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# Cost Recovery Program Follow Up Items

April 21<sup>st</sup>, 2022



## Creams

- Volume reduced by 16.9% and Funding decreased by **REDACTED**% - please review as this is not accepted.

### Creams Shelf Enhancement \$**REDACTED**

- Address significant under-trade on Creams: 33% vs 39% for Total Sweet.
- Provide clear segmentation to improve ease of shop.
- Improve availability on key sellers via increased DOS.
- Shelf enhancements are conservatively projected to reduce under-trade by 50%.



### Impact of Shelf improvement

Metric	Current	Potential
Funding Change	<b>REDACTED</b> %	<b>REDACTED</b> %
Volume Change	-17%	<b>-10%</b>

**New Creams promotional strategy \$2.50 – supported by marketing and pack refresh to drive penetration**

\$ per 100g	\$3.50 Base	\$2.50
Creams	\$1.40	\$1.00

- \$2 RPP undervalues Creams at \$0.80 per 100g
- \$1 Save at \$2.50 consistent with current \$2 RPP

# Shapes

## Shapes Shelf Enhancements - \$<sup>REDACTED</sup>

- Improve availability on key sellers – Shapes Cheese & Bacon is on 2 facings in the 3 and 4 bay layouts and delivers \$6.6m RSV annualised, this is higher than the total KPG RSV for Red Rock Deli, Fantastic Delites or Natural Cracker Co.
- Leverage improved shopability and shelf presence to deliver higher yields on promotional and baseline weeks, currently Coles under-index vs Comp.
- Shapes delivers 70% of Flavoured Snacks RSV, if the below shelf share changes were implemented by reducing space for poor performers with low exclusive dollars, we would conservatively project a 4.8% volume uplift:
  - 3 Bay – shelf share 44.5% to 52.8% = 6 incremental facings
  - 4 Bay – shelf share 41.4% to 49.8% = 8 incremental facings



## Impact of Shelf improvement

Metric	Current	Potential
Funding Change	<sup>REDACTED</sup> %	<sup>REDACTED</sup> %
Volume Change	+1%	+5%

## Assorted Creams

- Funding cannot decline – please review
- I agree that we will have some positive upside with the layout change, but please also look at the promotional funding to drive incremental volume.

2 X additional \$4.80 RPP frequencies added, promotional frequency +7 vs current tactics.

Change with 2 additional frequencies

Metric	Current	Potential
Funding Change	REDACTED%	REDACTED%
Volume Change	-3%	Flat

	Assorted Creams													
	CURRENT TACTICS							PROPOSED TACTICS						
	Current Baseline	Promo 1 \$4.00	Promo 2 30% Off	Promo 3	Promo 4	Promo 5	Total	New Baseline	Promo 1 \$4.80	Promo 2 30% Off	Promo 3	Promo 4	Promo 5	Total
Net Cost Per Unit	REDACTED - Confidential													
RRP / Promo RRP	\$5.50	\$4.00	\$3.85					\$6.00	\$4.80	\$4.20				
Promo Unit Deal	REDACTED - Confidential													
Frequency	37	13	2				Total 52	30	20	2				Total 52
Volume	23,728	62,083	84,000				1,853,006	23,016	50,000	78,000				1,846,477
RSV (inc GST)	\$4,828,595	\$3,228,320	\$646,800.00	\$0.00	\$0.00	\$0.00	\$8,703,715	\$4,142,864	\$4,800,000	\$655,200.00	\$0.00	\$0.00	\$0.00	\$9,598,064
5th Margin	REDACTED - Confidential													
5th % Overall	REDACTED - Confidential													
Funding	REDACTED - Confidential													



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## Jatz

- Please review the promotions depth and frequency, I do not agree that increasing the multibuy promo's and decreasing \$2.50 price point – this is a big risk
- Volume has still decreased by 6.3% in this line which is predominately due to removing the 38% off promo's – this needs to be rectified
  - \$2 promotions have been removed from strategy (1 frequency in Coles in F22):
    - Limited incremental consumption
    - Poor uplifts and margin decreitive
  - Additional frequency of 30% included in proposed tactics
  - Current - \$2.50 is a 22% saving
  - Future - \$2.50 is a 29% saving + Aussie Made marketing support

