REWE GROUP BUYING

EVOLUTION IN DEMANDS OF THE RETAIL TO THE PRODUCTION SECTOR

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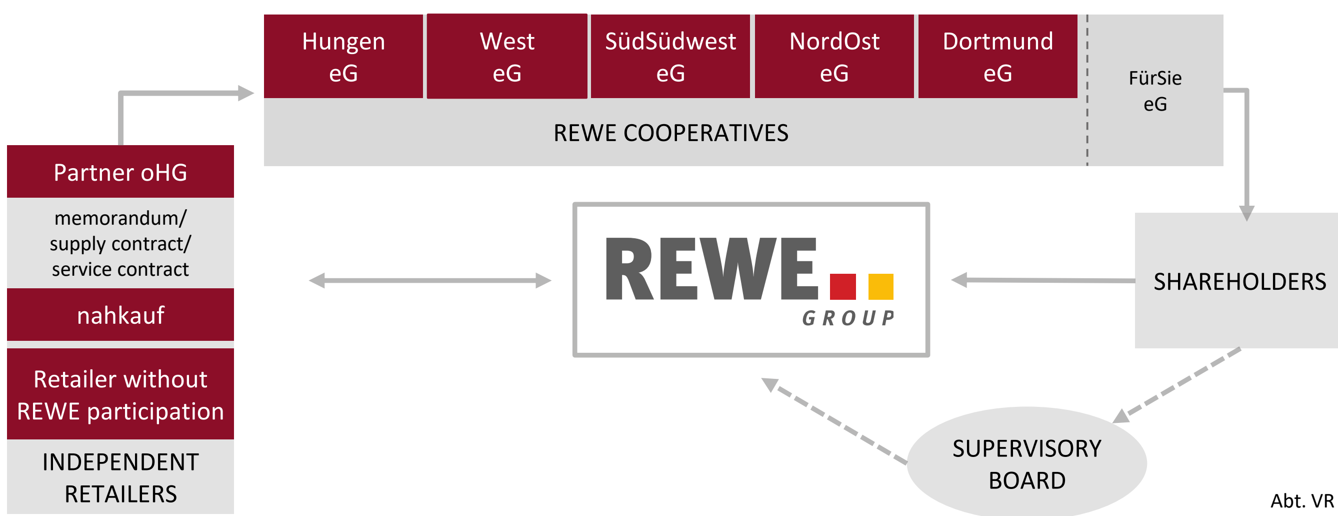
Alden Biesen Castle
Stephan Weist / REWE Group / freshfel

REWE GROUP:
THE VITAL COOPERATIVE

REWE Group was founded in 1927 as a purchasing cooperative of independent retailers.

Even today, the members of the cooperative, around 1,700 independent retailers, remain an essential component of the company. On the one hand, they take part in the group's main committees and, on the other hand, they are driving forward the sales development of the REWE stores.

Regardless of the types of company, the cooperative idea has a decisive influence on the success of REWE Group.



Abt. VR

REWE GROUP BUYING

ACTIVE IN 22 EUROPEAN COUNTRIES WITH STORES AND TRAVEL AGENCIES

in Germany and the following countries:

AUSTRIA BILLA, MERKUR, PENNY, BIPA, ADEG, DERTOUR, JAHN REISEN, MEIERS WELTREISEN, ADAC REISEN, BILLA REISEN · **BELGIUM** KONING AAP · **BULGARIA** BILLA · **CROATIA** BIPA · **CZECH REPUBLIC** BILLA, PENNY, DERTOUR, JAHN REISEN, MEIERS WELTREISEN, ITS BILLA TRAVEL, EXIM HOLDING · **DENMARK** APOLLO · **FINLAND** APOLLO · **FRANCE** KUONI · **GREAT BRITAIN** KUONI · **HUNGARY** PENNY, DERTOUR, JAHN REISEN, MEIERS WELTREISEN, ITS BILLA TRAVEL, EXIM HOLDING · **ITALY** PENNY · **LITHUANIA** IKI · **NETHERLANDS** PRIJSVRIJ.NL · **NORWAY** APOLLO · **POLAND** DERTOUR, JAHN REISEN, MEIERS WELTREISEN, ITS BILLA TRAVEL, EXIM HOLDING · **ROMANIA** PENNY · **RUSSIA** BILLA · **SWEDEN** APOLLO · **SWITZERLAND** KUONI, HELVETIC TOURS, ITS COOP TRAVEL · **SLOVAKIA** BILLA, DERTOUR, JAHN REISEN, MEIERS WELTREISEN, ITS BILLA TRAVEL, EXIM HOLDING · **UKRAINE** BILLA

