

RE: Cost Change Follow Up Meeting

From: Ryan Bowman <[REDACTED]@arnotts.com>
To: Becca Thompson <[REDACTED]@coles.com.au>
Cc: Adrian Yik <[REDACTED]@arnotts.com>; Cameron Teale <[REDACTED]@arnotts.com>; Alanna Biordi <[REDACTED]@coles.com.au>
Date: Tue, 03 May 2022 18:56:30 +1000
Attachments: Coles CPI Model - May 12 2022 (Final - V3 - 03.05.22).xlsx (131.94 kB)

Hi Becca,

Thanks for your time today, please see attached the updated CPI Model with the following enhancements:

- Shapes funding increase of \$[REDACTED] per unit for \$2.50 and 2 for \$5 RPP tactics.
- Plains funding increase of \$[REDACTED] per unit for \$2.00 and 2 for \$4 RPP tactics.
- Sweet and Savoury Mono MPs funding increase of \$[REDACTED] per unit for \$3.50 RPP tactic.
- Incremental 4 X \$3.00 promotional frequency on Vita Weat.

The above actions expand Coles 5th margin by circa \$[REDACTED] and further reduce the volume decline.

Please advise if you require any further detail.

Thanks,

	RSV inc gst			5th Margin			5th %			Volume			Funding		
	Current Tactics	Proposed Tactics	% Change	Current Tactics	Proposed Tactics	% Change	Current Tactics	Proposed Tactics	Actual Change	Current Tactics	Proposed Tactics	% Change	Current Tactics	Proposed Tactics	% Change
TOTAL	\$248,442,837	\$266,704,246	7.35%	\$[REDACTED]	\$[REDACTED]	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	97,140,789	96,476,400	0.68%	\$[REDACTED]	\$[REDACTED]	[REDACTED]%

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



From: Rebecca Thompson <[REDACTED]@coles.com.au>
Sent: Monday, 2 May 2022 8:46 PM
To: Ryan Bowman <[REDACTED]@arnotts.com>
Cc: Adrian Yik <[REDACTED]@arnotts.com>; Cameron Teale <[REDACTED]@arnotts.com>; Alanna Biordi <[REDACTED]@coles.com.au>
Subject: RE: Cost Change Follow Up Meeting

⚠ External Mail

Hi [REDACTED],

Firstly apologies to keep coming back and forth on this, working through all the detail as I am just getting my head around the category is probably not ideal but I want to make sure that it is right. I am also currently working through thoughts for the JBP which is highlighting areas that have opportunities and need to be worked through.

Based on this and looking back over your summary a few more things really stand out to me that will need to be looked at prior to signing off this plan:

Funding

- **Shapes** – appreciate the strong promotional plan to ensure volume is still growing, and even with a price increase we are maintaining promo price where possible. However after looking at the Arnotts portfolio in detail last week and also planning through up and coming promo's, I have a real issue with margin predominantly due to sales mix from Shapes and Tim Tam. As you have most probably been informed by Channel numerous times Arnotts fifth margin is well below category expectation and below your competitor avg. To ensure continued growth this needs to be addressed across all areas but predominantly due to size of sales and mix – Shapes and Tim Tam. We can work through a plan on how to address Tim Tam as part of the JBP, however I need you to review the shapes 5th margin before I can sign this off. You know that I am excited about the new Shapes Fully loaded launch, but with all the new NPD in this space with high margin coming through, I feel this needs to be addressed now so we can continue our growth plans with you moving forward. With just a [REDACTED] increase for each unit funding for each promo will deliver [REDACTED] bps growth for Shapes and [REDACTED] bps growth to total Arnotts portfolio (Additional [REDACTED] funding).
- **Plains** – 5th margin can not be going backwards – the 2 for \$4 promo needs to be [REDACTED] not [REDACTED]
- **Sweet MP Mono** – Again with all the planned activity and focus for MP this can not be going backwards in 5th – please can you review and come back to me

Volume

- The volume decline still really makes me nervous and again planning for a decline is not planning to succeed. I know we have been through this a few times but I also know this will get picked up when presenting back to the business and I believe we need to address it further to ensure we have a strong plan to grow. The areas that still really stand out to me are Kids, (-11%) Creams (-7.5%) and Scotch finger (-7.7%) and I do not feel comfortable signing off a decline to this degree. Please can you have a look at what else we can do with these 3 areas – these are also a higher 5th margin for me so will also have an impact on my overall 5th.

Promo Plan TY/LY

- As stated on my last email the number of promo's TY vs LY has been dramatically reduced – 565 promo's planned LY vs 543 TY – this should not be declining at this rate. This was a miss on my part due to the Salada and Vitawheat swap (Shows as promo in one and not the other) and needs to be reviewed. Salada was on promo 24 times last year and is now moving to Down Down. Vitawheat has only been planned for promo 16 times – This needs to be reviewed and increased.

Value

- Thank you for you time the other day to go through the Christmas plan around Down Down for Jatz and Savoy. I hear everything you say but again I also know that we need to remain extremely competitive this time of year and that value is a key part of Coles strategy. Given the interest of time to sign off this CPI, I am requesting that you agree to the Down Down proposition to cycle last year. If we are to proceed I will put the wheels in motion to ensure its success during that period. As we will be going through the JBP in the coming weeks I feel that this can be discussed further to ensure that we have the strongest plan, but as we currently stand for this sign off I will need the plan to be Down Down through Nov and Dec.

