

**SEPARATED
PURCHASING AND
LISTING TERMS FOR
BEVERAGES WITH
MAX 5,5% ALC.**



28.8.2019

Changes and notes to pricing - draft

- **Retail prices** do not follow any fixed schedule. Alko can change a product's retail price at any given time.
- **Purchase prices** are always valid for the duration of a price list period. The supplier dictates the purchase price for Alko. The purchase price can have an impact to the product's shop coverage.
- **Product margins** (pricing coefficients) are not public. Alko can decide the product's margin case by case.
- For products with less than 5,5% alc there will not be a public price calculator available. The suppliers control the purchase price only.

Changes and notes to listing products - draft

- **Listing new products:** Listing new products will happen based on open tenders and offers, as previously. The purchase price may have an impact to the shop coverage.
- **The supplier submits the purchase price in the offer.** The tender always states the allocated shop coverage (and duration) for the selected product, as previously. The guaranteed coverage period might be shorter than 12 months.

In addition possibly

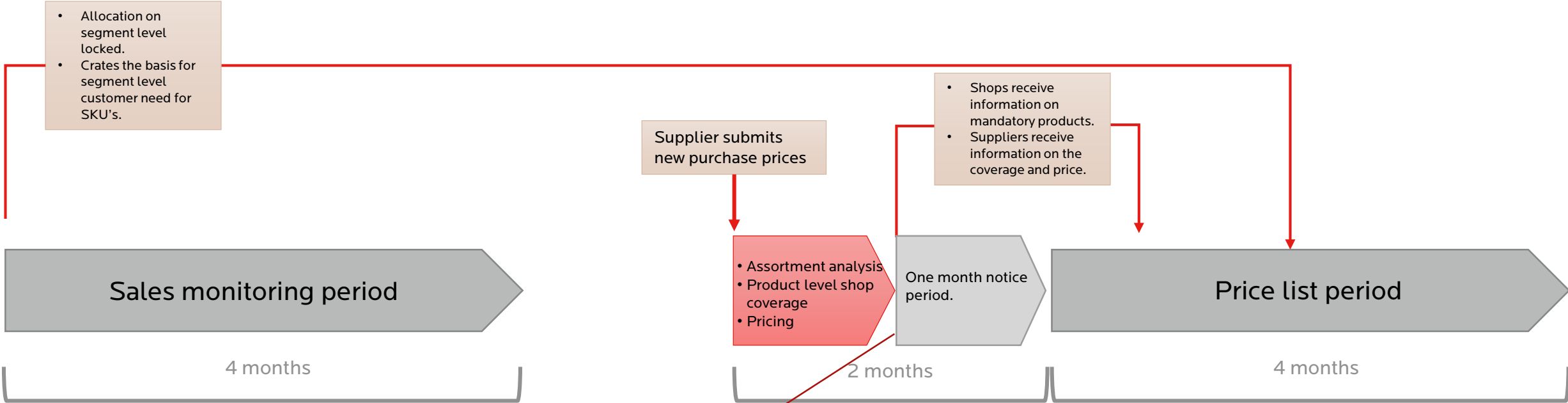
- **On the offer** the supplier can give several purchase prices corresponding with several shop coverages. When selecting the product, the different prices and their sales potential will also be evaluated.

Changes and notes to assortment management - draft

- **The shop coverage** of a product is impacted by the relative sales (current model) as well as the purchase price (new model).
- **Changing purchase prices** are submitted by suppliers with the same schedule as for products above 5,5% alc. Additionally, the supplier will have the possibility to submit a lower alternative price, which will be activated if the supplier gets a higher shop coverage.
- **The price list periods** are the same as they are with the above 5,5% alc selection (3 changes per year, 4 month periods).
- **The shop coverage** (as well as the corresponding purchase price) are communicated to the supplier 1 month before the periods starts (currently 4 months).

Based on the discussion in the workshop, this is targeted to be extended to at least 6 weeks.

Price change example



The supplier maintains the purchase prices in the partner network.



Based on the discussion in the workshop, this is targeted to be extended to at least 6 weeks.

Shop allocation	Purchase price
0-50 shops	2,25 €
51-150 shops	2,15 €
150-300 shops (inc. Dolly)	2,05 €
Over 300 shops (inc. Dolly)	1,95 €

Previous workshop – comments by suppliers






Product searches/tenders

- Selection periods: Two main periods would work for products. The products are chosen to the assortment always for one period at a time.
- A possibility to have additional tender requests and a flexible process would be desirable so that a possibility to act fast and agile remains.

-  For now 4 month periods continue in line with the rest of the assortment.
-  The new purchase planning model for 2020 will support flexibility in tenders.




