



**tasmanian
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retailers**

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a division of tasmanian independent retailers co-operative society limited

SIW Transport Fee Arrangements Update

Dear Member

As we transition into the new arrangement with SIW for covering transport costs, it is worth noting why the transport fee is changing, the aim of the change is to achieve the following:

- Accurately charge the true cost of transport
- Create a fair and level playing field for suppliers
- Improved transparency for TIR members

With the changes moving to a fixed dollar rate away from a % based calculation the impacts will be different on every product, for the majority of the network the overall impacts of the change will be a positive one, however there will be a very small number of stores that this change will result in a minor increase in the transport charges they pay, these stores will be contacted directly to discuss ways they can reduce the impact to their store.

In general terms for low value items there will be an increase in the overall cost to retailers whilst for higher value lines they will become cheaper, with this in mind we are looking at ways to mitigate these impacts and to protect retailer margins, however simply putting up the retail price of lots of SKUs to compensate any increase in cost could prove counterproductive, especially in a high inflation trading environment with multiple cost of living pressures.

TIR has observed in the marketplace that competitors are now focusing on providing better value offers to their customers and we are conscious that regardless of our recent strong trading results we need to continue to provide a fair price perception or else risk losing market share. Programs such as "Price Match" and "Low Prices Everyday" will be more and more important in maintaining price perception with shoppers.

TIR has closely worked with SIW over a long period on the review of transport fee changes. We have modelled the impact on all the products we range in the SIW warehouses and have identified various issues on shelf retail price points. There are approx. 10,000 sku's impacted by the change, the breakdown of these impacts and key changes are listed below:

- 40% of the SKUs will incur a higher "Landed into Store Cost" (LISC), with around 400 SKUs within this sector losing 3% or more gross margin, these shelf prices will be reviewed and either increased to maintain GP% or held depending on competitive landscape
- Remaining 60% will provide a lower LISC which will provide margin improvement
- There is no change to Transport Fees for Cigarettes
- All other warehouse lines will have the transport charge added

Furthermore, from October, Low Price Every Day (LPED) will have a heavy focus on providing our IGA customers with a stronger value offer to combat our competitors better value advertising, protecting market share and banking gross margin dollars is a key focus for the continued success of our retailers. The transport fee reductions for many higher priced SKUs will help us in managing our margins as we implement new PM and LPED Pricing.

TIR will be available to assist any member with the transition to the revised SIW transport charge model as required.

As always thank you for your ongoing support and we look forward to continuing the growth & momentum of the group long into the future, should you have any questions please feel free to reach out to us either via email or phone to discuss.

Regards,

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