Plan

- We are still working through the best way to action the CPI if and when it is signed off, which I am hoping to have a robust plan for by the end of the week. I know Cam has been trying to change a number of promotions in June and July and this is currently causing big issues internally. I plan to meet with Cam tomorrow to go through this in a little more detail, but I need your business support to work through these with as little disruption as possible. This not only causes huge re-work for my team, it has a huge knock on effect across the business and I need to mitigate the risks as much as possible.
 As you are also fully aware that Coles need to remain competitive in the market and that I have your full support where possible to ensure that we remain competitive

Remainder of CPI negotiation

- I am just working through the final stages, hoping to have something to go through with you tomorrow/Wednesday. To ensure that we can move quickly, please can you review all of the above as soon as possible.

I know there is still a lot to go through, and I appreciate your support so far. I believe if we can get the above reviewed and signed off we will be in a very close position to closing this off. Again apologies on the back and forth to get here and appreciate your understanding whilst I can still play the new card ☺

Have a great evening

Beccy

From: Ryan Bowman <ryan.bowman@arnotts.com>
Sent: Tuesday, 26 April 2022 10:44 AM
To: Rebecca Thompson <rebecca.thompson@coles.com.au>
Cc: Adrian Yik <adrian.yik@arnotts.com>; Cameron Teale <cameron.teale@arnotts.com>
Subject: RE: Cost Change Follow Up Meeting

Hi Beccy,

Hope you had a great long weekend. Thanks again for your feedback on Thursday, post our meeting I've revisited the plan and have secured business alignment on some further enhancements.

To drive additional volume in Creams and Kids we've made the following promotional changes:

- Creams – 2 X \$3.00 RPP frequencies upgraded to a \$2.50 RPP.
- Kids – 2 X \$3.00 RPP incremental frequencies

Attached is the updated CPI tactics model, it includes the above promotional upgrades on Creams and Kids and also the anticipated scan acceleration on Creams, Plains, Shapes and MPs resulting from shelf and penetration gains (as per our discussion). Below is a summary of the enhanced plan - volume is now almost flat, RSV and 5th Margin are growing at **REDACTED** and Funding is increasing by **REDACTED**.

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
\$248,442,837	\$266,493,173	7.27%	REDACTED	REDACTED	REDACTED %	97,140,789	96,325,053	0.84%	REDACTED	REDACTED	REDACTED %

In regards to Multibuys, based on your feedback we've made further improvements to the plan, below are the changes and respective RPPs:

- Scotch Finger
 - 2 X 2 for \$5 frequencies upgraded to \$2.50
 - 1 X 2 for \$4 frequency upgraded to \$2.00
- Creams – 3 X 2 for \$5 frequencies upgraded to \$2.50
- Kids – 3 X 2 for \$5 frequencies upgraded to \$2.50
- Primary Plains – 4 X 2 for \$4 frequencies upgraded to \$2.00.

Below is an updated view of the Multibuy promotional frequency ratios we discussed on Thursday. "Current" represents what was shared last week, "Proposed" is the updated ratios with the above promotional upgrades included. We're now either consistent or favourable vs what has occurred F22 FYTD.

KPG	Current	Proposed	F22 FYTD
Creams	41%	32%	32%
Kids	46%	33%	37%
Primary Plains	46%	31%	33%
Scotch Finger	48%	38%	39%

I'm extremely confident that the enhanced plan achieves the key objectives of driving shopper value and creating value for Coles and Arnott's. Keen to get your thoughts, I can be available anytime to discuss.

Many Thanks,

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



From: Ryan Bowman
Sent: Thursday, 21 April 2022 1:29 PM
To: Rebecca Thompson <rebecca.thompson@arnotts.com>
Cc: Adrian Yik <adrian.yik@arnotts.com>; Cameron Teale <cameron.teale@arnotts.com>
Subject: Cost Change Follow Up Meeting

Hi Beccy,

Thanks for your time earlier. Please see attached the detail we discussed and below are the follow-up actions:

Beccy

- Ask Alanna to send through BOY promotional program for Creams, Scotch Finger, Kids and Primary Plains so multibuy frequency can be updated in the CPI model.
- Advise if any further information/support is required for the May implementation.

Ryan

- Review volume opportunities on Creams and Kids – frequency and depth.
- Review current promotional mix with the aim to transition some multibuy frequencies to straight price points across:

- Creams
- Kids
- Scotch Finger
- Primary Plains
- Update CPI model to reflect:
 - Shelf/range improvement on Creams, Primary Plains and Shapes.
 - Improved run rates on Multipacks driven by Project Elephant, Bluey and shelf improvements.
 - Accurate straight vs multibuy promotional detail in “current tactics” on Sweet ranges.

Please advise if I've missed anything, thanks again for your time.

Take care,

Ryan Bowman
Customer Director - Coles

M
P
E
REDAC
@arnotts.com

The Arnott's Group
Ground Floor, 173 Burke Road
Glen Iris VIC 3146 Australia
www.arnotts.com



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