

SUCCESSFULLY ENTERING THE GERMAN RETAIL MARKET

AN UNDERSTANDING OF PRICE MARGINS AND SUPPLY CHAIN MECHANICS

BORD BIA

Prepared for Bord Bia by Green Seed Germany

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1 Preface

The German market with over 82 million consumers looks very attractive to international food and drink producers. However, there are quite a few obstacles to overcome and a variety of demands and requirements which need to be taken into account when preparing to launch products onto the German food and drink market.

Although legislation of the European Union constructed around trading food and drink and concerning grocery issues facilitates international business, German food laws are often construed more strictly. Germany is not an easy market to enter but with a certain understanding of the mechanics, perseverance and patience substantial volume and profit can be achieved in the medium and long term.

This study gives an insight into the German food retail sector detailing general and specific requirements of German grocery retail trade as well as demands and expectations of German retailers. Thus, the report will serve as a guideline for Irish companies and will enable these to meet the criteria for successfully approaching German retailers.

Green Seed Germany

Background on Green Seed Germany

Green Seed Germany is a part of the Green Seed Group network (10 international offices) and provides internationally-oriented food and drink manufacturers with a range of consultancy and marketing services, local food industry expertise and excellent trade contacts. We also help local buyers source food and drink from other countries.

The German office is the link for manufacturers to retail partners, distributors and the food industry in Germany, Austria and Switzerland.

Beyond strategic consulting, our detailed knowledge of the markets enables us to act as the extended marketing and sales arm of its clients.

Since April 1st 2009, Green Seed Germany is the successor organisation to Food from Britain (Germany).

More information on Green Seed Germany is available on www.greenseedgroup.de.

2 Methodology

Apart from Green Seed Germany's knowledge, expertise and experience, the following sources were used in order to produce this study:

Trade Press:

- Lebensmittel Zeitung
- Lebensmittelpraxis

Internet:

- Retailer websites
- Manufacturer websites
- Government websites
- Logistics websites
- Other service provider websites

Primary and Secondary Sources:

- Nielsen
- GfK
- Trade Dimensions
- Planet Retail

Any market data supplied in this study is based on retailer panels provided by the trade press and/or primary and secondary data.

3 Value chain mechanics and retail market requirements

This Chapter outlines value chain mechanics and retail market requirements that apply in general, i.e. regardless of a specific retailer. Before approaching German retailers with a product (range) proposition, several steps should be considered depending on the suppliers' turnover expectations, export strategies and budgets.

3.1 Market Size and Existing Product Offer

First of all, a category overview should be obtained to get an idea of the size of the market to be entered. For this, Nielsen back data can be purchased. The cost for a market snapshot can vary significantly depending on the category and the depth or split of information requested. Prices for back data (usually two years on a moving annual total basis) can cost depending on the complexity of the category and depth of requirements between € 5-10,000.

A lower-budget option is to use desk research and collect information from trade magazines and other comparable sources:

Lebensmittel Zeitung

(general grocery trade magazine)

www.lebensmittelzeitung.net



Lebensmittel Praxis

(general grocery trade magazine)

www.lebensmittelpraxis.de



afz

allgemeine fleischer zeitung

(meat trade magazine)

www.fleischwirtschaft.de



Milch-Marketing

(dairy magazine)

www.moproweb.de



Fischmagazin

(fish magazine)

www.fischmagazin.de



Getränkereport

(drink magazine)

Via LFG Verlag, Munich (no online presence)



Apart from volume and value of the category in question, it is also important to gain knowledge of the key market players in order to prepare a convincing selling story and to establish a base for later negotiations with buyers.

Another crucial element to explore category dynamics and understand segments better is to carry out store checks across various retailers, fascia and store formats and possibly regions. Accumulating details from the shelf such as producers, brands, product varieties, flavours, typical weight, packaging designs, prices etc. will help to formulate new product offerings and shape USPs. A store check analysis is also very useful as background information for discussions with buyers.

See Chapter 5.1 for details on trade magazines and research companies.

3.2 Consumer Research

The ideal preparation for entering a new export market is to conduct consumer research regarding consumer preferences, habits, needs, requirements and consumption patterns. Especially taste preferences can vary from Ireland / UK to Germany. In addition, there might be different standards of finished products to consider, e.g. biscuits on the German market are baked longer and have a darker colour than for example the light colour of shortbread.

On the one hand, the results will serve as a base to define a product range and on the other, researched facts and figures will help to convince a buyer to list a certain product (range). After all, the buyer will see what is destined to be a success. This will naturally help him to argue his case internally and to make his category, i.e. himself look good. Furthermore, this kind of investment in the market proves the supplier's long term commitment in the German market and his interest in building a solid, trustful and loyal relationship with German retail.

In brief, extensive consumer research brings a variety of advantages, albeit at a cost. Although carrying it out is strongly recommended, research findings are amongst German retailers not obligatory for product listings.

It should also be taken into account that there is still, even two decades after reunification, a significant difference in consumption behaviour in West vs. East Germany. Consumers in East Germany (Berlin excluded) tend to be even more

price-conscious and not as open for new trends, driven primarily by higher unemployment.

Due to different consumption patterns and regional differences, group discussions normally require at least a group in e.g. Berlin, Hamburg, Cologne, Frankfurt and Munich. Average cost of a group varies between € 4-6,000. If this is not feasible for cost reasons, then one should be held in Frankfurt (central, i.e. covering more or less North and South). In general, consumption differences in Germany tend to be more between urban and rural areas than between North and South, East or West. Insight Europe in Frankfurt (see Chapter 5.1) is a recommended qualitative market research company.

In terms of quantitative consumer research, panel data is available for most product categories. GfK in Nuremberg is a good address. They provide a regular service with national coverage and monitor household purchasing behaviour from a panel size of 20,000. Back data can be purchased and is in the area of € 4-10,000 depending on category and depth of information required. Their panel data is an excellent addition for manufacturers who need more information on discounters, which can be 30-50 % of total category sales, as Nielsen does not regularly cover them. GfK also has a trade panel in competition with Nielsen, who remains the authority in this sector.

See Chapter 5.1 for addresses of research companies.

3.3 Currency, Taxes, Duties and Other Fees

3.3.1 Currency

German retailers' accounting systems require the valid currency for Germany which is the Euro. With international financial harmonisation in place, it is not necessary to open a German bank account.

3.3.2 VAT

There are two VAT rates in Germany. The general VAT rate is 19 % (increased from 16 % on January 1st, 2007). Within the food and drink sector, beverages are the only food category subject to the standard rate of VAT of 19 %. For milk and all other grocery products a reduced VAT rate of 7 % applies. (German: Mehrwertsteuer, abbreviated to: MwSt.)

This reflects on suppliers' price calculations in the following way:

RSP (on shelf)	€ 2.99
./. 7 % VAT	€ 0.21
= List price	€ 2.79

Retailers need to show VAT separately on sales slips.

Generally, all participants in the value chain that add value to a product or service need to charge VAT and show VAT amounts on invoices. For these companies, the VAT is a "durchlaufender Posten" (or transit item). In contrast, consumers have to pay the full amount of VAT. Some of the German retailers invoice e.g. promotion cost in English.

International suppliers invoice German retail without VAT if they deal with German retailers directly. In case there is an intermediary (e.g. distributor), the intermediary charges VAT to the retailer.

International producers that set up a German subsidiary have to register with the German tax authorities which then generate a German VAT number.

See Chapter 5.2 for details on tax authorities.

3.3.3 Packaging and Waste Disposal Fees

The purpose of the German Packaging Ordinance (Ordinance on the Avoidance and Recovery of Packaging Wastes) is to avoid or reduce altogether the impact that packaging (waste) has on the environment. Trade and industry are thus obliged to take back and recycle packaging. This applies to transport, secondary and sales packaging.

In order to comply with this law, producers and distributors of sales packaging filled with goods destined to be purchased and used by (private) consumers have to participate in a waste disposal system. There are several service providers that offer the handling of packaging waste, e.g. Der Grüne Punkt – Duales System Deutschland GmbH (Green Dot) or Belland Vision, since Grüner Punkt no longer has the monopoly on these systems.

Producers that supply branded products to German retail have to participate in the system. In the case of supplying private label products to German retail, the retailer is responsible for the administration and handling of the packaging waste.

Manufacturers enter a contract with a service provider of their choice. However, some retailers have a co-operation with a certain service provider which could result

in a minor fee for the supplier should his packaging be registered with a different service provider.

Fees payable are calculated on the basis of the type and weight of material used in the packaging. The Green Dot charges e.g. for paper/board/cardboard 17.50 Cents per kg and for plastic 124.60 Cents per kg. The producer pays for packaging material used on the product itself, i.e. material that ends up with the final consumer. It is important to consider this additional cost in the price calculation. See calculation example in Appendix A.

Outer packaging like cases, outers and trays are disposed of in retailers' depots or stores. For this, retailers charge a waste disposal fee to the producer. This is usually invoiced at the end of a Quarter with 0.3 % of the total net turnover generated with products of the supplier in that Quarter.

See Chapter 5.2 for details on waste disposal service providers.

3.3.4 Deposit System for Beverages

In Germany, there is a national deposit and clearing system in place based on the German Packaging Ordinance. The Deutsche Pfandsystem GmbH (DPG) provides the organisational and legal framework for this system.

The obligation to charge a deposit on disposable drinks packaging depends on the type of drink and the kind of packaging used. The deposit is charged by all levels of trade and on to the consumer but handed back to him/her when he/she returns the packaging to a point of purchase.

A deposit of € 0.25 incl. VAT is charged on non-returnable (one-way) beverage packaging. This is applicable for beverages in PET packaging, glass or cans. One-way packaging has to be labelled with the DPG symbol and a valid EAN code. There is also a deposit when returnable products are sold with or without a crate. This is regularly the case with mineral water, soft drinks and beer.



Beer crate (24 bottles)



DPG symbol

Retailers have to take back all types of beverage packaging (e.g. PET, glass, cans) they offer in their stores. It is not relevant where the consumer purchased the beverage. Small retail stores have only a restricted returnable obligation.

There are a number of drinks that are exempt from the deposit system, e.g. wine, milk, juice and nectar. In addition, packaging that the German Packaging Ordinance classified as ecologically sound (e.g. cardboard) is also not subject to this deposit. Tetra Pak products fall into this category.

The producer as the participant that puts the beverage into circulation registers with the DPG as the so-called first distributor and manages his deposit account. He receives from the retailer the price for the goods as well as the deposit. Retailers settle their deposit claims on return of the empty beverage packaging. Most bottlers and retailers use the assistance of service providers to handle their accounts.

The current trend is away from returnable to one-way packaging and the share of each is approx. 50/50.

See Chapter 5.2 for DPG address.

3.3.5 Excise duties

In Germany, the following excise duties are levied on grocery items:

- tobacco
- spirits
- alcopops
- coffee
- beer
- sparkling wine.

The corresponding laws detail the tariffs.

For example, beer duty amounts normally to € 0.04 per 0.5 litre bottle. In addition, it is € 0.05 for wheat beer and € 0.06 for strong beer (above 16 degrees Plato). For other duties visit the German tax authorities on www.zoll.de/english_version.

See Chapter 5.2 for details on customs and excise duties.

3.4 Packaging and Labels

The packaging and labelling of grocery products sold on the German market need to correspond to German food laws. German labelling is a must even as an overprint / oversticker. The latter should be avoided if the product in question is sold at a premium, i.e. competing with the appearance of other premium products without an oversticker.

Overall, the following laws serve as a base:

- LBMG Lebensmittel- und Bedarfsgegenständegesetz (grocery and utensil law)
- LMKV Lebensmittel-Kennzeichnungsverordnung (grocery labelling law)
- FertigPackV Verordnung über Fertigpackungen (law for sales packaging)

In general, the following details need to be stated on the packaging in German:

- Ingredients (quantities in % if applicable and in descending order)
- Allergy advice
- Best before date (Mindestens haltbar bis: DD.MM.YYYY or Mindestens haltbar bis Ende: MM.YYYY if a long shelf-life category)
- Net weight and symbol “e”
- Information on producer (address in EU)
- Origin of product
- Batch code for traceability
- Bar code reflecting the GTIN (Global Trade Item Number)
- Guidelines on preparation, usage and storage

Depending on the type of product, it can be necessary to state additional information on the packaging. For example in meat, it may be recommendable to contact ORGAINVENT (www.orgainvent.de) which is an organisation which considers itself as a “round table” co-ordinating the needs of agriculture, food retail and the authorities in the meat sector.

It is recommended to have the packaging layout checked by a chemical analysis institute such as Fresenius in Taunusstein near Wiesbaden (central Germany). The producer would then receive a certificate that the packaging complies with German food law. Should an issue with a food inspector or a similar party arise, the producer can pass on any responsibility to the institute. The cost for a packaging check is around € 100 assuming there are no complications.