Metric	Current
Funding Change	RED ACT %
Volume Change	-5%

	Jatz													
	CURRENT TACTICS							PROPOSED TACTICS						
	Current Baseline	Promo 1 2 for \$5	Promo 2 \$2.50	Promo 3 30% Off	Promo 4 \$2.00	Promo 5	Total	New Baseline	Promo 1 \$3.00	Promo 2 2 for \$5	Promo 3 \$2.50	Promo 4 30% Off	Promo 5	Total
Net Cost Per Unit	REDACTED - Confidential													
RRP / Promo RRP	\$3.20	\$2.60	\$2.50	\$2.20	\$2.00			\$3.50	\$3.00	\$2.60	\$2.50	\$2.45		
Promo Unit Deal	REDACTED - Confidential													
Frequency	10	14	25	2	1		Total 52	10	5	16	18	3		Total 52
Volume	138,121	247,972	252,634	278,730	418,947		12,145,068	133,978	181,000	247,000	252,000	278,000		11,566,778
RSV (inc GST)	\$4,419,885	\$9,026,173	\$15,789,605	\$1,226,412	\$837,894	\$0	\$31,299,969	\$4,689,222	\$2,715,000	\$10,275,200	\$11,340,000	\$2,043,300	\$0	\$31,062,722
5th Margin	REDACTED - Confidential													
5th % Overall	REDACTED - Confidential													
Funding	REDACTED - Confidential													

# Plains

- Funding decrease by **REDACTED**% - please review

## Plains shelf enhancement \$**REDACTED**

- Address minor under-trade on Plains.
- Create clear segmentation between Primary and Secondary Plains.
- Improve ease of shop for multibuy promotional tactics.



Metric	Current	Potential
Funding Change	<b>REDACTED</b> %	<b>REDACTED</b> %
Volume Change	-1%	<b>+1%</b>

## Kids

- Promotional plan again needs to be reviewed – I do not agree with increasing multibuy vs price. The deep promo has been dramatically reduced from 21 to 2 – I am happy to work through a improved promo balance but this difference is too big and needs to amended.
- Funding and volume should not go backwards in the subsection
- New Kids promotional strategy \$2.50, 2 X \$2 frequencies only included to bolster volumes.

Metric	Current
Funding Change	RED%
Volume Change	-13%

	Kids													
	CURRENT TACTICS							PROPOSED TACTICS						
	Current Baseline	Promo 1 \$2.50	Promo 2 30% Off	Promo 3 \$2.00	Promo 4	Promo 5	Total	New Baseline	Promo 1 2 for \$5	Promo 2 \$2.50	Promo 3 30% Off	Promo 4 \$2.00	Promo 5	Total
Net Cost Per Unit	REDACTED - Confidential													
RRP / Promo RRP	\$3.00	\$2.50	\$2.10	\$2.00				\$3.50	\$2.60	\$2.50	\$2.45	\$2.00		
Promo Unit Deal	REDACTED - Confidential													
							Total							Total
Frequency	23	6	2	21			52	24	13	11	2	2		52
Volume	40,279	71,490	99,222	105,582			3,771,023	36,251	82,000	82,000	96,000	121,000		3,272,025
RSV (inc GST)	\$2,779,245	\$1,072,350	\$416,732	\$4,434,449	\$0.00	\$0.00	\$8,702,776	\$3,045,086	\$2,771,600	\$2,255,000	\$470,400	\$484,000	\$0.00	\$9,026,086
5th Margin	REDACTED - Confidential													
5th % Overall														
Funding														



## Scotch Finger

- Dramatic decrease in deep promo – needs to be reviewed and increased
- Hybrid promotional strategy of \$2 and \$2.50 RRs, creates price tiering vs Creams and maintains key volume driving activity.
- Supported by marketing comms and pack refresh.

Metric	Current
Funding Change	RE %
Volume Change	-8%

	Scotch Finger 250g													
	CURRENT TACTICS							PROPOSED TACTICS						
	Current Baseline	Promo 1 2 for \$5	Promo 2 \$2.50	Promo 3 30% Off	Promo 4	Promo 5	Total	New Baseline	Promo 1 2 for \$5	Promo 2 \$2.50	Promo 3 30% Off	Promo 4 \$2.00	Promo 5 2 for \$4	Total
Net Cost Per Unit	REDACTED - Confidential													
RRP / Promo RRP	\$3.00	\$2.60	\$2.50	\$2.10	\$2.00			\$3.30	\$2.62	\$2.50	\$2.31	\$2.00	\$2.20	
Promo Unit Deal	REDACTED - Confidential													
Frequency	22	2	3	2	23		Total 52	23	8	7	2	6	6	Total 52
Volume	52,096	89,064	84,440	122,512	143,235		5,116,993	49,492	94,911	94,911	126,752	159,073	159,073	4,724,344
RSV (inc GST)	\$3,438,360	\$463,133	\$633,300	\$514,550	\$6,588,802	\$0.00	\$11,638,145	\$3,756,408	\$1,989,332	\$1,660,940	\$585,594	\$1,908,871	\$2,094,986	\$11,996,132
5th Margin	REDACTED - Confidential													
5th % Overall	REDACTED - Confidential													
Funding	REDACTED - Confidential													



