

# Incentive Program

February 2021





Rebates &  
incentives

# RP Webinar Series List

RP Kickoff Meeting

Deep Dive: Retail Optimization

Deep Dive: Price Book / SKVs

**Deep Dive: Incentive Program**

Deep Dive: Transportation



# Agenda

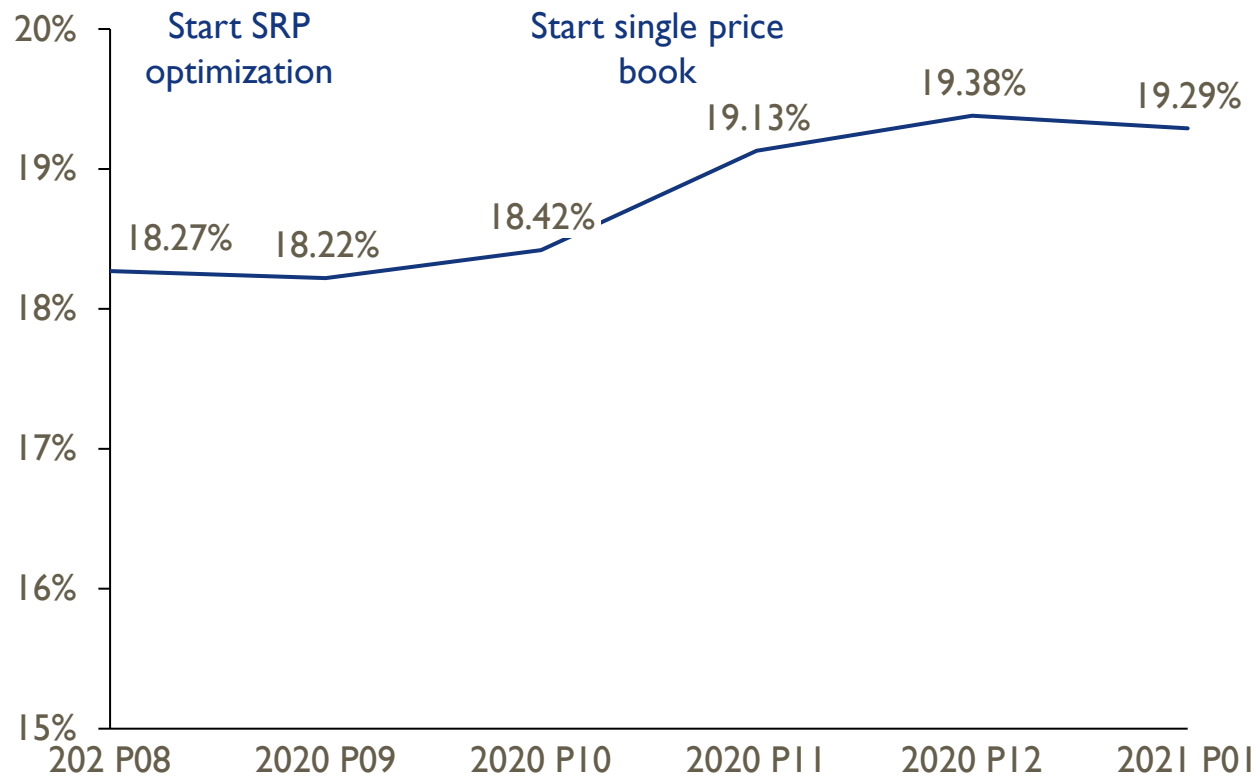
- Overview of the new incentive plan
- Details on Volume Rebate incentive
- Details on Growth incentive incentive
- FAQ
- Q&A