Further thoughts to take into account when preparing to launch a product on the German market are:

- The number of products per tray should be defined to be in line with established products / trays on shelf.
- A tray usually has one facing. Depending on the product category two facings may also be acceptable.
- Shelf ready packaging is preferred by retailers. It is for example not viewed positively to offer a tray with shrink wrap.
- A recent trend in the discount sector is to require manufacturers to pack up to four varieties of a product in one outer (mixed case, German: Mischkarton) to reduce necessary space and comply with shelf-life constraints.

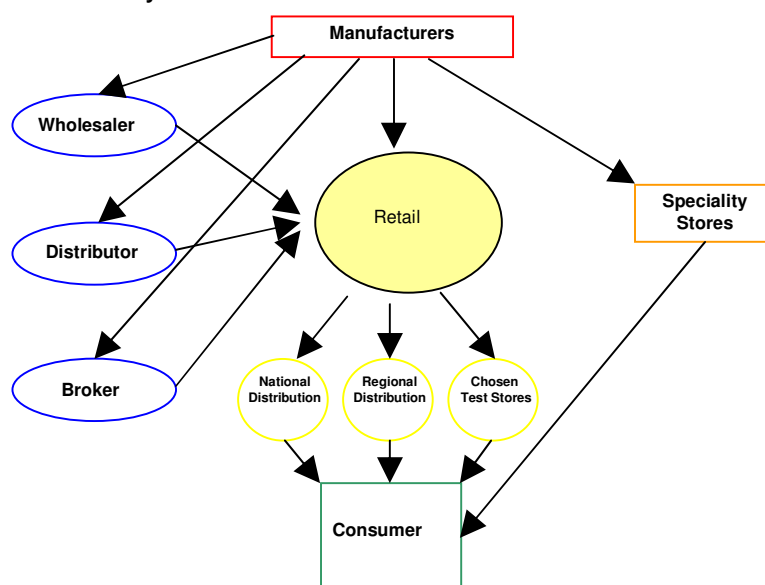
The packaging and labelling of private label products is the responsibility of the retailer.

See Chapter 5.3 for addresses of chemical analysis institutes.

3.5 Logistics and Distribution

Logistics are crucial as they add substantially to the cost of doing business and must be included in the initial price calculation. Objectives for business in the German market should be clearly defined, i.e. which retailers are potential customers, where their depots are located and which regions might be difficult / expensive to deliver to such as Eastern Germany or further South than Munich.

There are several possible logistics routes to get products from a manufacturer's production facility to the consumer:



Products should be sold via a distributor or broker if

- they are niche products with small volumes
- direct delivery to stores (not depots) is required
- the lead time is not sufficient and thus storage in Germany is required
- many drops are required

A distributor would normally provide logistics, marketing and sales, whereas a broker would usually handle only the logistics part and sell into the retailer.

In any case it might be advisable to have a German logistics partner. Advantages could comprise:

- Cost reduction
- Shorter lead time
- Smaller volumes feasible
- Allows for test and test listings
- No language barrier
- Suitable for long term commitment

Although German logistics, in particular in chilled distribution, have in recent years improved significantly, the major retailers are still more fragmented than in many other neighbouring countries.

There are, however, solutions. Both Nagel and Dachser each provide a regular and reliable consolidating service for food manufacturers. For example, a Rhine Main dairy which provides EDEKA, Germany's No. 1 grocery retailer, nationally with a range of branded and private label products. The dairy would be expected to supply the full range to over 30 EDEKA depots in Germany. To achieve this, it delivers into one of the regional hubs of Nagel or Dachser, e.g. Groß-Gerau near Frankfurt or Hannover, which then consolidate and supply from stock for a wide range of manufacturers in their own trucks.

Some retailers work with a specific logistics partner. Suppliers should be prepared to use this predefined service provider if required.

Cost of transportation depends on many factors. The cheapest transportation is ambient, followed by frozen and / or chilled. It is also dependent on whether there is scope for a return load. For example chilled logistics from the UK to Germany tend to be quite favourable because such a high volume of private label yogurt comes into British retail depots. Frozen distribution tends to be reasonable into the main conurbations of Germany. German companies tend to be more competitive when

fine distribution is necessary, e.g. into over 30 depots of ALDI South covering an area from the Rhine-Ruhr region down to the Austrian and Swiss borders.

See Chapter 5.4 for addresses of logistics companies.

German retailers almost without exception require delivery on multi-trip Euro pallets (1200 mm x 800 mm). Pallets must be labelled according to EAN 128. Product is not allowed to exceed pallet dimensions. Promotional off-shelf placements need to be on multi-trip $\frac{1}{4}$ Chep pallets. Four $\frac{1}{4}$ Chep pallets fit on one Euro pallet. German manufacturers are usually registered with a "Euro-pallet swop-pool". If a supplier is not part of a swop-pool, it is recommended to calculate the cost of the pallet itself into the product's sell-in price to retail, if at all possible. See Appendix B and C for details on pallets.

Depots will often have restrictions as to maximum pallet height. GS1 recommends organising logistics around CCG I and CCG II standard heights:

- CCG I: maximum height of loaded pallet should not exceed 105 cm (incl. 15 cm pallet height)
- CCG II: maximum height of loaded pallet should not exceed 160–195 cm (incl. 15 cm pallet height)

In German retail, depots only accept deliveries within certain restricted hours. Depots are not usually open on Saturdays or Sundays as truck traffic on German motorways is restricted on Sundays as well as on national holidays (exception: short shelf-life products). The regulations on depot opening hours require exact delivery slots. These tend to be early (6.30 – 14.00 h) and even earlier closing on Fridays. This needs to be taken into consideration, especially due to the longer distances involved in exporting products in comparison with local competitors. Failing to comply with this requirement may lead to a product being de-listed. Possible bad weather in winter also has to be taken into account as this can severely affect delivery timings.

An offer to a retailer should take into account certain logistics assumptions, e.g.

- Free depot (or ex works if the free depot price is not competitive. Most German retailers are open to evaluate ex works prices.)
- Minimum volumes
- Full pallets
- Most retailers are open to receive price ranges e.g. for 1-10 pallets, 10-20 pallets etc.
- One or mixed product pallets

Logistics are especially demanding for fresh produce, chilled and frozen products, high interest categories in which retailers hold relatively low stock-levels. Delivery rhythms differ per product category and retailer. Chilled products are usually delivered up to five times a week, frozen and ambient products once every one or two weeks. Slow moving ambient products of course are normally ordered on a monthly basis.

It is important for a potential exporter to fully understand logistics issues for his product category prior to approaching a retailer.

3.6 EDI / GS1

In general, German retailers do not use internet and automated systems to exchange data to the extent that retailers in other countries do. For example, many orders are still faxed from the retailer's order department to the supplier. This ordering mode applies especially to non-German suppliers.

The structured transmission of data between organisations by electronic means is called electronic data interchange (EDI). It is used to transfer electronic documents or business data from one computer system to another computer system, i.e. from one trading partner to another trading partner without human intervention. It is used more and more by major retailers with main stream German manufacturers. Many exporters into Germany do not fall into the category where it would apply.

As in every major European country, the barcode system in Germany is operated via GS1 Germany (www.gs1-germany.de). GS1 standards help trade and industry to continually improve their processes. As an independent service provider, GS1 Germany promotes the development and implementation of open, cross-industry standards which are valid worldwide and offers individual solutions to ensure a smooth flow of goods and data. It also helps develop recommendations for processes and implementation and supports companies in implementing processes. The company is headquartered in Cologne and belongs to the global GS1 network. It is the second largest of more than 100 GS1 national organisations.

See Chapter 5.4 for addresses of GS1.

3.7 Accreditations and Certifications

German retailers demand a high level of safety and thus a number of accreditations and certifications from suppliers. Some of them are mandatory in order to achieve a listing. Others, e.g. the German Bio-Siegel (organic mark), are optional.

Consumers put a high level of trust in accreditations and awards. Generally, it is recommendable to use labels of favourable test results and award labels on product packaging as the consumer's purchasing decision is likely to be influenced positively at the point of sale.

3.7.1 IFS, BRC and HACCP



Certificates such as BRC and IFS are frequently required to enter the German market. Most German retailers favour IFS and some of them make an IFS certificate a requirement to get a listing (e.g. ALDI), i.e. they do not accept a BRC certificate regardless of the level of accreditation achieved. Here a rough overview of the differences between BRC and IFS:

BRC	IFS
Policy – Obligation to produce safe & legal products to specified quality. Review & continual improvement.	Policy – Consider as a minimum: Customer focus, environmental responsibility, ethics & personnel responsibility, product safety quality & legality.
Jewellery shall not be worn, with the exception of a plain wedding ring, a wedding wristband and sleeper earrings.	Visible jewellery (incl. piercing) shall not be worn. Any exceptions shall have been comprehensively evaluated by risk assessment in relation to the product and process.
Where appropriate, in addition to a plaster, a finger stall shall be worn.	Hand injuries: in addition to a plaster, a single use glove shall be worn.
Certificates of conformity or other evidence for packaging shall be available to confirm its suitability for use.	Packaging shall have been tested for possible contamination and hazards (interaction) towards products and consumers.
Grading criteria <ul style="list-style-type: none"> • A = 10 or less minors • B = 1 major, 10 or less minors • B = 11 – 20 minors • C = 2 major, 20 or less minors • C = < 2 major, up to 30 minor • D = 1 critical or 3 major or 2 major, 31 minor (no certificate) 	Scoring <ul style="list-style-type: none"> • Higher Level = ≥95% • Foundation Level = ≥75% & <95% • Cert dependant on follow up audit in 6 months = 1 Major & ≥75% • Not approved = >1 major & <75% • Not approved = 1 KO

To obtain an IFS certificate for a production site, an audit carried out by a certification body has to be organised. It is advisable to contact the same certification body that runs the BRC audit. If BRC and IFS audits are carried out at the same time, a manufacturer can usually benefit from a cost reduction vs. single audit cost.

Search for a BRC Certification Body on www.brcdirectory.com.

Visit www.ifs-online.eu to view the list of approved IFS certification bodies.

See Chapter 5.5 for contact details of certification bodies.

German retailers expect that suppliers have HACCP self-checking systems in place to continually monitor possible hazards and thus avoid health risk for consumers. This is obviously particularly important for private label products.

3.7.2 Organic




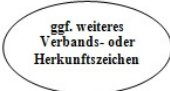

At the moment, 3,659 companies use the German Bio-Siegel (organic mark) on 59,558 products (June 30th, 2010). German consumers have trusted the Bio-Siegel for over 10 years now.

The Ministry of Nutrition, Agriculture and Consumer Protection (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz) promotes the Bio-Siegel at trade fairs and public events. Manufacturers benefit from this and also from a range of individual marketing possibilities. The Bio-Siegel may be used in conjunction with other logos of origin or associations. Manufacturers who want to use the Bio-Siegel have to comply with the EU Organic Farming Regulations and allow for mandatory inspections.



The European Commission published the new logo for organic products in the Official Journal of the European Communities (March 31st, 2010). It is mandatory since July 1st, 2010 and will be launched within a transition period of two years.

The German Bio-Siegel may be used in conjunction with the European organic logo. Here an example for organic apple juice:

<p style="text-align: center;">Bio-Apfelsaft</p> <p style="text-align: center;">Fruchtsaftgehalt 100 %</p> <div style="text-align: center;">   </div> <p style="text-align: center;">1L</p> <p>hergestellt und abgefüllt von:</p> <p>Apfelmoseerei Bio-Beispiel An der Streuobstwiese X</p> <p>D-XXXXX Biostadt</p> <p><small>Aus Gründen der Übersicht bezieht sich dieses Beispielticket in erster Linie auf Angaben zum Ökolandbau. Weitere vorgeschriebene Angaben der Lebensmittelkennzeichnung wurden daher weggelassen.</small></p> <div style="text-align: center;">  <p>DE-ÖKO-### Deutsche Landwirtschaft</p> </div>	<p>Translation:</p> <p>Organic Apple Juice</p> <p>Fruit juice content 100 %</p> <p>(next to the organic label an origin label or something similar can be placed)</p> <p>1 litre</p> <p>Manufactured and bottled by: Company name and address</p> <p>Note that for clarity reasons, in this example of an organic label all other aspects regarding the legal requirements of an apple fruit juice label have been omitted.</p>
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See Chapter 5.5 for information on where to obtain further details.

3.7.3 FAIRTRADE



58 % of German consumers know the FAIRTRADE logo. It is most visible in the area of coffee. Products that display the logo on the packaging guarantee an improvement of living and working conditions of peasants and employees by Fairtrade pricing and bonuses. Illegal child labour and compulsory labour are prohibited.

The certification body FLO-CERT monitors and controls whether Fairtrade standards are complied with. Further information and an application form for the certification process can be obtained on www.flo-cert.net

See Chapter 5.5 for information on where to obtain further details.

3.7.3 ÖKO-TEST



The consumer magazine ÖKO-TEST conducts tests of everyday items such as food, cosmetics, wall paint, lawnmowers, financial services, laptops etc. Its focus is health risks, usage of products and environmental compatibility. ÖKO-TEST is widely recognised in Germany by a more specific target market but less than the organic mark.