REWE GROUP AT A GLANCE

RETAIL GERMANY	REWE, REWE.de, REWE TO GO, REWE Ihr kaufpark, nahkauf, toom getränkemarkt, akzenta lecker, günstig, nett, PENNY, GLOCKEN BÄCKEREI, Wilhelm Brandenburg, sky
RETAIL INTERNATIONAL	BILLA, MERKUR, ADEG, AGM, BIPA, iki, PENNY MARKT, PENNY MARKET
DIY STORE	toom Respekt, wer's selber macht., B1 DISCOUNT BAUMARKT
TRAVEL AND TOURISM	DER Touristik, DER, DER Business Travel, DERPART, DERTOUR, JAHN REISEN, ITS, MEIERS WELTREISEN, ADAC Reisen, TRAVELIX, lti, CALIMERA, COOEE [ku:'i:], KUONI, helvetic tours, ITS coop TRAVEL, BILLA Reisen, koningaap, PRIJSVRIJ.NL, apollo, EXIM holding
OTHER	REWE digital, ZooRoyal, FÜRSIE, REWE SYSTEMS, EHA, commercetools Next generation commerce, KÖLNER WEINKELLER, WEINFREUNDE

REWE GROUP BUYING

SUCCESSFUL IN GERMANY AND EUROPE

REWE Group in figures:

61.2
bn euros

TOTAL EXTERNAL REVENUE 2018

360,315

EMPLOYEES 2018

15,686

STORES 2018

RETAIL GERMANY

Retail Germany is REWE Group's business segment producing the highest revenue. It comprises the divisions REWE, PENNY Germany and the production operations of REWE Group, quality butcher Wilhelm Brandenburg and the bakery Glocken Bäckerei.

REWE – one store, many possibilities

In around 3,300 REWE stores, customers find 9,000 to 40,000 items on sales areas that mainly range from 500 square metres to 6,000 square metres.

In addition to shopping in "regular" REWE stores, customers can also order food online at REWE.de.

31.4

bn euros

REVENUE 2018

Retail Germany

REWE | REWE.de | REWE TO GO | REWE Ihr kaufpark | nahkauf | toom getränkemarkt | akzenta lecker, günstig, nett | PENNY. | GLOCKEN BÄCKEREI | Wilhelm Brandenburg | sky

SUSTAINABLE ACTION FOR A BETTER LIFE

For REWE Group, acting responsibly for the common good is an element of the corporate culture.

REWE Group is convinced:
It will be able to continue growing in the long-term only if it conserves resources, deals fairly with employees and partners, and contributes to society.

The sustainability strategy of REWE Group is based on four pillars:

GREEN PRODUCTS

ENERGY, CLIMATE AND THE ENVIRONMENT

EMPLOYEES

SOCIAL INVOLVEMENT

GREEN PRODUCTS

REWE Group ensures that its customers are provided with products and trade-related services of the highest quality everyday.

The company is convinced that quality not only refers to the primary properties of the products, but is also characterised by ecological and social aspects.

For this reason, the aim is to promote more sustainable consumption and to offer more sustainable products.

Areas of action:

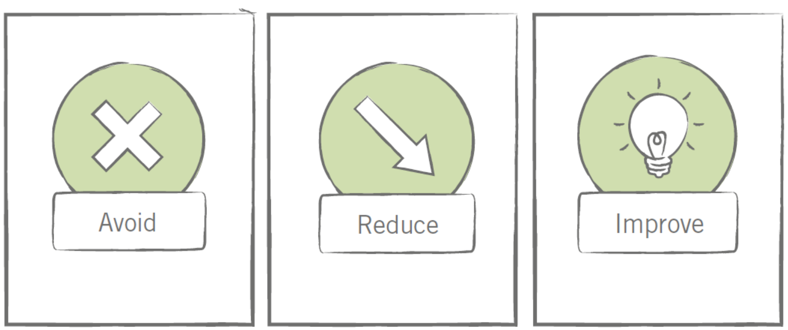
- FAIRNESS
- ANIMAL WELFARE
- RESOURCE CONSERVATION
- NUTRITION

PACKAGING

True to REWE Group's packaging principle "
Avoid – Reduce – Improve", many measures to reduce plastic waste have already been implemented. Our goal is 100% more eco-friendly private label packaging by the end of 2030.

