

Fwd: Recommendation | VIP Petfoods_20211115

From: Michael Papalia <[REDACTED]@coles.com.au>
To: Chad Burke <[REDACTED]@coles.com.au>; Paul Carroll <[REDACTED]@coles.com.au>
Date: Wed, 08 Dec 2021 11:29:21 +1100
Attachments: Summary - VIP Petfoods - Supplier Submission.xlsx (158.4 kB)

Real Pet

Sent from my iPhone

Begin forwarded message:

From: Elissa Xu <[REDACTED]@coles.com.au>
Date: 8 December 2021 at 11:28:29 am AEDT
To: Michael Papalia <[REDACTED]@coles.com.au>
Cc: Cost Price Increase Requests <CostPriceIncreaseRequests@coles.com.au>, Timothy Bell <[REDACTED]@coles.com.au>, Bruce Ma <[REDACTED]@coles.com.au>, Dylan Toune <[REDACTED]@coles.com.au>
Subject: Recommendation | VIP Petfoods_20211115

Hi Michael,

Hope you are well.

- We have completed the review of the request for **70 SKUs** from **Real Pet Food** in the **Pet Food & Fresh Pet Food** categories. We have found that **8.5% (\$4.2m in COGS p.a.) can be justified** of the request for **14.7% (\$7.3m in COGS p.a.) with a gap of \$3.1m in COGS p.a.**

Please refer to the attached file for more details (*Summary – VIP Petfoods – Supplier Submission*). You can share this file with the supplier.

Callouts:

- The supplier provided cost allocations and claimed movements in their submission form. We have used their cost breakdowns in our analysis, rebasing for 20% to account for a standard markup and overheads as their submission added to 100% without sufficient allowance
 - For additional inputs not disclosed, we have used a combination of should-cost modelling and industry benchmarks
- We do not have access to any Kangaroo meat indices or practical substitutes so it was not assessed in our analysis**, however we welcome the supplier to provide supporting documentation to help us understand their cost impact claims
- Last dates of CPI have been picked up from the COST tool

List price and price change % differences

- The supplier has submitted a letter notification of price changes and subsequently CPI Forms
- In our analysis we have used the supplier's price change % listed in their letter notification, please let us know if you would like us to amend our analysis
- There are 6 SKUs where the price change % is different between the two documents

SKU ID	SKU Description	Change % - Letter	Change % - CPI Form
2133210	NATURES GOODNESS GF PUPPY CHILLED FRESH DOG FOOD ROLL GROWING PUP CHICKEN WITH VEGETABLES 680G:680 GRAM	8.2%	10.0%
5006398	VIP PROTA PAK ADULT CHILLED FRESH DOG FOOD ROLL LAMB & VEGETABLE 3KG:3 KG	21.2%	14.3%
4490160	NATURES GOODNESS GRAINFREE NTRTN DOG FOOD HEALTHY JOINTS WITH SALMON & GARDEN VEG 400 GRAM	26.3%	21.4%
4490182	NATURES GOODNESS GRAIN FREE NUTRITION ADLT WET DOG FOOD FIT & TRIM WITH KNKR & GARDEN VEG 400 GRAM	26.3%	21.4%
4490171	NATURES GOODNESS GRAIN FREE NUTRITION ADLT WET DOG FOOD RADIANT COAT WITH CHCKN & GRDN VEG 400GRAM	26.3%	21.4%
4926583	NATURES GOODNESS GROWING PUP WET DOG FOOD FOR PUPPIES 400G	26.3%	21.4%

- There are also 8 SKUs where the supplier's provided current price is different to our records in RMS

SKU ID	SKU Description	Supplier Current Price	RMS Price
2912668	FUSSY CAT GRAIN FREE ADULT WET CAT FOOD SALMON & OCEANFISH WITH OLIVE OIL 400G:SALMON & WHITEFISH WITH OLIVE OIL::400 GRAM	\$[REDACTED]	\$[REDACTED]
4490160	NATURES GOODNESS GRAINFREE NTRTN DOG FOOD HEALTHY JOINTS WITH SALMON & GARDEN VEG 400 GRAM	\$[REDACTED]	\$[REDACTED]
4490182	NATURES GOODNESS GRAIN FREE NUTRITION ADLT WET DOG FOOD FIT & TRIM WITH KNKR & GARDEN VEG 400 GRAM	\$[REDACTED]	\$[REDACTED]

4490171	NATURES GOODNESS GRAIN FREE NUTRITION ADLT WET DOG FOOD RADIANT COAT WITH CHCKN & GRDN VEG 400GRAM	\$REDACTED	\$REDACTED
4926583	NATURES GOODNESS GROWING PUP WET DOG FOOD FOR PUPPIES 400G	\$REDACTED	\$REDACTED
2554841	NATURES GOODNESS GRAIN FREE NUTRITION ADULT WET DOG FOOD CHICKEN & DUCK WITH GARDEN VEG 700GRAM	\$REDACTED	\$REDACTED
2554863	NATURES GOODNESS GRAIN FREE NUTRITION ADULT WET DOG FOOD KANGAROO SWEET POTATO & GREEN BEANS 700G:	\$REDACTED	\$REDACTED
4308890	NATURE'S GIFT PUPPY CHILLED FRESH DOG FOOD MEATBALLS WITH CHICKEN & GARDEN VEGETABLES 650G:650 GRAM	\$REDACTED	\$REDACTED

Reminder:

- Kindly include the CPI mailbox as a CC for your communications with the supplier on this request
- Please note that we need to send the response to the supplier's request before **15th December** to ensure we are compliant under the Grocery Code

Next Steps:

If the prices seen in our market indices do not correlate to the price trends experienced by the supplier, they can provide us with some sort of documentary evidence to support price movements they have quoted (either in the form of contracts or invoices or any publicly available indices)

Coles is committed to protecting the confidentiality of any data provided by any supplier as part of the cost price adjustment process. However, to address any concerns they may have about the provision of confidential information the supplier may:

- Enter into a confidentiality agreement in relation to the information provided (with Coles CCT) i.e. to share invoices to confirm the cost increases
- Engage an independent third party to conduct a confidential review of the information and provide a recommendation to Coles. The identity of the independent third party is to be agreed between the supplier and Coles and the cost of such review will be shared equally by both parties.

Please reach out to us in case of any queries.

Thanks,
Elissa

Elissa Xu

CPI Process Lead Analyst
Transformation & BU Support

L2 M10 800 Toorak Road
Hawthorn East Victoria 3123 Australia

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M
E

REDACTED
@coles.com.au