If a product test result is unfavourable, consumers might stop purchasing the product thus forcing the manufacturer to improve the product. Manufacturers often use the ÖKO-TEST label on product packaging if a test result is positive as this might be a crucial factor in a consumer's purchasing decision.

See Chapter 5.5 for information on where to obtain further details.

3.7.4 QS



The QS test system is a multi level (creation, manufacture, marketing/sales) quality assurance system for food products like meat, meat products, fruit, vegetables and potatoes. It is a voluntary initiative of the industry and an alliance for active consumer protection. It was formed in the aftermath of the BSE crisis in 2001. QS products are widely available and recognised by the consumer, especially for meat and meat products.

See Chapter 5.5 for information on where to obtain further details.

3.7.5 DLG (German Agricultural Society)

DLG (Deutsche Landwirtschafts-Gesellschaft) was founded in 1885. It is one of the most important organisations in the German agriculture and food industry and today, has over 22,000 members.



DLG assesses annually more than 24,000 products from Germany and other mostly European countries. Evaluated categories are meat, frozen food, ready meals, gourmet food, bread and bakery, dairy, wine, spirits, non-alcoholic beverages. Manufacturers may participate on a voluntary basis. Testing is focussed on quality across all stages of the product process including sourcing. Only if a food product has a quality level above average is it awarded with DLG gold, silver or bronze.

Manufacturers use the award label on the packaging as DLG is widely recognised by consumers.

See Chapter 5.5 for information on where to obtain further details.

3.8 Further Market Entry Requirements

3.8.1 Language and Communication Channels

German retailers expect communication to be in German language.

Depending on the retailer, many buyers understand English. However, virtually all buyers do not speak or understand English on a business English level required for discussions and negotiations. Meetings are preferably held in German.

Communication via phone and e-mail is standard. Still, there are some exceptions (e.g. some of the discounters) where buyers might require manufacturers to send offers by fax or mail.

3.8.2 Product Testing and Risk Management

Before approaching retail, it is recommendable to organise product testing at an official chemical analysis institute. Usually, a sensory analysis and microbiology test are sufficient. Costs depend on the product (category) but are normally well under € 1,000. The manufacturer receives an official document of the results which he might need to provide for the buyer.

See Chapter 5.3 for contact details of institutes and Appendix D for product testing cost examples.

In the event of a product recall, it is advisable to have an action plan “Risk Management” in place. It is important to handle this affair in a professional and efficient way in order to maintain a good relationship with the retailer and regain lost trust.

3.8.3 Shelf-Life

Shelf-life requirements vary strongly depending on the product category. Historically, German consumers have tended to shop for storage and hence, longer shelf-life is preferred. This explains the predominance of frozen vs. chilled in many product categories such as pizza.

Overall, chilled product ranges (excl. dairy, meat products and cooked meats) are not as well developed as in other countries although such products as sandwiches and sushi have made their way onto German shelves. “Ultra fresh” is virtually non-existent and chilled food buyers generally require approx. 21–28 days shelf-life on delivery into depot. There are complications on anything less than the 18-20 days shelf-life of yogurt. German retail may expect the supplier to take on wastage costs and disposal organisation.

Attention must be paid to size of in-shelf display units. The smaller the unit, however inconvenient for the manufacturer, the greater the chance of successful and wide distribution. SRP (shelf ready packaging) is becoming more and more a prerequisite in Germany.

4 Retailers

4.1.1. Overall Structure

Nielsen data shows the turnover of German grocery retail (incl. discounters) and drugstores increased by 0.3 % from € 153.1 bn in 2008 to € 153.6 bn in 2009.

Planet Retail forecasts for 2010 that the top five German retail players will account for approx. 64 % of food sales. This compares with 60 % five years earlier in 2005. The Top 10 would then account for around 72 % of the market. The impact of integrating Tengelmann's Plus discount format in Edeka's Netto Marken-Discount store network in 2009 contributed significantly to this development.

Overall, Germany is over-shopped, i.e. there are too many stores per capita, even though for many years the number of total grocery stores (incl. drugstores and discounters) has regularly declined to a total of now 47,534 according to Nielsen in January 2010.

Germany's top retailers operate a variety of formats. Grocery retail is structured by Nielsen as follows:

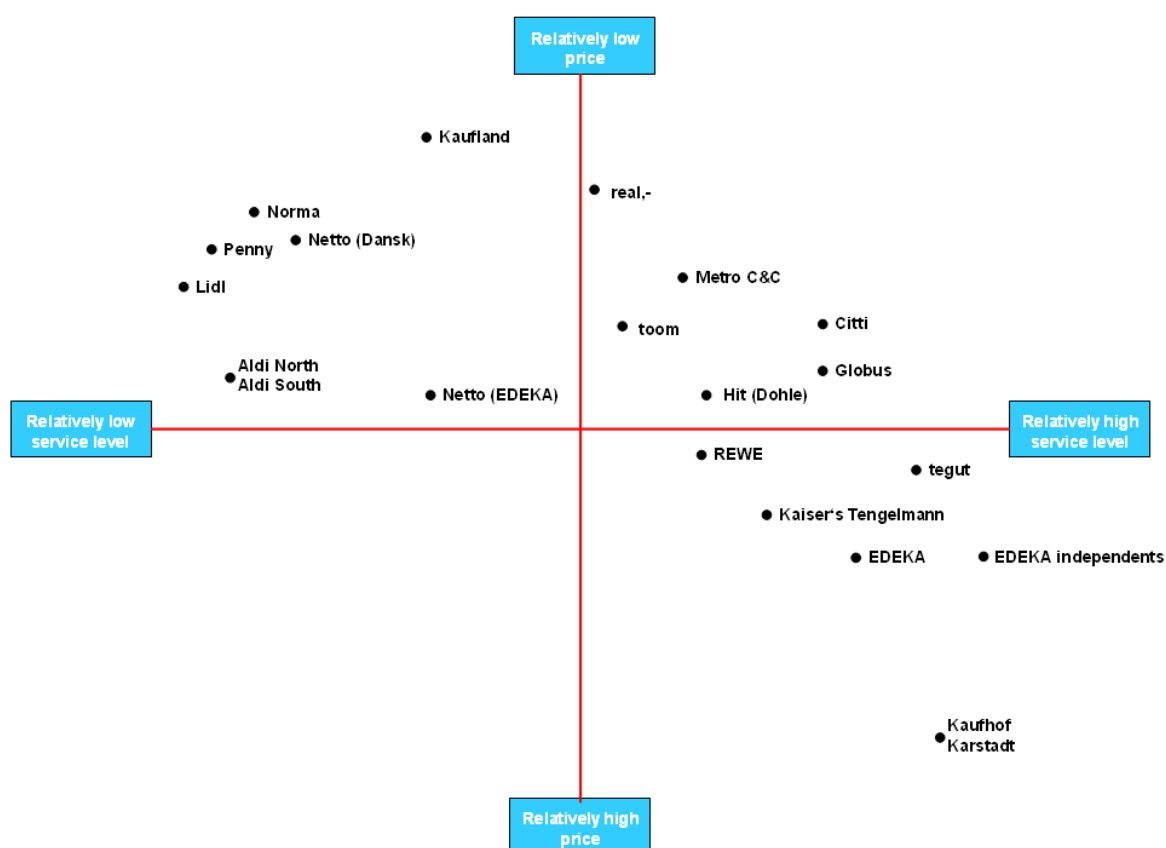
	Number of Outlets (Jan 10)	Turnover (€ bn) 2009
Superstores		
total	6,424	61.0
large (as of 2,500 sqm)	1,891	39.4
small (1,000-2,499 sqm)	4,533	21.6
Discounters	15,951	58.6
Supermarkets		
total	12,385	21.3
large (400-999 sqm)	4,922	15.5
small (100-399 sqm)	7,463	5.8
Drugstores	12,774	12.7
TOTAL	47,534	153.6

Nevertheless, given the specific German market situation with an overall discounter share of approx. 40 %, retail has now realised the necessity for product differentiation vs. the discounters. Ranges must reflect current trends and customer needs, i.e. new food concepts are actively being sought by Germany's category managers.

Pricing plays an important role in Germany which is reflected by the success of the discounters Aldi and Lidl. Although consumers are price-focussed they are, at the same time, quality-conscious.

Unlike in some other European countries, internet shopping in the food sector has been slow to develop in Germany. EDEKA would appear to be the most advanced with a system called EDEKA24 (www.edeka24.de) which is run nationally from the South West region based in Offenburg. REWE offers with REWE Express (www.rewe-express.de) a pick up service at the store, i.e. order online and pick up later.

In the following chart, GSG has estimated current perception of mainstream German retailers in the eyes of the consumer and based on the two axes high / low price and high / low service levels:



Source: Green Seed Germany (qual. evaluation)

4.1.2. Top 10 Grocery Retailers

The Top 10 food groups / retailers in Germany (including the Top 3 drugstore chains) are:

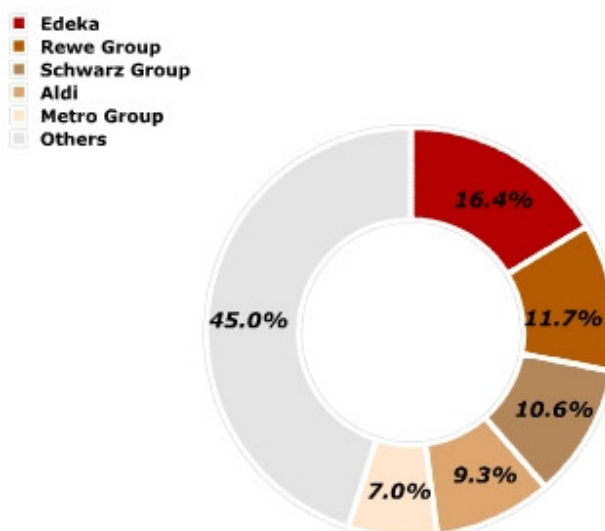
Top 10 Food Germany by Turnover 2009

Rank	Company/Group	Turnover 2009 (€ m)	Change (%)
1	Edeka-Gruppe	39.627	+16,8
2	Rewe Group	26.231	+6,3
3	Schwarz-Gruppe	22.203	+3,3
4	Aldi Inc.	20.360	+2,7
5	Metro Group	11.930	-10,7
6	Lekkerland GmbH & Co. KG	7.821	+0,3
7	Anton Schlecker	4.371	-8,1
8	dm-Drogeriemarkt GmbH + Co.KG	3.373	+11,5
9	Tengelmann Gruppe	2.434	-71,5
10	Dirk Rossmann GmbH	2.350	+8,4

*incl. t/o independents

Source: TradeDimensions / Lebensmittel Zeitung March 2010

Market Shares of Top 5 Retailers 2010



Source: Planet Retail Ltd - www.planetretail.net

See Chapter 5.6 for contact details and websites of the Top 5 retailers / fascia.

4.1.3. Organisations

German retail has only recently, i.e. over the last ten years or so, started to consolidate and create buying organisations in a wider sense, thus enabling leaner structures and lower costs. The buying departments of the large multiples more and more control also the negotiations of smaller groups, i.e. price pressure has become even more intensive.

Buying groups are particularly important for the smaller players in the market. Although market concentration is high, there are several strong regional players that co-operate within the frame work of buying groups. The major nationally operating buying group is Markant. Other members include smaller retailers, drugstores (e.g. Schlecker, dm, Rossmann, Müller) and Kaufland, the discount hypermarket format of Schwarz Group to which also Lidl belongs.

4.1.4. Listing Fees and Promotions

Listing fees are of course a main topic of conversation with retailers as in every other country. They are, however, extremely difficult to quantify due to the number of variables (e.g. product category, category growth, manufacturer's promotion programme, consumer advertising etc.). Hence, there are no fixed listing amounts, apart from a negotiation starting point of € 100,000 for a national listing in a leading retailer. It is worth noting that discounters, accounting for 40 % of the market, are the exception in that they require net net net costing with no need for the manufacturer to keep in reserve any other support money.

Promotion investment can often offset / reduce a listing fee.

The top retailers publish weekly sales leaflets (German: Handzettel) to promote products. The ads are often combined with price reductions as price promotions are very popular in German retail and a good tool for suppliers to create awareness of products (see Retailer Chapters for more details). Sales leaflets are also available at the store entrance. In addition, households receive a selection of sales leaflets by mail on Saturdays / Sundays. Many retailers also offer their sales leaflet as a download on their website. See Appendix G for a sales leaflet example.

A feature in a retailer's sales leaflet is financed by the amount of advertising cost which is included in the annual review meeting. This is called WKZ (Werbekostenzuschuss or advertising allowance). For example, if a product is to be supported four times in a calendar year and each colour feature in the ad costs € 15,000, then the WKZ for the year is € 60,000. With an ambient product, this amount frequently also ensures off-shelf pallet placement in addition to the regular

shelf space. For chilled and frozen products, it also means that a higher amount of product is ordered for the period of advertising support to reflect higher offtake.