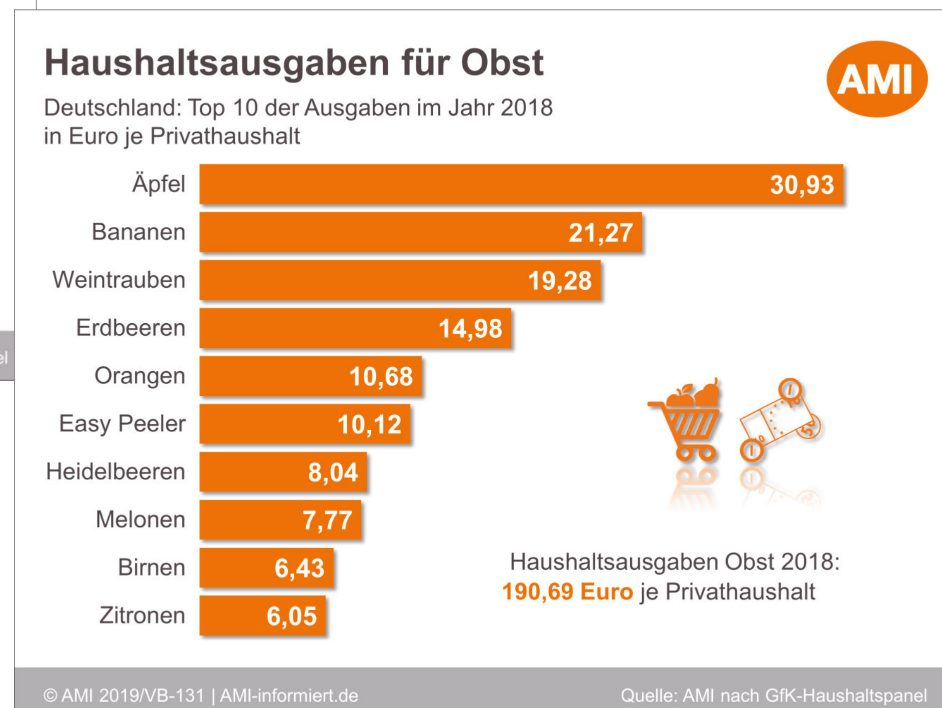
Three exemplary measures for 2019:

- PUBLICATION OF THE PACKAGING GUIDELINE
- PHASE-OUT OF DISPOSABLE PLASTIC CROCKERY & PLASTIC STRAWS
- TESTING OF UNPACKAGED ORGANIC FRUIT AND VEGETABLES



