

Recommendation | Mars Petcare_20220617

From: Elissa Xu <REDACTED@coles.com.au>
To: Paul Carroll <REDACTED@coles.com.au>
Cc: Cost Price Increase Requests <costpriceincreaserequests@coles.com.au>; Aleksandra Drazic <REDACTED@coles.com.au>; Bruce Ma <REDACTED@coles.com.au>; Dylan Toune <REDACTED@coles.com.au>
Date: Wed, 06 Jul 2022 14:47:31 +1000
Attachments: Summary - Mars Petcare.xlsx (4.08 MB); Mars Pet Nutrition - Cost Price Increase (12 September 2022) (450.05 kB)

Hi Paul,

Hope you are well.

- * We have completed the review of the request for **206 SKUs** from **Mas Petcare** in the Pet Food and Pet Accessories categories. We have found that **6.1% (\$13.0m in COGS p.a.) can be justified** of the request for **13.8% (\$29.6m in COGS p.a.) with a gap of \$16.6m in COGS p.a.**

Please refer to the attached file for more details (*Summary – Mars Petcare*). You can share this file with the supplier.

Callouts:

- * As the supplier did not submit cost allocations by commodity, we have arrived at cost compositions of commodities using should cost modelling and standard industry benchmarks. For this reason we also cannot share our allocations with the supplier
- * We have used the supplier's indicated commodities in the submission template as guidance
- * Indices
 - * As raised in the previous CPI, we have limited indices available for pet food grade specific commodities. If the supplier is willing to share the monthly data points for their indicated indices we are happy to update our analysis
 - * We have matched our indices to the supplier's indicated indices as close as possible however due to data limitations we have considered alternatives for some indices
 - * We do not have access to an Australian Bentonite index (8582103 CATSAN ULTRA CAT LITTER CLUMPING CLAT 7KG) or Paramethin & Piperonyl Butoxide indices (8460434 Exelpet Fleaban House Carpet Spray 375ml) so have only considered packaging and freight components for these SKUs, as such may be more suited for a commercial discussion for the category team
- * Last price change/baseline
 - * For products part of the November 2021 CPI, we have used January 2022 as the baseline as we considered data up until that point in time previously
 - * For other products we have considered the data in the supplier's submission as they are in line with internal system dates, except for the following 3 SKUs which appear to be newly ranged and so have used system ranging dates:
 - * 4931346 SCHMACKOS TASTY BITES CHEESY NIBBLES CHEESE & BEEF DOG TREAT 140 GRAM:BEEF WITH CHEESE::140 GRAM
 - * 4931335 SCHMACKOS TASTY BITES BEEF CHEWY SLICES DOG TREAT 155 GRAM:CHEWY BEEF::155 GRAM
 - * 5189323 TEMPTATIONS CAT TREAT HEARTY BEEF 350 GRAM

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 **17th July to ensure we are compliant under the Grocery Code.**
- * **To be compliant under the Grocery Code in your response to supplier you will need to state whether you accept/partially accept/reject the supplier request for a Cost Price Increase. Please ensure you have used this language in your response.**

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

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