Rebates &amp; incentives

# In St. Louis stores, GIG is up as a result of retail price optimization and the new single cost book

## GIG%, STL stores, Grocery/Cooler/Freezer



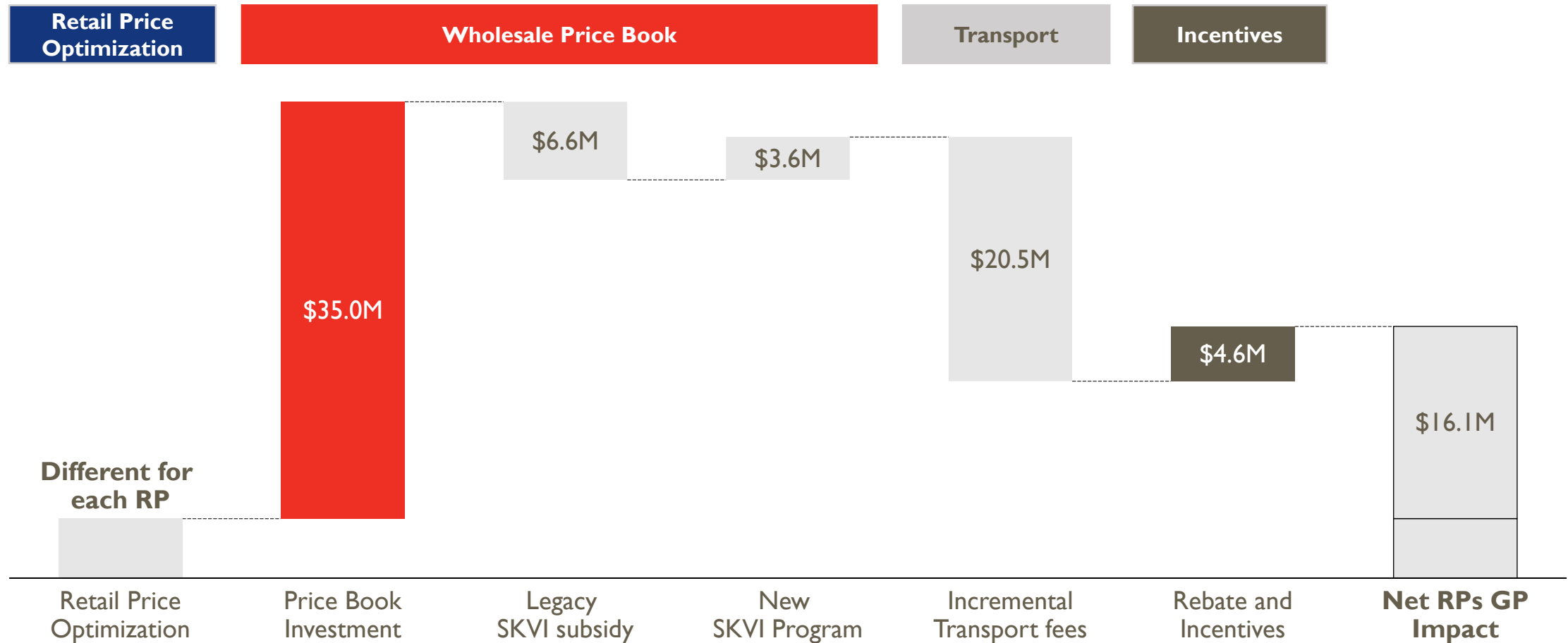
## Key points

- Retail price optimization has moved us closer to competition
  - 3 pts better vs. WMT overall
  - 5 pts better vs. WMT on Tier 1
- Transactions, units and sales continue to build as customers give us credit for the new prices
- The new single cost book has been accretive to GIG%
- GIG% improvement includes being 100 index on all SKVs with zero SKV subsidy

# We are investing in our price book, especially in fresh, to drive warehouse purchases and system buying power



Rebates & incentives





# Overview: Our new incentive program incentivizes purchase volume and growth, back to first dollar

## Growth Philosophy

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- We are shifting our focus to incentivizing volume and growth purchases from Save A Lot.
- The new incentive program is designed to incentive RPs that are aligned to those objectives. Purchase growth can come from multiple areas:
  - Increasing penetration
  - Comparable sales growth
  - Opening new doors
  - Converting corporate stores
  - Remodels
  - Retail Optimization Program

## High level review of the programs

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- Retail partners can receive one or both of the incentive programs:
  - (1) Volume Rebate based on quarterly net warehouse purchases achieved
  - (2) Growth incentive based on annual growth of net warehouse purchases compared to the prior year



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# Quarterly Purchase Volume Rebate

## How it will work

- Eligible Retail Partners will earn a quarterly rebate based on the prior quarter's net warehouse purchases
- Quarterly purchases will be annualized and paid based on the table on the right
- At the end of the fiscal year, there will be a recalculation of the total annual rebate earned. The last quarterly rebate amount will be adjusted to account for any under or over payments
- If a rebate is earned, the payment calculation will be Net WHp x Rebate % based on Group level

	Annualized \$M WHp	Quarterly \$M WHp	Rebate % WHp
<b>Group 1</b>	300+	75+	0.55%
<b>Group 2</b>	250+	62.5+	0.40%
<b>Group 3</b>	200+	50+	0.30%
<b>Group 4</b>	150+	37.5+	0.25%
<b>Group 5</b>	100+	25+	0.20%
<b>Group 6</b>	75+	18.8+	0.16%
<b>Group 7</b>	50+	12.5+	0.13%
<b>Group 8</b>	10+	2.5+	0.10%
<b>Group 9</b>	<10	<10	-