REWE GROUP BUYING

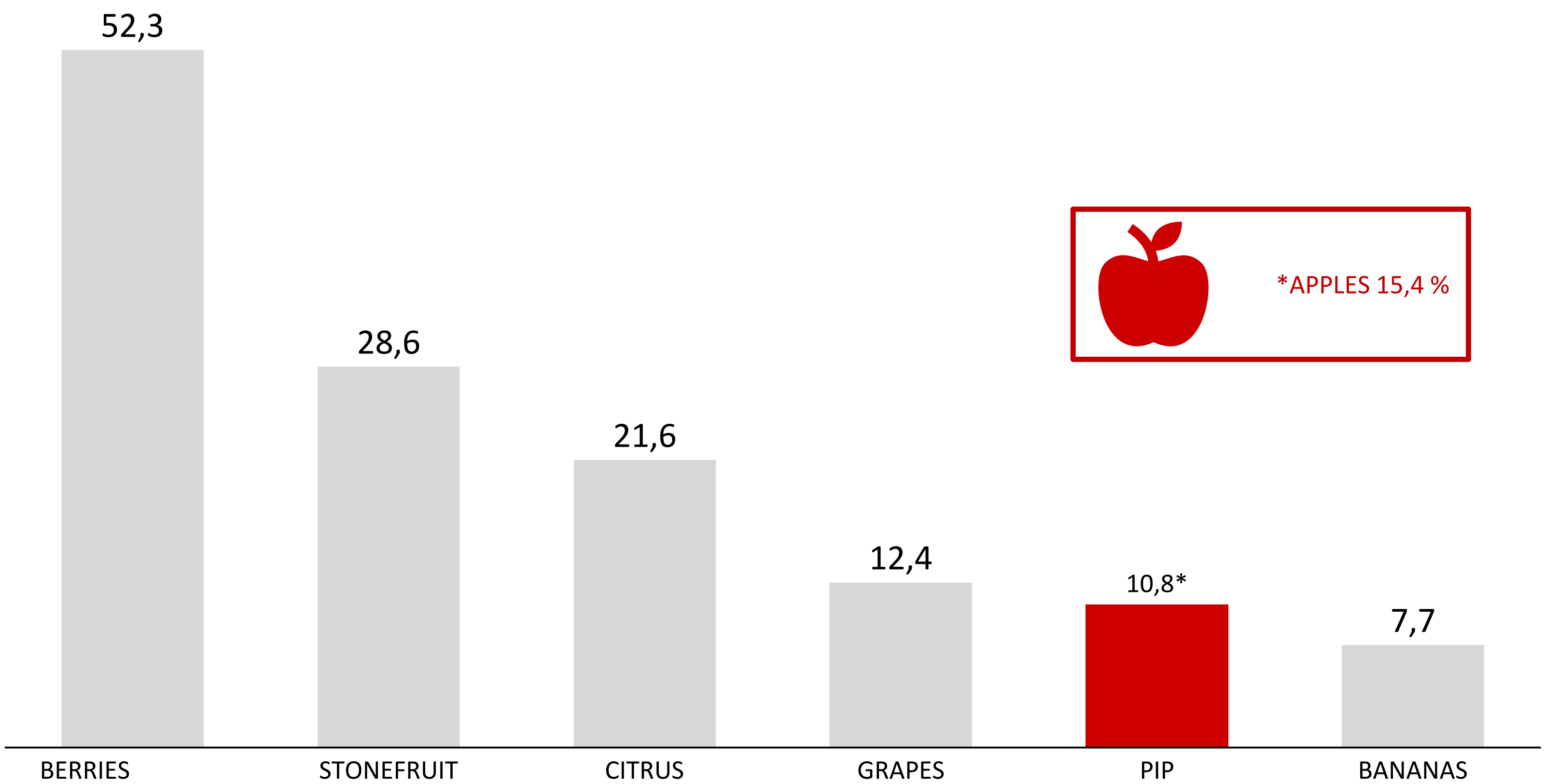
APPLES & PEARS ARE IN THE TOP 10 OF FRUIT SALES



