

Arnotts CPI Update

From: Becky Thompson <[REDACTED]@coles.com.au>
To: Ryan Bowman <[REDACTED]@arnotts.com>
Cc: Cost Price Increase Requests <costpriceincreaserequests@coles.com.au>; Adrian Yik <[REDACTED]@arnotts.com>; Robert Cannone <[REDACTED]@arnotts.com>
Date: Thu, 05 May 2022 07:36:30 +1000

Hi Ryan,

Thanks for your time yesterday it was a great session and I am really excited about the plans we will start to build together to ensure long term growth for both businesses.

I have had the final validation back from my VMO team and the revised analysis based on the new data shared indicates that we can accept a 4.6% increase. This is again based on the methodology used by Coles as an average over time and is excluding the Labour and overheads (R%) which is not accepted as part of Coles policy.

However the alternative analysis from a P2P perspective using the new data shows full validation for the increase (Minus the labour and overheads), and given the current market conditions we are willing to work with you to accept an increase of 7%. Given this is not the normal Coles validation process we would like to see in writing that once commodity prices start to decrease the benefits will be shared with Coles – please confirm.

As previously discussed the remainder of the ask of R% based on Labour and overheads is not usually accepted by Coles as it is not Coles policy. However based on our relationship and the understanding of the current climate we are willing to work through a plan on how we can accept the full cost increase of 10.7%. Thank you for all the input you have had on the plan so far, I feel we are getting really close to closing this out and being in a good place post CPI. However to close this off and accept the full 10.7% we would need to have the following agreed:

We have discussed at length around the plan for EDV on Jatz and Savoy at Christmas, we still stand by this plan and will need your support to execute. We believe this is the right thing for the customer at this time, and we want to work with you to ensure we shout about your brand, the value and execute this well. I understand your concerns on volume but I am willing to work with you to see what else we can do in Jatz and Savoy to ensure growth in FY23 whether that is at Spring racing, Easter and of Course at Christmas.

The second point is around the volume particularly in the 3 areas of concern I had pointed out in my last email. Again I hear your concerns on these bundles however I also have concerns based on the 5th margin impact to the category and again with such a planned decline not setting ourselves up for success. Please can you look at these bundles 1 last time and come back with an improved position protecting 5th and increasing volume.

The last point is on the Shapes 5th margin – Thank you so much for your increased funding yesterday but based on the position of Shapes vs cat average please can you re-look at my original ask.

I know we are against the clock now, but if we can get the final position back to me by close of play today I will come back with how and when this will all be actioned based on promo impact and your timelines.

Finally not CPI related, but I also need your support to close out the MDI for this year. I believe we have a small gap which Alanna is working through, but any help to close this off so that we finish the

year in a relatively good place would be appreciated.

Thank you!! I am in an all day strategy session today, but please txt me for anything urgent otherwise I look forward to hearing from you.

Beccy Thompson
Senior Category Manager
Biscuits

L1 M9 800 Toorak Road
Hawthorn East Victoria 3123

M **REDACTED**
E **REDACTED -** @coles.com.au