## Rebates & incentives

# Rebate calculation example

## 2021 Purchase Rebates

- Tables to the right provide an illustrative example of what an RP could expect to receive for the quarterly rebate
- Q1: RP achieves \$13.9M in Net Warehouse purchases (\$55.6M annualized)
  - RP receives Group 7 rebate (0.13%) for a payment of \$18,070 ( $\$13.9\text{M} \times 0.13\%$ )
- Q2: RP achieves \$12.0M in Net Warehouse purchases (\$48.0M annualized)
  - RP receives Group 8 rebate (0.10%) for a payment of \$12,000 ( $\$12.0\text{M} \times 0.10\%$ )
- Q3: RP achieves \$18.8M in Net Warehouse purchases (\$75.2M annualized)
  - RP receives Group 6 rebate (0.16%) for a payment of \$30,080 ( $\$18.8\text{M} \times 0.16\%$ )
- Q4: RP achieves \$14.2M in Net Warehouse purchases
  - Quarter 4 is the true-up payment, which is based on the calculated annual rebate
  - Net Warehouse Purchases were \$58.9M, qualifying for Group 7 incentive (0.13%)
  - The annual calculated rebate is \$76,570 ( $\$58.9\text{M} \times 0.13\%$ ), the total received to date is \$60,150, and the last payment will account for the gap (\$16,420)

### Baseline targets

	\$M WH purchase	Rebate % WHp	WhP growth target %	incentive % WHp
Group 6	75+	0.16%	7.5%	0.25%
Group 7	50+	0.13%	8.0%	
Group 8	10+	0.10%	8.5%	

### Example of 2021 WH purchases and rebate incentives

Time Period	\$M WH purchases	Annualized Purchase	Rebate % WHp	\$ Rebate (WHp x %)
Q1 – 2021	13.9	55.6 (7)	0.13%	18,070
Q2 – 2021	12.0	48.0 (8)	0.10%	12,000
Q3 – 2021	18.8	75.2 (6)	0.16%	30,080
Q4 – 2021	14.2	56.8 (7)	True-up	16,420
Total	58.9	56.8 (7)		76,570





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# Annual Growth Incentive Program

## How it will work

- All Retail Partners can earn a growth incentive by achieving or exceeding a target growth rate in Net Warehouse Purchases
- The growth calculation will be based on fiscal year end of 1/1/2022 and will compare to the FY2020 Net Warehouse Purchases to determine whether the Growth Rate was achieved or exceeded
- Growth can be achieved by:
  - Increasing penetration
  - Comparable sales growth
  - Opening new doors
  - Converting corporate stores
  - Remodels
  - Retail Optimization Program
- The growth incentive is set at 0.25% for all group tiers
- If achieved, the payment calculation will be Net WHp x 0.25%

	\$M WH purchase	WhP growth target %	incentive % WHp
<b>Group 1</b>	300+	3.0%	0.25%
<b>Group 2</b>	250+	4.0%	
<b>Group 3</b>	200+	5.0%	
<b>Group 4</b>	150+	6.0%	
<b>Group 5</b>	100+	7.0%	
<b>Group 6</b>	75+	7.5%	
<b>Group 7</b>	50+	8.0%	
<b>Group 8</b>	10+	8.5%	
<b>Group 9</b>	<10	9.0%	



# Total incentive example including growth incentive

## Example details for an RP:

- 2020 WH purchases = \$54.0M
- Assigned to group 7 for growth target of 8.0%
- 2021 annual target for WHp = \$58.3M to achieve growth incentive

## Baseline targets

	\$M WH purchase	Rebate % WHp	WhP growth target %	incentive % WHp
Group 6	75+	0.16%	7.5%	0.25%
Group 7	50+	0.13%	8.0%	
Group 8	10+	0.10%	8.5%	

## 2021 Purchases and Incentives

- In the table to the right, the RP has achieved the growth incentive by increasing purchases from \$54.0M to \$58.9M, which exceeds the \$58.3M growth target
- The RP is eligible for the Growth Incentive, which is 0.25% of the 2021 Net Warehouse Purchases of \$58.9M. This would provide the RP an incentive of \$147,250 at the close of the year.
- 2021 WH purchases = \$58.9M

## Example of 2021 WH purchases and growth incentives

Time Period	\$M WH purchases	\$M WHp Goal	WHp Growth	\$ incentive (WHp x %)
All of 2021	58.9	58.3	0.25%	147,250



