

FW: MARS Petcare Round 3 vs Round 2 Trade plan Analysis

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Date: Wed, 07 Sep 2022 12:15:34 +1000
Attachments: Round 3 vs 2 Mars Pet CPI Analysis Outputs - v1.xlsx (4.31 MB); MARS Petcare – Promo Depths Round 3 vs Round 2 v3.pptx (1.19 MB)

From: Brian Keane <[REDACTED]@coles.com.au>
Sent: Tuesday, 6 September 2022 2:51 PM
To: Paul Carroll <[REDACTED]@coles.com.au>
Subject: FW: MARS Petcare Round 3 vs Round 2 Trade plan Analysis

FYI, hot off the press!

From: Mildred Wong <[REDACTED]@coles.com.au>
Sent: Tuesday, 6 September 2022 2:46 PM
To: Brian Keane <[REDACTED]@coles.com.au>
Cc: Vera Ananina <[REDACTED]@coles.com.au>
Subject: MARS Petcare Round 3 vs Round 2 Trade plan Analysis

Hi Brian,

Find the trade plan summary for round 3 vs round 2 for MARS Pet below. Let us know if you are happy to share. FYI I'll be offline from 2.45 to 4.30 today but happy to send through to Paul after or for you or Vera to send to Paul.

Round 3 vs 2 Summary

Thank you for sharing the Round 3 for Mars Pet. We went through it and below is the summary of the analysis.

In summary, this promo plan delivers additional \$[REDACTED] in supplier funding. Mars Pet is also investing in creating value for shoppers and consumers by transferring 11 groups to EDV proposition at the same discount depth as in the current plan (mixture of financing – BSCW and unit deals).

Compared to round 2 there is a 2.2% increase in 5th Margin \$ and a +41bps increase in 5th Margin %

We did not see any notable pull back of investment compared to round 2 trade plan, except for DINE Treats 4x12g promo group which has had a decrease in 5th margin % (-122bps) where promo has deepened by +5.8%, but unit funding has not changed so promo contribution has dropped -16.7%

CPI Summary

Metric	Impact
Cost Price % Increase Request	13.79%
Annual COGS (Last 12 Months)	\$213.5m
COGS Impact	\$29.4m
Cost Price % Increase Validated	8.10%
COGS Impact Validated	\$13.0m
Gap	(\$16.4m)
REDACTED - CONFIDENTIAL	\$[REDACTED]
Gap after round 2	(\$[REDACTED])
REDACTED - CONFIDENTIAL	\$[REDACTED]
Final Gap after round 3	(\$[REDACTED])

Round 3 provides +\$[REDACTED] additional funding to Round 2 (\$[REDACTED]) and \$[REDACTED] to Round 1. Most of the gap was mitigated by the three rounds of changes, with the final gap remaining at the level of -\$[REDACTED].

A couple of things to consider:

- The supplier also provided a number of SKUs that were not previously included. These new SKUs were excluded in order to do an accurate comparison of R3 vs R2. These additional SKUs only add an additional \$[REDACTED] in supplier funding and 5th margin \$ (\$[REDACTED]).
- The supplier also mentions Online promotion results of \$[REDACTED], we think they are referring to the previously communicated \$[REDACTED] for online promotion support during the Round 2, and as it is already included, we have not re-added it.
- The Supplier has noted that further +\$[REDACTED] in supplier funding was added however our calculations only account for \$[REDACTED].