Pricing of products

- The pricing coefficient / margin for products with 5.5% or less alc. could be Alko's internal business decision and it could vary between products. Alko should have the right to adjust the margin in accordance with products' sales volumes.
- There could be a sales price range in addition to the purchase price in the tender. On the other hand the offeror could give a target sales price also in the offer.
- In the tenders for new products the coverage needs to be known so that it is possible to set a price according to the most likely sales volume.
- A price decrease should possible whenever, not only periodically.
- A separate price list period for seasonal products (e.g. for summer)? For example a discount price for shorter period of time. This could easily give more flexibility.

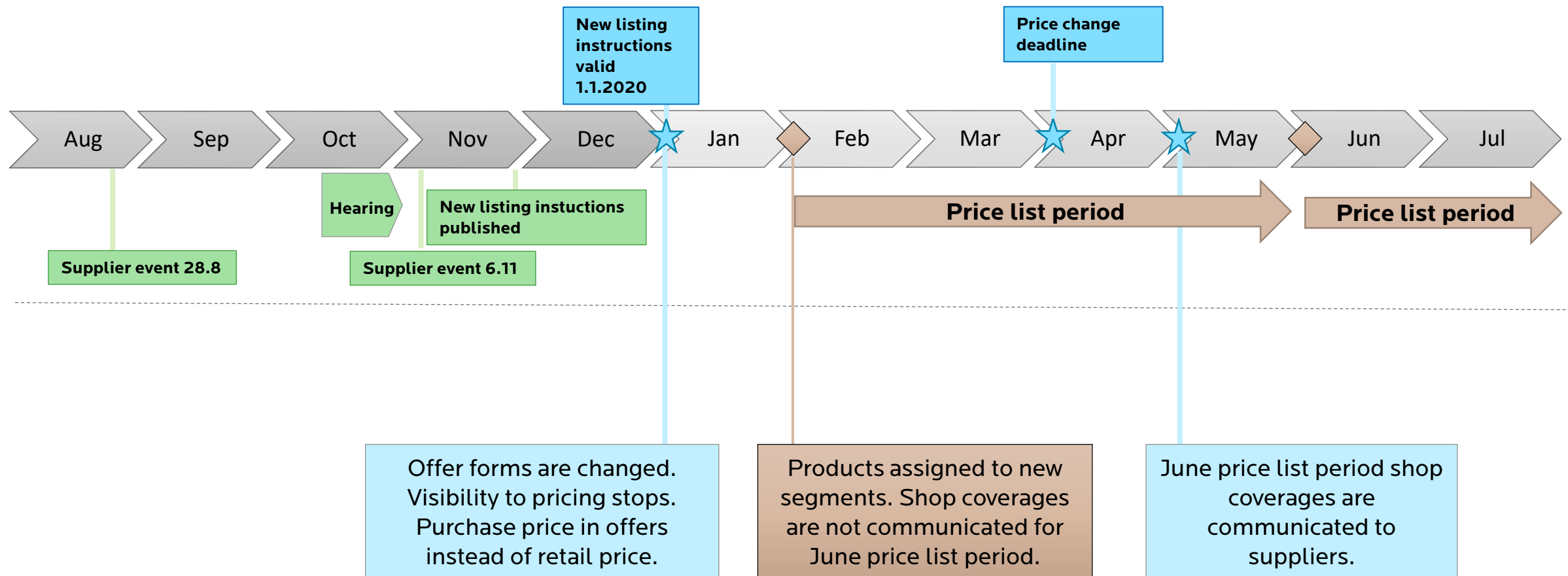
-  Pricing and margins are product specific and confidential. Alko determines the margin and pricing strategy.
-  Retail price indication is not planned in order to avoid any signaling.
-  Shop coverage is always determined in the tender.
-  Not implemented for now, TBD later.
-  Not possible, sale campaigns are not in accordance with Alko's mission.

Coverage levels, shop display and life cycle management

- Could Alko promise more coverage against a better price? When a new period is approaching Alko could have a possibility to change the product's coverage according to the changed price.
- Possibility for Alko-exclusibe products? Could these get a higher shop coverage?
- A product could have a sales target that needs to be fulfilled in order to remain in the the selection.

-  This is a core part of the proposed model in the future.
-  Not implemented for now, TBD later.
-  Not implemented for now, TBD later.

