

EPD Benchmarking

What's changing and why?



Introduction

Quality plays a significant role in our Food customer strategy. As we extend our reach through new channels, we want to surprise and delight our customers more often, improving the broader shopper perceptions of Co-op own-brand.

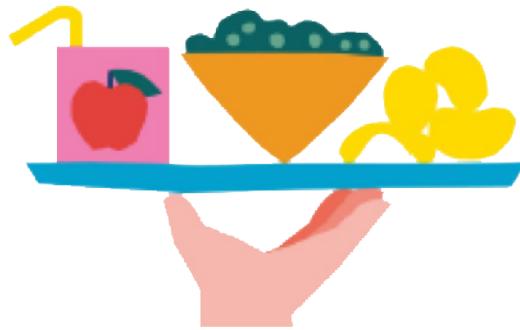
Benchmarking is fundamental to making sure we offer customers the best possible quality products. But we want to make sure we're focusing our efforts in the areas where we're most likely to win.

That's why we're making some changes to our benchmarking approach. Bringing benchmarking in line with our category roles strategy, we'll make sure we focus on categories that matter most to our customers. So you'll see us reduce the frequency of benchmarking in some areas, give new insights in others and ask you to share your data so we can work smarter together.

This pack will take you through what's changing, why it's changing and how it'll affect you as our supplier.

Rebecca Roberts
Head of Quality - Co-op

What's changing?



1

We used to...

Carry out benchmarking in line with Stage and Gate

1

Now we'll...

Benchmark strategically, in line with category roles

2

We used to...

Not carry out benchmarking on Primal Protein and Produce

2

Now we'll

Carry out what we call 'Tier 2' benchmarking (Primal Protein and Produce)

3

We used to...

Benchmark *all* products in line with Stage and Gate

3

Now we'll

Benchmark Steady State lines bi-annually only, asking you to share your insights in the years we don't benchmark

Benchmarking in line with category roles

What are category roles?

They're a core part of our buying strategy. Each category has its own part to play in the strategy.

Right to Win

- Categories that we have a clear Right to Win
- Important to our most valuable customers
- Aligned to our Customer Strategy
- Vital to winning in Convenience

Invest to differentiate, and drive LFL sales growth

Drive

Invest in proposition to maintain success

Grow

Protect share through a strong core offer

Hold

Maintain Success

- Categories that we want to Maintain Success
- Important for convenience missions
- Loved by our customers
- We need to continue to perform ahead of the market

Steady State

- Categories that keep in a Steady State
- Relevant to convenience missions
- Relevant to our customers
- Needed to provide a core offer, but can be less dynamic

Benchmarking in line with category roles

How will this impact benchmarking

We'll now use this strategy to focus our benchmarking in areas where we have the most to win through investment in EPD

Right to Win

- Free From
- Healthy Snacking
- Hot Food
- Recipe (Ready Meals)
- Prepared Produce
- Simply Cook
- Flowers

Annual benchmarking

Maintain Success

- American
- Asian
- Caribbean
- Chilled Drinks
- Culinary
- Cuisine
- Household
- Paper
- Pet Food
- Sweet Grocery
- Confec Impulse
- Confec Multi
- CSN Impulse
- CSN Multi
- European
- ISB
- Health & Wellbeing
- Mediterranean
- Soft Drinks
- FTG Snacking
- Ice Cream
- Impulse Ice Cream
- Pizza
- Combined Meat
- Fruit
- Produce Salads
- Veg & Potatoes

Annual benchmarking

Steady State

- | | |
|-------------------|-----------------------|
| • Baby | • Juice |
| • Beverages | • Pies |
| • Biscuits | • Prepared Salads |
| • Cakes | • Spreads |
| • Celebration | • Yoghurts & Desserts |
| • Cereal | |
| • Cheese | |
| • Chilled Meats | |
| • Plant Bakery | |
| • Savoury | |
| • Frozen | |
| • Health & Beauty | |

Biennial benchmarking (every 2 years)

2 'Tier 2' benchmarking

We'll now carry out benchmarking on Primal Protein and Produce

We want to get more insights into categories that represent a strategic priority

- Primal Protein and Produce fall into our Maintain Success category role
- So they're a focus for us to continue winning with customers
- We'll now benchmark these products on an annual basis
- We'll give you the insights from benchmarking, enabling you to better understand how they're performing against the competition

Self-assessment benchmarking for Steady State

We will benchmark steady state categories bi-annually, and in the years we don't benchmark we will ask you to share your own benchmarking scores.