4.1.5. Pricing

In general, there are several aspects to consider when calculating a net sell-in price for German retail:

1. Cost for transportation	based on multi-trip Euro pallets, DC's requirements such as opening hours and delivery on trucks with tail-lift, see Chapter 3.5
2. Costs for implementation of EAN 128 pallet labelling system	required by most retailers due to automatised depots
3. Costs for testing institute	label check and product testing, see Chapters 3.4 and 3.8.2 as well as Appendix D
4. Listing fees	depending on retailer, product category, type of product, see Chapter 4.1.4
5. Retail margin	see Retailer Chapters
6. Possible broker fee	dependent on requirements, e.g. temperature controlled or ambient approx. 8 %
7. VAT	see Chapter 3.3.2
8. Marketing budget	ad in sales leaflet, in-store tastings etc., see Chapter 4.1.4 and Retailer Chapters
9. Green Dot license fee	see Chapter 3.3.3 and Appendix A
10. Waste disposal fees	see Chapter 3.3.3
11. Number and location of depots	to be clarified with buyer
12. Quotation free depot	in case this price is not favourable, the buyer might ask for an ex works price (German: ab Werk, free depot = frei Haus).

Pricing example (e.g. ambient product)

	€ 2.99	RSP
./.	€ 0.196	7 % VAT
=	€ 2.794	Net RSP (excl. VAT)
./.	€ 0.950	Retailer margin 34 %
=	€ 1.844	Net price
./.	€ 0.006	0.3 % waste disposal fee based on net price
./.	€ 0.046	2.5 % [other forms of retailer bonuses (if applicable as differs from product to product) based on net price]
=	€ 1.792	Net net sales price to retailer

4.1.6. General Tips

In Germany, usage of the decimal point and comma is reversed compared with Anglo-Saxon countries, i.e. € 2.99 is € 2,99 and € 1,000 is € 1.000. Hence, the German way should be used when quoting offers to retailers.

Retailers conduct annual review meetings (German: Jahresgespräche) with their suppliers to review and discuss the development of products and to plan activities, new listings etc. for the following year. The meetings are usually held in German. Not all buyers speak English and most of them do not have language skills sufficient for negotiating conditions. Suppliers are usually invited to these meetings in the period from August to December. Depending on the amount of suppliers a buyer / category manager has to deal with, annual review meetings can last until Spring. In general, suppliers are expected to be punctual for the meeting. Suppliers should allow for a waiting time of approx. 30 minutes.

Timing and punctuality in general play an important role in Germany. If a buyer asks for an offer or details like technical data, suppliers should be prepared to provide the requested within usually 2–3 days. Deadlines and delivery dates / times set by the buyer must be taken seriously. Not meeting them or postponing them might have a negative impact on the relationship with the buyer.

When dealing with German retailers it is important to be patient and persevering. The majority of buyers does not make quick decisions. Approaching a retailer can take several months or up to two years in order to achieve a listing. However, once a supplier has proved to be punctual, meet deadlines / delivery slots and provide a product of good quality and service, a further step to a trustful and loyal relationship is certainly taken.

4.2. EDEKA Group



EDEKA Group is Germany's No. 1 grocery retailer with a 2009 food turnover of € 39.7 bn and € 43.6 bn total turnover which includes non-food. This increase of 16.8 % vs. previous year reflects mainly the integration of Tengelmann Group's PLUS discount stores into EDEKA's Netto Marken-Discount store network. EDEKA Group is a co-operative, with its head office in Hamburg which is in charge of listing private label products and national mainstream brands / companies such as Mars, Ferrero, Marlboro and Coca-Cola.

Being a symbol/multiple combination, EDEKA is difficult to deal with for suppliers who do not exactly know the structure. Although a continuing centralisation was planned, the seven individual EDEKA regions are gaining more and more power as they account for most of the profit. It is mainly in the regions where EDEKA is expanding its product ranges and is testing new store formats. Today, some of the EDEKA regions have already overtaken REWE with the implementation of new retail branding concepts.

50 % of each of the seven EDEKA regions is owned by each co-operative and 50 % by the head office. The regions manage the operative business and supply EDEKA retail with fresh groceries on a daily basis. EDEKA Group also owns manufacturing facilities for meat, sausages, bread and bakery products.

A further characteristic of EDEKA is the high number of independents. These are individually owned stores / groups of stores up to 20–30 operating under the EDEKA banner and buying primarily from EDEKA wholesale. They tend to be successful and extremely affluent people, e.g. EDEKA Scheck or EDEKA Hieber within EDEKA South West.

The EDEKA Group operates several formats:

- Hypermarkets / superstores (Marktkauf, E-Center) – approx. 400 outlets
- Supermarkets (E-neukauf, E-aktiv, EDEKA, Nah & Gut etc.) – approx. 6,800 outlets
- Discounters (national format Netto and smaller regional formats) – approx. 4,500 outlets
- Cash & Carry (E-C+C Großmarkt) – approx. 110 outlets

EDEKA is positioned as main shopping destination for shoppers aged 35 years + (A/B/C1/C2). It is perceived as quality-driven and trustworthy, a loyal partner and traditional but modern.

Over recent years EDEKA has run an award-winning TV and poster campaign „Wir lieben Lebensmittel“ (We love food) to add to the image and create awareness for the high quality and service level.

Strategically, EDEKA has reduced its international presence to focus more on the German market and consolidate its leading market position there. A further focus is to increase private label share and emphasise the quality aspect of branded products/fresh food simultaneously. In addition, importance is attached to regional products within each region.

EDEKA Group has its own buying group and is a partner of some regional retailers such as Globus and Feneberg. On an international level EDEKA Group is involved in the European trade alliance Alidis / Agenor in Geneva with the French ITM Entreprises Group Intermarché and the Spanish Eroski Group.

4.2.1 Pricing Policy – EDEKA

EDEKA offers everything from price-entry level (i.e. Aldi alternatives) to premium brands (inspired by Tesco's Finest). The average RSP in non-mainstream categories is about 5 % higher vs. competition. In the independents the compensation for this is the wider depth of ranges offered.

The current focus is placed on the strategic development and expansion of private label ranges. EDEKA wants to offer to the consumer an obvious added value with the newly revised value private label "GUT&GÜNSTIG" (good and low priced) and a variety of other private label ranges.

EDEKA's main private label categories are:

GUT&GÜNSTIG (value)



EDEKA (regular)



elkos (personal hygiene)



The EDEKA (regular) range comprises other themed labels such as EDEKA Bio Wertkost (organic), EDEKA Italia (Italian cuisine), EDEKA Mibell (dairy) etc. For further details see Appendix E.

EDEKA's margin requirements differ per category and range and are for branded products approx. 35 % to 45 % and for private label products 25 % to 35 %.

Prices are usually calculated free depot. In exceptional cases, the buyer might also ask for ex works prices.

4.2.2 Promotional Requirements and Demands – EDEKA

There are several possibilities to promote a product on shelf at EDEKA. The most common is an ad in the sales leaflet which is published weekly. See Appendix F for example of EDEKA sales leaflet.

The number of ads to be placed in a year is discussed with the buyer in the annual review meeting. There are no fixed prices for ads. Fees are subject to individual negotiations with the buyer and are often combined with product listings.

An ad in the sales leaflet is often combined with off-shelf placements (German: Displays) in (selected) stores during the promotion week. This additional stock is to be provided on ¼ Chep pallets. The display case must not exceed the ¼ Chep pallet's measurements. The supplier pays production and transport. Usually, the fee for the ad also covers the off-shelf placements. See Appendix C for example of ¼ Chep Display.

Further promotional tools are in-store tastings. EDEKA's independents are especially keen on this type of promotion as individual store sales benefit from this action. The supplier has to organise staff, equipment etc. for example via a promotion agency. Depending on the type of product promotional staff either provides samples or buys samples in store. The supplier pays the cost for staff, equipment, samples and possibly give-aways but no additional fees.

4.2.3 Logistics Structure – EDEKA

Although logistics are well developed within EDEKA, German retailers in general need to improve further to reach standards of other countries, e.g. the UK and the Netherlands, especially regarding chilled food. A few years ago, EDEKA Group created a division for sourcing logistics. It is this division's primary goal to optimise the logistic procedures within the group whilst creating synergy potential.

EDEKA has 3–7 DCs per region, a total of over 30 DCs across Germany. These DCs are full range depots. There is usually one depot for fresh products per region. Some of the regions have set up an own logistics system to handle beverages via separate and independent depots.

The distribution network for EDEKA's discount format Netto is currently being rebuilt to integrate the PLUS stores / warehouses acquired from Tengelmann.

Suppliers with a national listing are usually asked to deliver to all DCs, i.e. over 30. If products are listed with an EDEKA region, the manufacturer is required to deliver to the region's 3–7 DCs. However, direct store delivery is sometimes possible. This could for example apply to a product that is listed only in selected stores within a region.

4.2.4 From introduction to launch – EDEKA

After initial thorough market analysis and price calculations to verify feasibility, the relevant buyer in the head office in Hamburg (if offering a private label) or otherwise, the buyer in one of the seven EDEKA regions is to be contacted. The most powerful

or innovative regions are EDEKA Rhein-Ruhr, EDEKA Minden and EDEKA Südwest.

Before contacting the buyer, several preparatory steps are essential:

- PowerPoint presentation of product, its proposed positioning and the company
- Fresh samples
- Technical data
- Pricing
- Legality of ingredients (e.g. check by Institut Fresenius)
- Logistics / cost of logistics

In a first step, sending the presentation and samples will suffice. These must be followed up within 1–2 weeks with a phone call. The buyer might then request more details such as technical data and a price. The number of distribution points should be clearly stated. Details and offer are to be sent to the buyer within a few days. Because of the annual review meetings it can be difficult to get appointments from October to January.

An initial meeting should definitely not last more than one hour and only will take place after the category management has given an initial preliminary OK for listing. It is important to have available all documents previously provided in addition to fresh samples. Absolutely imperative is to have a clear logistics solution for transport to all parts of Germany.

This initial meeting will most probably be the one and only chance to gain interest for the product and present the case. Usually, the decision to list the product is made in that first meeting which is followed up by offer(s) via e-mail.

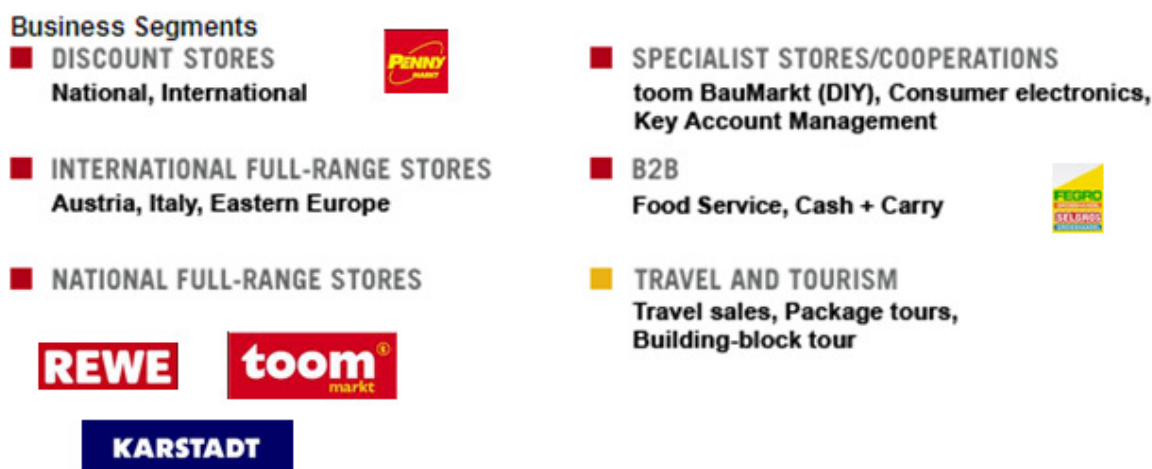
Once the offer is accepted, the listing preparations begin. The actual launch depends on shelf-space and scheduled range revisions which vary from year to year according to product category, buyer and other internal schedules. For private label products, tenders are held usually once a year. When offering a private label product the initial aim is to be included in the tender list, i.e. to receive a tender invitation.

Promotional activities such as an ad in the sales leaflet or in-store tastings are defined within the framework of the listing negotiations to support the launch. Depending on the type of product, i.e. average turnover rates per product per week per store, product sales are monitored for 3–6 months.

4.3. REWE Group

REWE Group's total food turnover in 2009 increased by +6.3 % and amounted to € 26.2 bn (total turnover € 36.3 bn). REWE Group is a co-operative with its head office in Cologne. Apart from foodservice operations, the group also strongly focuses on two other business sectors: travel and media.

REWE Group's structure:



With regard to food turnover, REWE Group is the No. 2 retailer in Germany and at the same time the leading German retailer in Europe. It is centrally organised and offers good opportunities especially for new suppliers.