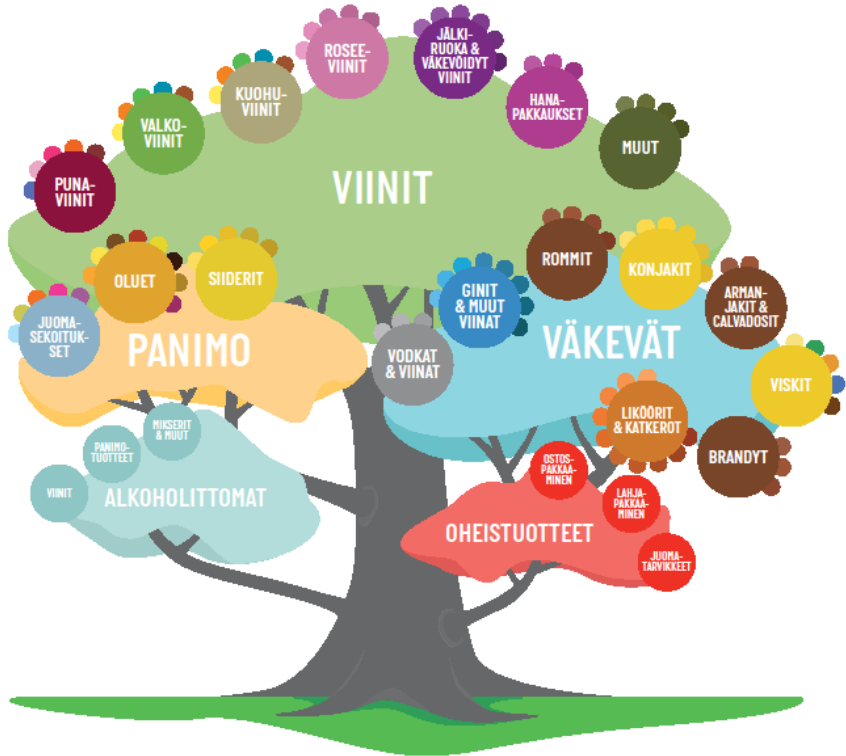
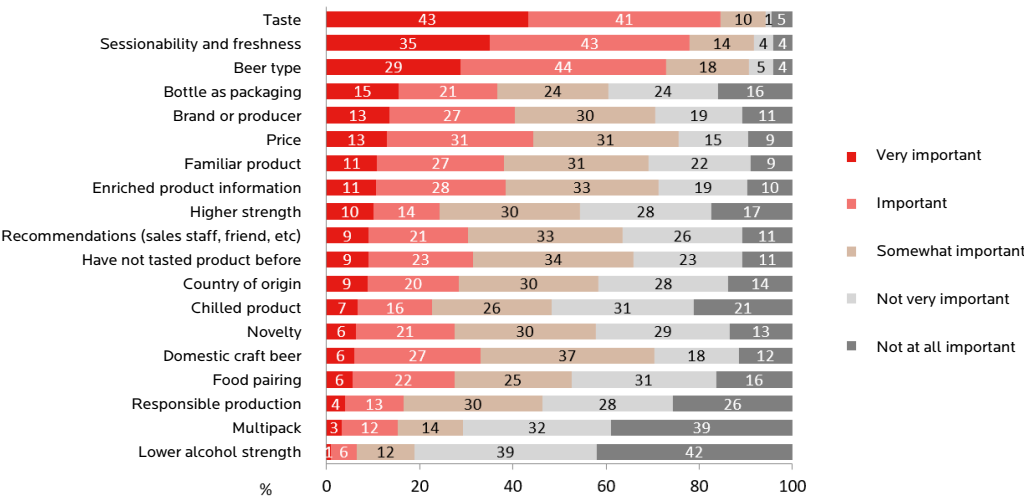
Preliminary schedule



Customer centric product grouping for beers

BEER PURCHASE CRITERIA

When selecting a typical beer from Alko, how important are the following criteria?



LAGER

WHEAT BEER

DARK LAGER

ALE

PILS PILSNER

PORTER & STOUT

STRONG LAGER

SPECIALTY

Product categories

Taste

Price

Food

Country

Green & ethical

Size

Availability

New products

Seasonal products

Special Edition Products

Red wine (2 487)

Rosé wine (285)

White wine (1 693)

Sparkling wine & champagne (1 117)

Dessert wine & other fortified wines (368)

Bag-in-box wines (287)

Beer (957)

X

Cider (114)

Mixed drinks (109)

Vodka & spirit (194)

Gin and other spirits (281)

Rum (116)

Cognacs (170)

Brandy, Armagnac & Calvados (87)

Whisky (478)

Liqueur & bitter (383)

Non-alcoholic (170)

Gifts & accessories (122)

Discussion topics

- **5,5% less alc – new purchase terms**
 - Viewpoints and notes to the suggested model
 - Offering process and novelties: prices, shop coverages
 - Retail price calculation and pricing
 - Assortment management and allocations
 - Any show stoppers?
 - Open / unclear topics?
 - Critical tasks to be sorted before implementation?
 - Further development?
- **Product grouping for beers**
 - How to account for the need of 5,5% division?
 - Customer centric grouping for products?
 - Potential update needs?
 - To segmentation
 - Space management
 - Taste styles?