You'll get a notification online (with an accompanying email) asking you to share your benchmarking scores on our Steady State lines.

Why?

We know most of our suppliers complete customer benchmarking on jointly developed products.

We want to work smarter with you by sharing this information to get insights into our products Steady State lines in the years we don't benchmark.

When?

We'll get in touch with you. You'll get a notification online through IRIS with an accompanying email, asking you share your benchmarking data.

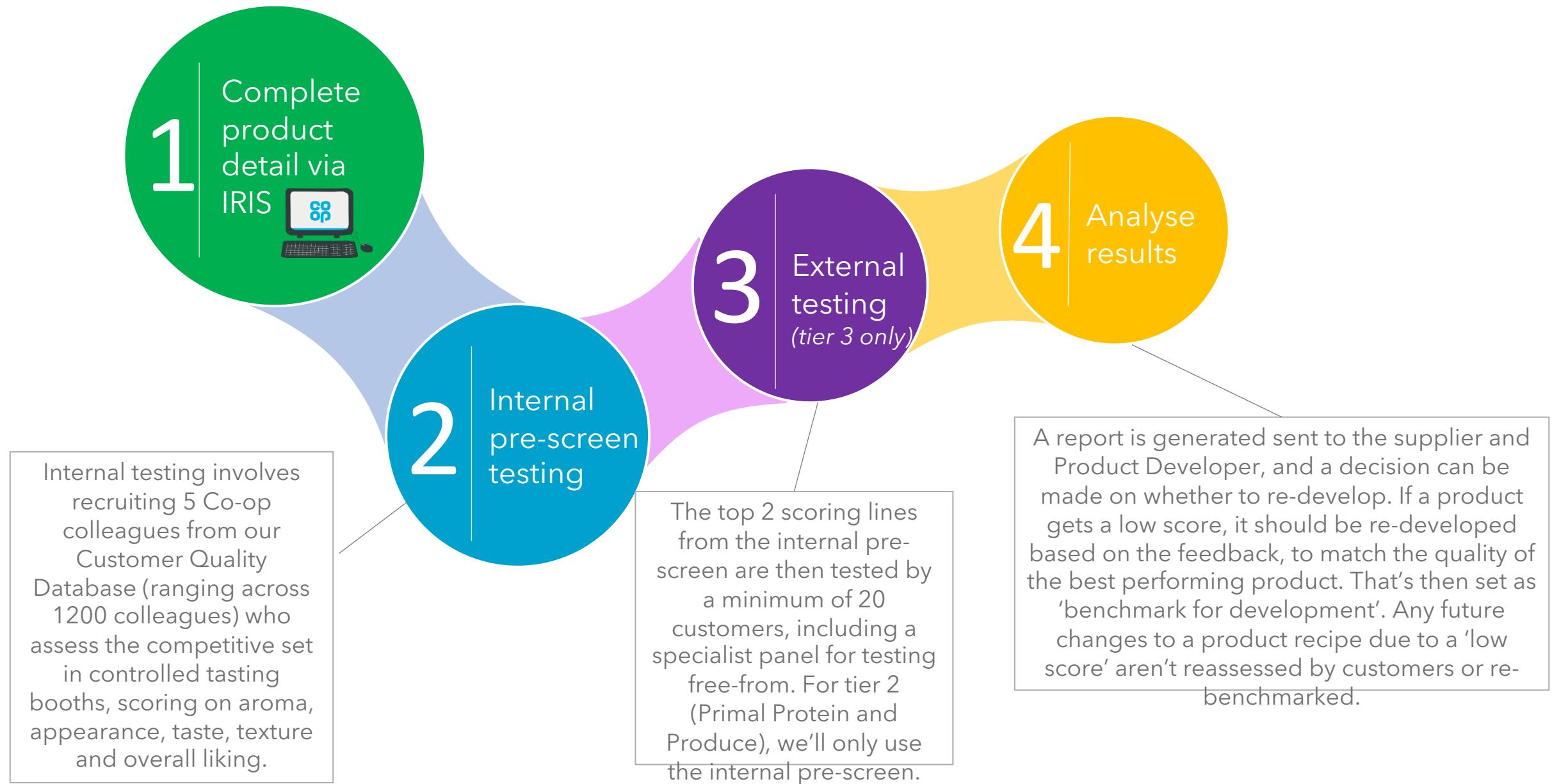
How?

