



THE KROGER CO. • 1014 VINE STREET • CINCINNATI, OH 45202-1100

October 21, 2015

To Our Valued Adult Beverage Distributors, Manufacturers, and Suppliers:

Kroger is committed to our Customer 1st strategy and we are always seeking opportunities to enhance our overall value proposition to our customers. We understand that in order to deliver this value we must continue our pursuit for operational efficiencies that enable us to invest in areas that matter most to our customers. We have identified Adult Beverage as being one of those key areas of our business to make strategic investments in both support staff resources and store execution. Our objective is to culturally integrate information based decisions by leveraging available data to drive decisions and improve process execution resulting in customer centric growth, improved sustainability, and increased financial and market matrices.

We trust you share our enthusiasm! We are recommending the following modifications to our Adult Beverage business model:

- Working in conjunction with Southern Wine & Spirits Inc. we will introduce an independent third party Planogram Center of Excellence ("PCOE") team –
 - Team's primary focus is to provide analytic support and process execution for the Kroger Enterprise, including the Midwest, Southeast, Mountain, and West Regions.
 - Team will work directly with Kroger Adult Beverage Beer, Wine, & Spirits Coordinators and Category Managers on Assortment and Planograms with a heavy emphasis on Customer Insights and Analytics.
 - PCOE team process will start in the Southeast Region divisions in the Spring, 2016 and complete rollout to the other three regions by Fall, 2016.
 - PCOE team will be located in Cincinnati, Ohio.
 - Team will be identified and in place by end of Quarter 1, 2016.
- Add Dedicated Single Source Retail Service Providers –
 - We have been implementing "Single Source" retail service provider program in Grocery Merchandising across divisions since Period 1, 2014. We are extremely pleased at the overall results of the program.
 - All Kroger divisions will move to a dedicated Single Source service provider consistent with the PCOE rollout schedule. Specific rollout plans will be communicated at the appropriate time.
 - The current Grocery Single Source retail service provider in each division will perform the Adult Beverage service.
 - Single Source service provider will be responsible for AB Merchandising Execution; New/Remodel/Acquired stores set teams and other division capital projects requiring reset support within each division.

Kroger is committed to moving its Adult Beverage business to the next level. We believe that adding a dedicated Adult Beverage PCOE Customer-centric Analytics team coupled with a Single Source service provider model will offer the following benefits:

- Increase customer shopping experience
- Establish a completely unbiased independent analytics team to provide the AB Team with the best in class analysis of available information
- Improve shelf presentation and compliance
- Increase trip drivers by gaining a better understanding of the customer
- Improve speed to market execution
- More consistent retail execution
- Optimize assortment
- Improved communication
- Enhanced operational efficiencies for AB distributors, manufacturers, and suppliers
- Elimination of duplicate work

The services that will be provided for the benefit of your products are: planogram execution, New/Remodel store execution.

While our Adult Beverage business is performing well, we know we have a tremendous opportunity to grow our sales, (Kroger and supplier partners), at an even faster pace in the Beer, Wine, and Spirits categories by moving to the new customer-centric processes outlined above!

In the next few days AB Suppliers and Distributors will receive information regarding upcoming meetings being scheduled in Cincinnati, OH.

Thank you in advance for your support and consideration of this mutually beneficial program.

The Kroger Co.