Supplier – Retailer collaboration opportunities for supply chain efficiency and growing consumer value.

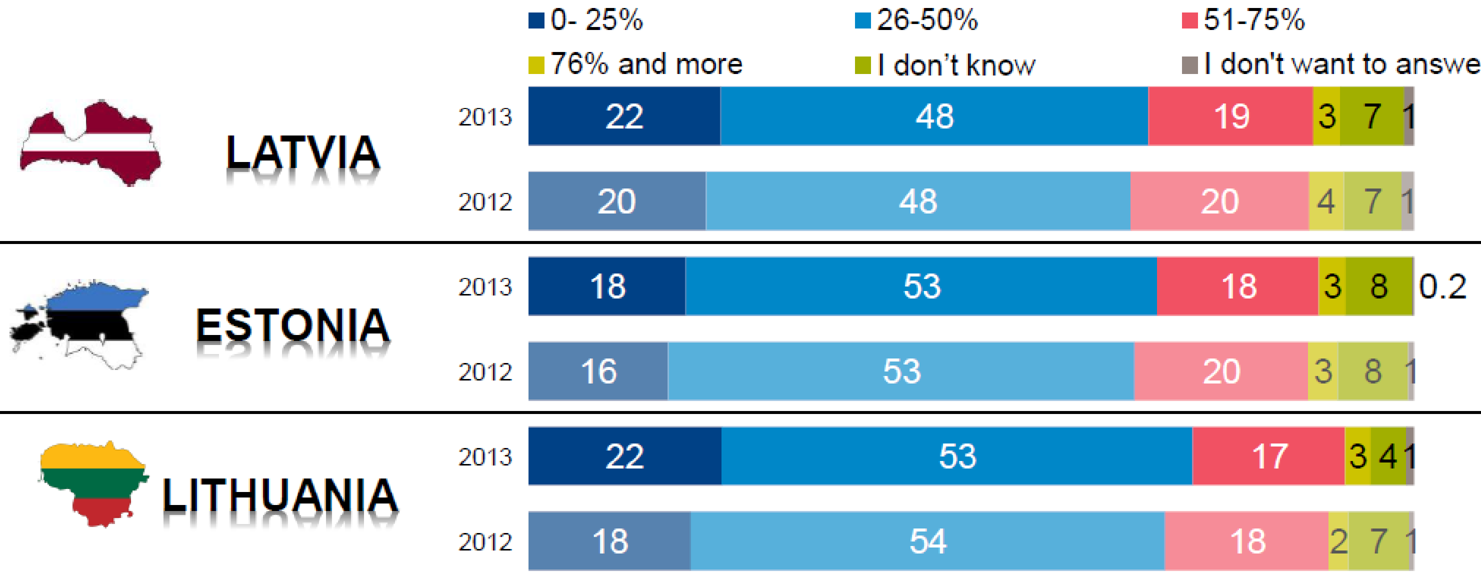
Vilnius, 4.03.2014

Edgars Pentjuss, ECR Baltic

Industry (FMCG – Food/Near food): touching people lives every day.

Food Expenditures (%)

Q3. How much of the family's monthly income you spend on food purchase per month?



More than a half of Baltic residents spend up to 50% of monthly income on food.
In LV and EE less is spent by office employees, while in LT – by men and residents with high income.
There is a clear tendency – the lower the income, them bigger part of it is spent on basic needs and first necessity goods, incl. food.

Source: GfK CR Baltic conducted an online survey in Autumn 2013, among population 18-65 years
Data are weighed by gender, age, nationality, region and settlement type

ECR BALTIC EFFICIENT CONSUMER RESPONSE

PREKYBOS FORUMAS 2014

Efficient Consumer Response initiative fundamental believe is that manufacturers and retailers can work together for the benefit of consumer!

Principles of
Efficient Consumer Response:

ECR Baltic members (2013):

Supported by

IEGULDĪJUMS TAVĀ NĀKOTNĒ!

Our mission

Promote the development & adoption of better practices for joint retailer/supplier initiatives. We encourage active and voluntary **collaboration on non-competitive matters** between all involved parties.

Our vision

Companies along the consumer goods value chain are ***“working together to fulfil consumer wishes better, faster, at less cost and in a sustainable way.”***

Where we see supplier-retailer collaboration opportunities in?

