

## CPI Recommendation | Island Berries Tasmania\_20220531\_Spec & Fresh Cheese\_CB

**From:** Michelle Jin <[REDACTED]@coles.com.au>  
**To:** ED McCutchan <[REDACTED]@coles.com.au>  
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**Date:** Mon, 20 Jun 2022 10:40:49 +1000

Hi Ed,

We are currently experiencing an unprecedented influx of CPI requests and our focus is on high impact requests across the business. On this note, we are unable to perform a detailed analysis on smaller requests such as this one from **Island Berry**.

Please note that we will need to send the response to the supplier's request before **29<sup>th</sup> June** 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.**

The request from **Island Berry** on **2 SKUs for 5% (\$9.8k in COGS p.a.)** has the following requested impact at the SKU-level:

Last cost price change	SKU No	SKU Name	Last 12 months COGS \$	Increase request from supplier	
				% Increase Request	Value Request
Aug-19	3609315	COLES FINEST QUINCE PASTE 100G:100	\$ 126,771	5.0%	\$ 6,339
Aug-19	3609360	COLES FINEST FIG & WALNUT PEPPER	\$ 70,452	5.0%	\$ 3,523
			<b>197,223</b>	<b>5.0%</b>	<b>9,861</b>

It will be up to you to reach a final position with the supplier, however to assist with your decision making, the below points may be of use:

- The product are made in TAS with local produce.
- The supplier didn't provide any addition information on the cost composition or commodity movements
- When we review our indices, we have found that all the commodities increased in cost where the supplier didn't benefit, therefore we have used P2P approach in this analysis.
  - Sugar increased by ~80%
  - Freight increased by ~10%
  - Plastic packaging increased by ~35%

**Overall, our analysis indicates the full validation of supplier's ask of 5%.** However, a key point to consider will also be the extent to which you can pass it on to customers (and thus the impact to category sales/margins).

If you are willing to accept this CPI base on P2P point of view, please include below statement in your communication with the supplier, so we could get the benefit back once the cost drops back down:

- *Point to point analysis is not our standard approach when assessing CPIs. However Coles is willing to use this approach for this request by exception, on the basis that we can see majority of commodities have increased and there was no benefit to your business from any commodity decreases since last cost change. Coles is willing to use a point to point approach and therefore accept the 5% increase, if your business is prepared to review the pricing using the same methodology once commodities decrease and any benefits from this will be shared with Coles. Please confirm if you are aligned to this methodology.*

**Grocery Code Compliance Notes:**

- Please include the CPI mail box as a CC for your communications with the supplier on this request.
- You will receive a calendar reminder on the GCC compliance date, if you have already shared your view with the supplier, please ignore the reminder.

Please do not hesitate to reach out if you have any questions or require specific support with this request.

Regards

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**coles**

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