REWE Group's fascia are:

- REWE (superstores, supermarkets) – approx. 3,300 outlets
- toom (hypermarkets) – approx. 100 outlets (84 by end 2010)
- Penny (discounters) – approx. 2,380 outlets
- Karstadt (food halls in Karstadt department stores) – approx. 60 outlets
- Fegro/Selgros (C&C) – approx. 40 outlets

REWE is organised into 6 regions as well as REWE Dortmund which operates within the Group and has over 500 stores. It is owned by 300 independent retailers.

REWE has innovative ranges and store concepts, is perceived as modern and clearly structured functioning as service provider and one-stop shopping destination. The fascia offers products from price-entry level ("Ja!") to premium brand ("REWE Feine Welt", REWE fine world).

REWE Group's ambitions are to strengthen its market position, focus on the retail brand REWE and boost private label sales to 30 % of turnover by 2012. The consumer is supposed to take centre stage. Recently, REWE Group invested in the discount business Penny and has plans to expand its organic supermarket fascia Vierlinden (4 outlets) and Temma (1 outlet, new concept).

Similar to EDEKA, REWE had high media spending focussing on the fascia and its private label products with the claim "Jeden Tag ein bisschen besser." (every day a little bit better).

REWE Group takes a leading role in the international buying group Coopernic (Brussels).

In 2005, REWE Group took on the purchasing role for Dohle Group from Markant. At the same time, food buying for 60 Karstadt food halls was taken as 25.1 % of Karstadt Feinkost GmbH are owned by REWE Group.

The following Chapter combines REWE and toom as ranges and procedures are very similar.

4.3.1.1 Pricing Policy – REWE and toom

REWE offers everything from price entry level (alternative to ALDI) to premium brands. RSPs are average on non-mainstream ranges.

The current focus is placed on the development and expansion of private label ranges, especially REWE Feine Welt (REWE fine world) which was launched in September 2009 with an initial 100 SKUs.

REWE's private label categories are:

Ja! (value)



REWE (regular)



REWE Feine Welt (premium)



REWE Bio (organic)



Wilhelm Brandenburg (meat)



The private label ranges displayed above are all available at REWE and toom fascia. Penny, the REWE-owned discounter, has its own ranges of private label products.

REWE's margin requirements for branded and private label products differ per category and range from approx. 30 % to 45 %.

Prices are usually calculated free depot. In exceptional cases, the buyer might also ask for ex works prices.

4.3.1.2 Promotional Requirements and Demands – REWE and toom

The possibilities to promote a product on shelf at REWE and toom are similar to EDEKA. The most common is an ad in the sales leaflet which is published weekly. See Appendix G for example of REWE and Appendix H for toom sales leaflet.

The number of ads to be placed in a year is discussed with the buyer in the annual review meeting. There are no fixed prices for ads. Fees are subject to individual negotiations with the buyer and are often combined with product listings.

An ad in the sales leaflet is often combined with off-shelf placements (German: Displays) in (selected) stores during the promotion week. This additional stock is to

be provided on ¼ Chep pallets. The display case must not exceed the ¼ Chep pallet's measurements. The supplier pays production and transport. Usually, the fee for the ad also covers the off-shelf placements. See Appendix C for example of ¼ Chep Display.

Further promotional tools are in-store tastings. The supplier has to organise staff, equipment etc. for example via a promotion agency. Depending on the type of product promotional staff either provides samples or buys samples in store. The supplier pays the cost for staff, equipment, samples and possibly give-aways but no additional fees.

Another possibility to create awareness for a product and incite trial purchase is to issue a coupon "buy one, get one free" in REWE's monthly lifestyle magazine for women "Laviva". Coupons are valid for approx. 6 weeks and can be redeemed in REWE and toom stores.



Laviva Magazine



Coupon in Laviva

4.3.1.3 Logistics Structure – REWE and toom

REWE Group has centralised its logistics more and more. Today, most deliveries go into central depots.

Approximately five years ago, REWE Group implemented a national internal order system called "ZAM". This worked out well with regard to out-of-stock issues but created new problems: The „ZAM“-system needs to be manually installed and set up. The system re-orders new goods only when a certain, previously defined amount is left over on the shelf of a store, i.e. if the system is not thoroughly administered by the store managers, growth rates of a product are not taken into account and overall growth is prevented. In consequence, sales data submitted to the category management of REWE Group does not show the real development of a product.

REWE Group has a DC in Central Germany (Dietzenbach near Frankfurt) which is mostly used for non-food promotional stock but also for imported goods. In addition, Germany is split into six REWE regions, each with 1–3 DCs. Frequently, there are smaller depots for cross-docking or low rate of turnover products.

The DCs and depots serve REWE supermarkets, toom hypermarkets and Karstadt food halls but not Penny, which has a separate system and stores.

The whole area of distribution is in constant flux and changing monthly as they try to make up lost territory. In consequence, REWE Group is currently revising its distribution structure and investing € 700 m in the modernisation of the system.

4.3.1.4 From introduction to launch – REWE and toom

After initial thorough market analysis and price calculations to verify feasibility, the relevant category manager for REWE and toom is to be contacted. Karstadt and Penny have separate buyers, one for each of the fascia.

Before contacting the buyer several preparatory steps are essential:

- PowerPoint presentation of product, its proposed positioning and the company
- Fresh samples
- Technical data
- Pricing
- Legality of ingredients (e.g. check by Institut Fresenius)
- Logistics / cost of logistics

In a first step, sending the presentation and samples will suffice. These must be followed up within 1–2 weeks with a phone call. The buyer might then request more details such as technical data and a price. The number of distribution points should be clearly stated. Details and offer are to be sent to the buyer within a few days. Because of the annual review meetings it can be difficult to get appointments from October to January.

A meeting once arranged should definitely not last more than one hour. It is important to have available all documents previously provided in addition to fresh samples. Absolutely imperative is to have a clear logistics solution for transport to all parts of Germany.

This initial meeting will most probably be the one and only chance to gain interest for the product and present the case. Usually, the decision to list the product is made in that first meeting which is followed up by offer(s) via e-mail.

Once the offer is accepted, listing preparations begin. The actual launch depends on shelf-space and scheduled range revisions which vary from year to year according to product category, buyer and other internal schedules. The launch in toom hypermarkets is centralised so that a launch is possible within a few weeks. The launch process for Karstadt food halls is also not as complex as for REWE supermarkets and is possible within a few weeks.

For private label products, tenders are held usually once a year. When offering a private label product the initial aim is to be included in the tender list, i.e. to receive a tender invitation.

Promotional activities such as an ad in the sales leaflet or in-store tastings are defined within the framework of the listing negotiations to support the launch. Depending on the type of product, i.e. average turnover rates per product per week per store, product sales are monitored for 3–6 months.

When product sales exceed € 100,000 and the supplier plans to expand within REWE Group, the central buying team relevant to the category should be contacted to negotiate overall conditions that apply to the group's various fascia. The so-called central listing facilitates the approach to the other buyers and will also open doors to REWE partners such as Dohle (89 hypermarkets) and coop Kiel (300 supermarkets). If a central listing is in place, the first meeting in a series of annual reviews will be the one with the central buyer. Only after new terms and conditions are agreed upon, can the annual review with the fascia buyers be scheduled.

4.3.2.1 Pricing Policy – Penny

Penny is the third largest discounter after ALDI and Lidl and with currently 2,380 stores. It offers approx. 1,200 private label products as well as many brands. The ratio of private label vs. branded product is approx. 55/45.

Penny has a large variety of private label ranges which are mainly at a price-entry level. As well as standard private label for bakery products, dairy products etc., Penny offers also Line (fat and sugar reduced products) and Ayurvital (wellness food, drink and hygiene products):



Penny's margin requirements for branded and private label products differ per category and range from approx. 25 % to 40 %.

Prices are usually to be calculated free depot but the buyer might also ask for ex works prices.

4.3.2.2 Promotional Requirements and Demands – Penny

Penny runs promotions starting every Thursday. In addition to ads placed in national / regional newspapers, sales leaflets are available in store.

4.3.2.3 Logistics Structure – Penny

REWE Group is currently restructuring its logistics establishing two logistics structures, one for full-range and one for discount stores. This modernising project is scheduled to be completed in 2012. Until now, Penny stores were supplied via REWE full-range DCs.

4.3.2.4 From introduction to launch – Penny

Penny buyers are easier to approach than ALDI or Lidl buyers. Usually, the first step is to provide the buyer with a presentation of products and company. This is to be followed up with a phone call after 1–2 weeks. Upon interest from the buyer fresh samples are to be dispatched. The buyer sometimes asks for a price indication to be sent along with the samples. This is also to be followed up within 1–2 weeks. In the case of a private label approach, the aim of these first two steps is to be added to the tender list in order to receive an invitation to tender. For a branded approach, the next step would be to provide a more detailed offer and, upon positive response, to set up a meeting to discuss a listing.

4.3.3.1 Pricing Policy – Karstadt

The 60 Karstadt food halls offer brands and a few selected private label products from REWE's private label portfolio. Average RSPs are approx. 10 % above mainstream price levels.

Karstadt's margin requirements for branded products differ per category and range from approx. 35 % to 45 %.

Prices are usually calculated free depot.

4.3.3.2 Promotional Requirements and Demands – Karstadt

The possibilities to promote a product on shelf at Karstadt are similar to REWE and toom. The most common is an ad in the sales leaflet which is published every two weeks. See Appendix I for example of Karstadt sales leaflet.

The number of ads to be placed in a year is discussed with the buyer in the annual review meeting. There are no fixed prices for ads. Fees are subject to individual negotiations with the buyer and are often combined with product listings.

An ad in the sales leaflet is often in combination with off-shelf placements (German: Displays) in (selected) stores during the promotion week. This additional stock is to be provided on ¼ Chep pallets. The display case must not exceed the ¼ Chep pallet's measurements. The supplier pays production and transport. Usually, the fee for the ad also covers the off-shelf placements. See Appendix C for example of ¼ Chep Display.

In-store tastings in food halls are of particular importance and expected from all main suppliers. The supplier has to organise staff, equipment etc. for example via a promotion agency. Depending on the type of product promotional staff either provides samples or buys samples in store. The supplier pays the cost for staff, equipment, samples and possibly give-aways but no additional fees.

4.3.3.3 Logistics Structure – Karstadt

Karstadt stores receive stock from REWE DCs. However, sometimes suppliers are required to deliver directly to the stores, in particular if distribution is only to be in larger Capital City stores (Weltstadthäuser).

4.3.3.4 From introduction to launch – Karstadt

After initial thorough market analysis and price calculations to verify feasibility, the relevant category manager / buyer for Karstadt is to be contacted.

Before contacting the buyer several preparatory steps are essential:

- PowerPoint presentation of product, its proposed positioning and the company
- Fresh samples
- Technical data
- Pricing
- Legality of ingredients (e.g. check by Institut Fresenius)
- Logistics / cost of logistics

In a first step, sending the presentation and samples will suffice. These must be followed up within 1–2 weeks with a phone call. The buyer might then request more details such as technical data and a price. The number of distribution points should be clearly stated. Details and offer are to be sent to the buyer within a few days. Because of the annual review meetings it can be difficult to get appointments from October to January.

A meeting once arranged should definitely not last more than one hour. It is important to carry all documents previously provided in addition to fresh samples. Absolutely imperative is to have a clear logistics solution for transport to all parts of Germany.

This initial meeting will most probably be the one and only chance to gain interest for the product and present the case. Usually, the decision to list the product is made in that first meeting which is followed up by offer(s) via e-mail.

Once the offer is accepted, the listing preparations begin. The actual launch depends on shelf-space and scheduled range revisions which vary from year to year according to product category, buyer and other internal schedules. The launch process for Karstadt food halls is not as complex as with REWE supermarkets, i.e. it takes a few weeks.

Promotional activities such as an ad in the sales leaflet or in-store tastings are defined within the framework of the listing negotiations to support the launch. Depending on the type of product, i.e. average turnover rates per product per week per store, product sales are monitored for 3–6 months.

When product sales exceed € 100,000 and the supplier plans to expand within REWE Group, the central buying team relevant to the category should be contacted to negotiate overall conditions that apply to the group's various fascia. The so-called central listing facilitates the approach to the other buyers and will also open doors to REWE partners such as Dohle (89 hypermarkets) and coop Kiel (300 supermarkets). If a central listing is in place, the first meeting in a series of annual reviews will be the one with the central buyer. Only after new terms and conditions are agreed upon, can the annual review with the fascia buyers be scheduled.

4.4. Schwarz Group



Schwarz Group is better known under one of its fascia's name Lidl. The group's food turnover in 2009 accounted for € 22.2 bn (total turnover € 27.4 bn), an increase of +3.3 % compared to the previous year. The Schwarz Group is privately owned by D. Schwarz and his foundation. It is based in Neckarsulm, North of Stuttgart.