- compliance to fair business practices;
- standardization and unification initiatives;
- connected business information;
- driving supply chain efficiencies and cutting unnecessary costs;
- consumer and shopper focus;
- sustainability improvements;
- people development

Compliance to fair business practices:

Current situation:	Opportunities:
- **unfair business practices in B2B commercial dealings.** - **Different National regulations in place already:** On prohibition of unfair trading practices for food chain and near food companies in Lithuania and soon to be approved in Latvia, Estonia seems to support «self regulation way»; - **New EU regulation?** The Industry is challenged on EU regulation level against fair trade in food supply chain.	- **for Industry associations:** Establish a dialogue between stakeholder organizations and build national/regional platforms around www.supplychaininitaive.eu **code** *(Founders: Eurocommerce, AIM, FoodDrinkEurope, others)* - **for companies signing under the code means ensuring fair trade and fast, cost effective dispute solving.** *(Already signed: ICA, Lidl, Rewe, Multinational manufacturers).*

Standardization and unification initiatives for pallets

Current situation:	Opportunities:
- **Pallets** and RTIs returnable packaging (crates) are «**nuts and bolts**» of Supply Chain.	- Do not ignore pallets costs and its management related costs;

Open pool for EPAL and single brand EUR pallets

Renting pallets from pooling companies

One way pallets

Plastic pallets pooling in the future.

Standardization and unification initiatives: RTIs*:

Current situation:	Opportunities:
- Historically we have more than 100 different types of **returnable plastic crates** in Baltics which is as a huge pressure on costs of our supply chain.	- Join unification and pooling initiative of RTIs in Dairy, Fresh Fruits and Vegetables, Meat and Bakery.

**RTI – by definition reusable transit item*

40 years Retailer-Supplier standardization and innovation success story:

5 012345 678900

According to PwC research, without Auto ID (barcode - EAN numbers) introduction at POS, the consumer prices of products would have more than doubled by now!

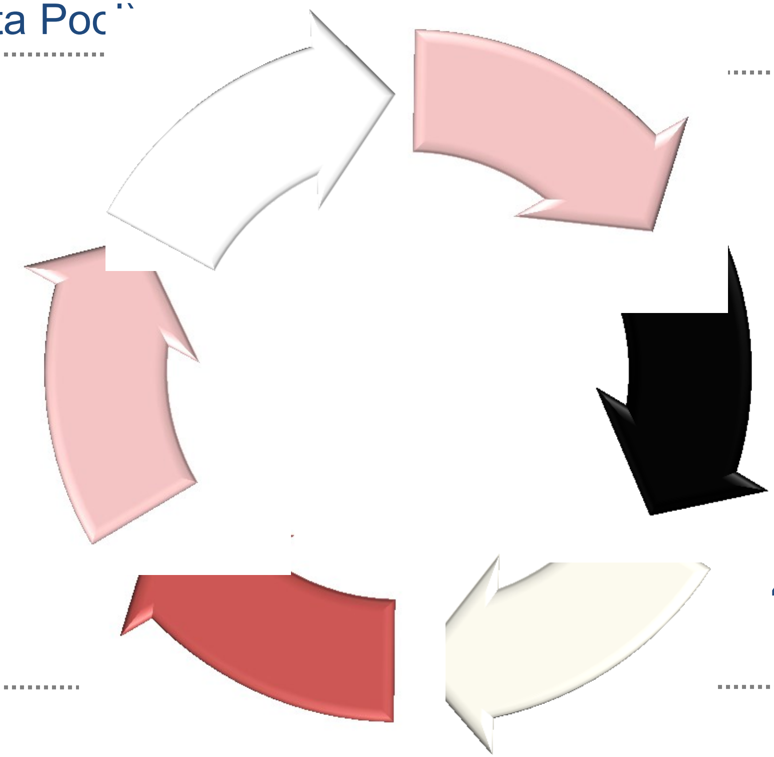
Standardization and unification initiatives in product information:

Current situation:	Opportunities:
- **Low quality and non-standardized master data (products logistic information) with trading partners.** Retailers do not trust suppliers product information, have to re-measure; Suppliers have to manage different excel sheets, data formats and requirements of various retailers;	- **Baltic Data pool (s) introduction** for quality and up to date product information maintenance and synchronization between trading partners. - Jointly agreed products item master data requirements (**one master data set valid for all retailers**).
- **Requirements of B2C product (nutrition)** information according to EU directive **1169/2011** on the provision of food information to consumers from 13.12.2014	- Ensure product digital and information on packaging compliance with the directive and what happens when you change a bit in product recipe?

