

Before Hamilton City Council

IN THE MATTER of the Resource Management Act 1991 (**Act**)

AND

IN THE MATTER of an application for resource consent for the construction and operation of a new supermarket including associated fuel facility, at 980 Te Rapa Road, Pukete

HEARING REFERENCE Resource consent – 010.2018.00009962.001

Evidence of Nicholas Peter McLay Hanson on behalf of Foodstuffs North Island Limited

Supermarket Retailing

Dated 20 September 2019

1 Introduction

- 1.1 My full name is name is Nicholas Peter McLay Hanson. I am the Head of Property Investment for Foodstuffs North Island Limited ("**Foodstuffs**"), the applicant for the resource consent subject to this hearing.
- 1.2 I am authorised to give this evidence on behalf of Foodstuffs, which develops and operates supermarkets that trade under the PAK'nSAVE, New World and Four Square retail banners.
- 1.3 I hold a Bachelor of Commerce from University of Auckland. I have four years' experience as a Property Development Manager with Foodstuffs and more recently as Head of Property Investment.
- 1.4 In my capacity as the applicant, I am providing evidence in support of this resource consent application for the construction and operation of a new PAK'nSAVE supermarket with an associated fuel facility and ancillary car parking ("**the proposal**") at 980 Te Rapa Road, Pukete.

2 Scope of evidence

- 2.1 My evidence addresses the supermarket retailing aspects of the Proposal and the endeavours that Foodstuffs have made to establish the supermarket in the core of the Te Rapa / Base Centre.
- 2.2 In my evidence I will:
 - (a) Provide an overview of supermarket retail and brand differentiation;
 - (b) Outline supermarket characteristics and operations;
 - (c) Explain the background to the Te Rapa site; and
 - (d) Respond to the Council Officer's section 42A report ("**Officer's Report**"); and recommended conditions.

3 Supermarket Retail and Brand Differentiation

- 3.1 Supermarkets in New Zealand fall into three main categories, discussed below. They can be distinguished most clearly by their size and pricing of goods.
- 3.2 "**Full Service**" *supermarkets*, such as the New World Te Rapa (located at 751 Te Rapa Road). These stores carry a wide range of product lines and have a superior level of fitout and product presentation. Check out staff pack the groceries for the customer. NTC's experience is that its New World Stores attract customers from the immediate geographical area, Accordingly, such stores tend to be close to the residential areas they serve. Foodstuffs' Te Rapa New World supermarket has a Gross Floor Area ("**GFA**") of 4,725m² and has been in operation, serving the catchment since 2005.
- 3.3 "**Discount**" *supermarkets*, such as NTC's PAK'nSAVE brand, provide a more basic level of fitout than full service stores and carry a reduced range of product lines, albeit in larger quantities. Products are stored in warehouse style racks above the isles rather than separate storage areas, and customers pack their own groceries at the checkout. The trade off for this reduced range of goods, fitout and staffing

is considerably lower prices than those charged at full service supermarkets. Our experience is that the PAK'nSAVE stores attract customers from a significantly wider catchment than do full service supermarkets, essentially because customers tend to undertake larger shops at these supermarkets and are able to justify the increased travel time and expense as a consequence of the savings they can make.

- 3.4 ***“Superette” or “Metro” stores*** are relatively small stores which carry a limited product range and serve an immediate residential (or, in the “Metro” case, mixed residential/commercial office) catchment. Because of their limited catchment, these stores typically establish in densely populated areas. These stores tend to have higher cost structures because of their small scale and expensive locations but provide convenience to customers, many of whom will walk to the store and who will undertake relatively small (but frequent) shops.

Trading Characteristics of Discount vs Full Service Supermarkets

- 3.5 As noted above, PAK'nSAVE stores tend to draw from a much wider geographical area than do full service New World supermarkets. For example, in metropolitan areas, full service supermarkets tend to draw most of their patronage from residents within around 2 to 3 kilometers of the store. By comparison, PAK'nSAVE stores typically draw patronage from a far wider area with customers being prepared to travel a significant distance in order to take advantage of the reduced prices. That distinction continues to be apparent outside metropolitan areas, although all supermarkets tend to have a wider catchment area because they are further apart than in urban areas.
- 3.6 PAK'nSAVE supermarkets are geared to higher sales volumes than full service supermarkets. In addition, their trading areas function as part of the storage areas and the products are sold directly out of the cartons. For these reasons, PAK'nSAVE supermarkets typically require larger space than full service supermarkets.
- 3.7 Customers do not necessarily shop exclusively at a single supermarket. Nor do supermarkets have neatly delineated catchments with boundaries that coincide.
- 3.8 Supermarket shoppers are motivated to shop at a supermarket by various factors. The strongest of these tend to be price, range and convenience. On different occasions, one or two of these factors can be more dominant than others. A customer may visit different supermarkets on different occasions depending on the circumstances. Decisions as to which supermarket to visit can be a function of:
- Whether the customer is seeking to undertake a small “top up” purchase or weekly/fortnightly “main order” shop;
 - Customer travel patterns at the time;
 - The amount of time they have available; and
 - Preferences between supermarkets with particular lines of goods and the trade off between price and range.

