

# Pricebook & SKVI

February 2021



# RP Webinar Series List



RP Kickoff Meeting

Deep Dive: Retail Optimization

**Deep Dive: Price Book / SKVIs**

Deep Dive: Incentive Program

Deep Dive: Transportation

# Agenda



Single WS  
Price book

- **Goals and details on Single Pricebook**
- Goals and details on the SKVI program
- Q&A

# We are moving to a simpler, more transparent Pricebook model to support RPs competitiveness

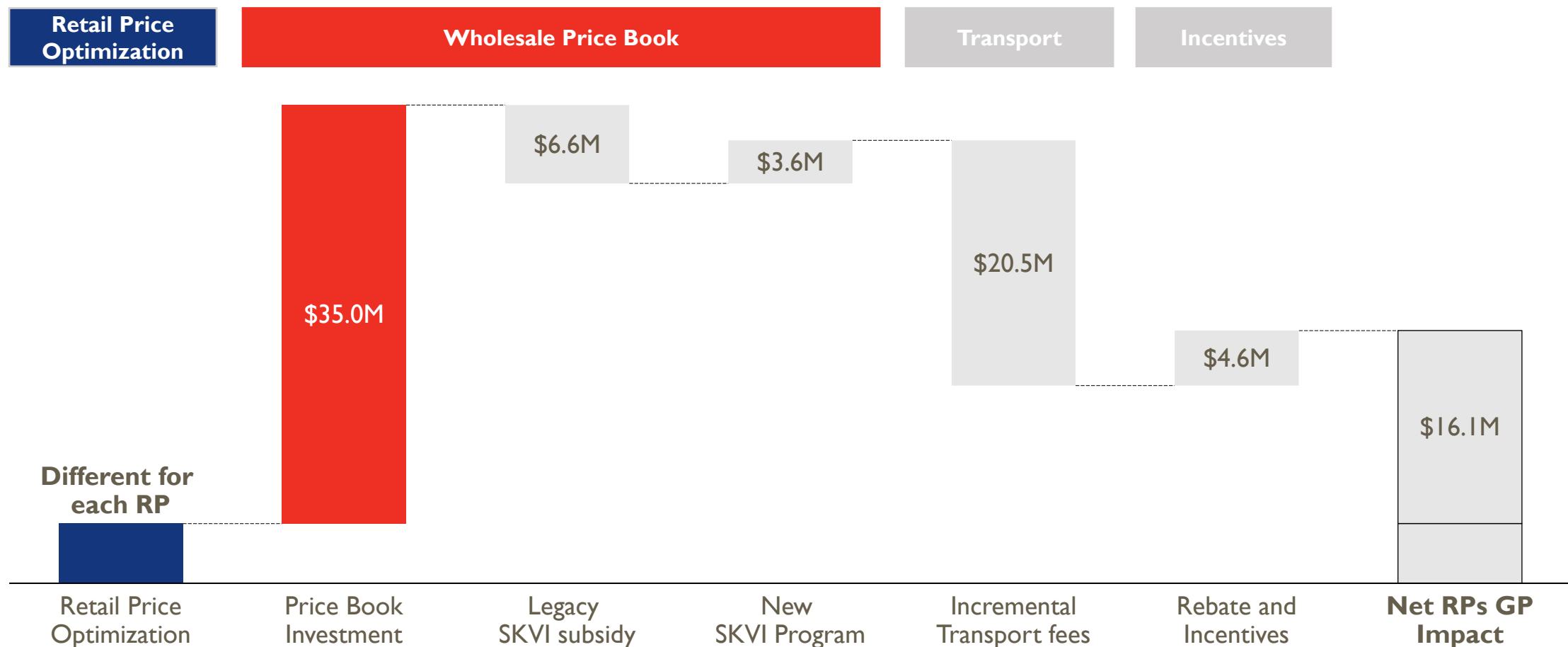


## New Pricebook Goals:

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- **Provide the best possible cost on each item, every day**
  - In Grocery, Cooler and Freezer, focus on RP GIG
  - In Produce and Meat focus on right spec and lowest possible cost
- **Maintain a network-wide cost book where the majority of item costs will be consistent for all RPs**
- **Capture relevant regional price differences on fresh and commodity items**