Financial Summary Round 3 vs Round 2

Round 3 vs Round 2 vs Current Plan Comparison

	Current	Estimate	Round 1 Change from Current	Estimate	Round 2 Change from Round 1	Change from Current	Estimate	Round 3 Change from Round 2	Change from Current
Sales	\$288.3M	\$302.9M	12.9%	\$302.9M	0.0%	12.9%	\$305.9M	1.0%	14.0%
Volume	68,671,008	70,142,119	2.1%	70,150,119	0.0%	2.2%	70,511,885	0.5%	2.7%
ASP	\$3.91	\$4.32	10.5%	\$4.32	0.0%	10.5%	\$4.34	0.5%	11.0%
5th Margin \$	\$[REDACTED]	\$[REDACTED]	13.2%	\$[REDACTED]	1.1%	14.5%	\$[REDACTED]	2.2%	17.0%
5th Margin %	[REDACTED]%	[REDACTED]%	0.3%	[REDACTED]%	1.1%	1.4%	[REDACTED]%	1.2%	2.6%
Total Supplier Funding	\$[REDACTED]	\$[REDACTED]	19.8%	\$[REDACTED]	2.2%	22.5%	\$[REDACTED]	4.3%	27.7%
Non-Promo e funding	\$[REDACTED]	\$[REDACTED]	1.5%	\$[REDACTED]	22.8%	24.7%	\$[REDACTED]	11.1%	38.5%
Promo funding	\$[REDACTED]	\$[REDACTED]	28.4%	\$[REDACTED]	-5.4%	21.5%	\$[REDACTED]	1.1%	22.7%
Total Supplier Funding as a % of Sales	[REDACTED]%	[REDACTED]%	6.1%	[REDACTED]%	2.2%	8.5%	[REDACTED]%	3.3%	12.0%

- The Round 3 plan delivers +\$[REDACTED] (+17.0%) increase in 5th Margin vs the current plan and \$[REDACTED] (+1.2%) increase vs the R2
- 5th Margin percentage increased from [REDACTED] in the R2 up to [REDACTED] in the R3
- Total Supplier Funding is increasing by +\$[REDACTED] (+27.7%) vs the current plan and +\$[REDACTED] (4.3%) vs R2. The driver is increased non-promotion funding (BSCW) and increasing unit deals across some promo groups

Round 3 vs Round 2 Comparison

	Sales		Volume		A SP		5th Margin \$		5th Margin %		Total Supplier Funding		Total Supplier Funding as a % of Sales		5th Margin/Unit		Supplier Funding/Unit	
Group Name	New	% Change	New	% Change	New	% Change	New	% Change	New	Change (BPS)	New	% Change	New	Change (BPS)	Change +/-			
Dry Cat	RED ACT ED - CON FIDE	1.1%	3,409,295	1.1%	\$8.58	(0.0%)	RED ACT ED - CON FIDE	3.2%	RED ACT ED - CON FIDE	84 bps	RED ACT ED - CON FIDE	6.0%	RED ACT ED - CON FIDE	87 bps	30.05	\$0.05		
Dry Dog		0.0%	1,294,969	0.0%	\$19.91	0.0%		0.0%		(0 bps)		0.0%		(0 bps)	0.0%	\$0.00		
Wet Cat		0.7%	25,239,695	0.2%	\$3.27	0.0%		1.9%		30 bps		3.4%		43 bps	30.02	\$0.02		
Wet Dog		0.7%	28,998,761	0.3%	\$2.99	0.5%		2.9%		88 bps		6.1%		98 bps	30.02	\$0.03		
Cat Treats		1.4%	4,096,086	2.7%	\$4.09	(1.3%)		0.2%		(49 bps)		6.0%		60 bps	-\$0.04	\$0.02		
Dog Treats		1.1%	6,440,121	0.6%	\$8.22	0.5%		2.1%		39 bps		4.4%		67 bps	\$0.05	\$0.05		
Drinks		7.0%	312,000	7.2%	\$3.64	(9.2%)		6.6%		(9 bps)		8.3%		7 bps	-\$0.01	\$0.00		
Litter		5.8%	713,894	6.6%	\$14.91	(9.7%)		6.9%		5 bps		11.1%		27 bps	-\$0.04	\$0.03		
Wash & Grooming		-	9,484	-	\$17.27	-		-		0 bps		-		0 bps	\$0.00	\$0.00		
Grand Total		1.0%	70,511,885	0.5%	\$4.34	0.5%		2.2%		41 bps		4.3%		62 bps	\$0.02	\$0.03		

