided to the TIR Board for review, with the final report expected to be considered by the board at its next meeting in late May 2020.

It is on the basis of this report that both TIR and Deloitte Access Economics will now progress an initial meeting with the ACCC relevant to this matter, and with a view of seeking an indication from the ACCC as to the likely success, or otherwise, of any subsequent and pending application relevant to the proposed clash site policy.

The timing for this meeting, which we assume will be via video conference, has not yet been confirmed, as it will be dependent on the ACCC along, with Deloitte's to progress the same in the coming weeks.

Further updates on this matter will be provided to members in due course.

### IGA National Conference & Expo / Awards of Excellence

TIR can now confirm that the IGA National Conference & Expo planned for 19-21 July 2020 is cancelled due to the COVID-19 Pandemic. Whilst we are all disappointed with this outcome, Metcash had no other choice but to make this difficult decision. We can confirm however, that planning is already underway for the 2021 event, which we hope and assume will be a celebration post COVID-19, and an opportunity to reflect on the challenges and our success during the pandemic.

The IGA National Conference also hosts the Awards of Excellence on the Monday evening, which announces and recognises the National IGA winners from each Award Category. TIR has participated in the National Awards Event previously, with all current Tasmanian Award recipients eligible for recognition via the National Awards.

TIR was planning to announce our own 2020 Awards of Excellence recipients as part of the IGA Channel Meeting originally planned for early April 2020. However, the COVID-19 travel and social distancing restrictions had prevented this meeting going ahead.

TIR will now proceed with a formal advice to all Award Recipients on or prior to 31 May, with an announcement to all Members within the same timeframe.

This is not our preferred method of communicating of such results, however in light of the current restrictions; this is considered the only practicable option.

### TIR Area Managers' & Business Support

TIR can confirm that we are finalising options for our TIR Area Managers, along with our Development Team, to return to Member on-site visits over the coming weeks.

Strict protocols will need to apply to ensure the health and wellbeing of our team members, but also that of Member stores, your staff and your customers. Further updates are pending however we are planning to resume some level of 'in store' support within the coming weeks based on the Governments recently advised plan of a staged approach.

Nationally, Metcash/IGA has also advised a potential recommencement of the OEP and FSA reviews in the July-August period of this year, with further updates to Members also pending.

### IGA Brighton

TIR, in conjunction with the Hill Street Group (HSG) are pleased to announce that TIR will acquire ownership of the store currently trading as IGA Brighton, with settlement expected to occur prior to 30 June 2020.

This is an exciting announcement and opportunity for TIR, as it will enable us to further consolidate and expand on the success this store has achieved in recent years. It will also allow TIR to proceed with a new store development on land that it owns in close proximity to the current site in the coming years, and that when completed will further enhance and improve the IGA retail offer and experience for all Brighton residents.

TIR sees a tremendous opportunity within the Brighton catchment due to an expanding residential population base, along with the significant developments that have prevailed in this area over recent years such as the Brighton Hub and Brighton By-pass – both of which have underpinned the attractiveness to reside and invest in this fast growing catchment of Hobart.

This is also not the first time that TIR has chosen to run an IGA corporate store, with many members recalling a time when TIR acquired and ran the IGA store at Ravenswood for a period, prior to on selling the business back to an independent operator.

The store at Brighton will also provide TIR with a unique opportunity to trial new retail concepts and ideas, with the successes or otherwise conveyed to Members, and which might prove beneficial to others.

The existing management and staff will be extended offers of employment. This retail entity, whilst now forming a part of the TIR Group, will operate as a separate business and trading unit, and will be subject to the same level of promotional, rebate and other support as all other IGA retailers.

We thank the HSG for the support and assistance they have provided thus far to TIR relevant to this pending transaction.

### Closing

In closing, we would like pass on our thanks and appreciation to all members, along with your staff, for your ongoing support of TIR, IFP and SIW, in addition to your wider customer and community base.

We appreciate firsthand the many challenges that you have all confronted over the past couple of months, along with the pending challenges that lay ahead. However, collectively we will meet those challenges, and over time, they will pass, thus allowing our normal way of life, our liberties and freedoms to return.

We are also interested in hearing back from members around any particular issues or concerns that you may have, along with also receiving some feedback around your current trading circumstances and conditions; hence, if you want to chat with any TIR Director, then we encourage you to do so.

Finally, please stay safe and vigilant as the risk of COVID-19 will unfortunately be with us for some time to come.

Kind Regards & Good Trading!

Regards,

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Chairman of the Board.

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