

WELCOME TO THE ALKO SUPPLIER EVENT



31.10.2018



AGENDA

- FINNISH ALCOHOL MARKET AND ALKO'S STRATEGY

10:30 – 10:45 BREAK

- RESPONSIBLE PURCHASING
- ASSORTMENT STRATEGY

12:00 – 13:00 LUNCH

- PURCHASING PROCESS AND PRODUCT SELECTION
- ALKO'S QUALITY CONTROL PROGRAM
- ASSORTMENT MANAGEMENT

15:00 – 15:30 AFTERNOON COFFEE

- ROUND TABLE DISCUSSIONS



ALKO IN NUMBERS

Customers

57 million

Personnel

2,401



Sales in litres

93.2
million litres

Stores

358

100%
alcohol

15.6
million litres

Taxable net sales

EUR 1,174
million



A FINN...

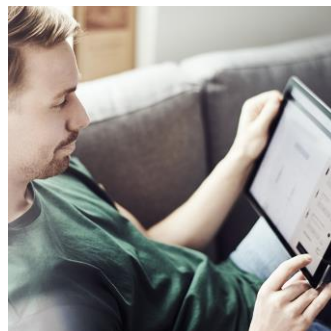


Enjoys alcohol approximately
5,9 times per month



13 % never enjoy alcohol

Spends money on alcohol **642**
€ per year



Visits Alko **1,1** per month



In which to Alko **299 €**
per year



Lives **5,2** kilometres
away form Alko

CHANGES IN OUR OPERATING ENVIRONMENT

- Customers' increasingly diversifying wishes
- Growing regional variations
- Responsibility and wellbeing increasingly important
- Declining environmental sustainability
- New working habits and increased competition in labour markets
- New technologies and ecosystems
- New legislation has changed the market

MISSION

**THE MOST RESPONSIBLE
WAY TO SELL ALCOHOL
IN THE WORLD**

CUSTOMER PROMISE

**WORLD-CLASS
SERVICE**

OBJECTIVES

World-class service

Leading the way in customer experience

Responsible enjoyment

A pioneer in responsibility

Success through enthusiasm

The most desirable employer in the service sector

Agile and efficient

Has economic impact

VISION

**ESTEEMED
BY CUSTOMERS**



AGENDA

FINNISH ALCOHOL MARKET AND ALKO'S STRATEGY

10:30 – 10:45 BREAK

RESPONSIBLE PURCHASING

ASSORTMENT STRATEGY

12:00 – 13:00 LUNCH

PURCHASING PROCESS AND PRODUCT SELECTION

ALKO'S QUALITY CONTROL PROGRAM

ASSORTMENT MANAGEMENT

15:00 – 15:30 AFTERNOON COFFEE

ROUND TABLE DISCUSSIONS



THREE VIEWS ON SUSTAINABILITY

A man in a dark jacket and cap walks through a vineyard, carrying a large wicker basket filled with harvested grapes on his shoulder. The background shows rows of grapevines and a hazy landscape under a clear sky.

PEOPLE

A close-up shot of a bunch of green grapes hanging from a vine, with large green leaves in the background. The lighting is bright, highlighting the texture of the grapes and leaves.

PLANET

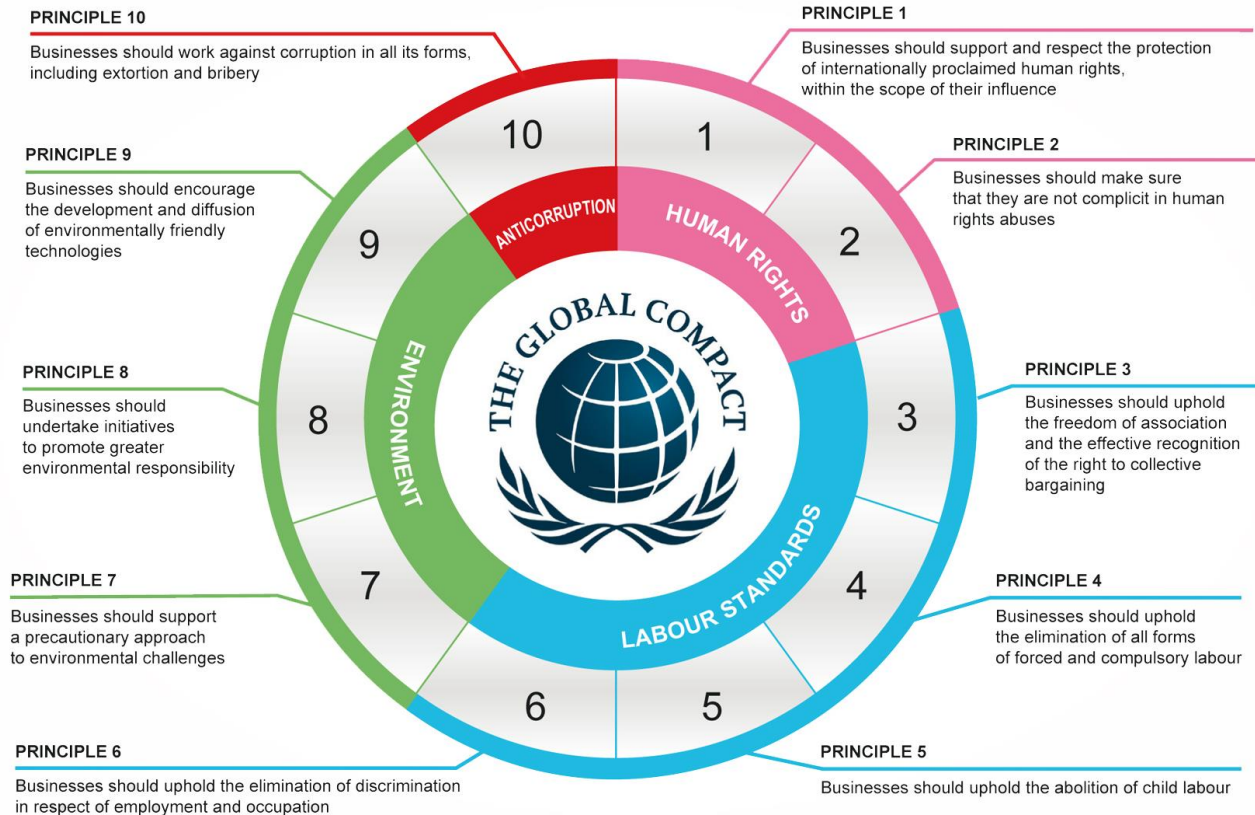
A large cellar filled with numerous wooden barrels stacked on metal racks. The barrels are arranged in long rows, creating a sense of depth and scale. The lighting is warm, emphasizing the natural wood tones.

PROFIT

SOCIAL



COMMITMENT TO INTERNATIONAL AGREEMENTS



DUE DILIGENCE PROCESS BASED ON UN GUIDING PRINCIPLES FOR COMPANIES AND HUMAN RIGHTS

4.) #nofilter – communication to stakeholders

1.) Identification and evaluation of the severity of risks

3.) Mitigating the harms caused to people

2.) Prevention of risks together with suppliers and other relevant stakeholders



amfori BSCI Approach



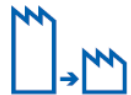
Code Observance

Our enterprise is obliged to protect workers' rights as mandated by the law and the amfori BSCI Code.



Workers' Involvement and Protection

Our enterprise keeps workers informed about their rights and responsibilities.



Supply Chain Management and Cascade Effect

Our enterprise uses the amfori BSCI Principles to influence other business partners.



Grievance Mechanism

Our enterprise provides a system to collect complaints and suggestions from employees.

amfori BSCI Principles



The Rights of Freedom of Association and Collective Bargaining

Our enterprise respects the right of workers to form unions or other kinds of workers' associations and to engage in collective bargaining.



Fair remuneration

Our enterprise respects the right of workers to receive fair remuneration.



Occupational health and safety

Our enterprise ensures a healthy and safe working environment, assessing risk and taking all necessary measures to eliminate or reduce it.



Special protection for young workers

Our enterprise provides special protection to any workers that are not yet adults.



No bonded labour

Our enterprise does not engage in any form of forced servitude, trafficked or non-voluntary labour.



Ethical business behaviour

Our enterprise does not tolerate any acts of corruption, extortion, embezzlement or bribery.



No discrimination

Our enterprise provides equal opportunities and does not discriminate against workers.



Decent working hours

Our enterprise observes the law regarding hours of work.



No child labour

Our enterprise does not hire any worker below the legal minimum age.



No precarious employment

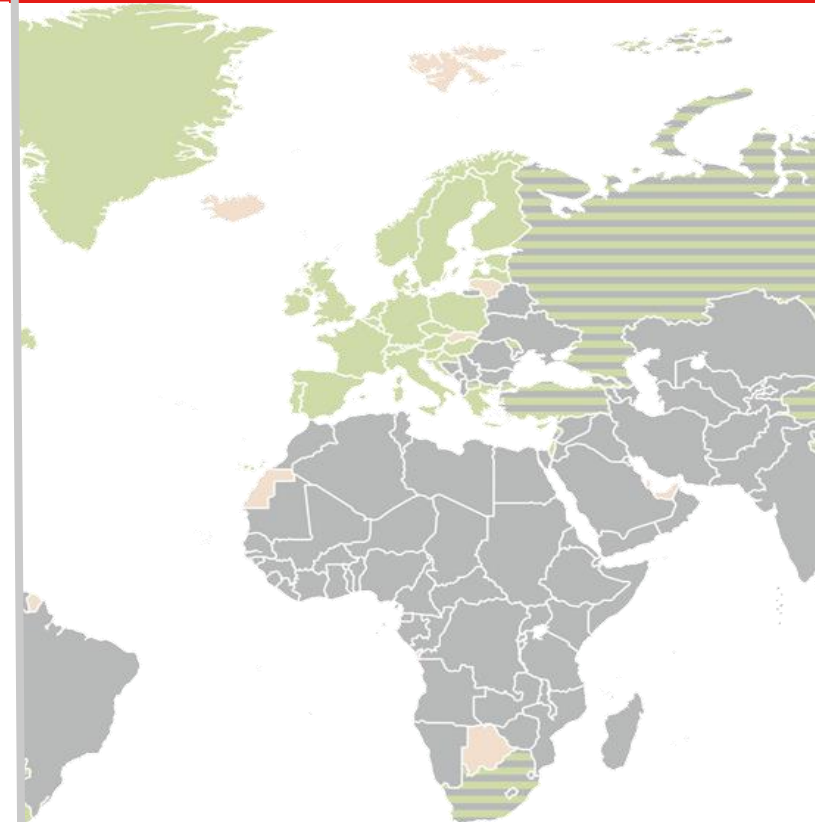
Our enterprise hires workers on the basis of documented contracts according to the law.