- 3.9 For example, a customer intending to carry out a weekly food and grocery shop may be prepared to compromise on range and convenience and travel some distance to save money on that purchase. This benefits PAK'nSAVE supermarkets. On other occasions, a customer wishing to purchase a lesser number or value of food and grocery items may compromise on price for the convenience, range and experience of shopping at a full service supermarket, like a New World.
- 3.10 In my experience, customers shop at different supermarkets due to their different preferences and circumstances. A PAK'nSAVE supermarket will commonly operate in conjunction with a New World supermarket in the same geographical area due to distinct brand differentiation and trading parameters. In my opinion the establishment of a PAK'nSAVE supermarket on the Site will not affect the viability of the existing New World supermarket on Te Rapa Road, and will provide the catchment with greater choice and immediate access to lower food and grocery pricing. In effect, the new supermarket will complement the existing food and grocery offer and add to the attractiveness of Te Rapa as a retail destination. My expectation is that the PAK'nSAVE supermarket will also attract customers from a much wider rural catchment, particularly given that the next PAK'nSAVE supermarket to the North is located in Pukekohe.

4 Supermarket Characteristics and Operation

- 4.1 I make the following observations about supermarkets, and supermarket retailing, which reinforce the suitability of the Site

Site Location

- 4.2 Over 90% of PAK'nSAVE supermarket customers visit by car. Therefore, for traffic efficiency reasons, NTC generally endeavours to locate PAK'nSAVE stores on the edge of centres and/or on main roads, where there is convenient road access and to cater for "pass-by" traffic. To avoid conflicts between pedestrians and vehicles (including service vehicles), we seek to locate most of our PAK'nSAVE supermarkets in traffic oriented locations, rather than in pedestrian focused areas such as the core of many town centres or malls.
- 4.3 Foodstuffs' experience is that supermarket customers are very sensitive to differences in the convenience or inconvenience involved in using different competing supermarkets. While customers may have preferences with respect to supermarkets (eg: they may prefer the range of goods on offer at one store or the amenity within the supermarket), the reality is that a customer will be able to purchase an acceptable basket of goods at any full service or discount supermarket. As a consequence, issues of convenience (represented by matters such as: the convenience of the location relative to the customer's travel route or home location; the ease of entering or leaving the store by car; the availability of suitably sized and located shopping baskets; and the extent to which the supermarket checkouts are adequately manned or generate delay) can easily overwhelm any of those preferences. It is therefore essential to Foodstuffs that it minimise or avoid any aspects of design or location that would impinge on the convenience of the customer experience.

Store Design

- 4.4 Due to the land and servicing requirements of a supermarket, our stores tend to be focused around an entrance foyer at the front of the building for customers

and a service area at the back of the building. The buildings are carefully designed in this way for security and efficiency reasons.

Access and Car parking Requirements

- 4.5 Due to the high private vehicle usage of supermarket customers, access and car parking arrangements are designed to allow customers to get in and out of the supermarket as quickly and safely as possible. The most efficient and safe way of doing this is by providing at grade parking at the front of the supermarket. Customer safety and security is also an important consideration with a large amount of supermarket shopping occurring outside daylight hours. Customers require well-lit car parks and close and easy access to and from their vehicle to the store entry/exit. If carparking is positioned behind or remote from the building, safety issues can arise as the carpark is not visible from the street or integrated with the front-of-house supermarket activity.
- 4.6 NTC has a practice of separating the goods service delivery access from its customer access points. This separation provides a safer environment by preventing any conflict between delivery vehicles and customer vehicles, and promotes a more attractive supermarket frontage that is not “cluttered” with service vehicles or fork-lifts moving stock. This separation of service vehicles and customer vehicles is a key operational and customer safety requirement when designing our stores.

5 Te Rapa PAK’nSAVE Catchment

- 5.1 The significant population growth anticipated for the northern Waikato area will see Te Rapa act as a Sub Regional Centre. Tim Heath’s evidence addresses the expected growth in the core economic catchment of Hamilton.
- 5.2 Foodstuffs operates 43 stores across the PAK’nSAVE, New World, Gilmours and Four Square brands within the Waikato Regional boundary from Bombay and Coromandel in the north to Taupo in the south; 11 of these stores are within Hamilton City.

