

## FW: Summary of CPI validation

**From:** Ryan Bowman <[REDACTED]@arnotts.com>  
**To:** Cost Price Increase Requests <costpriceincreaserequests@coles.com.au>  
**Cc:** Beccy Thompson <[REDACTED]@coles.com.au>; Adrian Yik <[REDACTED]@arnotts.com>; Cameron Teale <[REDACTED]@arnotts.com>  
**Date:** Tue, 29 Mar 2022 00:33:10 +1100  
**Attachments:** Copy of Summary - Arnotts 2022.xlsx (178.02 kB); Cost Recovery Program - VMO Analysis.pdf (459.77 kB)

Hi VMO Team,

Hope you're well. Thank you for your feedback on our cost change submission and for supplying the commodity charts used in your assessment. We've completed a review of the commodity charts you supplied and would appreciate your guidance/insights on how a 3.8% increase was deemed to be justified, we can be available for a face to face meeting or virtual etc.. If possible can you also please send through your commodity break-down by sku, this will assist us in better understanding the 3.8%.

As expected there is a variance between the Arnott's submission and the VMO assessment given our varied buying patterns and contractual agreements with our suppliers, for the majority of commodities this appears to have resulted in Arnott's securing a lower cost and we've been transparent with our true cost change – as per slide 2 in the attached.

Thank you for sharing that Coles policy is to exclude labour and overheads, combined they make up circa 15% of the cost composition and we've seen significant inflation in both commodities, can you please supply some context on the rationale for them to be excluded?

In slides 3 and 4 in the attached I've applied the commodity changes to the cost composition. Even with a 0% increase applied to Other Ingredients, Labour and Overheads (combined make up circa 15% of the cost composition), the Coles VMO increase appears significantly higher than the Arnott's submission for both the 2017 and 2019 products.

It would be appreciated to discuss this further, I look forward to hearing from you.

Kind Regards,

**Ryan Bowman**  
Customer Director - Coles

M [REDACTED]  
P [REDACTED]  
E [REDACTED]@arnotts.com

The Arnott's Group  
Ground Floor, 173 Burke Road  
Glen Iris VIC 3146 Australia  
[www.arnotts.com](http://www.arnotts.com)



**From:** Rebecca Thompson <[REDACTED]@coles.com.au>  
**Sent:** Thursday, 10 March 2022 4:03 PM  
**To:** Ryan Bowman <[REDACTED]@arnotts.com>  
**Cc:** Adrian Yik <[REDACTED]@arnotts.com>; Cost Price Increase Requests <CostPriceIncreaseRequests@coles.com.au>; Via Lavdas <[REDACTED]@Coles.com.au>  
**Subject:** Summary of CPI validation

### External Mail

Hi Ryan,

Thank you for your time earlier today.

As discussed currently 3.8% of your ask can be validated of the request of 10.7%. 6.9% of the ask cannot be accepted as this is based on overheads and Labour and it is Coles policy not to accept these cost increases. The remainder of the CPI can not be validated by the team – I have attached a summary for you to review.

### Next Steps:

If the prices seen in our market indices do not correlate to the price trends experienced by Arnotts, you 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:

- a. Enter into a confidentiality agreement in relation to the information provided (with Coles CCT) i.e. to share invoices to confirm the cost increases
- b. 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.

As well as the above, based on our feedback earlier today, please can you review the funding levels and promo strategy and re-send the tactics template. We emphasised the importance of volume and value to Coles and would like you to come back with a proposal that talks to this, and gives us the confidence that we will grow volume and customers whilst remaining competitive in the market.

Hope that all makes sense, please reach out if you have any questions.

Thanks

Beccy

**Beccy Thompson**  
**Senior Category Manager**  
Biscuits

L1 M9 800 Toorak Road  
Hawthorn East Victoria 3123  
M **REDACTED**  
E **REDACTED** [@coles.com.au](mailto:REDACTED@coles.com.au)

This email and any attachments may contain privileged and confidential information and are intended for the named addressee only. If you have received this e-mail in error, please notify the sender and delete this e-mail immediately. Any confidentiality, privilege or copyright is not waived or lost because this e-mail has been sent to you in error. It is your responsibility to check this e-mail and any attachments for viruses. No warranty is made that this material is free from computer virus or any other defect or error. Any loss/damage incurred by using this material is not the sender's responsibility. The sender's entire liability will be limited to resupplying the material.

\*\*\*\*\*

This e-mail and any files transmitted with it may contain confidential information and is intended solely for use by the individual to whom it is addressed. If you received this e-mail in error, please notify the sender, do not disclose its contents to others and delete it from your system.

\*\*\*\*\*