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



# We are moving to a simpler model, where most of the items will be priced from a fixed book network-wide and fresh will be cost+ by DC



Single WS  
Price book



Single WS  
Price book

- Provide the best possible cost on each item, every day
- Dramatically simplify the pricing mechanism, moving from Zone costs to one single cost book
- Capture relevant regional price differences on fresh and commodity items
- Zone I will receive incremental support until the fixed book converges with Zone I cost in the aggregate

## How it will work

### Fixed WH price across DCs

Same published warehouse book price across DCs for all stores (e.g., Grocery, Freezer, Cooler) **published once per month**

**88%**  
of items

### Exception-based local DC price

Different WH Price by DC where inbound freight is a relevant part of the total cost, e.g., Canned Tomatoes

**<1%**  
of items

### Cost+ WH price by DC

Mark-up on DC-specific landed cost to reflect market condition e.g., Fresh Meat and Produce, Cheese/Dairy, SKVIs

**11%**  
of items



Single WS  
Price book

# EXAMPLE – Item-level prices on different price clusters

## Price cluster

### Fixed WH price across all DCs

subclass	Item number	Item description	DC 1	DC 2	DC 3	DC 4
010 - HC Oatmeal	33814	MAPLE BROWN SUG INST OATMEAL	\$1.53	\$1.53	\$1.53	\$1.53
010 - HC Oatmeal	36064	STEEL CUT QUICK COOK OATS	\$1.57	\$1.57	\$1.57	\$1.57
010 - HC Oatmeal	44395	INST OATML FRT & CRMVP 10CT	\$1.65	\$1.65	\$1.65	\$1.65
010 - HC Oatmeal	44396	INSTANT OATMEAL VARIETY PACK	\$1.60	\$1.60	\$1.60	\$1.60

### Exception-based local DC price

subclass	Item number	Item description	DC 1	DC 2	DC 3	DC 4
060 - Tomato Other	10204	CRUSHED TOMATOES	\$0.99	\$1.00	\$1.07	\$1.01
060 - Tomato Other	10510	DICED TOMATOES	\$0.50	\$0.51	\$0.53	\$0.51
060 - Tomato Other	30665	DICED TOMATOES W/CHILES	\$0.52	\$0.52	\$0.54	\$0.52
060 - Tomato Other	10512	DICED TOM-BASIL/GRLC/OREG	\$0.54	\$0.55	\$0.56	\$0.53

### Cost+ WH price by DC

subclass	Item number	Item description	DC 1	DC 2	DC 3	DC 4
010 - Beef Chuck	71990	Beef Shoulder Clod Heart	\$3.62	\$3.54	\$3.47	\$3.49
010 - Beef Chuck	72450	Beef Chuck Ribs Short COV	\$3.61	\$3.64	\$3.72	\$3.72
010 - Beef Chuck	72898	Beef Chuck Roll CH N/O XT	\$3.37	\$3.54	\$3.29	\$3.39
010 - Beef Chuck	72899	Beef Chuck Roll CH N/O CRT	\$3.41	\$3.59	\$3.75	\$3.68



# Cadence for communicating cost changes



Single WS  
Price book

Item Group	Costing Network	Update Frequency	Update Communication	Update Effective
Meat & Produce	DC Specific	Weekly	Every Thursday	Every Saturday
Bacon, Eggs, Butter			Every Friday	
Cheese (block, shred, sliced, processed, etc)		Monthly*	Wednesday Prior to Effective Date	Second Saturday of the Month
Milk*, Sugar*, Dairy (Cottage Chs, Cream Chs, Sour Cream, Tampico/Belly Wash) Canned Tomatoes				First Saturday of the Month
Fixed Book Items (all other items not listed above)	National			

\*SKVI items will continue a weekly cost & SRP adjustment cadence as per the current program



# Agenda



- Goals and details on Single Pricebook
- **Goals and details on the SKVI program**
- Q&A