- 5th Margin \$ and 5th Margin % increase overall. However, there are two subcategories showing a decrease in 5th margin % these are:
 - Cat Treats (-49bps) – driven by DINE Treats 4x12g promo group (-122bps) where promo has deepened by +5.8% (to 6.6%), but unit funding has not changed so promo contribution has dropped -16.7%.
 - Drinks (-9bps) – driven by WHISKAS Milk 1L where a shift to EDV means 5th Margin declines slightly given the new price point is now applied for all weeks
 - All other subcategories and promo groups are showing 5th margin % improvement apart from those listed above and TEMPTATIONS 180g which has (-2bps) decline in 5th margin % due to estimating volume increases in the highest promo mechanic which has a lower 5th margin % compared to other mechanics
- Looking at volumes there are some larger expected increases in volume
 - Cat Treats (+2.7%) - Driven by 3-7% increase in volumes across promo groups where there is a shift to EDV or deepening of promotions. However, it should be noted that DINE Treats 4x12g promo group where the promo has deepened to 6.6%, it is still below the 7.0% threshold for better perceived shopper value and advertising in catalogues
 - Drinks (+7.2%) – driven by increases in volumes for WHISKAS Milk 1L where a shift to EDV (+7.2%) due to changing to an EDV mechanic that creates consistent lower price point
 - Litter (+6.6%) – driven by increases in volumes for CATSAN Crystals 2kg (+12%) due to changing to an EDV mechanic

Group Name	Supplier	5th Margin %	Our Model	Difference
Dry Cat	REDACTED	3.2%	3.2%	0.1%
Dry Dog	REDACTED	0.0%	0.0%	(0.2%)
Wet Cat	REDACTED	3.4%	3.4%	(1.4%)
Wet Dog	REDACTED	6.1%	6.1%	(0.0%)
Cat Treats	REDACTED	6.0%	6.0%	(0.1%)
Dog Treats	REDACTED	4.4%	4.4%	0.2%
Drinks	REDACTED	8.3%	8.3%	0.0%
Litter	REDACTED	11.1%	11.1%	(0.0%)
Wash & Grooming	REDACTED	-	-	(0.0%)
Grand Total	REDACTED	4.3%	4.3%	(0.2%)

Looking at the stated 5th Margin calculations provided by the supplier compared to our calculations there is a difference of 0.2% overall. With some differences in 5th margin for Dry Dog, Wet Cat and Cat Treats – as shown below in the table

Key Changes in Promotion Plan for Round 3 vs Round 2

Attached ppt showcases the key changes by subcategory

- BSCW has increased overall as demonstrated by increase in non-promotional funding
- There has been a mixture of unit funding increases and decreases combined with BSCW adjustments, but these do not seem to have a negative impact on 5th Margin % for the majority of groups
- Notable change to EDV mechanic for the following groups keeping the same discount depth:

Promo Group	BSCW	Unit funding	Promo contribution
CATSAN Crystals 2kg	REDACTED	REDACTED	REDACTED
MYDOG Tray 24x100g	REDACTED	REDACTED	REDACTED
OPTIMUM Tray MP (24x100g)	REDACTED	REDACTED	REDACTED
OPTIMUM Dry Dog 15kg	REDACTED	REDACTED	REDACTED
PEDIGREE Dentastix 56pk	REDACTED	REDACTED	REDACTED
SCHMACKOS Dog Treats 1kg	REDACTED	REDACTED	REDACTED
TEMPTATIONS 350g	REDACTED	REDACTED	REDACTED
DINE Daily MVMS 14x85g	REDACTED	REDACTED	REDACTED
WHISKAS OHSO Pch 24x85g	REDACTED	REDACTED	REDACTED
WHISKAS Dry 3kg	REDACTED	REDACTED	REDACTED
WHISKAS Milk 1L	REDACTED	REDACTED	REDACTED

Note: actuals according to the new plan; promo contribution incorporates unit funding only

There is a mixture of using BSCW and unit funding to fund the EDV. However for Whiskas Milk only BSCW is used to fund the EDV

- DINE Daily SVMS 7x85g – For the 33.3% mechanic – drop in unit funding of -\$0.16, but offset by BSCW increases of +\$0.08
- DINE Desire 85g has introduced a Multibuy promo (5 for \$9.50) for 20 weeks
- PEDIGREE Dentastix 28 has introduced a 40% promo mechanic for 1 weeks, also decreased unit funding for existing mechanics but offset with an increase of +\$0.30 in BSCW
- Optimum Dry Cat – increased BSCW by +\$0.30
- DINE Treats 4x12g promo group has had a decrease in 5th margin % (-122bps) where promo has deepened by +5.8%, but unit funding has not changed so promo contribution has dropped -16.7%

Kind Regards
Mildred Wong