The Schwarz Group operates two store formats: hypermarkets and discounters. The fascia names are:

- Lidl (discount stores) – approx. 3,100 outlets
- Kaufland (hypermarkets, also named Kaufmarkt, Handelshof) – approx. 550 outlets

Schwarz Group is the No. 1 hypermarket group operating formerly only in the Southern and Eastern parts of Germany but now nationally. Kaufland/Kaufmarkt is located mainly in Eastern Germany, Berlin, Bavaria and Baden-Wurttemberg.

Since 2001, the group is divided into Kaufland Stiftung & Co. KG and Lidl Stiftung & Co. KG, to mark their independence. Kaufland buys through the buying group Markant whereas Lidl buys independently.

With regard to international presence, Lidl in particular is present in France, UK, Ireland, Belgium, Denmark, Italy, The Netherlands, Portugal, Spain, Austria, Greece, Finland, Poland, Sweden, Slovakia and other countries.

Lidl's positioning is focussed on everyday groceries at the best price. The discounter is innovative and quickly adapts to trends. Lidl is in the process of introducing in-store bakeries and is ALDI's strongest competitor.

Kaufland is positioned as price-focussed offering a wide range of products at a fair price. Compared to other hypermarkets such as toom (REWE Group) and Hit (Dohle Group), Kaufland could be categorised as "discount hypermarket" and is extremely successful in its expansion.

4.4.1.1 Pricing Policy – Lidl

Lidl has a ratio of own labels vs. branded products (approx. 70/30) with an aggressive pricing policy and a wide range of private labels. The most traditional and innovative are:

- Cien – health & beauty
- Belbake – bakery products
- Bellarom – coffee, cacao
- Biotrend – organic products
- Fairglobe – fair trade products
- Linessa – “light” products
- Milbona – dairy products
- W5 – cleaners and detergents

Lidl’s margin requirements for branded and private label products differ per category and range from approx. 30 % to 40 %.

Prices are usually calculated free depot but the buyer might also ask for ex works prices.

4.4.1.2 Promotional Requirements and Demands – Lidl

Lidl runs promotions starting every Thursday. In addition to ads placed in national / regional newspapers, sales leaflets are available in store. See Appendix J for an example of a Lidl newspaper ad.

4.4.1.3 Logistics Structure – Lidl

Lidl operates around 35 DCs. Since January 2005, all DCs are connected with six cross docking depots which handle temperature controlled products. Suppliers will be asked to deliver to all DCs throughout Germany.

4.4.1.4 From introduction to launch – Lidl

Lidl buyers are not as easy to approach as at EDEKA or REWE. Usually, the first step is to provide the buyer with a presentation of products and company, i.e. a hardcopy sent by post. This is to be followed up with a phone call after 1–2 weeks. Upon interest from the buyer fresh samples are to be dispatched. The buyer usually asks for a price indication to be sent along with the samples. This is also to be followed up within 1–2 weeks. In the case of a private label approach, the aim of these first two steps is to be added to the tender list in order to receive an invitation

to tender. For a branded approach, the next step would be to provide a more detailed offer and, upon positive response, to set up a meeting to discuss a listing.

4.4.2.1 Pricing Policy – Kaufland

Kaufland's price levels are generally lower than in other hypermarkets such as toom (REWE Group) or Hit (Dohle Group).

Kaufland's private label ranges are:

K-Classic
(value)



K-Bio
(organic)



K-Classic CONCEPT+
(pharmaceutical; value)



K-Classic WellYou
(health & well being)



Cultura Vini
(wine)



Purland
(meat and meat products)



Kaufland's margin requirements for branded and private label products differ per category and range from approx. 30 % to 40 %.

Prices are calculated free depot.

4.4.2.2 Promotional Requirements and Demands – Kaufland

Kaufland usually advertises in "TIP der Woche" / "TOP aktuell" which is a weekly newspaper distributed free of charge. Kaufland's special offers are featured and additionally, special non-food offers and/or information on current price reductions.

4.4.2.3 Logistics Structure – Kaufland

There are six DCs which service the entire store network. Approximately 85 % of deliveries are organised centrally. This set up is being revised and further developed at the moment. In 2009, Schwarz Group started a € 400 m investment programme for the renewal of Kaufland's distribution network.

4.4.2.4 From introduction to launch – Kaufland

Kaufland buyers are also not as easy to approach as at EDEKA or REWE and are similar to Lidl. Usually, the first step is to provide the buyer with a presentation of products and company, i.e. a hardcopy sent by post. This is to be followed up with a phone call after 1–2 weeks. Upon interest from the buyer, fresh samples are to be dispatched. The buyer usually asks for a price indication to be sent along with the samples. This is also to be followed up within 1–2 weeks. In the case of a private label approach, the aim of these first two steps is to be added to the tender list in order to receive an invitation to tender. For a branded approach, the next step would be to provide a more detailed offer and, upon positive response, to set up a meeting to discuss a listing.

4.5. ALDI Group



North



South

ALDI North and South increased their joint food turnover in 2009 by +2.7 % to € 20.4 bn (total turnover € 25.5 bn). With 2,531 ALDI North outlets and 1,744 ALDI South outlets in Germany, ALDI is No. 4 in the German food retailer ranking. Apart from Germany's high price consciousness this clearly shows the importance and predominance of German discounters as well as their high rate of professionalism.

Established in 1960, ALDI North and South are both private companies, founded by the two brothers Karl and Theo Albrecht. The latter, owning ALDI North, died in July 2010. In Germany, ALDI North and South divided the country into two regions, split through the middle of the country.

ALDI is the market leader in discount with a core range of approx. 800 SKUs. The discounter sets standards (e.g. customer satisfaction) for this channel. Both ALDI North and ALDI South, have a strong national and international presence. Just as Germany is split into ALDI North and ALDI South, in other countries there are either subsidiaries of ALDI North (Denmark, Belgium, The Netherlands, France, Poland, Portugal, Luxemburg, Spain) or ALDI South (UK, Ireland, Australia, USA and Austria, Hungary and Slovenia under the banner Hofer as well as Switzerland under the banner ALDI Suisse). ALDI South also owns Trader Joe's in the USA.

ALDI has mainly exclusive labels but some brands (again) as of 2006. ALDI is perceived as trend setter and innovation driver, focussing on consumers' confidence. Over the years, ALDI, in particular ALDI South has turned from a purely price-led retailer to a "quality discount store". Its image has changed. Shopping at ALDI has become "socially acceptable" whereas a decade ago, only students and household with lower income would shop there.

ALDI has become an innovator in chilled ready meals and ready-to-steam vegetables for microwaving right from the moment of the appearance of such new product concepts. A sophisticated work force as well as non-existing old structures enable ALDI to react quickly to new market trends. In some product categories (e.g. canned vegetables) ALDI has over 50 % market share.

ALDI South has its own coffee roasting facilities and has just started a form of in-store bakery.

4.5.1 Pricing Policy – Aldi

ALDI offers high quality at a low price. Although ALDI North and ALDI South drive the same pricing strategy, private label ranges are entirely different. For further details see Appendix K.

4.5.2 Promotional Requirements and Demands – Aldi

ALDI runs promotions twice a week, Monday and Thursday. In addition to ads placed in national / regional newspapers, sales leaflets are available in store. See Appendix L for an example of an ALDI sales leaflet.

4.5.3 Logistics Structure – Aldi

ALDI has a very effective and well functioning logistics system. With approx. 35 DCs in the North and 27 in the South, ALDI covers the whole of Germany. Depots are always primarily located centrally with regard to a certain amount of stores (location pre-defined) to be supplied by them. Each depot services approx. 40–100 stores.

4.5.4 From introduction to launch – Aldi

ALDI buyers are not easy to approach and extremely conscious of time. Usually, the first step is to provide the buyer with a presentation of products and company, i.e. a hardcopy sent by post or a short summary by fax. This is to be followed up with a phone call to the assistant buyer after 1–2 weeks. Upon interest from the buyer fresh samples are to be dispatched. The buyer usually asks for a price indication to be sent along with the samples. This is also to be followed up within 1–2 weeks. The aim of these first two steps is to be added to the tender list in order to receive an invitation to tender.

As ALDI North and ALDI South buyers work closely together, they should each be offered the same price.

There is also the possibility of approaching the buyer for a promotional, i.e. not a permanent listing. In this case, the same procedure as described above is followed but as a third step a meeting will be arranged. Often, a promotion is seen as a “test” to ascertain whether the “new” supplier can cope with ALDI’s requirements and whether there are no hiccups during delivery. In a further step, a test-listing or permanent listing can be discussed.

It is mandatory to have an IFS certificate. BRC certificated production facilities are not sufficient. ALDI’s quality requirements are extremely high.

4.6. Metro Group



is located in Düsseldorf.

METRO Group’s food turnover in 2009 amounted to € 11,930 m (total turnover € 30.7 bn), a decrease of -10.7 %. Its head office

METRO Group significantly downsized its food business in Germany by selling its entire store network of 245 “extra” hypermarkets to REWE Group in July 2008. The stores were mostly integrated into the REWE network. Today, METRO’s food turnover comes from its hypermarket chain “real,-“ (341 stores) and its cash & carry

fascia Metro C&C / C+C Schaper (123 stores). Apart from that, some more food turnover is generated by METRO Group's food halls in 27 of its 126 Galeria Kaufhof department stores. Food buying was dealt with centrally by METRO Group Buying but as of early 2010 buying responsibilities are now organised separately for each fascia.

METRO Group is one of the most important international retailers with over 2,100 locations in 34 countries in Europe, Africa and Asia. It is No. 2 in Europe after Carrefour and before Tesco, the No. 3.

METRO Group's businesses are:

- Metro Cash & Carry (worldwide market leader in self-service wholesale)
- Real,- hypermarkets
- Galeria Kaufhof (department stores)
- (Media Markt and Saturn, leading electronic specialist stores in Europe)
- (METRO Group Asset Management, real estate)

METRO Group runs diverse formats with a high level of diversification. Innovation of retail practises and technology play an important role. In addition, the group focuses on improving the profitability of Metro C&C and returning the loss making real,- to profitability.

4.6.1.1 Pricing Policy – real,-

real,- offers branded and more recently also private label products. RSPs are mostly average and on key discount items similar to ALDI and Lidl. Over recent years, the following private label ranges were launched:

Tip (value)



real,- Quality (regular)



real,- BIO (organic)



real,- Selection (premium)



real,-'s margin requirements for branded and private label products differ per category and range from approx. 30 % to 45 %.

Prices are calculated free depot. In exceptional cases, the buyer might also ask for ex works prices.

4.6.1.2 Promotional Requirements and Demands – real,-

The possibilities to promote a product on shelf at real,- are similar to toom. The most common is an ad in the sales leaflet which is published weekly. See Appendix M for example of real,- sales leaflet.

The number of ads to be placed in a year is discussed with the buyer in the annual review meeting. There are no fixed prices for ads. Fees are subject to individual negotiations with the buyer and are often combined with product listings.

An ad in the sales leaflet is often combined with off-shelf placements (German: Displays) in (selected) stores during the promotion week. This additional stock is to be provided on ¼ Chep pallets. The display case must not exceed the ¼ Chep pallet's measurements. The supplier pays production and transport. Usually, the fee for the ad also covers the off-shelf placements. See Appendix C for example of ¼ Chep Display.

Further promotional tools are in-store tastings. The supplier has to organise staff, equipment etc. for example via a promotion agency. Depending on the type of product promotional staff either provides samples or buys samples in store. The supplier pays the cost for staff, equipment, samples and possibly give-aways but no additional fees.

4.6.1.3 Logistics Structure – real,-

Within the framework of METRO Group's reorganisation programme Shape 2012, implemented in 2009, "Metro Group Logistics (MGL)" organises country operations with only one food banner in order to generate synergies in the grocery supply chain.

The majority of stock (80 %) for real,- stores is supplied via seven DCs located in different parts of Germany (Bremen, Sarstedt, Altlandsberg, Essen, Frechen, Gimbsheim and Reichenbach).

4.6.1.4 From introduction to launch – real,-

After initial thorough market analysis and price calculations to verify feasibility, the relevant buyer / category manager for real,- is contacted.

Before contacting the buyer, several preparatory steps are essential:

- PowerPoint presentation of product, its proposed positioning and the company
- Fresh samples
- Technical data
- Pricing
- Legality of ingredients (e.g. check by Institut Fresenius)
- Logistics / cost of logistics

In a first step, sending the presentation and samples will suffice. These must be followed up within 1–2 weeks with a phone call. The buyer might then request more details such as technical data and a price. The number of distribution points should be clearly stated. Details and offer are to be sent to the buyer within a few days. Because of the annual review meetings it can be difficult to get appointments from October to January.

A meeting once arranged should definitely not last more than one hour. It is important to carry all documents previously provided in addition to fresh samples. Absolutely imperative is to have a clear logistics solution for transport to all parts of Germany.

This initial meeting will most probably be the one and only chance to gain interest for the product and present the case. Usually, the decision to list the product is made in that first meeting which is followed up by offer(s) via e-mail.