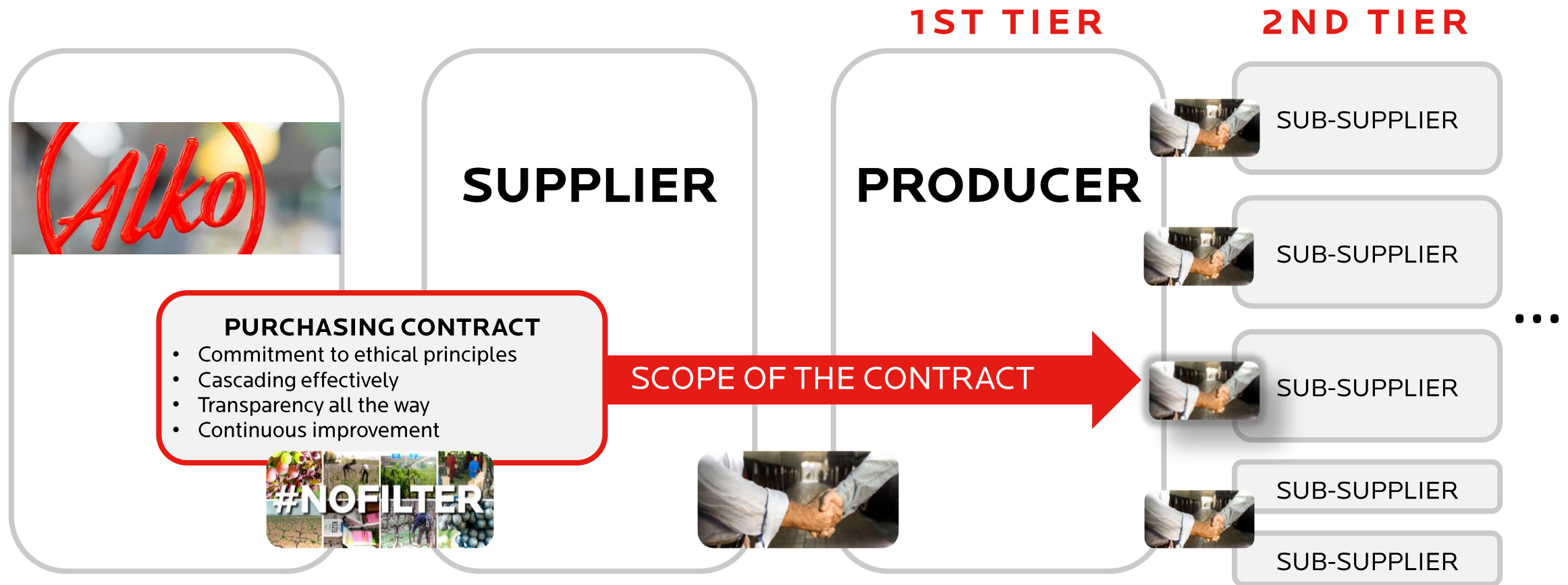
Protection of the environment

Our enterprise takes the necessary measures to avoid environmental degradation.

Risk Assessment Tools



SOCIAL RESPONSIBILITY IN ALKO SUPPLY CHAIN



CAPACITY BUILDING

80

MONITORING

20

PROTECT RESPECT REMEDY

CAPACITY BUILDING STRATEGY

- Available for all levels (beginners, advanced etc.)
- Available online and face-to-face
- We highly recommend to prepare a capacity building plan for your key resources, short term-long term, to secure your know-how

Available online:

- By amfori Academy
- By Stronger Together
- By Alko

Available face-to-face:

- By amfori
 - Italy
 - South Africa
 - Argentina
 - Chile
 - Rum producers
- By Stronger Together
 - South Africa
- By NAM
 - South Africa
 - Rum producers
- By Alko
 - Spain

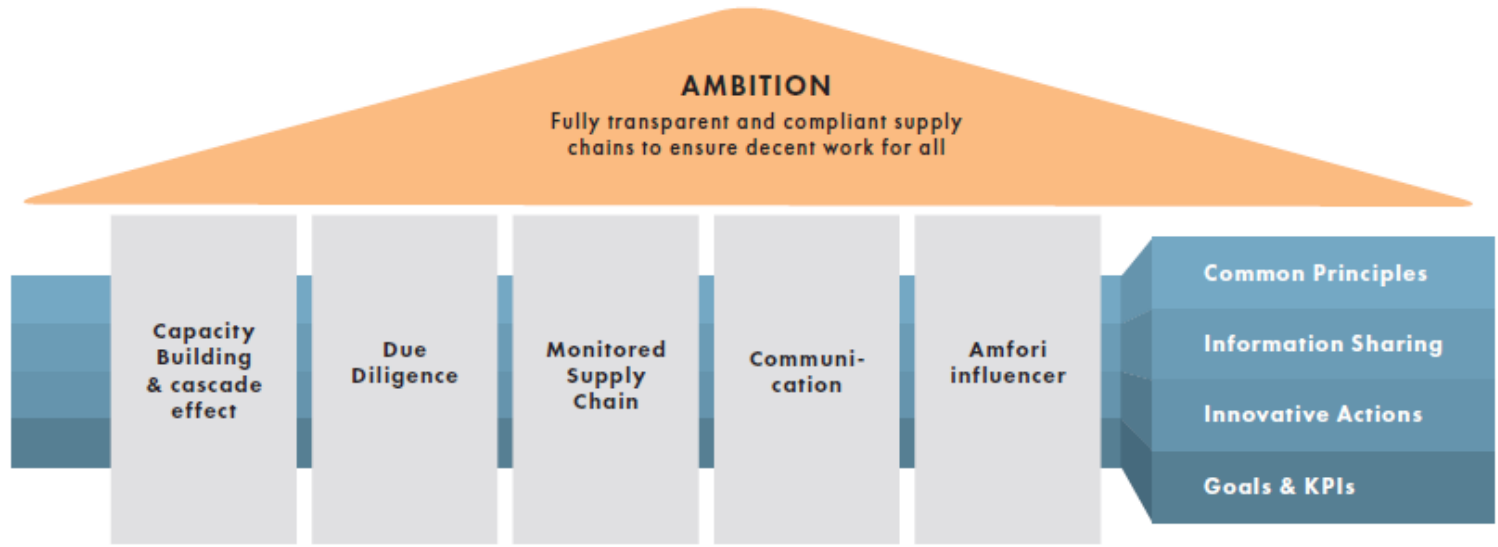
MONITORING STRATEGY

Tools	General Selection	Sale-to-Order Selection	Specialities	Seasonal Products	Special Orders
amfori Code of Conduct (signature of supplier)	X	X	X	X	—
E-learning	X	X	X	X	—
Supply Chain Information	X	X	X	X	—
Self-Assessment Producer	x	x	x	x	—
Producer visit- Buyer's checklist	X	X	X	X	—
Pre Qualification Assesement (PQA)	x	x	x	x	—
amfori Full Audit/Follow-up Audit	x	x	x	x	—

X = fixed requirement, x = used based on Due Diligence process



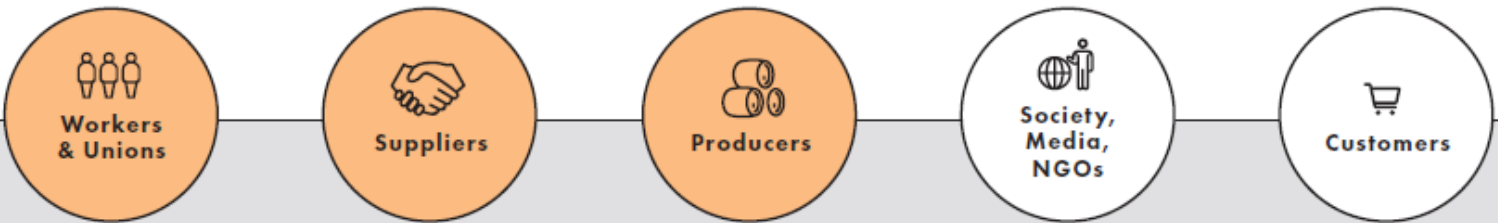
NAM SOCIAL STRATEGY



amfori | Amfori BSCI CODE OF CONDUCT

VALUES: Transparent, Accountable, Dynamic

CORE PURPOSE: Greater social impact by continuous improvement



ENVIRONMENT

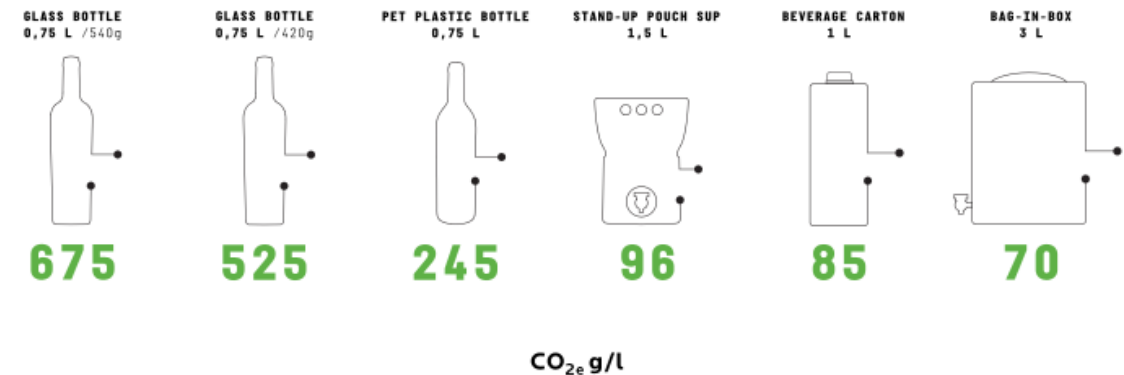


PACKAGING ACTIVITIES IN 2018

- Update to the wine packaging Life Cycle Analysis from 2010: update, climate impact calculation & recommendations
- Supplier presentations, seminars and/or workshops on packaging (all)
- Customer centric activities: customer perception studies about different materials (e.g. glass vs. PET plastic; Vinmonopolet, AVTR and Alko), communications on company websites, social media and stores
- Product searches where environmental packaging innovation is emphasized

→ **Direction towards lighter, easily recyclable and recycled packaging materials**

WINE PACKAGE MATERIAL IS ALSO A CLIMATE DECISION

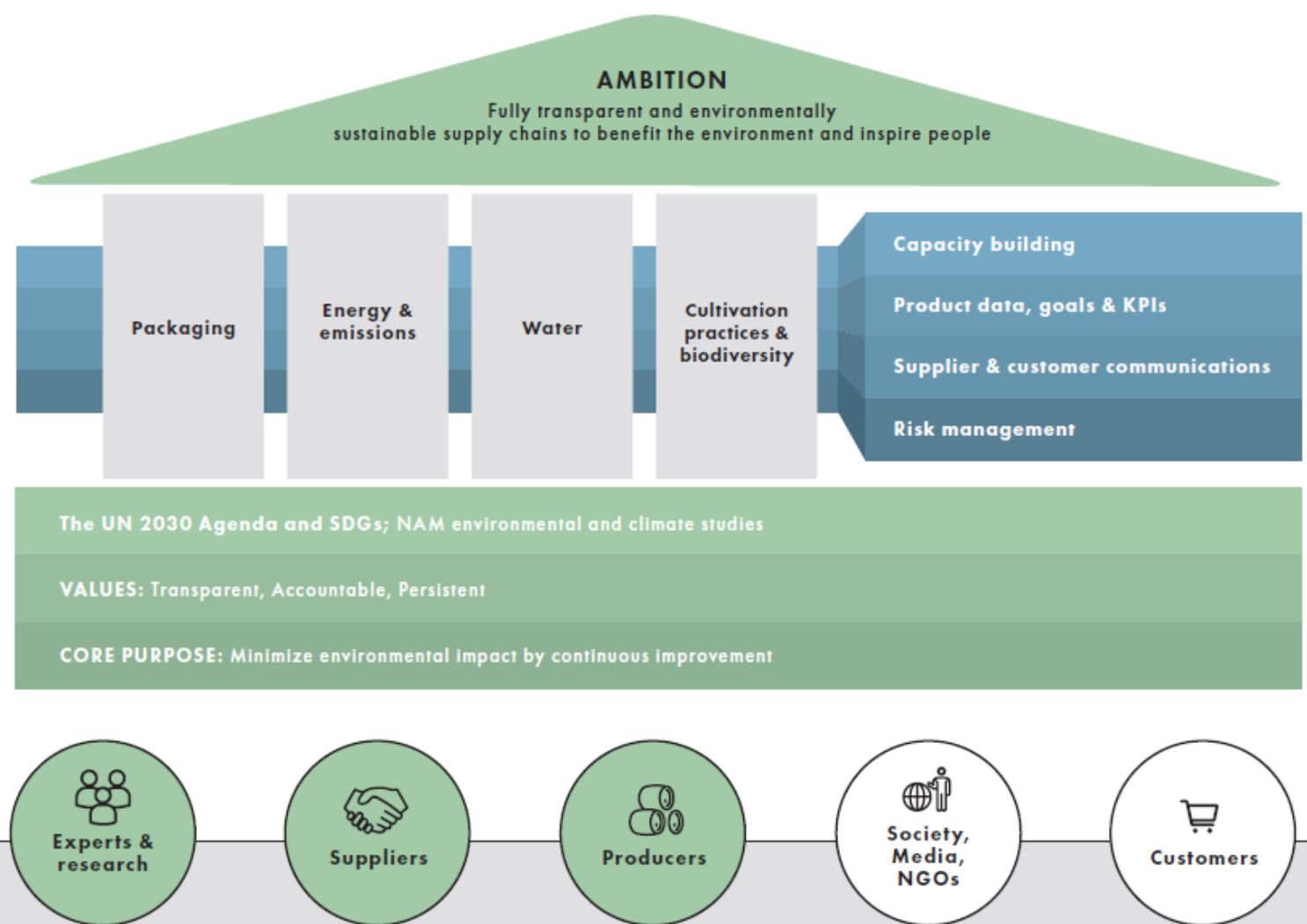


Gaia Consulting Oy calculated an average carbon footprint for packaging based on sales volume of wine in 2017, and the national greenhouse gas factors of Argentina, Australia, California, Chile, France, Germany, Italy, New Zealand, Portugal, South Africa, and Spain.





