

RE: Cost Change Follow Up Meeting

From: Timothy Jones <[REDACTED]@coles.com.au>
To: Beccy Thompson <[REDACTED]@coles.com.au>
Date: Wed, 04 May 2022 11:23:45 +1000

Hey Beccy,

Had a quick look through – the changes to the Trade Plan are all improvements, resulting in an extra \$[REDACTED] in supplier funding split out by group below:

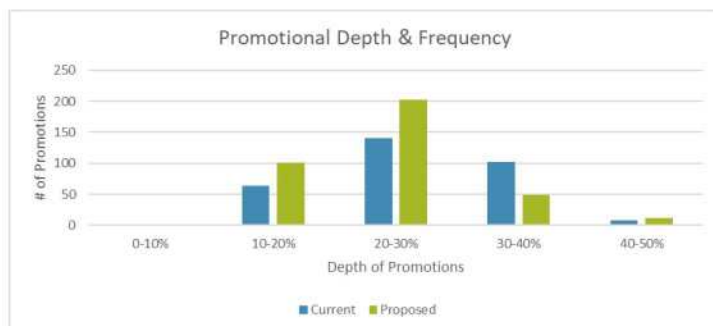
- Shapes funding increase of \$[REDACTED] per unit for \$2.50 and 2 for \$5 RPP tactics. Circa \$[REDACTED] increase in Supplier Funding
- Plains funding increase of \$[REDACTED] per unit for \$2.00 and 2 for \$4 RPP tactics. Circa \$[REDACTED] increase in Supplier Funding
- Sweet and Savoury Mono MPs funding increase of \$[REDACTED] per unit for \$3.50 RPP tactic. Circa \$[REDACTED] increase in supplier funding
- **Volume** a lot closer to flat now at -0.68% - a lot better across a number of SKU's. However, three groups which still have significant volume decline are:

	Volume			
	Current Tactics	Proposed Tactics	Actual Chang	% Chai
Creams	11,379,504	10,530,850	-848,654	-7.46%
Kids	3,771,023	3,323,523	-447,501	-11.87%
Scotch Finger 250g	5,116,993	4,724,344	-392,649	-7.67%

Sorry that this is a quick look through – let me know if anything else comes out from the catch up with Via and I can look through in more detail. The comments from our last catch up still are applicable (I've just copied the email below – noting that some of the numbers will have slightly changed due to these updates just haven't had time to re-run).

1) Promotional Depth:

Graph below is a look into promotional depth by % off Shelf Price:



- Promotional Depth has shifted - Amott's has proposed to halve the number of promotions in the 30-40% range 102 down to 49. These promotions has been redistributed across lower depths (10-30%).
- Overall number of promotions has actually increased by 50, however this is driven mostly by Salada going on Down-Down for 48 weeks at a ~14% discount (ASP forecast to increase 7.5%). This Down-Down is classed as a promotion.
- Increase of 4, 40-50% promotions driven by 2 extra weeks of "Shapes" and "Kids"

2) Supplier Funding by SKU:

Below Table highlights key SKU's with increases/decreases in Supplier funding:

	COGS/Unit	Supplier Funding/Unit	ASP/Unit	5th Margin/Unit	Change in COGS	Change in Net COGS
Shapes	-\$ 0.20	[REDACTED]	\$0.05	[REDACTED]	(5.7m)	(1.1m)
Assorted Creams	-\$ 0.34	[REDACTED]	\$0.54	[REDACTED]	(0.6m)	(0.7m)
Plains	-\$ 0.13	[REDACTED]	\$0.21	[REDACTED]	(1.1m)	(1.2m)
TOTAL	-\$ 0.23	[REDACTED]	\$0.22	[REDACTED]	(21.3m)	(13.2m)

- Shapes – large increase in Supplier Funding to offset COGS increase, meaning net COGS impact is only \$1.1m. This means a lower increase in ASP to remain competitive.
- Assorted Creams – As well as a COGS increase, a decrease to supplier funding which means it is effectively a double CPI. However, low value SKU so only has a ~\$[REDACTED] impact.
- Plains have small decreases in supplier funding/unit of \$[REDACTED]
- Overall Amott's is increasing ASP (8.5%) by less than the actual COGS increase (10.7%). This means 5th Margin rate increases are driven by both ASP and Supplier Funding rather than all ASP.
- The result of this trade plan is circa \$8.5m reduction in the COGS impact. Due to the CPI Cost is forecast to increase \$21.3m, however due changes in supplier funding and promotional activity the Net Cost Impact is forecast to be \$[REDACTED]

From: Rebecca Thompson <[REDACTED]@coles.com.au>
Sent: Wednesday, 4 May 2022 10:20 AM
To: Timothy Jones <[REDACTED]@coles.com.au>
Subject: FW: Cost Change Follow Up Meeting

Thank you!

From: Ryan Bowman <[REDACTED]@amotts.com>
Sent: Tuesday, 3 May 2022 6:56 PM
To: Rebecca Thompson <[REDACTED]@coles.com.au>
Cc: Adrian Yik <[REDACTED]@amotts.com>; Cameron Teale <[REDACTED]@amotts.com>; Alanna Biordi <[REDACTED]@coles.com.au>
Subject: RE: Cost Change Follow Up Meeting

Hi Beccy,

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%	\$PERDA	\$PERDA	%	%	%	%	97,140,789	96,476,400	0.68%	\$PERDA	\$PERDA	%

Ryan Bowman
Customer Director - Coles

M: PERDA
P: PERDA
E: PERDA@arnotts.com

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



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

External Mail

Hi Ryan,

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 increase for each unit funding for each promo will deliver bps growth for Shapes and bps growth to total Arnotts portfolio (Additional funding).
- Plains** – 5th margin can not be going backwards – the 2 for \$4 promo needs to be RE not RE
- 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 <PERDA@arnotts.com>
Sent: Tuesday, 26 April 2022 10:44 AM
To: Rebecca Thompson <PERDA@arnotts.com>

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 **R** and Funding is increasing by **RE**.

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%	\$PERDA	\$PERDA	%	97,140,789	96,325,053	0.84%	\$PERDA	\$PERDA	%

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: ADRIAN.YIK@arnotts.com
 P: ADRIAN.YIK@arnotts.com
 E: ADRIAN.YIK@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@coles.com.au>
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: ADRIAN.YIK@arnotts.com
 P: ADRIAN.YIK@arnotts.com
 E: ADRIAN.YIK@arnotts.com

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



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.

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.