Once the offer is accepted, listing preparations begin. The actual launch depends on shelf-space and scheduled range revisions which vary from year to year according

to product category, buyer and other internal schedules. For private label products, tenders are held usually once a year. When offering a private label product the initial aim is to be included in the tender list, i.e. to receive a tender invitation.

Promotional activities such as an ad in the sales leaflet or in-store tastings are defined within the framework of the listing negotiations to support the launch. Depending on the type of product, i.e. average turnover rates per product per week per store, product sales are monitored for 3–6 months.

4.6.2.1 Pricing Policy – Metro C&C

Metro C&C offers branded and private label products. RSPs are average for a wholesaler. The following private label ranges focussing on HoReCa customers are available:

Select HORECA
(for professional chefs)



H-Linie
(solutions for hotels for a fair price)



RIOBA
(premium for bars and cafés)



Aro
(value)



Fine Food
(top quality for a top price; regular)



Metro C&C's margin requirements for branded and private label products differ per category and range from approx. 30 % to 45 %.

Prices are calculated free depot but buyers can ask for ex works prices as well.

4.6.2.2 Promotional Requirements and Demands – Metro C&C

The possibilities to promote a product on shelf at Metro C&C do not differ much from real,-. The most common is a feature in the sales leaflet which is published weekly.

The number of ads to be placed in a year is discussed with the buyer in the annual review meeting. There are no fixed prices for ads. Fees are subject to individual negotiations with the buyer and are often combined with product listings.

An ad in the sales leaflet is often combined with off-shelf placements (German: Displays) in (selected) stores during the promotion week. This additional stock is to be provided on ¼ Chep pallets. The display case must not exceed the ¼ Chep pallet's measurements. The supplier pays production and transport. Usually, the fee for the ad also covers the off-shelf placements. See Appendix C for example of ¼ Chep Display.

Further promotional tools are in-store tastings. The supplier has to organise staff, equipment etc. for example via a promotion agency. Depending on the type of product promotional staff either provides samples or buys samples in store. The supplier pays the cost for staff, equipment, samples and possibly give-aways but no additional fees.

4.6.2.3 Logistics Structure – Metro C&C

Metro C&C stores are supplied via 18 DCs operated by Metro Group Logistics.

4.6.2.4 From introduction to launch – Metro C&C

After initial thorough market analysis and price calculations to verify feasibility, the relevant buyer / category manager for Metro C&C is contacted.

Before contacting the buyer several preparatory steps are essential:

- PowerPoint presentation of product, its proposed positioning and the company
- Fresh samples

- Technical data
- Pricing
- Legality of ingredients (e.g. check by Institut Fresenius)
- Logistics / cost of logistics

In a first step, sending the presentation and samples will suffice. These must be followed up within 1–2 weeks with a phone call. The buyer might then request more details such as technical data and a price. The number of distribution points should be clearly stated. Details and offer are to be sent to the buyer within a few days. Because of the annual review meetings it can be difficult to get appointments from October to January.

A meeting once arranged should definitely not last more than one hour. It is important to carry all documents previously provided in addition to fresh samples. Absolutely imperative is to have a clear logistics solution for transport to all parts of Germany.

This initial meeting will most probably be the one and only chance to gain interest for the product and present the case. Usually, the decision to list the product is made in that first meeting which is followed up by offer(s) via e-mail.

Once the offer is accepted, the listing preparations begin. The actual launch depends on shelf-space and scheduled range revisions which vary from year to year according to product category, buyer and other internal schedules. For private label products, tenders are held usually once a year. When offering a private label product the initial aim is to be included in the tender list, i.e. to receive a tender invitation.

Promotional activities such as an ad in the sales leaflet or in-store tastings are defined within the framework of the listing negotiations to support the launch. Depending on the type of product, i.e. average turnover rates per product per week per store, product sales are monitored for 3–6 months.

4.6.3.1 Pricing Policy – Kaufhof

Kaufhof is Germany's No. 2 department store group after Karstadt with 126 stores of which 27 have a food hall which is frequently on the ground floor or in the basement.

Kauhof offers mainly brands but has in recent years developed also a premium private label brand:



Average RSPs are up to 10 % above mainstream price levels.

4.6.3.2 Promotional Requirements and Demands – Kauhof

The possibilities to promote a product on shelf at Kauhof are somewhat more limited than in supermarkets / hypermarkets. Kauhof publishes themed sales leaflets every few weeks and on special occasions like Easter and Christmas. Otherwise, popular topics are food from other countries (Italy, Austria etc.) but also special events such as the start of the school year. See Appendix N for example of Kauhof sales leaflet.

The number of ads to be placed in a year is discussed with the buyer in the annual review meeting. There are no fixed prices for ads. Fees are subject to individual negotiations with the buyer and are often combined with product listings.

An ad in the sales leaflet is often in combination with off-shelf placements (German: Displays) in (selected) stores during the promotion week. This additional stock is to be provided on 1/4 Chep pallets. The display case must not exceed the 1/4 Chep pallet's measurements. The supplier pays production and transport. Usually, the fee for the ad also covers the off-shelf placements. See Appendix C for example of 1/4 Chep Display.

In-store tastings in food halls are of particular importance and expected from all main suppliers. The supplier has to organise staff, equipment etc. for example via a promotion agency. Depending on the type of product promotional staff either provides samples or buys samples in store. The supplier pays the cost for staff, equipment, samples and possibly give-aways but no additional fees.

4.6.3.3 Logistics Structure – Kauhof

Kauhof stores are supplied via 4 lead DCs, 3 regional distribution points and 10 regional service points.

4.6.3.4 From introduction to launch – Kaufhof

After initial thorough market analysis and price calculations to verify feasibility, the relevant buyer / category manager for Kaufhof is contacted.

Before contacting the buyer several preparatory steps are essential:

- PowerPoint presentation of product, its proposed positioning and the company
- Fresh samples
- Technical data
- Pricing
- Legality of ingredients (e.g. check by Institut Fresenius)
- Logistics / cost of logistics

In a first step, sending the presentation and samples will suffice. These must be followed up within 1–2 weeks with a phone call. The buyer might then request more details such as technical data and a price. The number of distribution points should be clearly stated. Details and offer are to be sent to the buyer within a few days. Because of the annual review meetings it can be difficult to get appointments from October to January.

A meeting once arranged should definitely not last more than one hour. It is important to carry all documents previously provided in addition to fresh samples. Absolutely imperative is to have a clear logistics solution for transport to all parts of Germany.

This initial meeting will most probably be the one and only chance to gain interest for the product and present the case. Usually, the decision to list the product is made in that first meeting which is followed up by offer(s) via e-mail.

Once the offer is accepted, listing preparations begin. The actual launch depends on shelf-space and scheduled range revisions which vary from year to year according to product category, buyer and other internal schedules.

Promotional activities such as an ad in the sales leaflet or in-store tastings are defined within the framework of the listing negotiations to support the launch. Depending on the type of product, i.e. average turnover rates per product per week per store, product sales are monitored for 3–6 months.

5 Additional Sources of Information and References in Germany

5.1 Trade Magazines and Research Companies

Lebensmittel Zeitung

(general grocery trade magazine)

www.lebensmittelzeitung.net



Lebensmittel Praxis

(general grocery trade magazine)

www.lebensmittelpraxis.de



afz

allgemeine fleischer zeitung

(meat trade magazine)

www.fleischwirtschaft.de



Milch-Marketing

(dairy magazine)

www.moproweb.de



Fischmagazin

(fish magazine)

www.fischmagazin.de



Getränkereport

(drink magazine)

Via LFG Verlag, Munich (no online presence)



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Insight Europe
Grosse Friedberger Str. 33-35
60313 Frankfurt am Main
Tel: +49 69 9563660
www.insighteurope.de



Millward Brown
Deichstraße 48-50
20459 Hamburg
Germany
Tel. +49 (0) 172 30 35 466
www.millwardbrown.com



5.2 Taxes, Duties and Other Fees

Customs

Bundesministerium der Finanzen
- Dienstsitz Bonn -
Am Propsthof 78a
53121 Bonn
Tel.: +49 351/44834-520
www.zoll.de/english_version



Taxes

Bundeszentralamt für Steuern
An der Kuppe 1
53225 Bonn
Telefon: +49 228 406 – 0
www.steuerliches-info-center.de/en





Waste disposal service provider

Der Grüne Punkt – Duales System Deutschland GmbH
Frankfurter Straße 720-726
51145 Köln-Porz-Eil
Tel: +49 22 03/9 37-0
www.gruener-punkt.de/en



Waste disposal service provider

BellandVision GmbH
Bahnhofstraße 9
D-91257 Pegnitz
Tel.: +49 (0) 92 41 - 48 32 – 0
www.bellandvision.de



German deposit system for beverages

DPG Deutsche Pfandsystem GmbH
Luisenstrasse 46
10117 Berlin
Fax: +49 30 800974-111
www.dpg-pfandsystem.de



Das DPG-Pfandsystem

5.3 Packaging and labelling

Chemical analysis institute
SGS INSTITUT FRESenius GmbH
Im Maisel 14
65232 Taunusstein
Telefon +49 6128 744-0
www.institut-fresenius.de



Chemical analysis institute
Eurofins Food Ireland Limited
Science Services Centre
Finnabair Industrial Centre
Dundalk
Co Louth
Ireland
Tel: +353 (0)42 932 8333
www.eurofins.ie



Chemical analysis institute
Eurofins Scientific GmbH
Am Neuländer Gewerbepark 1
21079 Hamburg
Tel +49 40 49 29 43 60
www.eurofins.de



5.4 Logistics and GS1

Logistics company
Dachser GmbH & Co. KG
Hauptniederlassung
Memminger Str. 140
87439 Kempten
Tel.: +49 831 5916-0
www.dachser.com



Logistics company
Kraftverkehr **Nagel** GmbH & Co. KG
Friedrich-Menzefricke-Str. 6
D-33775 Versmold
+49 (0) 54 23/9 60-0
www.kv-nagel.de



Logistics company
DHL Vertriebs GmbH & Co. OHG
Charles-de-Gaulle-Straße 20
53113 Bonn
Tel: +49 228 / 18 20
www.dhl.de



Pallet company
CHEP
Jamestown Business Park
Jamestown Road, Finglas
DUBLIN 11
IRELAND
Tel: + 353 1 836 2655
www.chep.com



Pallet company
CHEP Deutschland GmbH
 Siegburger Str. 229b
 50679 Cologne
 Tel: + 49 (0) 221 93 57 10
www.chep.com



GS1 Ireland
 The Nutley Building
 Merrion Road
 Dublin 4
 Tel: +353 1 208 0660
www.gs1.ie



GS1 Germany GmbH
 Maarweg 133
 50825 Köln
 Tel: ++49 221 94714-0
www.gs1-germany.de



5.5 Certifications and Accreditations

www.brcglobalstandards.com



For enquiries about the **BRC Global Standards** and Audit process: Thomas Owen, Customer Support Co-ordinator - thomas.owen@brc.org.uk

For enquiries about the Directory and how to use it:

EMAIL: submissions@brc.org.uk

Phone:
 Alessandro Convertini on +44(0)20 7854 8989
 Franziska Frimberger +44(0)20 7854 8992

IFS
 HDE Trade Services GmbH
 Am Weidendamm 1 A
 10117 Berlin
 Tel: +49 30 726 250 74
www.ifs-certification.com





Organic mark

Bundesanstalt für Landwirtschaft und Ernährung
Referat 512 - Informationsstelle Bio-Siegel
Deichmanns Aue 29
53179 Bonn
Tel: +49 228 - 68 45-3355
www.bio-siegel.de/english/homepage



Fair Trade

FLO Bonner Talweg 177
53129 Bonn
Tel: +49 228 949230
www.fairtrade.net



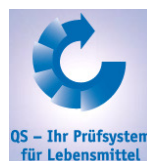
ÖKO-TEST Verlag GmbH

Kasseler Strasse 1a
60486 Frankfurt am Main
Tel: +49 69/ 9 77 77 -0
www.oekotest.de



QS Qualität und Sicherheit GmbH

Schedestr. 1-3
53113 Bonn
Tel: +49 228 35068 - 0
www.q-s.de/en



DLG e.V. -

(Deutsche Landwirtschafts-Gesellschaft e.V.)
Eschborner Landstraße 122
60489 Frankfurt
Tel: +49 69/24 788-0
www.dlg.org



5.6 Retailers

ALDI Süd

ALDI Einkauf GmbH & Co. oHG
Burgstraße 37 – 39
45476 Mülheim an der Ruhr
+49 (0)2 08 99 27 0
www.aldi.de



ALDI Nord

ALDI Einkauf GmbH & Co. oHG
Eckenbergstraße 16
45307 Essen
++49 (0)201 85 93 0
www.aldi-nord.de



Edeka Zentrale AG & Co. KG

New-York-Ring 6
22297 Hamburg
++49 (0) 40/63 77-0
www.edeka.de



Karstadt

Rewe Markt GmbH
Domstraße 20
50668 Köln
++49 (0) 2 21/1 49-0
www.karstadt.de



Kaufhof

Leonhard-Tietz-Strasse 1
50676 Köln
+49(0)2 21/22 3-0
www.galeria-kaufhof.de



Kaufland Stiftung & Co KG

Rötelstraße 35
74172 Neckarsulm
++49 (0)7132 94 00
www.kaufland.de



Lidl Stiftung & Co. KG

Stiftsbergstraße 1
74172 Neckarsulm
++49 (0)71 32 94 20 00
www.lidl.de



Metro Cash & Carry Deutschland GmbH

Metrostraße 8
40235 Düsseldorf
+49 211 9 69-0
www.metro24.de



Penny Markt GmbH
Domstraße 20
50668 Köln
++49 (0) 2 21/1 49-0
www.penny.de



Real SB-Warenhaus GmbH
Reyerhütte 51
41065 Mönchengladbach
+49 (0)2161 403 0
www.real.de



REWE
Rewe Markt GmbH
Stolberger Straße 90
50933 Köln
++49 (0) 2 21/1 49-0
www.rewe.de



toom
Rewe Markt GmbH
Stolberger Straße 90
50933 Köln
+49 (0)2 21/1 49 -0
www.toom.de



6 Appendix

Appendix A – Packaging fee

Example Green Dot packaging fee for 500 g breakfast product with inner plastic bag and outer carton

Green Dot charges a fee per kg of material

- a) for participation in the system and
- b) for using the Green Dot brand.