NAM ENVIRONMENTAL STRATEGY

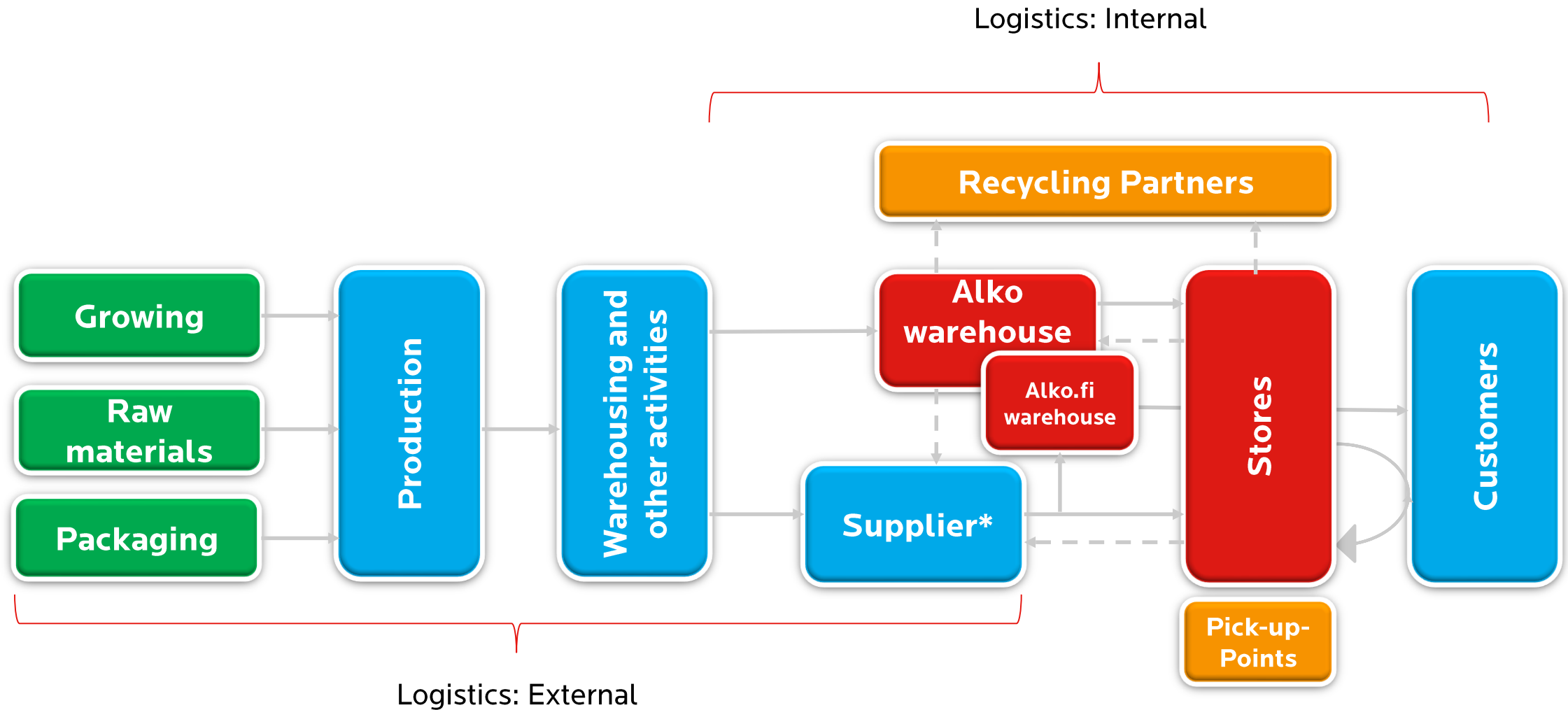


STRATEGY IMPLEMENTATION: NORDIC ALCOHOL MONOPOLIES ENVIRONMENTAL FOCUS YEARS

- We focus on a single source of environmental impacts per year
 - Packaging – focus in 2018
 - Energy consumption and emissions –focus in 2019
 - Water consumption – focus in 2020
 - Biodiversity and cultivation practices – focus in 2021
- Similar way of working each year
 - Shared messages, engaging suppliers, exploring innovations, utilizing industry know-how and expertise



SUSTAINABLE LOGISTICS



WHAT'S AHEAD 2019-2020?

SOCIAL

- Alko will offer support to capacity building in all levels of the supply chain.
- ...pilot soft audit protocol to allow more agile follow-up
- ...include gender equality as one of the focus areas in sustainability
- ...conduct together with NAM a benchmarking study on social certifications
- ...develop international sustainability standard with other stakeholder
- ...establish a stand concerning living wage in the supply chains

ENVIRONMENTAL

- ...follow the annual focus area strategy in development work
- ...build up more holistic approach to environmental challenges
- ...focus more on other product groups than wines

ADVOCACY

TRANSPARENCY AND TRACEABILITY



VISION 2020



AGENDA

FINNISH ALCOHOL MARKET AND ALKO'S STRATEGY

10:30 – 10:45 BREAK

RESPONSIBLE PURCHASING

ASSORTMENT STRATEGY

12:00 – 13:00 LUNCH

PURCHASING PROCESS AND PRODUCT SELECTION

ALKO'S QUALITY CONTROL PROGRAM

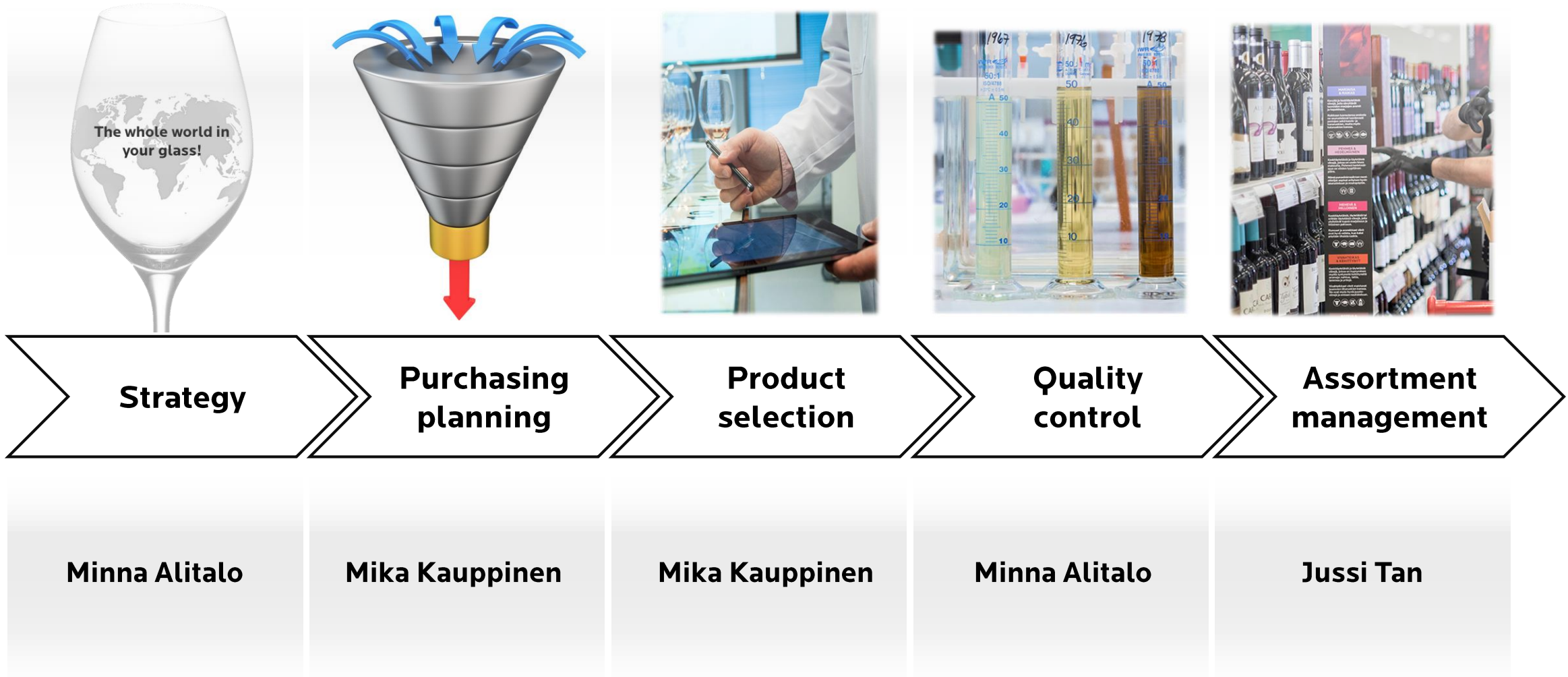
ASSORTMENT MANAGEMENT

15:00 – 15:30 AFTERNOON COFFEE

ROUND TABLE DISCUSSIONS



PRODUCT PROCESS



Strategy

Purchasing
planningProduct
selectionQuality
controlAssortment
management

ASSORTMENT STRATEGY 2019–2021



***Customer oriented
and responsible***



***Impartial and
non-discriminating***



***Efficient and agile
assortment management***



**The whole world in
your glass!**

Our superb assortment
will inspire and surprise
you.

Product safety and
Alko's quality control
program as a
competitive
advantage.

Show the invisible



***Clear roles for
product categories***



Top shape processes



CUSTOMER NEEDS AND RESPONSIBILITY ARE THE FOUNDATION FOR OUR ASSORTMENT

WE WILL MAINTAIN

- Customer based category tree in the heart of customer orientated assortment
- All customer types fully noted and sufficient assortment in each price point
- Responsibility taken into account in all selection decisions and planning.

WE WILL STRENGTHEN

- Increased customer involvement in assortment development
- Artificial Intelligence supporting planning and allocation
- Flexible purchase planning and quick response
- Experiencing the whole assortment in all stores and online



SUPER PREMIUM



PREMIUM



MAINSTREAM



ENTRY



ENHANCING AND HELPING WELLBEING IN THE SUPPLY CHAIN AND REDUCING ENVIRONMENTAL IMPACTS



Product responsibility, traceability and quality control providing security to customer and competitor advantage for Alko!