# FAQs on the incentive program

- **When can I expect to receive a payment?**

- At the end of an incentive period, the calculation for rebates and incentives will be completed within 30 calendar days of the fiscal quarter close. The payment will be sent within 5 days of the completion of the calculation. The payment will be processed within 35 calendar days of the fiscal quarter close.
- The incentive period for the Volume rebate is fiscal quarters (for 2021, that will be 4/3/2021, 7/3/2021, 10/2/2021 and 1/1/2022) with the final fiscal quarter being a “true-up” payment for what would have been achieved from an annual calculation.
- The incentive period for the 2021 growth rebate is fiscal year, ending on 1/1/2022

- **How are “Net Warehouse Purchases” defined?**

- Net Warehouse purchases for a given time period is defined as: (1) Book Purchases Paid minus (2) Promotional Funding Received

- **How will Save A Lot allocate RPs to each Group Incentive Tiers?**

- Fiscal 2020 Net Warehouse purchases will be used to determine Group tiers

- **Will the Group Tiers and volume rebate / growth incentive %'s change year over year?**

- Save A Lot will re-evaluate the effectiveness and outcomes of the incentive program annually and any changes will be communicated in a timely manner

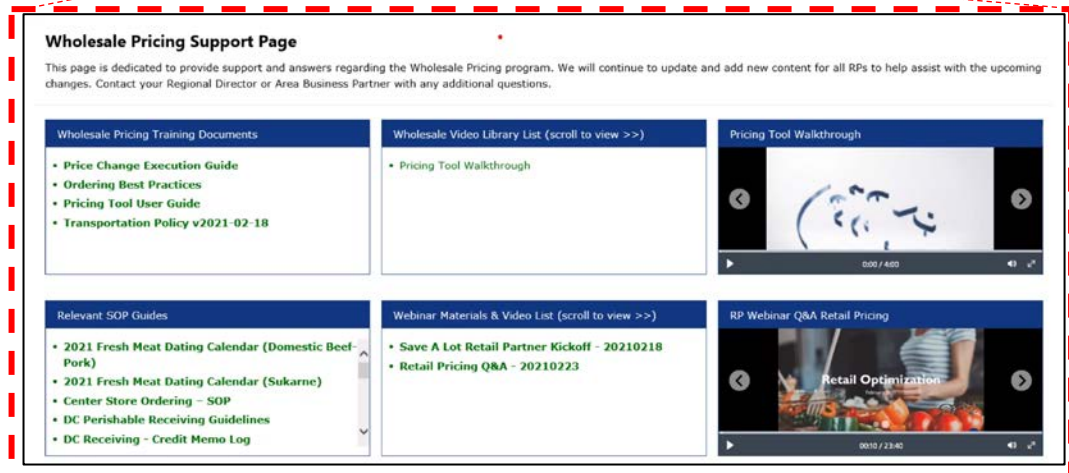
# Reminder: We have created a page on RP Connect where we are continuously adding content to support RPs



Rebates & incentives

## Details on RP Connect

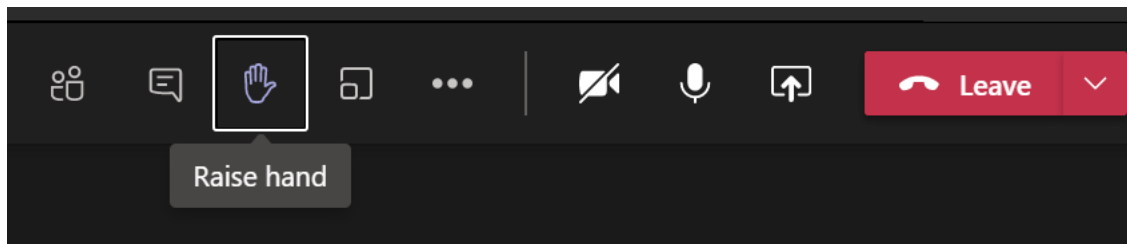
- We have created a subpage that can be accessed on the RP Connect homepage that provides detailed guides and explanations of the new program
- We are also adding these presentations and the recordings the following days in case you missed some of the earlier presentations
- We have additional content planned that will be added in the coming weeks. We will also develop new content as we receive questions to help provide more clarity to the program
- If you have any questions about RP Connect or the content available, please reach out to your Area Business Partner or Regional Director





# Q&A

- Please keep your line muted until called on to ask a question
- Option to raise hand to ask a question and we will call on you
  - Press \* 6 to unmute



- Option to write question in the conversation window