PAK’nSAVE	2
New World	4
Gilmours	1
Four Square	4
TOTAL	11

- 5.3 Each of these stores operate within an independent catchment given their unique retail category and/or geographic distribution.
- 5.4 The proposed Te Rapa PAK’nSAVE is anticipated to attract trade from the northern Waikato given the closest large format discount stores to the north are Pukekohe PAK’nSAVE (81km) and Thames PAK’nSAVE (103km). It is noted that the closest PAK’nSAVE store to the south is only 6km to the south in Hamilton.
- 5.5 None of the existing PAK’nSAVE, New World or Four Square stores in the region will be closed as a consequence of the new store opening. Thus, the proposed Te Rapa PAK’nSAVE will supplement rather than replace all other Foodstuffs stores in Hamilton and further afield.

- 5.6 PAK'nSAVE customers who do not wish to purchase other goods or use other services will not need to drive into the core of the Base but will instead be able to access the arterial road network easily and efficiently.
- 5.7 The proposed PAK'nSAVE supermarket reinforces The Base as a sub-regional centre at the Base without causing any additional traffic congestion within the core of the Base

6 The Te Rapa Site

- 6.1 Foodstuffs (previously Foodstuffs Auckland Limited and now Foodstuffs North Island Limited) identified Te Rapa as a significant growth node of Hamilton in the early 2000s.
- 6.2 Numerous sites were considered for the establishment of a full service New World supermarket including The Base before settling on the site of the existing Gilmours Cash and Carry operation on the corner of Te Rapa Road and Manchester Place.
- 6.3 The Gilmours operation was relocated to Simsey Place in Te Rapa Park in 2005.
- 6.4 New World Te Rapa opened later that year.
- 6.5 With the growth of North Hamilton, Foodstuffs maintained a watching brief for an additional large supermarket in the catchment throughout 2005-2015. During this time there was ongoing dialogue between Foodstuffs and The Base however there was never any ability to agree design or terms that would enable a supermarket to establish on the Base.
- 6.6 Countdown Te Rapa located opposite The Base opened in July 2011.
- 6.7 In 2016 discussions between The Base and Foodstuffs became more focussed and a number of schemes were presented for consideration however were never agreed either on design, delivery or commercial terms.
- 6.8 Foodstuffs and the Base entered into lengthy and detailed discussions through 2017 in an attempt to reach agreement on how a PAK'nSAVE store could be developed at the Base and integrated with both current and anticipated future forms of development. The discussion anticipated staged development at the Base through which the existing mall would be extended to the north and would eventually envelope a PAK'nSAVE supermarket. The difficulty for Foodstuffs was that, given the desire to incorporate any store into an extended mall, the proposals (at all stages) all involved unworkable compromises in terms of obscured store visibility, convoluted vehicular access, and insufficiently proximate and visible car parking. I can provide greater detail on these issues at the hearing, if required. In simple terms, however, it became clear that the future development plans for the Base are incompatible with development on that site of a PAK'nSAVE store. I reserve the right to deal with this matter in more detail if this is raised as an issue by an other parties.
- 6.9 In my opinion, placing a large discount supermarket within a large mall in the context of a sub-regional shopping centre can create incompatibilities. Foodstuffs' experience is that incorporating a PAK'nSAVE supermarket within or immediately alongside a mall (e.g.: at Royal Oak or Sylvia Park) produces a significant level of pedestrian and vehicular traffic within and around the mall that

can be counter-productive for other retailers. That arrangement has proven to be manageable at Royal Oak (which is a relatively small mall grafted onto the supermarket) but we consider that it would be problematic in the context of a development as large and varied as the Base. A PAK'nSAVE supermarket has been located adjacent to a sub-regional mall at Albany but in that case it is a standalone store and no attempt has been made to integrate it into the mall itself. In my opinion the Site is analogous to the Albany circumstance, albeit that it is located across Te Rapa Road. In both cases (Albany and Te Rapa), the supermarket would be located on the periphery of a sub-regional centre and within walking distance of a mall but without being incorporated into that mall, with all the complexities and problems that would produce.

7 Response to Officer's Report and Recommended Conditions

- 7.1 I have reviewed the Officer's Report which, disappointingly, recommends against the grant of consent for the proposal. The Council planner's position appears to be based on the potential adverse traffic safety issues which are considered to not be sufficiently mitigated.
- 7.2 I disagree with the position taken by the Council Officer's. I am satisfied that the experts engaged by Foodstuffs develop and review the proposal have carefully considered and assessed the proposal and its effects on the environment. John Burgess' evidence addresses the residual traffic safety issues and includes a revised plan demonstrating the suite of mitigation measures that will be implemented to ensure effects on the environment will be acceptable. I support the mitigation shown on that revised plan.
- 7.3 I have reviewed the recommended draft conditions of consent in the Officer's Report. Matt Norwell's evidence includes a proposed tracked change version to the recommended conditions of consent and I support those proposed changes.

Nicholas Hanson
20 September 2019