SUPPLY CHAIN GOALS

- 100 % transparency and traceability
- Producers and sellers maintain the information
- Awareness of how selling alcohol affects people and environment

- Collecting product level supply chain information

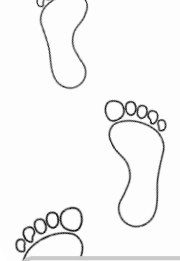
- Developing a plan together with suppliers



2020



2019



2018

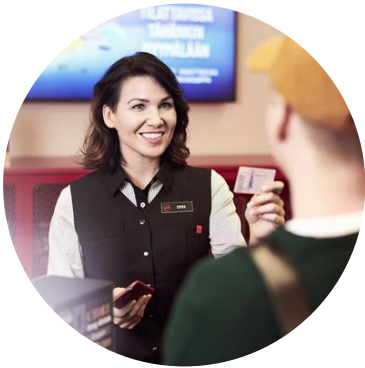


CONSUMER GOALS

- Enabling sustainable choices
- Product level responsibility information only one click away for the consumer

- Reducing environmental impact on our product packaging
- Reducing plastic in accessories and shopping bags
- Expanding green choice and ethical selection

- Wide selection of green and ethical products



CLEAR ROLES FOR PRODUCT CATEGORIES

CUSTOMER EXPERIENCE IS DRIVEN THROUGH THE FOUR MAIN CATEGORIES

Relevant and interesting segments enhanced

WE WILL MAINTAIN

- The strong focus on four main categories and strategical subcategories:
 - Wines → sparkling wines
 - Spirits → whiskies
 - Brewery drinks → special beers
 - Non-alcohol products

WE WILL STRENGTHEN

- Responsibility and trend based subcategory emphasis





PURCHASE PLANNING – BASIC PRINCIPALS



LISTING PROCEDURE AND
RETAIL SALE OF ALCOHOLIC
BEVERAGES
2 October 2018
(updated 12 October 2018, valid from on 12 November 2018)



**Open, impartial and
non-discriminating**
Public guidelines and purchasing
terms.



**Role and operations defined in
the Alcohol Act and in a related
decree**
Role presumes non-
discrimination.

**Customer and trend based
planning**



**State authority Valvira overseas
Alko's operations**
Reports to European commission
once a year.

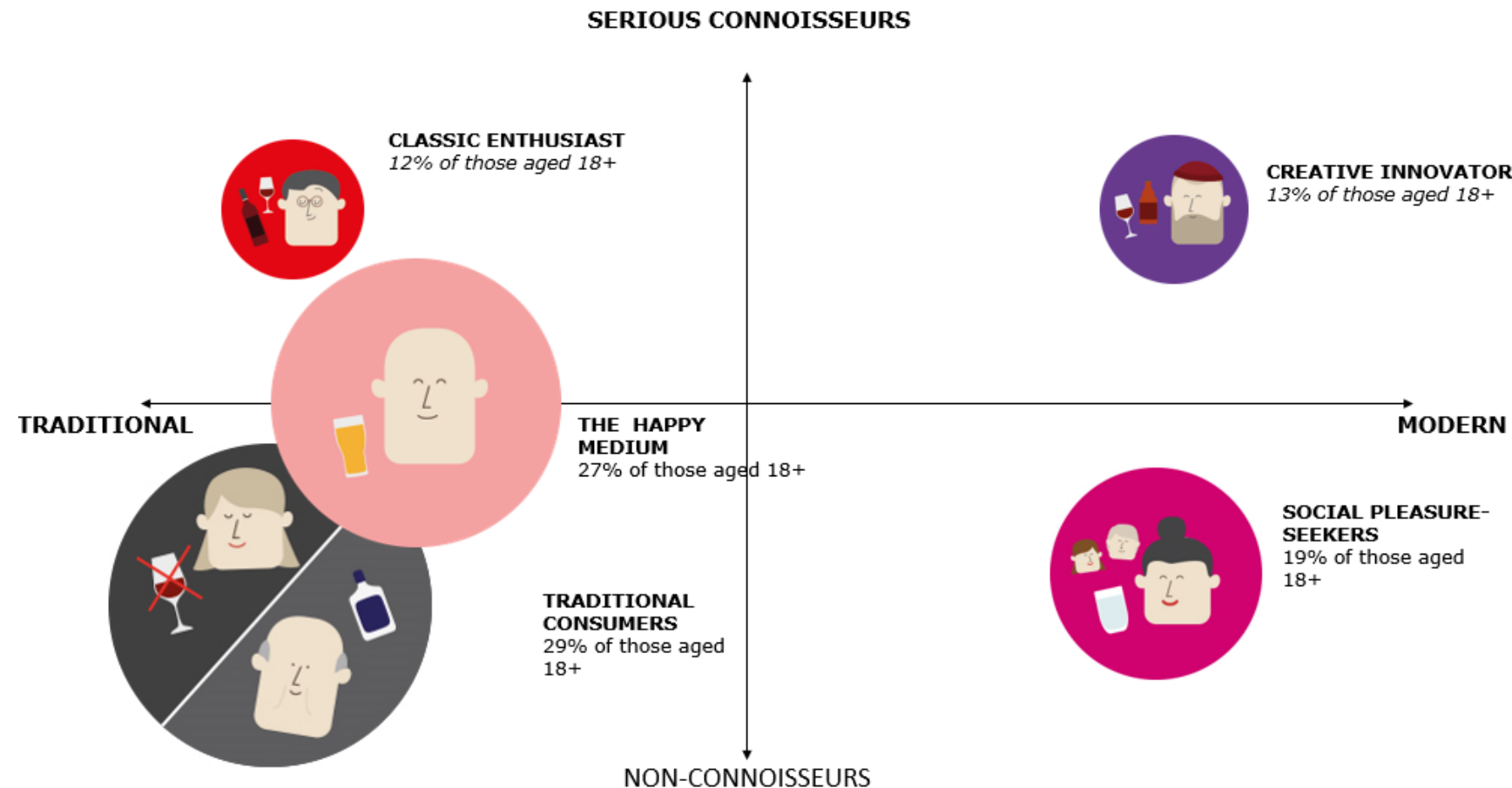


Valvira
National Supervisory Authority
for Welfare and Health



**Impartial handling
and decision process**

ALKO'S CUSTOMER TYPES AT THE HEART OF DEVELOPING CUSTOMER EXPERIENCE



- The customer types are based on a survey conducted in August-November 2017
 - Ethnographic (Gemic) and quantitative section (Dagmar Drive), N: 2115.
- A good overall picture of Finnish alcohol users and understanding of the direction
 - Customer types as a basis for purchase planning.
- Product-specific purchasing behavior studies are in progress and will be presented wider after the summer

TRENDS

TREND

1.

HEALTH AND WELLBEING

LOW ALC
(+34 %)

NON ALCOHOL
(+8%)

FRESHNESS

TREND

3.

ENTHUSIASM AND EVERYDAY LUXURY

WHITE WINE

ROSÉ
(+30%)

SPARKLING WINE
(+3%)

GIN
(+8%)

SEARCHING FEELINGS

SMALL PACKAGES
(+6 %)

CLASSICAL STYLES

EMERGING WINE COUNTRIES

WHISKY

SPECIALTY BEERS

TREND

2.

RESPONSIBILITY AND TRANSPARENCY

VEGAN
(+42 %)

ORGANIC
+2%)

ETHICAL

LIGHT WEIGHT BOTTLES
(+7 %)

TRACE-BILITY

INGRE-DIENTS & CALORIES

TREND

4.

AUTHENTICITY AND CRAFTSMANSHIP

SMALL PRODUCERS AND CRAFT

STORIES AND ADDITIO-NAL INFO

AUTHENTI-CITY

NATURAL WINES
(+970%)

AGENDA

FINNISH ALCOHOL MARKET AND ALKO'S STRATEGY

10:30 – 10:45 BREAK

RESPONSIBLE PURCHASING

ASSORTMENT STRATEGY

12:00 – 13:00 LUNCH

PURCHASING PROCESS AND PRODUCT SELECTION

13:45 – 14:00 BREAK

ALKO'S QUALITY CONTROL PROGRAM

ASSORTMENT MANAGEMENT

15:00 – 15:30 AFTERNOON COFFEE

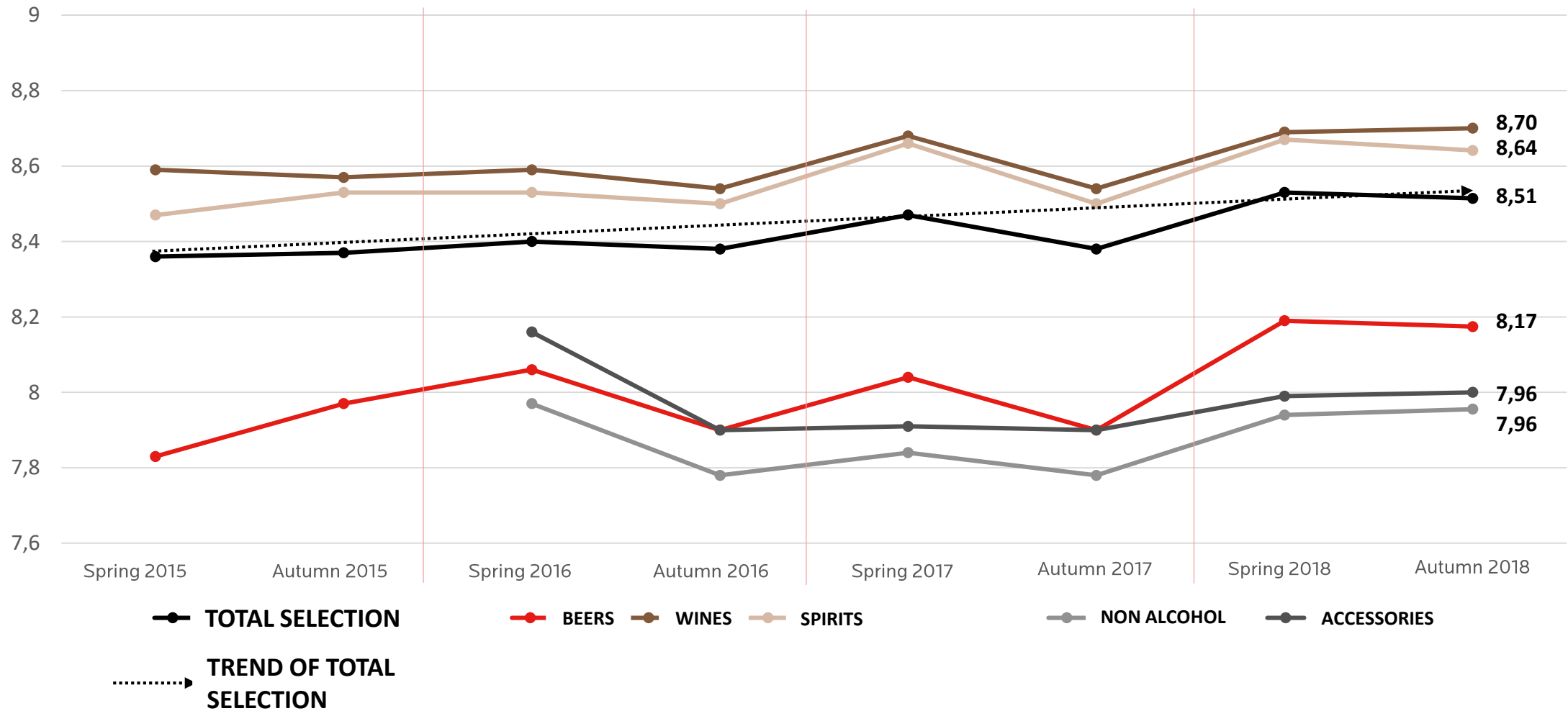
ROUND TABLE DISCUSSIONS





SATISFACTION FOR SELECTION IS ALL TIME HIGH – TARGET TO GO HIGHER

Graded from 4-10 (Sept. 2018)



DIFFERENT OPPORTUNITIES FOR PARTNERS

SELECTION TYPE ROLES

General Selection

- **The base of the selection** and ensures customer satisfaction.
- Tenders published every 6 months, novelties to selection weekly.
- Longer lifecycle and **major trends**.

