

RANGE REVIEWS AND ALLOCATION OF SHELF SPACE

A FOOD AND GROCERY CODE
OF CONDUCT GUIDE

BACKGROUND

In the past, the process for range reviews and allocation of shelf space lacked transparency and consistency. There were instances of products being provided a commercial benefit (within a range review or on shelf) that did not reflect their market performance and limited ability for suppliers to predict and influence the process.

INTENT

The intent of these provisions is to increase the transparency of the decision making process regarding range reviews and allocation of shelf space and ensure a level playing field for all suppliers, including brands and private label.

RELEVANT FGCC PROVISIONS

Division 4: Other conduct - 26 Allocation of shelf space

Division 3: Conduct generally - 16 payments for better positioning of groceries

Within a reasonable time before conducting a range review, the retailer must provide all relevant suppliers with clearly expressed written notice of:

- » The purpose of the range review
- » The key criteria governing ranging decisions.

The retailer must publish and provide suppliers with their shelf space allocation principles.

The retailer must provide affected suppliers with a reasonable period of time to discuss the outcomes of the review, including the basis for the retailer's final decisions.

The retailer must apply its product ranging and shelf space allocation principles without discrimination (including without discrimination in favour of its own brand products).

The retailer must not require a supplier to make any payment to secure either better positioning or an increase in allocation of shelf space (unless this is specified under the Grocery Supply Agreement and is reasonable).

**REMEMBER TO KEEP YOUR FOOD & GROCERY CODE TRAINING UP TO DATE.
CONTACT THE AFGC OR NEXTGEN FOR MORE INFORMATION.**

CONSIDERATIONS

- » A supplier should consider whether a category based approach to their relationship with a signatory would be beneficial for their company, brand or product. A long-term category based relationship may place a supplier in a stronger position to understand a signatory's intent and plans heading into a range review.
- » A supplier has no 'right' to be stocked in a retailer, but once they are stocked, there are protections regarding how they should be treated.
- » The relevant criteria for both a retailer's business and the category come down to the retailer's choice. The key, however, is that whatever the criteria is, it must be applied equally and fairly to all products, including private-label products.
- » The criteria must be clear, and may be objective or subjective and involve elements with no specific supplier visibility (eg shopper loyalty), or be a combination of all of these.
- » The same published range review criteria must also outline the principles that are going to be applied to the allocation of both quantity and location of space for all products within the range.
- » Suppliers should consider, wherever possible:
 - specifying in their grocery supply agreement their expectations for prior notice of range reviews and time frames to adjust to any range review decisions; and
 - inserting performance metrics and expectations into their grocery supply agreement (GSA) to support their position during range reviews.
- » If a supplier considers a product has not been given its due share or quantity or quality of space, they may be able to contest the decision by requesting a review through the senior buyer and/or Code Compliance Manager (CCM).
- » If a supplier considers that a buyer has acted unfairly, they can challenge the buyer (and potentially senior buyer and CCM) on the basis that the published criteria have not been applied fairly to all and, as such, the retailer has not acted in good faith.
- » Note that the Code does make provision for suppliers to buy extra shelf space, if available. This shouldn't be confused with the allocation of 'fair' space (based on the published criteria) for which the supplier cannot be required to pay a fee. Be prepared, your competitors may choose this approach.

WHAT SHOULD HAPPEN

- » The retailer must publish the range review criteria within a reasonable time frame prior to undertaking a range review.
- » The retailer must provide affected suppliers with a reasonable period of time to discuss the outcomes of the review, including the basis for the retailer's final decisions.
- » The retailer must publish and provide suppliers with their shelf space allocation principles.
- » The retailer must apply both the range review criteria and shelf space allocation principles equally and fairly to all products, including private-label items.

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