

Recommendation | CCA_20211220_Drinks

From: Cost Price Increase Requests <costpriceincreaserequests@coles.com.au>
To: James Cubbon <[REDACTED]@coles.com.au>
Cc: Richard Zammit <[REDACTED]@coles.com.au>; Tim Bell <[REDACTED]@coles.com.au>; Aleksandra Drazic <[REDACTED - PII]@coles.com.au>; Janmejay Shikhare <[REDACTED - PII]@coles.com.au>
Date: Thu, 13 Jan 2022 08:24:22 +1100
Attachments: Summary - CCA_Drinks.xlsx (224.32 kB)

Hi James,

Wishing you an amazing day ahead.

We have completed the review of the CPI request from **Coca Cola** on **173** SKUs in the **COLD DRINKS** category.

Please note that we need to send the response to the supplier's request before **19th January** to ensure we are compliant under the Grocery Code

The supplier has not submitted any information on cost breakdown of the commodities used in the product. Hence, we have carried out cost modelling based on the information available online & thorough research to calculate cost compositions and have utilised same to assess this CPI request.

Analysis:

- We have found that only **0.1% (\$ 61.8 K in COGS p.a.)** is justified against the supplier's ask of **2.2% (\$ 1.58 Mn in COGS p.a.)** **with a gap of \$ 1.52 Mn in COGS p.a.**
- Please refer to the attached summary file – 'Summary – CCA_Drinks.xlsx'; you can share this file with the supplier

Note to CM:

- We have also received CPI requests across other categories from this supplier, which we have shared with respective CMs. We will also be sharing a consolidated summary which could assist to negotiate this together at BCM level
- Kindly mark the CPI mailbox in CC for your communications with the supplier on this request

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)

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.

Regards,

Aditya Singh

Analyst

Commercial Cost Management

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