Seasonal Selection

- **Answers to seasonal demand** (summer, Christmas, Easter, etc.) and **established trends**.
- Tenders are published on need basis.
- Seasonal lifecycle, transferring to general selection possible.

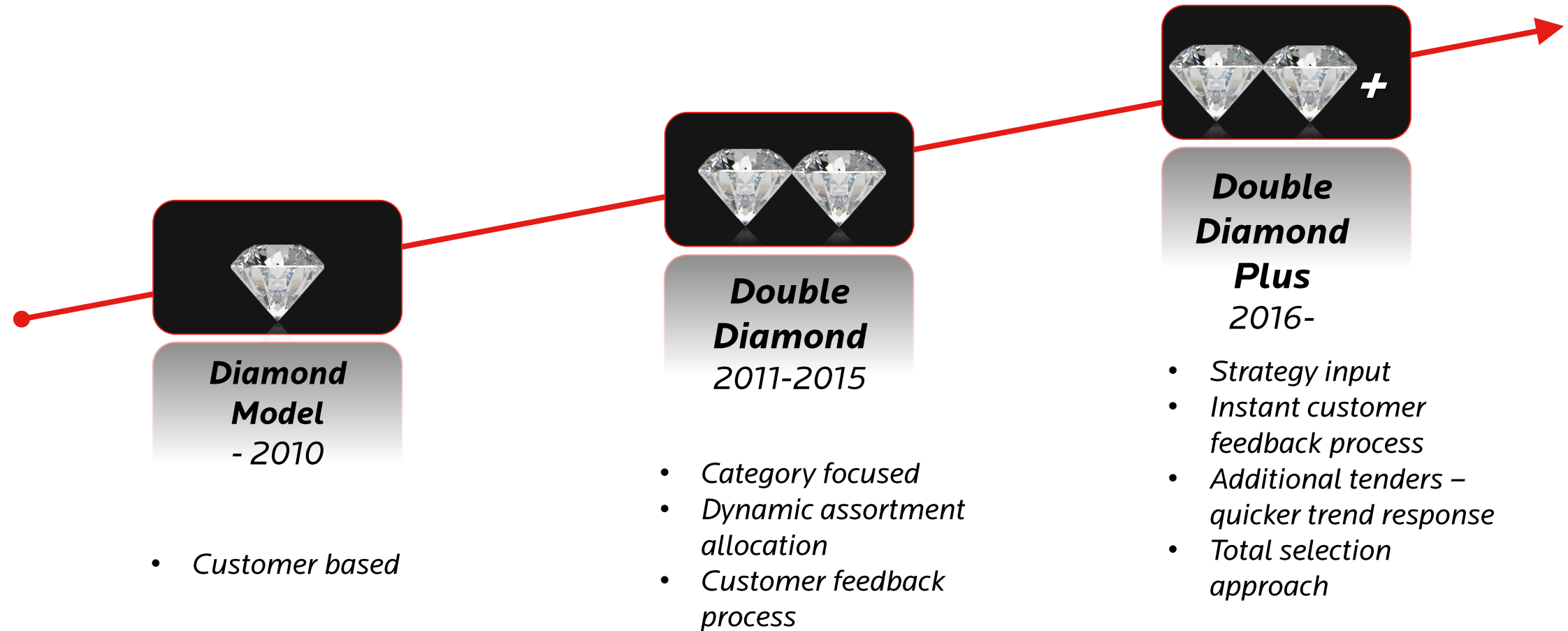
Specialties

- **Enrich Alko's selection** and promote responsible drinking culture. Answers to **rising trends**.
- Interesting monthly themes, a few products per theme.
- Tenders published three times a year.
- Lifecycle as specialty is fixed, transferring to general selection possible.

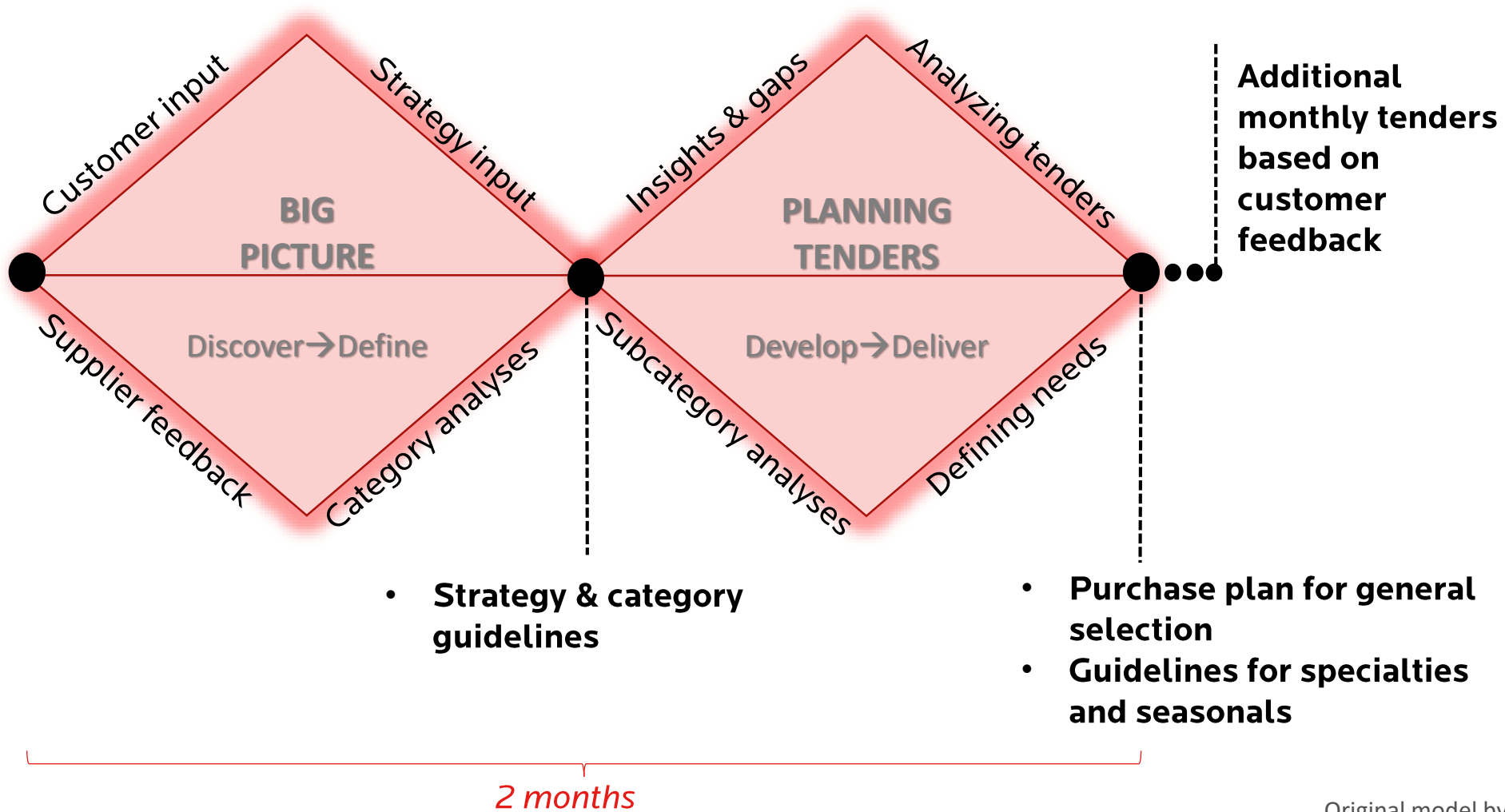
Sale-to-Order Selection

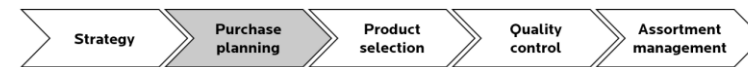
- Free for suppliers to list products.
- **Supplements other selections and replies to trends.** Transferring to general selection possible.

PLANNING MODEL EVOLUTION

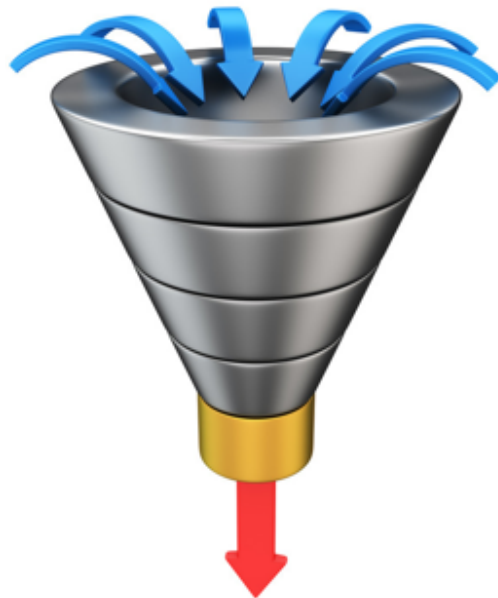


DOUBLE DIAMOND+ MODEL





PURCHASING PROCESS



Publishing plans:
General selection 2 x year,
Specialties 3 x year,
Seasonals on demand

Feedbacks & hopes:



Analyses:



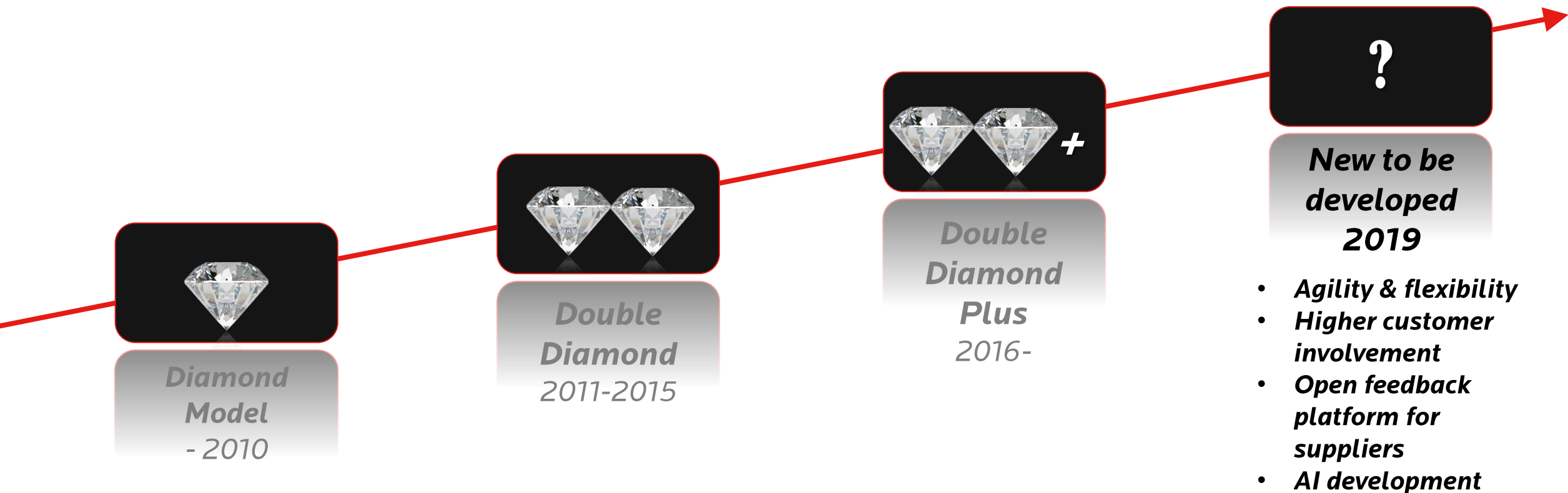
Planning:



Follow up:



PLANNING MODEL TO BE DEVELOPED



CATEGORY TREE: THE HEART OF PLANNING AND ALLOCATION MODEL



- Based on studied customer behavior
- 220 segments = needs
- Updated as needs and demand develops

White wine					
					
≤ 0,5 bottle Smooth & light	Smooth & light < 8 €	Mellow & sweet < 8 €	Crisp & fruity < 7 €	Nuanced & structured < 8 €	Generous & toasty < 10 €
≤ 0,5 bottle Mellow & sweet	Smooth & light 8 – 9,99 €	Mellow & sweet 8 – 9,99 €	Crisp & fruity 7 – 7,99 €	Nuanced & structured 8 – 8,99 €	Generous & toasty 10 – 14,99 €
≤ 0,5 bottle Crisp & fruity	Smooth & light ≥ 10 €	Mellow & sweet ≥ 10 €	Crisp & fruity 8 – 8,99 €	Nuanced & structured 9 – 9,99 €	Generous & toasty 15 – 19,99 €
≤ 0,5 bottle Nuanced & structured			Crisp & fruity 9 – 9,99 €	Nuanced & structured 10 – 12,99 €	Generous & toasty ≥ 20 €
≤ 0,5 bottle Generous & Toasty			Crisp & fruity 10 – 12,99 €	Nuanced & structured 13 – 14,99 €	
			Crisp & fruity 13 – 19,99 €	Nuanced & structured 15 – 17,49 €	
			Crisp & fruity ≥ 20 €	Nuanced & structured 17,50 – 19,99 €	
				Nuanced & structured ≥ 20 €	

CREATING TENDER

Target: To find the most suitable product based on needs and current selection.