# Multipacks

- These are a focus of mine for FY23 – volume can not decline, please review

Metric	Current
Funding Change	RED ACT %
Volume Change	-5%

	RSV inc gst			5th Margin			Volume			Funding		
	Current Tactics	Proposed Tactics	% Change	Current Tactics	Proposed Tactics	% Change	Current Tactics	Proposed Tactics	% Change	Current Tactics	Proposed Tactics	% Change
Sweet Multipacks Mono	\$9,297,037	\$10,041,327	8.01%	REDACTED - Confidential			2,755,639	2,701,032	-1.98%	REDACTED - Confidential		
Sweet Multipack Variety	\$6,723,630	\$6,656,364	-1.00%				1,344,726	1,210,248	-10.00%			
Savoury Multipacks Mono	\$6,995,457	\$7,454,066	6.56%				2,071,154	2,007,933	-3.05%			
Savoury Multipacks Variety	\$5,828,680	\$5,770,336	-1.00%				1,165,736	1,049,152	-10.00%			
<b>Total Multipacks</b>	<b>\$28,844,805</b>	<b>\$29,922,093</b>	<b>3.7%</b>				<b>7,337,255</b>	<b>6,968,365</b>	<b>-5.0%</b>			

- Above financials exclude the following:
  - Penetration gains from Project Elephant
  - Incremental sales from Bluey innovation
  - DOS and shelf presence improvements from upcoming range review

## Multi-Buy Analysis

**Jatz** – Proposed 26 single and 16 Multi = 38% Multi. FYTD 43% Multi

**Creams** – Proposed 20 single and 14 Multi = 41% Multi. FYTD 32% Multi

**Kids** – Proposed 15 single and 13 Multi = 46% Multi. FYTD 37% Multi

**Primary Plains** – 14 single and 12 Multi = 46% Multi. FYTD 33% Multi

**Scotch Finger** – 15 single and 14 Multi = 48% Multi. FYTD 39% Multi



**coles**

## May Implementation – below is a recommendation, pricing is at Coles discretion

- Cost change for deliveries from May 12<sup>th</sup> 2022
- Week commencing 11/5 the only cost change impacted KPGs on promotion are: Shapes, Assorted Creams and Primary Plains.
- **Recommendation 1**
  - Move Assorted Creams to 4/5
  - Run multibuy on Shapes and Primary Plains reflecting a save from the old bench price, update the bench price.
- **Recommendation 2**
  - Move Assorted Creams, Shapes and Primary Plains promos from 11/5 to 4/5
  - Load a promotion on Cracker Chips and TV Sweet on 11/5 to help offset RSV change
  - Upweight category activity on 11/5



**coles**

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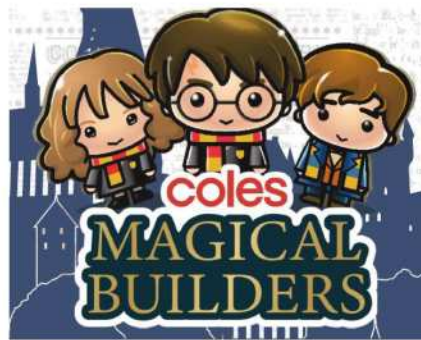
## Financial profile excluding enhanced opportunities e.g. Creams and Shapes