You'll complete the benchmarking information on IRIS. We'll share a 'how to' guide on MyCore for you to read through.

What does this mean for me?

- We won't benchmark in line Stage and Gate timelines. You'll get our benchmarking scores in time for Gate 2, giving you more time to redevelop lines as necessary.
- We'll be clear about which lines we'll benchmark, only asking you to complete benchmarking information on IRIS when we'll progress the product into benchmarking.
- We'll work smarter, asking you to share your scores with us on Steady State categories in the years we don't benchmark these lines.
- You'll receive benchmarking scores for Primal Protein and Produce (what we call 'Tier 2'), giving you better insights into how your lines perform on the metrics that matter most to our customers.

Summary of process



Appendix 1. Supplier Guide to Customer Benchmarking

Why do we do benchmarking?

At the Co-op, we strive to be 'best in class' with our innovative range, which means customer feedback is vital in developing our own brand products to the highest possible quality. Benchmarking involves testing our Co-op products against equivalents offered by our competitors, aiming to identify the key attributes our customers love. By measuring the quality of our products in this way, we are able to:

- Create more detailed product briefs (which means less submissions and associated costs)
- More effectively identify where we need to focus re-development
- Have a more confident objective and tougher view on the quality of our own label range



Who do we benchmark against?

We choose to benchmark against **5 retailers** that we closely measure against within the convenience market.



PIONEER

- Sainsbury's
- Tesco
- Morrison's
- M&S
- Brand, Asda, Aldi, Lidl, Iceland

IRRESISTIBLE

- Sainsbury's (Taste the Difference)
- Tesco (Finest)
- Morrison's (The Best)
- M&S
- Top Tier Brand

What's IRIS?

IRIS is our online quality management tool that can be accessed by our own-brand suppliers, our testing provider (Cambridge Market Research), and internally by Co-op colleagues. Use the link below to register on IRIS if you haven't already!

When does a product undergo benchmarking?



In order to plan effectively we will plan activity a maximum of 3 months before the range event. If no range event is planned we will undertake customer benchmarking no sooner than 12 months since it was last benchmarked.

Appendix 2. How are the product tiers classified?

There are three food tier classifications which relate to a different level of benchmarking:

TIER 1:

Commodity Items



Not benchmarked



A commodity item is a staple item where the same product can be sourced from a different supplier to the same specification.

Examples: milk, eggs, sugar, herbs, oils, rice, canned fruit

TIER 2:

Primal Protein & Produce



Internal benchmarking only, annually



Primal protein is cuts of beef, lamb, pork, chicken, duck, venison, fish.
Produce is any fruit or veg that hasn't had anything taken away or added to since harvest.

TIER 3:

All Formulated Lines



Benchmarked fully, in line with category roles



Any product that is made to a recipe in a factory is classified as a formulated line, as it means the recipe can be changed to produce a different product.

Examples: ready meals, pizzas, soups, sandwiches, burgers, drinks, biscuits, crisps, cakes, pies, cheese, cooked meats, value added protein such as flavoured chicken/salmon.



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