Source: AMI 2019

REWE GROUP BUYING

WE NEED BIG CATEGORIES TO GROW - OUR 15 % GROWTH FROM 2015-2018 SEEMS OK



Source: own data

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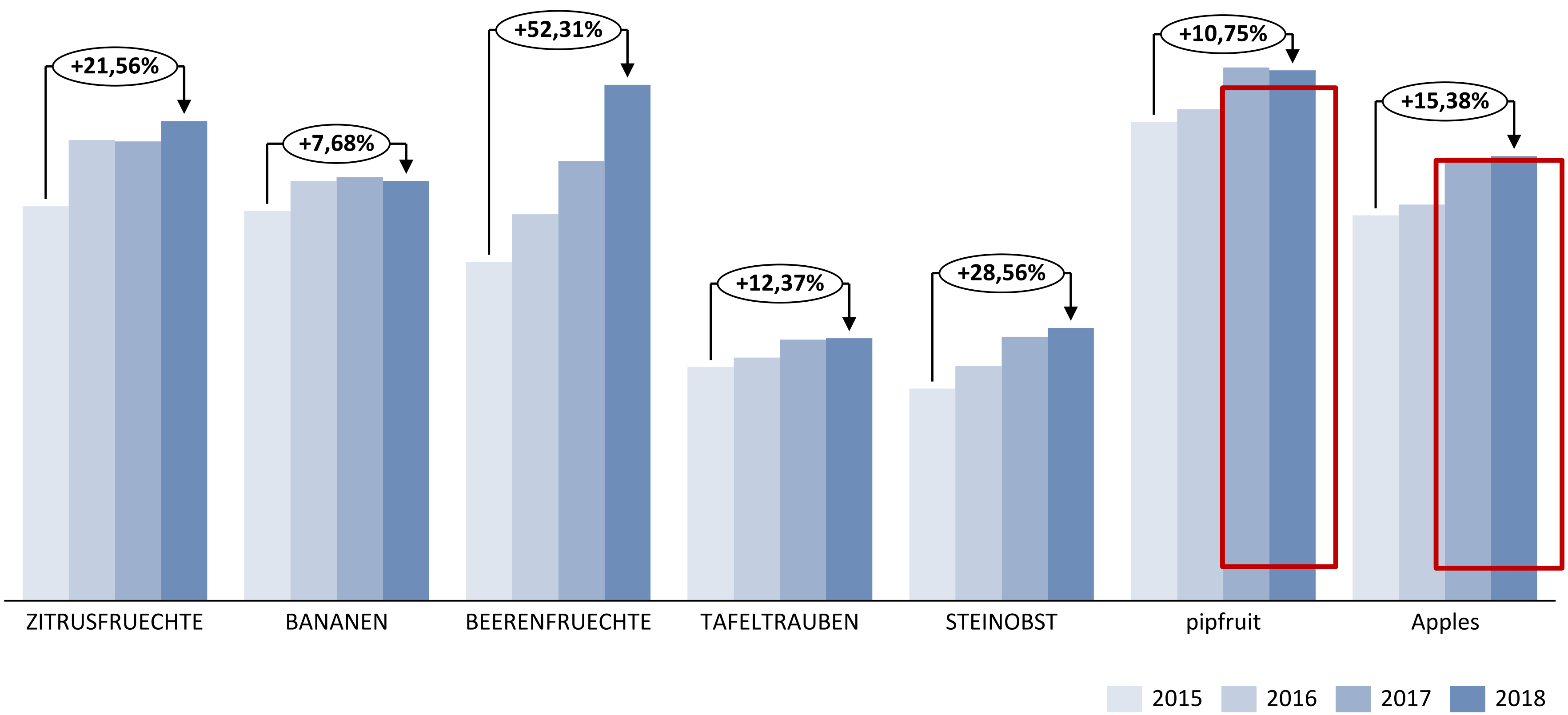
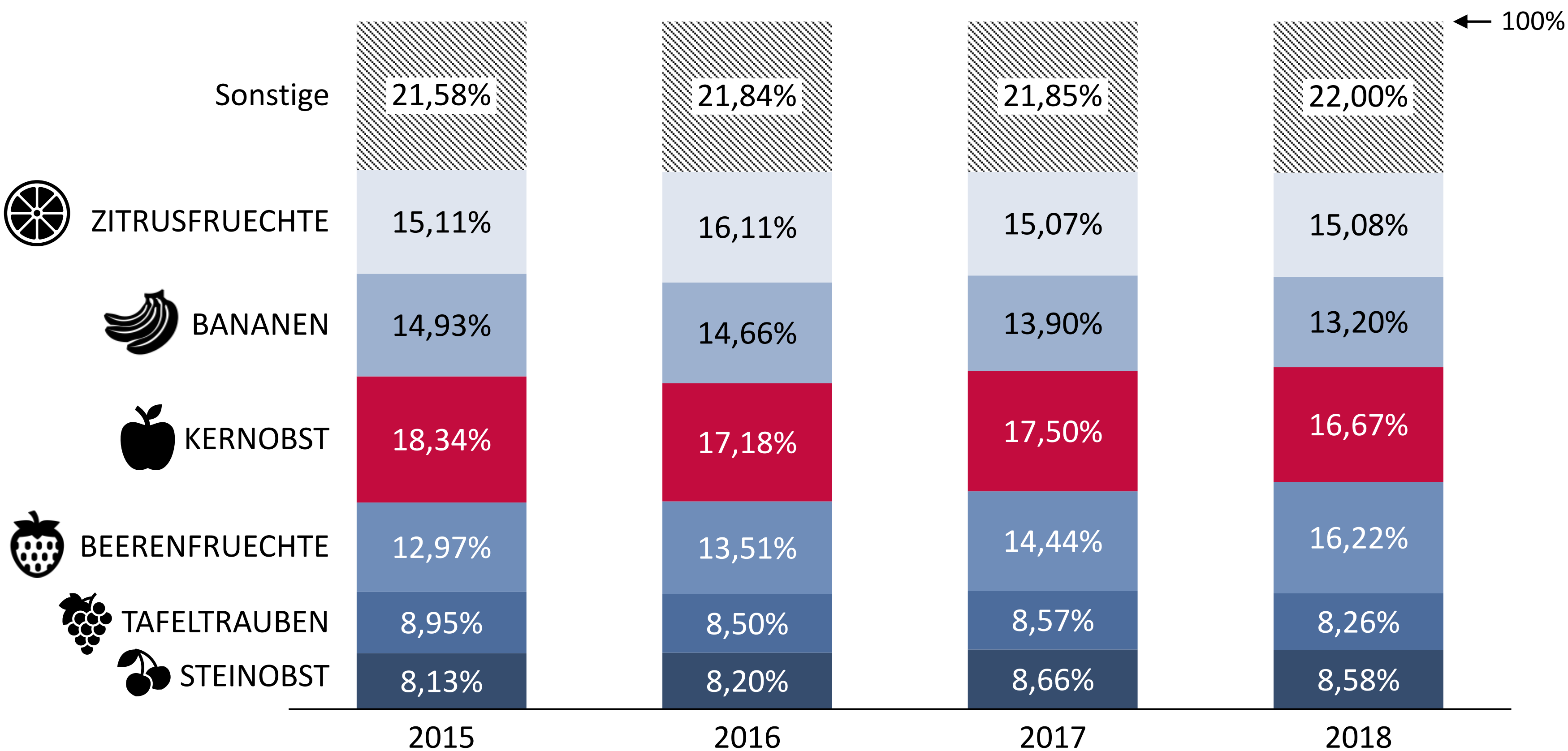
BUT IT IS UNDER AVERAGE AND SLOWING DOWN