Step by step guideline for calculation of Green Dot fee and reporting / invoice procedure:

1. Estimate annual volume of packs
2. Get figure weight of carton
3. Get figure weight of plastic bag inside
4. Green Dot fee 2010 for paper / cardboard a): 17.50 Cent per kg
5. Green Dot fee 2010 for plastics a): 124.60 Cent per kg
6. Green Dot fee 2010 for paper / cardboard b): 0.30 Cent per kg
7. Green Dot fee 2010 for plastics b): 1.70 Cent per kg
8. Volume packs multiplied by carton weight
9. Volume packs multiplied by plastics weight
10. Multiply carton weight by Green Dot cost a)
11. Multiply plastics weight by Green Dot cost a)
12. Multiply carton weight by Green Dot cost b)
13. Multiply plastics weight by Green Dot cost b)
14. Result: Total
15. Payment has to be made in advance
16. At the end of the year actual volumes are reported to Green Dot
17. If the actual exceeds the forecast additional payment has to be made
18. If the actual is lower than the forecast, Green Dot refunds the difference

Appendix B – Pallets



Euro pallet (800 x 1200 mm)



1/4 Chep pallet (400 x 600 mm)

Appendix C – ¼ Chep Display



Four ¼ Chep pallet displays fit on one Euro pallet



¼ Chep pallet (400 x 600 mm)

Appendix D – Costs for Testing Institute (Product Testing)

The cost for testing varies per product and is subject to the individual institute's price structure. Here a rough price indication:

Example "ready meal"

- sensory analysis: € 18.00
- microbiological analysis: € 97.00
- analysis of caloric value: € 160.00
- analysis of fibres: € 165.00

Example "soft drink (300 ml)"

- analysis of preservatives: € 155.00
- analysis of pH-value: € 18.00
- analysis of total acid: € 46.00
- analysis of one kind of sugar: € 46.00
- analysis of vitamin C content: € 98.00

Appendix E – EDEKA Private Label Ranges



Appendix F – EDEKA Sales Leaflet



Gültig von Montag, 23.08. bis Samstag, 28.08.2010, KW 34

Tomatenvielfalt.

Sommerzeit ist Tomatenzeit! Holen Sie sich bei uns Ideen für raffinierte Tomaten-Köstlichkeiten.



Super-Knüller
1.99

Strachtomaten aus Deutschland, Klasse I, 1 kg



Super-Knüller
1.11

Topfkräuter verschiedene Sorten, aus Deutschland, Topf



Super-Knüller
0.79

Galbani Santa Lucia Mozzarella mind. 48% Fett i. Tr., 125 g (100 g = € 0,63), auch mit Basilikum mind. 38% Fett i. Tr., 100 g, Packung je



Super-Knüller
2.79

Ponti Balsamico-Crema 250-g-Flasche (100 g = € 1,18)



SCHECK-IN CENTER

Scheck-in Center Frankfurt
Ferdinand-Happ-Straße 59/
Parallelstraße der Hanauer
Landstraße
60314 Frankfurt am Main
www.scheck-in-center.de
info@scheck-in-center.de
Tel.: 069/9494763-0
Öffnungszeiten: Mo. - Sa. 8 - 22 Uhr

Appendix G – REWE Sales Leaflet

Jeden Tag ein bisschen besser.

28. Woche 2010
Gültig ab 23.08.2010
Nr. 88-22048

REWE

4-kg-Netz

Deutschland
Eriehof
Speise-
kartoffeln
Sorte und Koch-
eigenschaft:
siehe Etikett,
KI. 5
(1 kg = 0,45)
4-kg-Netz

179
AKTIONSPreis

Eremitage
Tortenbrie
französischer
Weichkäse,
50% Fett i. Tr.
100 g

Ihr Preisvorteil:
28%!
049
AKTIONSPreis

Red Bull
Energy Drink
koffeinhaltig
4 x 0,25-Liter-
Dosen-Packung
zzgl. 1,00 Pfand

Ihr Preisvorteil:
33%!
399
AKTIONSPreis

REWE QUALITÄTS Marke

Eis begehrt?
Wählen Sie Ihre
neue Lieblingsorte.
Mehr dazu im Innenteil.

2 Becher gratis

6+2
GRATIS
ACTIVIA

Danone
Activia
verschiedene Sorten, mit
Frucht oder mit Cerealien,
(1 kg = 2,41)
8 x 115-g-Packung

Ihr Preisvorteil:
44%!
222
AKTIONSPreis

Mellita
Café
verschiedene
Sorten,
gemahlen,
(1 kg = 5,58)
500-g-Packung

Ihr Preisvorteil:
35%!
279
AKTIONSPreis

Für Sie geöffnet: Montag - Samstag bis **22** Uhr
Beachten Sie bitte unseren Aushang am Markt.
www.rewe.de

Appendix H – toom Sales Leaflet

www.toom.de Woche 23 - Gültig vom 02.06. bis 12.06.2019

40 JAHRE

toom[®] markt

Ein Unternehmen der REWE GROUP.

NUR AM DONNERSTAG, 10.6.!

JUBILÄUMS-SHOPPING:

10% RABATT

AUF ALLES*:
VON 20 BIS 24 UHR!

(*Außer Teille Artikel, Lotto, Zinskonten, Zeitungen, Bücher, Tabakwaren, Telefonkarten, Freizeitsportarten, Geschenkkarten und Pfand.)

Happy Birthday! Am 10. Juni vor 40 Jahren eröffnete der erste toom Markt!

<p>JUBILÄUMS-Preis Sonderposten 0.88</p>	<p>JUBILÄUMS-Preis 25% RABATT 1.49</p>	<p>JUBILÄUMS-Preis 23% RABATT 0.69</p>
<p>JUBILÄUMS-Preis 40% RABATT 4.44</p>	<p>+75 g »gratis«</p> <p>JUBILÄUMS-Preis 40% RABATT 1.99</p>	<p>JUBILÄUMS-Preis 37% RABATT 2.99</p>
<p>JUBILÄUMS-Preis 37% RABATT 9.99</p>	<p>JUBILÄUMS-Preis 26% RABATT 8.88</p>	<p>JUBILÄUMS-Preis 30% RABATT 5.88</p>

001 Druckfehler vorbehalten. Abgabe nur in feststehenden Mengen. Nur solange der Vorrat reicht!

Appendix I – Karstadt Sales Leaflet

Wir machen den Sommer zum Fest ...

Unabhängig vom Wetter - nur durch unsere Genussreichlichkeiten!

MIONETTO
„Il Prosecco Frizzante“
oder „Il Rosé Frizzante“
Ein spritziges Vergnügen
in zwei Varianten!
Preis pro Liter 6,65
Je 0,75-l-Flasche

TOP-Preis
4.99



Wassermelone „Sugar Baby“
Saftige, süße („Sugar Baby“)
Prachtexemplare aus Spanien
(Klasse I) - ideal als Durstlöscher
oder mit Prosecco ...
1 kg

0.88

Gültig vom 5.7. bis 18.7.2010

www.perfetto.info

... das ist **PERFETTO**
FEINE KOST BEI **KARSTADT**

Appendix J – Lidl Ad in Newspaper

LIDL

Dauerhaft billiger

Seit 14.1.

Lidl lohnt sich.

Vita Dör Sonnenblumenöl

- Reich an Vitamin E und Omega-6-Fettsäuren
- Je 1,1-l-Flasche

-23 %!

1,29 - .99

HARVIN Sauerkirschen

- Entleert, gezuckert
- Je 500-g-Glas
- Abfüllmenge: 350 g (1 kg = 3.80)
- 1 kg = .35

-17 %!

.79 - .65

Preis-senkung dauerhaft!

Viele Lidl-Qualitäts-Marken wieder dauerhaft im Preis gesenkt – wie versprochen. Auf uns ist Verlass!

Lidl lohnt sich.

Vita Dör Rapsöl

- Reich an Vitamin E
- Je 1,1-l-Flasche

-20 %!

1,19 - .95

Vita Dör Rapskernöl

- Reich an Omega-3-Fettsäuren
- Cholesterinfrei
- Nicht kaltgepresst
- Je 0,5-l-Flasche
- 1 l = 3.50

-10 %!

1,99 - 1.79

ALESTO Erdnüsse

- Rohkost gebrüht
- Je 150-g-Packung
- 100 g = .26

-20 %!

.49 - .39

Cröwnfield Flakers Choco/Choco Rice/ Golden Puffs/Choco Puffs

- Je 2x 375-g-Packung
- 1 kg = 2.52

Billiger!

1.99 1.89

Cröwnfield Banane-Schoko/ Honig-Schoko Puffs

- Je 425-g-Packung
- 1 kg = 4.45

Billiger!

1.99 1.89

Cröwnfield Nougat Kissen

- Je 750-g-Packung
- 1 kg = 2.62

Billiger!

1.99 1.89

Appendix L – ALDI South Sales Leaflet



Appendix M – real,- Sales Leaflet

Woche 04, gültig vom 25.01. bis 30.01.2010

real-

Einmal hin. Alles drin.

Südafrika
Tafeltrauben „Thompson Seedless“ oder „Sugarone“
hell, kernlos, HVL 1
je 1 kg
1⁹⁹

**Frischer Schweine-
rollbraten**
je 1 kg
1⁹⁹ **4,00 €**
gespart!

**Deutsche
Markenbutter**
jede 250-g-Packung
Grundpreis: 3,56
0⁸⁹

**Deutsche
Markenbutter**
mild gesalzen 250 g

Nutella
Nuss-Nougat-Creme
+ 10 % mehr Inhalt
jedes 400 g + 40 g = 440 g Glas
Grundpreis: 0,4 kg 1 kg = 2,98
1¹⁹ **0,60 €**
gespart!

Persil
Waschmittel-
Pulver oder Gel
75 Waschladungen
versch. Sorten

GRATIS
2 Packungen
Flaschen Persil
Pulver oder Gel
4 75 Wasch-
ladungen kosten

WISO %
BIS ZU
**70%
REDUZIERT**

**Eiskalt
zuschlagen:**

**TIPP
1** **DER WOCHE!**

Microfaser-Betten-Set
2-Einstückdecken 135 x 200 cm
+ 2 Kopfkissen 80 x 80 cm
+ 2 Bettbezüge 135 x 200 cm
+ 2 Kopfkissenbezüge 80 x 80 cm
+ 2 Spannbettlatten 100 x 200 cm
99⁰⁰* **10-teilig**

Schlafwahl

**MICRO
FASER**

Vakuum-Matratze
mit Winter- und Sommerseite
Größe: ca. 90 x 190, 100 x 200 oder 90 x 200 cm
p. Abb.
Größe ca. 140 x 200 cm **79,95**

**12 Jahre
Garantie**
auf das
Matratzenkern

TEUTAL
auf dem
Matratzenkern

**LGAM
Prüf-
Zertifikat**

Appendix N – Kaufhof Sales Leaflet

01 | Edition Gourmet
Fruchtsaft Bären
Mit 10% Fruchtsaft
Einzigartiger Fruchtgeschmack
durch ausgewählte Zutaten
Mit natürlichem Vitamin C
das Immunstärkungsstoffe, ohne
Füllstoffe, keine Aromastoffe

02 | Confitserie Heidel
ABC-Koffer
gefüllt mit 36 Edel-
vollmilch-Naps,
108-g-Packung

2,99
* 1000 g 9,97

5,-
* 100 g 4,83

* Grundpreis

Ich freu' mich drauf

www.galeria-kaufhof.de

GALERIA
KAUFTHOF