- Defining needs:
 - Following the category tree
 - Customer types → purchasing criteria
 - Occasions
- Secure additional value
- Providing enough information for suppliers
- Evaluating volume potential
- Enable enough offers to provide choices

Ennnuste 12kk

Arvioitu peitto 120

MYKS 30 663
Litrat 23 980
LV 150 428

Alkuperämaa

Etelä-Afrikka

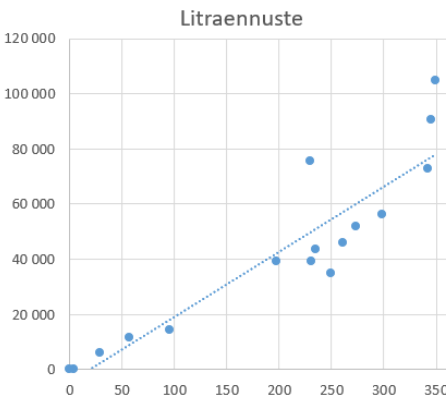
Italia

Portugali

Ranska

Saksa

Yhdysvallat

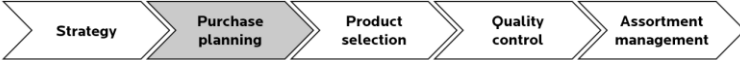


Crispy & fruity < 10 €

Valikot	Viim.	Koh.	KA.	Peitto	Sum of LV k€ MYKS	Litrat	LV
Vakio	347	350	2,35 %		139 478	104 609	622 821
Vakio	344	346	-3,88 %		120 551	90 413	538 830
Vakio	325	342	7,23 %		96 839	72 629	454 899
Vakio	198	298	-1,94 %		74 766	56 075	353 679
Vakio	300	273	8,32 %		69 085	51 814	351 936
Vakio	198	261	-7,51 %		61 261	45 946	313 001
Vakio	231	235	-0,58 %		57 884	43 413	299 862
Vakio	129	230	-5,39 %		75 509	75 509	290 634
Vakio	162	231	-13,44 %		52 189	39 142	286 155
ti Vakio	129	249	-0,80 %		46 323	34 742	252 087
Vakio	236	198	31,63 %		52 436	39 327	250 636
Vakio	69	96	-5,27 %		19 025	14 269	111 343
Vakio	53	57	8,91 %		15 453	11 590	78 907
Vakio	0	29	-37,90 %		7 876	5 907	36 872
Tilaus	0	3	22,11 %		158	119	796
Tilaus	0	0	-81,58 %		125	94	687

Crispy & fruity < 10 €





TENDER EXAMPLE

Group	Nro	Origin	Category	Type	Package	Price	Taste style
Wine	W1810703	Germany	White wine	Dry	0,75 l bottle	Max. 9,99 €	Crispy & fruity or nuanced & structured

Search month	Listing year	Listing month est.	Distribution level	Vol. Est. (l)	Offer DL	Sample DL	Other criteria
7	2019	1	Mainstream	15 000	31th of July 2018	14th of Aug 2018	<ul style="list-style-type: none">• So called blanc de noirs• Grape: spätburgunder or pinot noir• Grape variety and vintage must appear in the label• Screw cap closure• Alko Green choice symbol and recycling system registration will be advantageous



Clear additional value for the total selection and for German selection.

PRODUCT SELECTION IN EQUAL MANNER

- **Products evaluated against the targeted customer need, current selection and other products in the tender**
 - Almost 1000 products chosen annually from 9600 offers (580 tenders)
 - + 1800 products from sale to order selection
- **Sensory evaluation used**
 - Minimum 4 persons tasting the products (scale 0-5 used, with 0,1 steps)
 - Blind tasting in larger demand tenders
 - Open tasting in smaller demand tenders



SENSORY EVALUATION PROCESS

BLIND TASTING

SEPARATED GRADES FOR:

- 1) Quality and taste
- 2) Additional valuable aspects

USED IN HIGH DEMAND TENDERS:

Wide+, Wide, Mainstream, and seasonal products

WEIGHTS:

	wines	spirits	brewery
1) The taste & quality weight:	75 %	60 %	50 %
2) Other valuable aspects:	25 %	40 %	50 %
• All seasonals 50/50			

OPEN TASTING

One mutual grade given for quality and taste, and additional valuable aspects

For all other tenders

GRADING THE PRODUCT

- In the beginning of the evaluation product manager gives a brief: Tender criteria, targeted consumers, current selection and competition group.
- The target is to find the most suitable product based on needs and current selection.



MAIN STEPS IN GRADING (EXAMPLE TASTE & QUALITY)



0 points = Product not align with tender criteria
Points given starting 2 → 0,1 steps

Strategy

Purchase
planningProduct
selectionQuality
controlAssortment
management

Product selection video



<https://www.alko.fi/en/alko-inc/for-suppliers/listing-process-and-product-range/sensory-evaluation-and-additional-samples>

Strategy

Purchase
planningProduct
selectionQuality
controlAssortment
management

VALID PRODUCT INFORMATION IS CRUCIAL

- Product come to selection 2-4 months after the sensory evaluation
- All products possible to purchase from Alko.fi
- Omni channel availability given new challenges for valid product information
- **Very important that supplier maintain the valid information.**

NEW – supporting customer service

- Starting October the seller has an option to provide additional product information to products
 - Through Partner Network

Jean Biecher Réserve Riesling 2017

Valkoivinit | Ranska, Alsace



Pirteä & hedelmäinen

 RIESLING
AC Alsace

Kuiva, hapokas, sitruksinen, viherpäärynäinen, persikkainen, kevyen mineraalinen, mausteinen

 ALKOHOLI
12.5%

 SOKERI
2.0 g/l

 HAPOT
6.7 g/l

 ENERGIA
70.0 kcal/100 ml

 PAKKAUS
pullo

 SULJENTA
metallinen kierrekapseli

 VALMISTAJA/VALMISTUTTAJA
Jean Biecher & Fils

 TAVARANTOIMITTAJA
Vindirekt Finland

Product card example



Saatavilla, 2–4 arkipäivässä

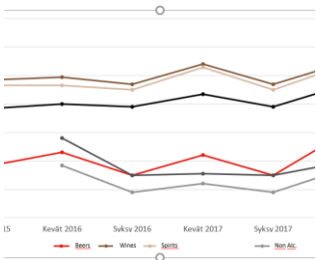
USP

Define the unique selling proposition in 2 sentences – what additional values this product brings to assortment/segment.

ADDITIONAL INFO

Other relevant information possible to provide up to 500 characters.

IMPORTANT TO REMEMBER



Alko aims higher in selection satisfaction
→ Customer orientation and co-operation

Category tree is the heart
→ Based on studied customer behavior and needs

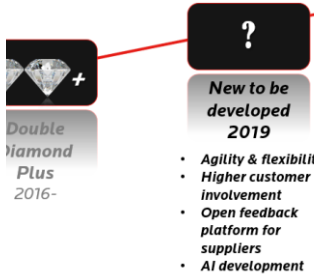


Equal and thorough product selection
→ Most suitable product based on needs and current selection



Many opportunities for suppliers
→ Almost 600 tenders and sale-to-order

Developing new purchase planning model
→ More and transparent feedbacks, agility and AI



AGENDA

- FINNISH ALCOHOL MARKET AND ALKO'S STRATEGY

10:30 – 10:45 BREAK

- RESPONSIBLE PURCHASING
- ASSORTMENT STRATEGY

12:00 – 13:00 LUNCH

- PURCHASING PROCESS AND PRODUCT SELECTION

13:45 – 14:00 BREAK

- **ALKO'S QUALITY CONTROL PROGRAM**
- ASSORTMENT MANAGEMENT

15:00 – 15:30 AFTERNOON COFFEE

- ROUND TABLE DISCUSSIONS



PRODUCT TASTING PANEL

ALKO TASTING PANEL CONSISTS OF 25 PEOPLE:

PRODUCT
MANAGERS

QUALITY CONTROL
PERSONNEL

OTHER PRODUCT
EXPERTS FROM SHOPS
AND HEAD OFFICE



FOR NEW MEMBERS ENTERING THE TASTING PANEL IT IS REQUIRED TO

HAVE SUFFICIENT INFORMATION
ON ALL MAIN PRODUCT GROUPS

PASS THE PRODUCT
TASTING TEST

TRAIN THE POINT SCALE
AND ALKO PRODUCT SCORING
BEFORE BECOMING ENTITLED
TO SCORE TENDER SAMPLES



TRAININGS FOR ALL THE PEOPLE IN ALKO'S TASTING PANEL ARE CARRIED OUT ON MONTHLY BASIS

TYPICALLY EACH TASTER SCORES BETWEEN
1000-2000 TENDER SAMPLES ANNUALLY



PRODUCT QUALITY RESPONSIBILITIES



FINNISH ALCOHOL LAW:

“The manufacturer and importer of alcoholic beverages are responsible for the quality and composition of the alcoholic beverages they consign for consumption and that the product and its labeling and other presentation comply with the legislation.”

PRODUCT QUALITY RESPONSIBILITIES

IMPORTERS AND MANUFACTURERS

Companies delivering beverages
directly to Alko shops:

7200
products

Alko's warehouse service:

1100
products

Import
outside EU:

<100

Alko product
Quality
responsibility

Alko Quality Control

- Sensory quality testing
- Tender sample evaluation arrangements

Alcohol Control Laboratory (ACL)

- Instrumental quality analysis
- Service also available to external customers

FINNISH ALCOHOL LAW:

“The manufacturer and importer of alcoholic beverages are responsible for the quality and composition of the alcoholic beverages they consign for consumption and that the product and its labeling and other presentation comply with the legislation.”

QUALITY CONTROL IN NUMBERS 2017

PRODUCT QUALITY CHECKS

800 first delivery samples

1 800 product change samples

TENDER SAMPLES

8 500 tender offers

= 21 000 sample bottles

835 purchased products

ACL-ANALYSES

850 tender samples

1 700 Products already in Alko selection

RECLAMATIONS

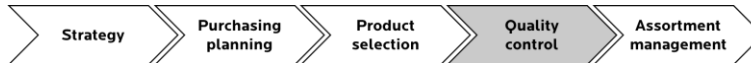
75 quality deviation reclamation to the importers

3 products delisted due to bad quality

55 000 unsaleable products

13 900 consumer complaints





QUALITY CONTROL CHECKPOINTS

1. TENDER SAMPLE EVALUATION

- Only acceptable quality -products may be purchased from tender evaluation.
- No need for final package, but the requirements stated in the tender must be found from the package sample.
- Video about sample evaluation can be found from alko.fi – supplier pages.