Source: own data

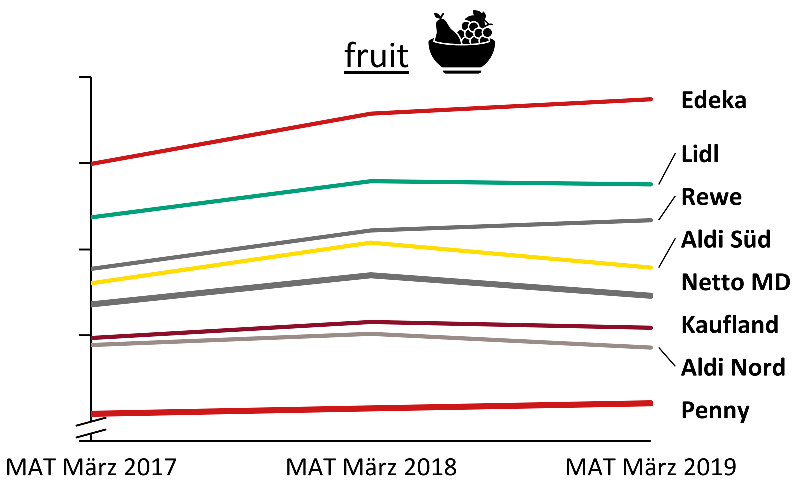
REWE GROUP BUYING

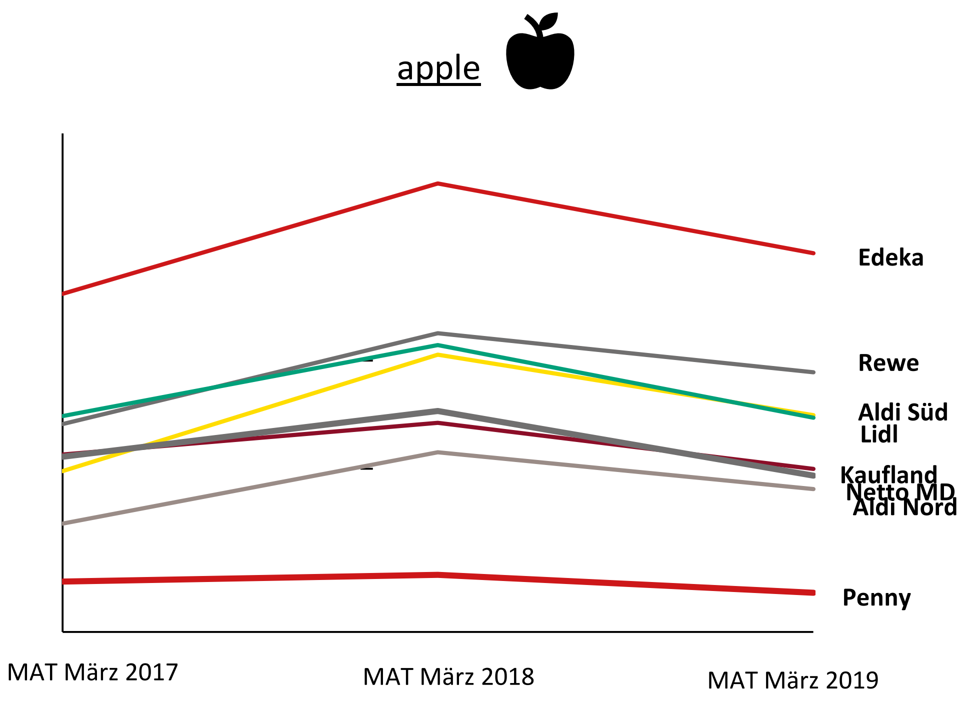
SO SHARE OF TOTAL SALE DROPS – MATURE CATEGORY