# The current SKVI program will end, but we will still support our RPs' ability to drive traffic with these items



## New SKVI Program Goals:

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- Protect system buying power (not selling products below acquisition cost)
- Support local price perceptions at retail stores
- Focused investment in SKVIs for stores with identified direct competitor(s)
- Support a defined item set only: bananas, milk, sugar, eggs
- Manage SKVIs on a Cost+ basis

# Details on the new SKVI program



## SKVI Pricing Philosophy

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- We fundamentally believe that the SKVI basket is worth protecting
- SKVI investment is not a margin enhancer, it is designed to support retail competitiveness
- SAL will no longer sell products below acquisition cost
- Transparency across the process is needed to ensure the program works effectively

## How it will work

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- All Retail Partner stores are eligible to participate in the SKVI program to protect price perception in retail stores
- All RPs will purchase SKVIs at the published cost+ wholesale price, creating transparency
- Participation in the program requires weekly price scrapes and POS data sharing
- Credit will be provided on the weekly statement through scanback



# Example scenarios for SKVI investment: gallon milk

## 65860 VIT D MILK GAL 128 OZ

### Scenario

Avg. Market SRP

Store Level SRP

Published WH Price

Store Penny Profit

GIG Support Threshold (50%)

SKVI Investment

Store Net WH Price

Store Net Penny Profit

Net RP GIG %

SAL COGS

SAL IM

POS Units for the Week

Total Scanback Credit

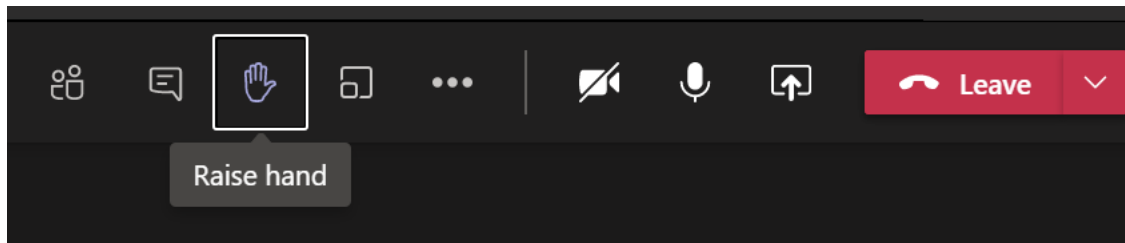
		1	2	3	4
	Baseline	Store 1	Store 2	Store 3	Store 4
Avg. Market SRP	\$2.31	\$2.31	\$2.31	\$2.31	\$2.31
Store Level SRP	-	\$2.99	\$1.85	\$2.28	\$2.25
Published WH Price	\$2.25	\$2.25	\$2.25	\$2.25	\$2.25
Store Penny Profit	\$0.06	\$0.74	-\$0.40	\$0.03	\$0.00
GIG Support Threshold (50%)	\$0.03	-	-	-	-
SKVI Investment	-	-	\$0.06	-	\$0.03
Store Net WH Price	\$2.25	\$2.25	\$2.19	\$2.25	\$2.22
Store Net Penny Profit	\$0.06	\$0.74	-\$0.34	\$0.03	\$0.03
Net RP GIG %	2.6%	24.7%	(18.4%)	1.3%	1.3%
SAL COGS	\$2.19	\$2.19	\$2.19	\$2.19	\$2.19
SAL IM	\$0.06	\$0.06	-	\$0.06	-
POS Units for the Week	-	1,000	1,000	1,000	1,000
Total Scanback Credit	-	\$0.00	\$60.00	\$0.00	\$30.00

- 1 Store 1 does not qualify for SKVI support, no reduction in GIG
- 2 Store 2 qualifies for \$0.06 of support, which is the full investment up to SAL's acquisition cost
- 3 Store 3 does not qualify for SKVI support, as they have invested up to, but not more than 50% of their GIG
- 4 Store 4 qualifies for \$0.03 of SAL support, as their SRP GIG reduction is >50%

# Q&A



- Please keep your line muted unless asking a question
- Option to raise hand to ask a question and we will call on you



- Option to write question in the conversation window