2. FIRST DELIVERY SAMPLE EVALUATION

- Sample must come from the first delivery batch to the shops.
- Products characteristics must identical to tender samples.
- Also the package markings must be correct before the sales of the product can start.

3. FOLLOW UP OF PRODUCTS IN THE SELECTION

- Products can be retested when changes in the products take place (e.g. vintage change) Product descriptions are also updated at this stage.
- Registrations regarding consumer complaints and unsaleable products noticed in Alko shops are monitored on weekly basis. Products are tested on the grounds of this information.

QUALITY REPORTS

- Week and month based product quality reports are provided in Alko extranet.
- Significant quality deviations are informed by alarm reports sent directly to importer/producer by e-mail.
- Both consumer complaints and unsaleable products are monitored on weekly basis in alarm reports.
 - Typically 0-2 quality alarms due to consumer complaints.
 - 5-10 alarms for unsaleable products.
- Suppliers overall quality is measured by Alko's "Best supplier" –evaluation.
 - Different indicators for product quality, logistics and functional quality.
 - Evaluation will be renewed in 2019.



LABORATORY ANALYSIS



- Regular analysis made from product are defined by product group
 - For example wine analysis are:
 - Alcohol content, sugars, total acidity and total Sulphur dioxide
- Same values are required also from suppliers when listing to sales to order selection or specialties
 - These values need to be measured with official analysis methods. Alko listing instructions:
"The analysis methods used must comply with the EU regulations (EC) No. 2870/2000 and 2091/2002 and OIV's instructions (wines, spirits and distilled drinks, ciders and long drinks). The analysis methods used in the analysis of beers must follow the instruction in European Brewery Convention (EBC) Analytica-EBC, 5th Edition."
- Compounds not included in the regular analysis package are tested on risk based extra analysis
 - E.g. pesticides, ochratoxin, and microbiological purity

HOW TO CONFIRM QUALITY DEFECT?



SENSORY PANEL

Blind tasting for the samples



LABORATORY ANALYSIS

Tested attributes may have legal limits or the presence of compound indicates quality defect

- If legal limits are not met, product must be recalled



CONSUMER COMPLAINTS

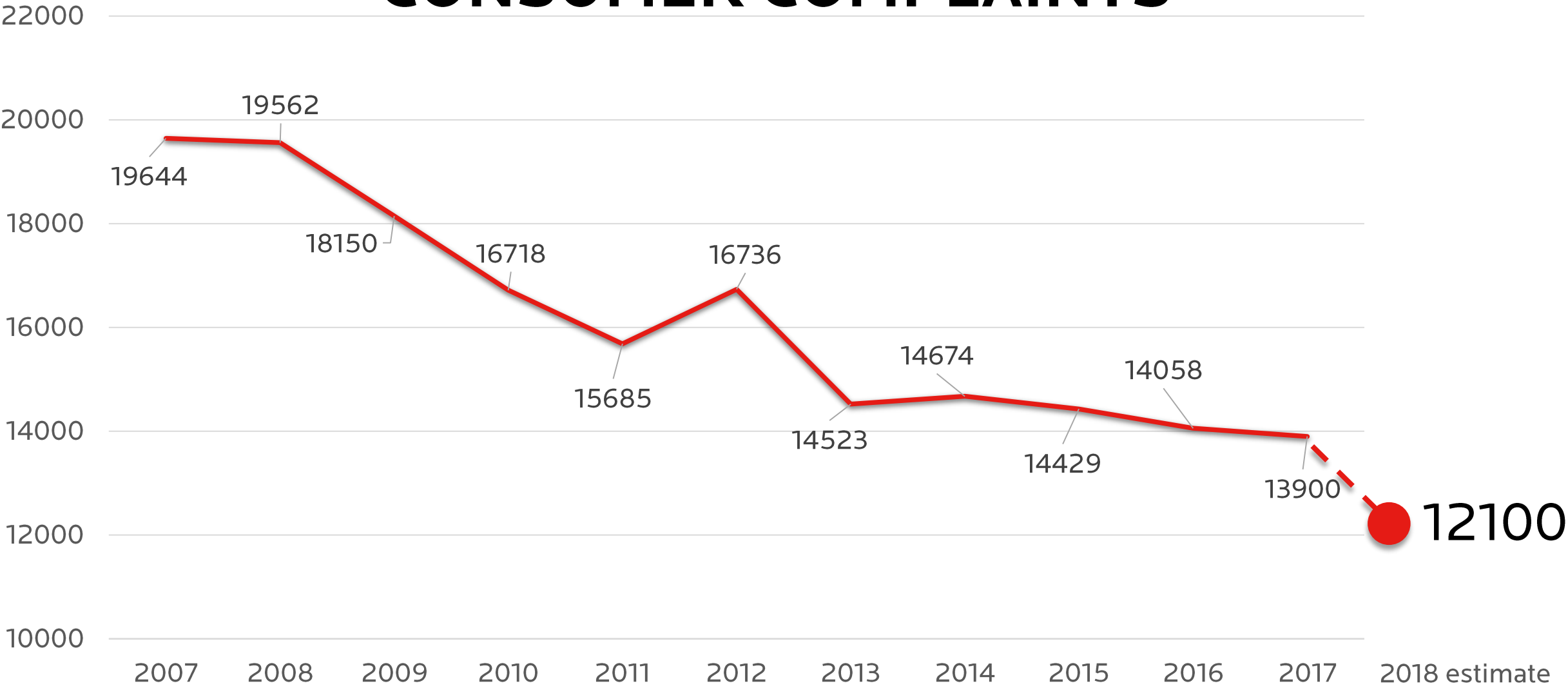
Consumer complaints; typical values differ from one product group to another

- e.g. natural cork wines 0,6 ‰
- Spirits & brewery products typically no complaints

PRODUCT/BATCH WILL BE RECALLED IF AT LEAST 2/3 OF THESE INDICATORS INDICATE DEVIATION IN PRODUCTS QUALITY



TREND IN TOTAL NUMBER OF CONSUMER COMPLAINTS



AGENDA

- FINNISH ALCOHOL MARKET AND ALKO'S STRATEGY

10:30 – 10:45 BREAK

- RESPONSIBLE PURCHASING
- ASSORTMENT STRATEGY

12:00 – 13:00 LUNCH

- PURCHASING PROCESS AND PRODUCT SELECTION

13:45 – 14:00 BREAK

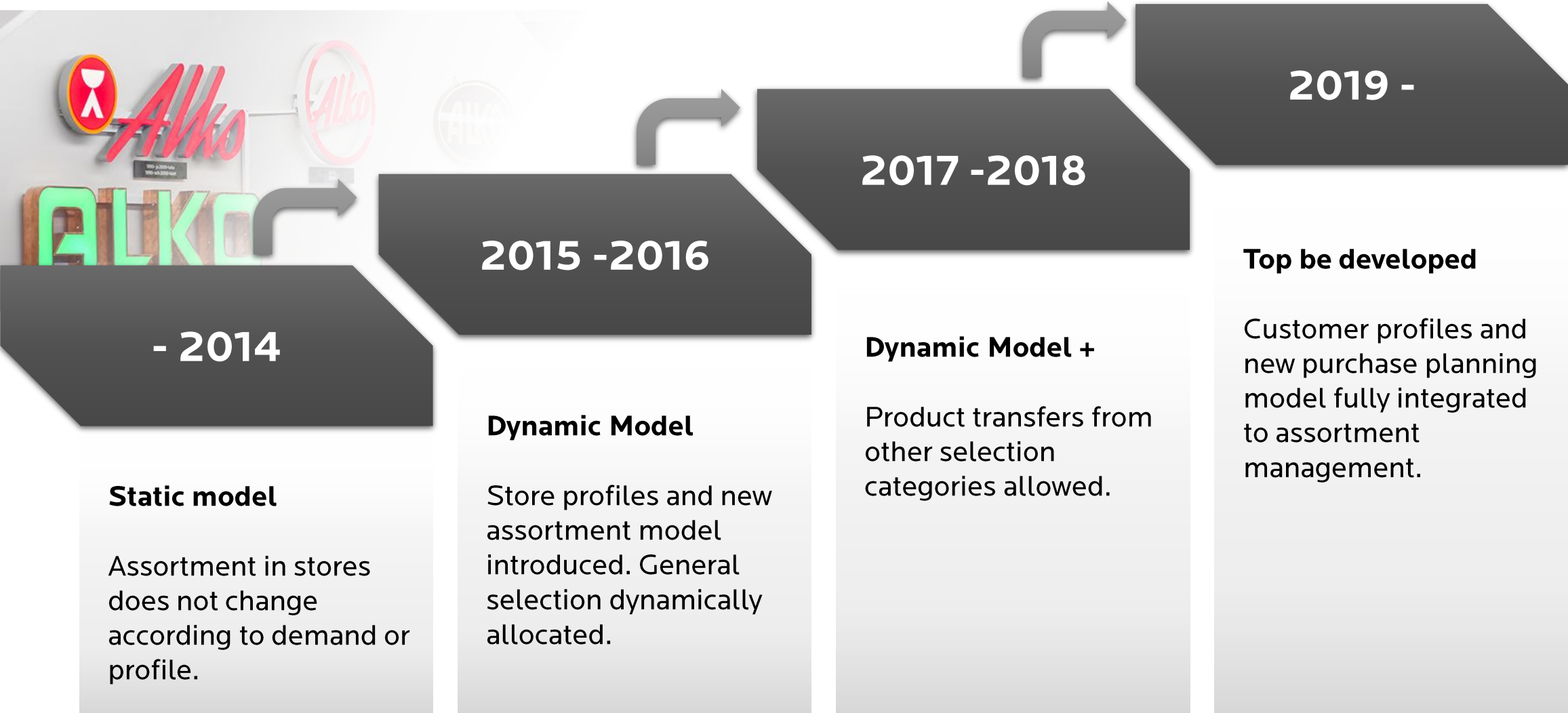
- ALKO'S QUALITY CONTROL PROGRAM
- ASSORTMENT MANAGEMENT

15:00 – 15:30 AFTERNOON COFFEE

- ROUND TABLE DISCUSSIONS



THE EVOLUTION OF ASSORTMENT MANAGEMENT IN ALKO



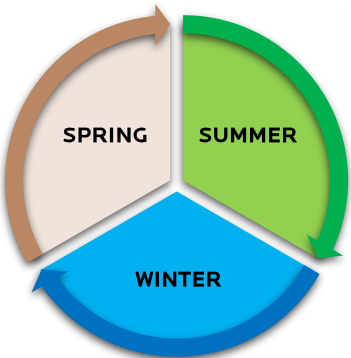
CORNER STONES OF ASSORTMENT PLANNING



Category tree forms the basis, ensures wide and comprehensive assortment in each store – 4 categories, 19 subcategories, 220 segments.



3 sales profiles and 6 store sizes determine the best assortment mix and size for each shop.



3 periods per year to balance the assortment based on seasonal demand.



Wide, customer oriented, demand driven and seasonally relevant assortment available in each of Alko's 358 stores.

CATEGORY TREE IN ASSORTMENT PLANNING



- Bottled wines by sub-category, taste style and price point
- Bag-in-box wines by sub-category, taste style and price point
- Strong beverages by style and bottle size
- Brewery products by style and package size

→ Assortments are balanced and allocated always on segment level.