Source: own data

AND IT'S NOT US... SALES IN GERMANY MAT MARCH 17-19





Source: GfK, SimIt, Rewe_Ultrafrische_CPPlus; Mat März 2017,2018,2019

REWE GROUP BUYING

SOME DEEPER DIVE …

TOP 3 VARIETIES: (JONA, ELSTAR, BRAEBURN)
- SHARES ARE DROPPING

CLASSIC DIFFERENTIATORS: (GRANNY, GOLDEN, COX)
- RENAISSANCE, BUT ON A LOW LEVEL

CLUBS:
- PINK LADY IN THE TOP 5
- ALL OTHER (KANZI, PINOVA, JAZZ,…) DEVELOP FLAT

GROWTH DRIVERS FOR US: RATHER REGIONALITY & LOCALITY

COMPARED TO THE FRUIT AVERAGE YOU LOOSE MORE ON THE YOUNG CONSUMERS

Source: own data

DESPITE GERMAN RETAIL (OVER)PROMOTING APPLES

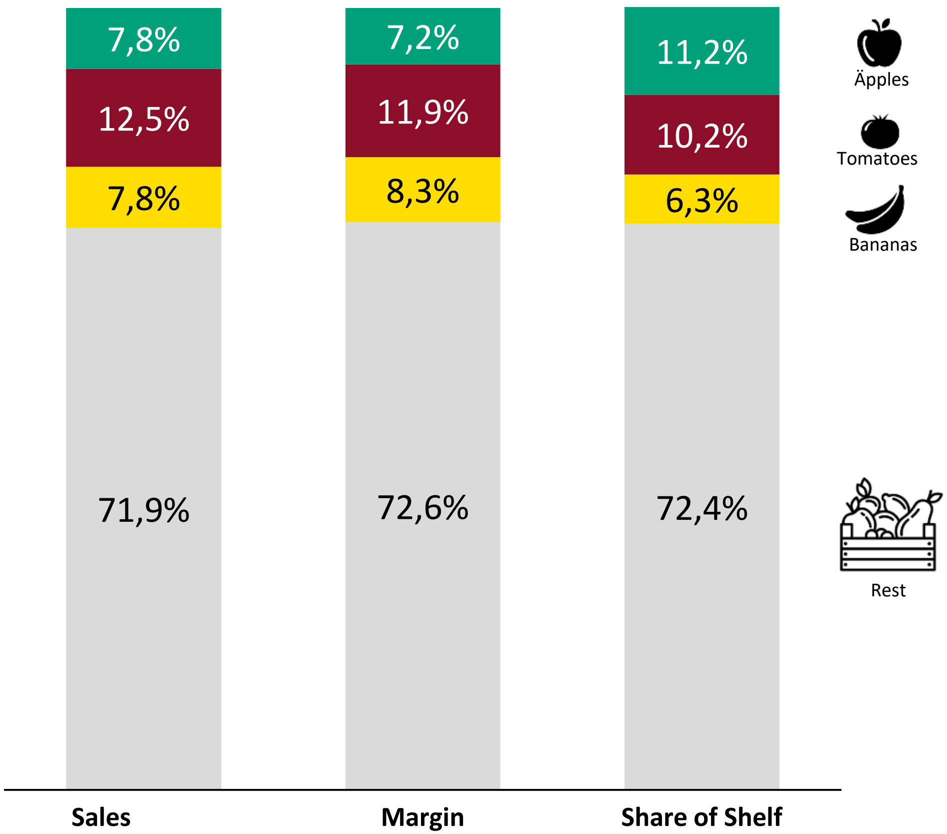
	2016		2017		2018	
Rang	**Obstart**	**Werbeanstöße**	**Obstart**	**Werbeanstöße**	**Obstart**	**Werbeanstöße**
1	**Äpfel**	**1.450**	**Äpfel**	**1.670**	**Äpfel**	**2.065**
2	Trauben	1.216	Trauben	1.624	Trauben	1.768
3	Melone	931	Melone	1.026	Orangen	1.034
4	Bananen	793	Bananen	956	Easy Peeler	969
5	Orangen	762	Orangen	938	Birnen	960
6	**Birnen**	**666**	**Birnen**	**789**	**Bananen**	**929**
7	Clementinen	585	Clementinen	707	Heidelbeeren	795
8	Kiwi	560	Ananas	698	Ananas	744
9	Pfirsiche	513	Heidelbeeren	680	Kiwi	719
10	Ananas	487	Mango	617	Zuckermelonen	672

Source: AMI Aktionspreise im LEH

REWE GROUP BUYING

AND SHARE OF SPACE IS MUCH TOO HIGH COMPARED TO SHARE OF SALES

Sales vs. Grossmargin vs. Surface (2017)



Bananas sell same, earn more on 60% of the surface

Applesspace should be reduced

Trendproducts like Berries will need more space to prosper

Source: Own / +-500 stoRes / 2. Q 2017

SO WHAT DOES THAT MEAN?

SPACE IS LIMITED EVERYWHERE

- Shelf
- Storespace
- Warehouse

MORE SKUs DO NOT TRANSLATE INTO MORE TURNOVER

- Capital lockup goes up
- More varieties for same sales (Cannibalization)
- Freshness goes down
- Consumer Happiness drops
- Sales drop

→ EXPECT SMALLER APPLE ASSORTIMENT – IN ORDER TO SELL MORE APPLES

REWE GROUP BUYING

OPTIONS

THE INCREASINGLY VOLATILE WEATHERSITUATION WILL CONTINUE TO

- IMPROVE TRANSPARENCY AND COMMUNICATION
- MAKE CHANGE SPECIFICATIONS SUNBURN; FROST-/HAIL DMAGES; SIZEVARIATION;:::

PACKAGING

- AVOID/REDUCE/IMPROVE
- VISIBLE DIFFERENCES FOR LOSE SALES
- SHELFLIVE VARIETIES

WE BELIEVE THE C02 DISCUSSION WILL LEAD TO

- MORE SEASONALITY
- LOCAL BEFORE NATIONAL BEFORE EUROPEAN BEFORE GLOBAL

THE YOUNGER THE CONSUMER THE MORE A&P LOOSE (REWE – CLC)

CLUB VARIETIES

- WHERE IS THE DIFFERENCE – MOSTLY LOST IN THE MIDDLE
- LIMITATIONS ONLY WORK WHEN THEY REACH THE CONSUMER
- REPURCHASE IS DRIVEN BY EATINGQUALITY

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WHAT CAN YOU DO ?

- GROW THE CAKE
- TARGET YOUR TARGET GROUPS
- SEEK MEANINGFUL DIFFERENTIATION
- FIGHT FOR THE SIZE OF YOUR CAKE-PIECE