	RSV inc gst				5th Margin				5th %			Volume				Funding			
	Current Tactics	Proposed Tactics	Actual Change	% Change	Current Tactics	Proposed Tactics	Actual Change	% Change	Current Tactics	Proposed Tactics	Actual Change	Current Tactics	Proposed Tactics	Actual Change	% Change	Current Tactics	Proposed Tactics	Actual Change	% Change
Shapes Party Pack	\$1,163,378	\$1,253,863	\$90,485	7.78%	REDACTED - Confidential							258,529	250,773	-7,756	-3.00%	REDACTED - Confidential			
Jatz Party Pack	\$1,163,378	\$1,203,709	\$40,330	3.47%								258,529	250,773	-7,756	-3.00%				
Sao	\$3,994,000	\$4,371,500	\$377,500	9.45%								1,270,000	1,270,000	0	0.00%				
Shapes	\$64,031,589	\$65,996,821	\$1,965,232	3.07%								28,521,885	28,716,911	195,026	0.68%				
Assorted Creams	\$8,703,715	\$9,598,064	\$894,348	10.28%								1,853,006	1,846,477	-6,529	-0.35%				
Creams	\$25,495,008	\$25,981,500	\$486,492	1.91%								11,379,504	9,456,000	-1,923,504	-16.90%				
Family Assorted	\$3,877,328	\$4,143,906	\$266,578	6.88%								969,332	920,868	-48,464	-5.00%				
Kids	\$8,702,776	\$9,026,086	\$323,310	3.72%								3,771,023	3,272,025	-498,999	-13.23%				
Plains	\$16,733,503	\$18,261,390	\$1,527,888	9.13%								8,468,899	8,343,705	-125,194	-1.48%				
Scotch Finger 250g	\$11,638,145	\$11,996,132	\$357,987	3.08%								5,116,993	4,724,344	-392,649	-7.67%				
Secondary Plains	\$17,740,812	\$18,690,097	\$949,286	5.35%								7,530,486	7,336,653	-193,833	-2.57%				
Vitaweat	\$12,262,625	\$13,703,062	\$1,440,437	11.75%								3,715,947	3,953,401	237,454	6.39%				
Sweet Multipacks Mono	\$9,297,037	\$10,041,327	\$744,290	8.01%								2,755,639	2,701,032	-54,607	-1.98%				
Sweet Multipack Variety	\$6,723,630	\$6,656,364	-\$67,266	-1.00%								1,344,726	1,210,248	-134,478	-10.00%				
Savoury Multipacks Mono	\$6,995,457	\$7,454,066	\$458,609	6.56%								2,071,154	2,007,933	-63,221	-3.05%				
Savoury Multipacks Variety	\$5,828,680	\$5,770,336	-\$58,344	-1.00%								1,165,736	1,049,152	-116,584	-10.00%				
Salada Down Down	\$12,791,806	\$13,846,336	\$1,054,530	8.24%								4,544,334	4,573,239	28,905	0.64%				
Jatz	\$31,299,969	\$31,062,722	-\$237,247	-0.76%								12,145,068	11,566,778	-578,290	-4.76%				
TOTAL	\$248,442,837	\$259,057,281	\$10,614,444	4.27%								97,140,789	93,450,309	-3,690,481	-3.80%				

## Differentiated Ways to Drive Shopper Value



Coles LBIs and Shopper ASPs,  
opportunity for Coles exclusive ASPs



Total Arnott's shopper activation planned for  
Feb/March - \$~~REDACTED~~ prize pool



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Leverage the scale of our brands and differentiated promotional mechanics to highlight value and drive category penetration



Catalogue  
Feature







Newspaper  
Advert

Complement the bi-annual 30% Off Masterbrand activation with the 2 for \$5 Super Bundle – RSV c.\$3.9m. Utilise at key trading periods to drive category penetration.



## Proposed Changes to the Down Down Program

	<u>Current</u>	<u>Proposed</u>
	\$4.00	\$4.50
	\$5.00	\$5.50
	\$4.50	\$5.00
	\$4.50	\$4.80



In-aisle comms  
to drive value  
message at POP

## Crispbread Proposal – Vita Weat to High/Low and Salada to Down Down

Move Vita Weat to high/low to leverage NPD and marketing investment to drive penetration



Leverage shopper comms



Create strong Down Down shelf presence



## Arnott's Down Down offers projected to Deliver \$40m+ RSV in F23



**\$3<sup>ea</sup>**

**EVERY DAY**



**ARNOTT'S Salada Original**

Add a light crunch to your lunch

THERE IS NO SUBSTITUTE.  



**ARNOTT'S**

**Salada Original**

**\$3<sup>ea</sup>**

**EVERY DAY**

An Aussie Icon moves to Down Down

THERE IS NO SUBSTITUTE.  



**\$5.50<sup>ea</sup>**

**EVERY DAY**



**ARNOTT'S Shapes Variety**

THERE IS NO SUBSTITUTE.  