Connected business information (Electronic Data Interchange):

1. Product and Party Masterdata. EDI name: PRICAT, PARTIN (Data Poc

2. Electronic Orders
EDI name: ORDERS un ORDRSP



spatch Advise
ame: DESADV
corresponding
Logistic Label

4. Receiving Advise
EDI name: RECADV

5. Invoicing.
EDI: INVOIC (cop
bank in case of factoring), wire confirmation.

6. Planning and Forecasting messages (POS,

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el.invoice example per document

Saving on Retailer side:
EUR 10.90 (62%)
Saving on supplier side:
EUR 6.40 (57%)

Source: Billentis 2009

Driving supply chain efficienies and cutting unnecessary costs

Current situation:	Opportunities:
- **Efficient replenishment and EDI (mainly electronic orders some invoices).** Baltic advanced level 4doc model: Order – Dispatch advise – Receipt advise – Invoice.	- Target full replenishment process automation from Order to Cash; - Align retail e-invoice requirements - Dispatch advise with corresponding synchronized logistic label - Tax compliant e-invoices
- **Shared logistics, transport, warehousing, waste management** Historically companies prefer to own transport means, auxiliary equipment and control all the processes (lead to overcapacity, tied capital, transporting air).	- Examine shared resources opportunities «You do not compete at the back of the lorry but on the shelves.» - ECR National Initiatives work on central database for sharing and pooling business cases

Consumer and shopper focus

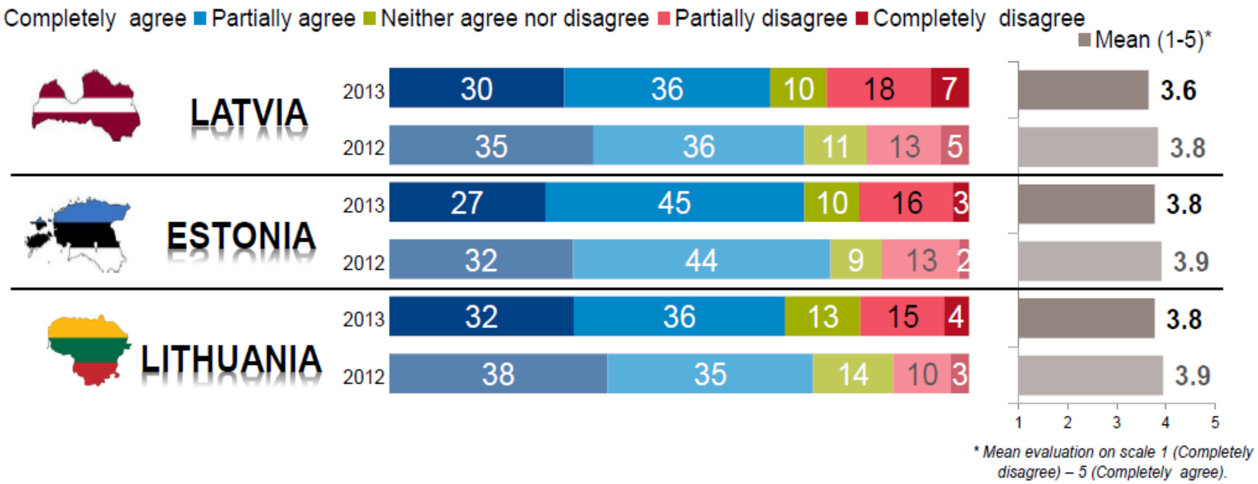
Current situation:	Opportunities:
- **Category management (CM)** process well established between major retailers and suppliers.	- Benchmark your Category and Shopper marketing maturity. - Apply new technics: shopper journey framework (path to purchase) - Still lacking basic knowledge and trust
- **Shopper insights and information sharing: Big data, Data Sharing.**	- Merging trends: the space race is over the digital race is on!

Sustainability improvements: 1 out 4 shopping bags goes in waste

"I buy just as much food as I need and do not throw away anything"

Q8. To what extent do you agree with the following statements?

Base: All respondents; [Latvia, n(2013)=814, n(2012)=1016; Estonia, n(2013)=849, n(2012)=1021; Lithuania, n(2013)=877, n(2012)==784]



Food Waste is a huge economic cost to companies and cost to the environment and society at large.

- 90m tones of food is wasted in the EU.
- 39% of this is through food production, 14% Foodservice, 5% Retail and 42% through Households. source EU Commission.

People development

Current situation:	Opportunities:
- **The FMCG and Retail as an Industry falls behind other Industries (Telecoms/IT, Finance) in popularity for graduates and career opportunities.** - **Youth unemployment**	- Promote the Industry to graduates and actualize Industry research topics with Academic partners; - Feeding Britain's, Irelands future program success story to deliver the first working skills and attract talents to the Industry
- **the gap in knowledge between local and multinational companies how to operate in modern retail environment.** - **Do you understand what your trading partners needs are?**	- Training and education incentives, resources of best practices. - Job swap example

Start your collaboration journey now,
THANK YOU!

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