STORE DEMAND PROFILE LAYS THE GROUND



- Heavier emphasis on**
- Affordable spirits, strong lagers, Ready to Drinks, fortified wines
- Lighter emphasis on**
- Specialty spirits and beers, wines in bottle, sparkling wines

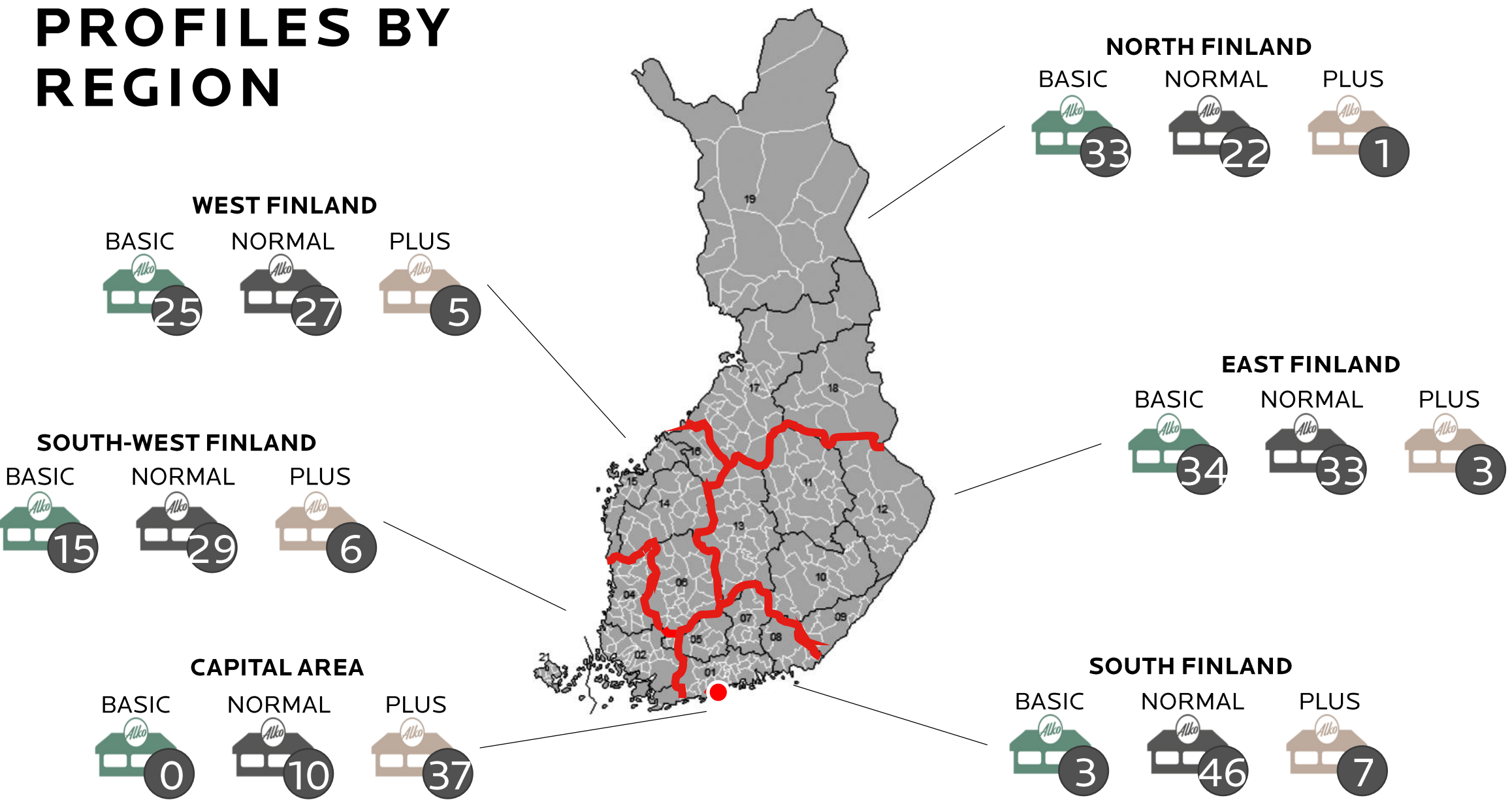


- Heavier emphasis on**
- Bag-in-box wines, mainstream wines and sparklings
- Lighter emphasis on**
- Premium wines



- Heavier emphasis on**
- Premium wines and sparklings, specialty spirits and beers
- Lighter emphasis on**
- Ready to drinks, sweet wines, strong lagers

PROFILES BY REGION

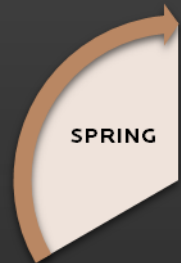


ASSORTMENT PLANNING CYCLES



June – September

- Key seasons
 - Midsummer
 - Summer holidays
- Seasonal categories
 - Rosé / White
 - Fresh drinks



February – May

- Key seasons
 - Easter
 - May 1st
 - Graduations
- Seasonal categories
 - Dark beers
 - Sparklings

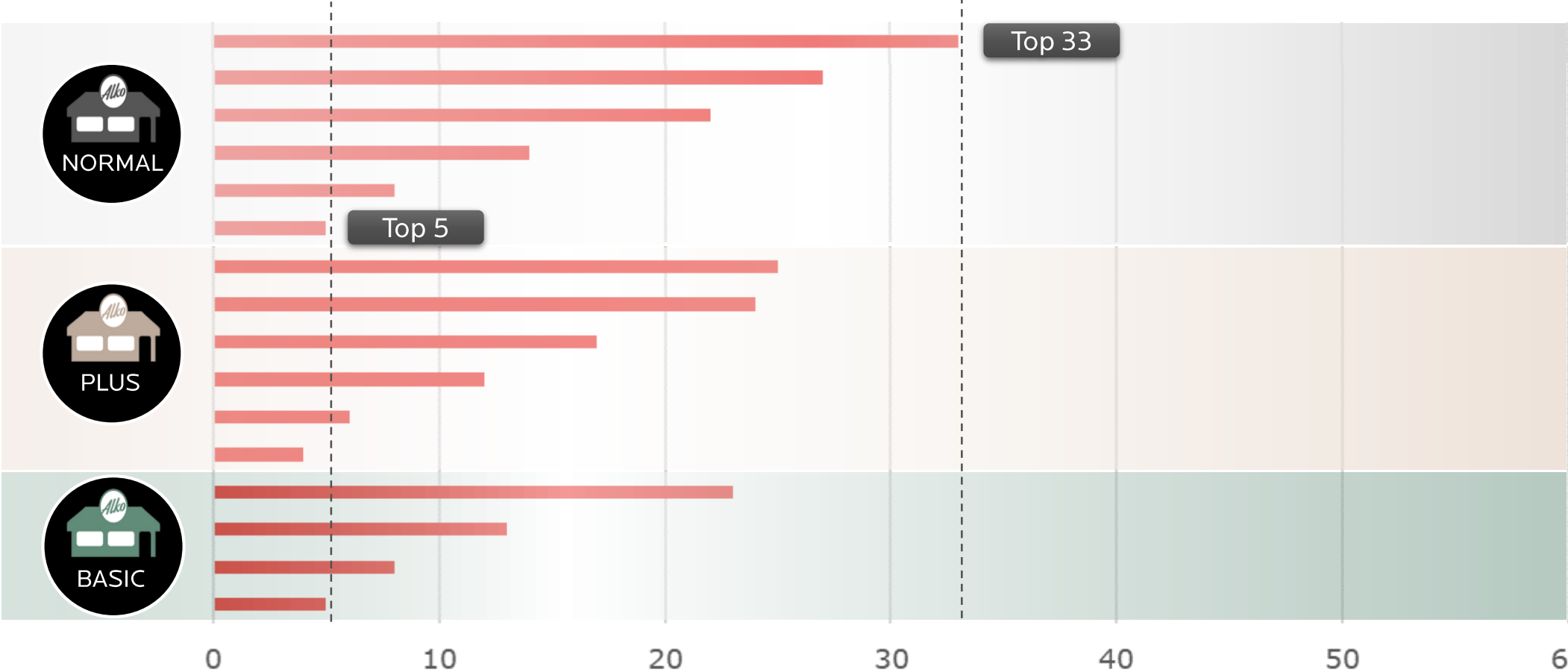


October – January

- Key seasons
 - Christmas
 - New Year
- Seasonal categories
 - Matured spirits
 - Red Wine

PRODUCT RANKING EXAMPLE

Luscious & Jammy
Red, 9-9,99€

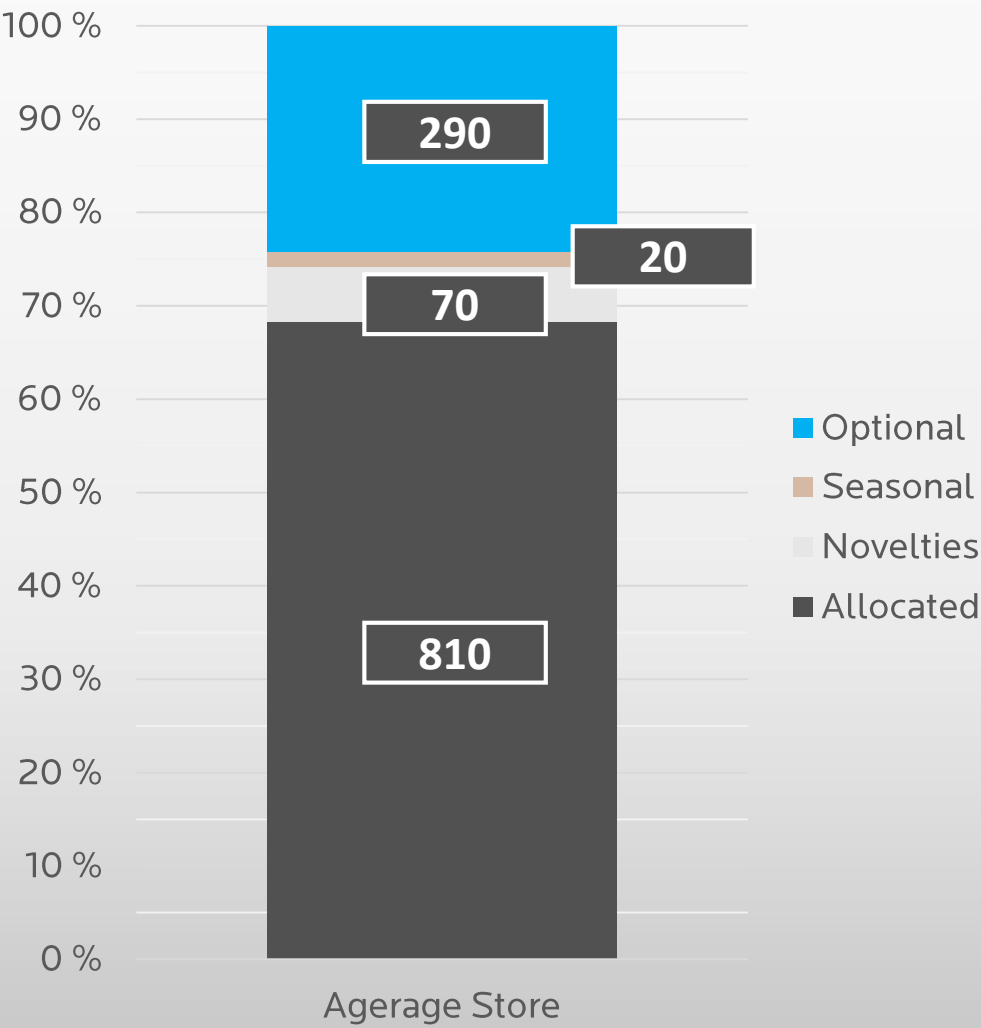


Every 4 months products in the segment are ranked against each other.

The set allocation is communicated 4 months in advance and lasts for 4 months.



AVERAGE STORE EXAMPLE – 1200 PRODUCTS ON SHELF



Optional products can be cycled as needed.

Seasonal selection available for 2-3 months and often on separate display.

General Selection Novelties are launched every week.

Allocated assortment is updated every 4 months (approximately 10-20% changes), consists of general selection.

In Premium and Specialist stores specialties are introduced every month.

KEY TAKEAWAYS



CUSTOMER ORIENTED



RESPONSIBILITY



PRODUCT QUALITY



SUPPLIERS' ROLE