

Wednesday, October 10, 2018



Suppliers & Trade Partners:



We remain committed to keeping you informed on the state of our business to ensure a positive and collaborative partnership in the weeks and months ahead.

Last December, Ferrara Candy Company became an affiliate of Ferrero Group. Following our merger with the Nestlé U.S. Confectionery business six months ago, we are now a true powerhouse in the U.S. confections industry. Together, our companies feature a portfolio of brands with inherent equity, and we are excited about the possibilities that result from leveraging and building on our strengths.

As we kick off fourth quarter, our business is strong and we're positioned for growth. At the same time, it's important to know that we are entering an environment that continues to grow in complexity.

- We're asking you to provide us with lower costs to remain competitive, while at the same time, we all face ongoing supply & demand forecasting challenges, which impact material and production planning.
- We're aiming to deliver better service levels – on time, in full (OTIF) – that are closer to best-in-class, when we are all challenged with labor shortages in transportation and manufacturing.
- We have assured you a more simplified Procurement experience, delivering on our one-door approach, while our ongoing business needs will mandate predictable SAP (ERP) integration work beginning this quarter.

All of these complexities are manageable realities of our business today; however I'm confident in our ability to lead through this environment. We have the right people and priorities to build on our strengths and create the future.

In Procurement, while our detailed strategic plan is still in development, we are focused on some key areas to drive the business; **Quality, Service, Innovation.**

- We know that our partners in marketing and R&D are working to create new and, in some cases, renovated products, and there's a common theme to what they are creating: Products with quality ingredients and packaging. In the works is a Better Butterfinger to debut in Q1 2019, and we can expect additional requests to enhance quality through manufacturing and quality control. 2019 and 2020 will be the intersection of quality and cost for us, and we will need your best thinking to help us work through this. Natalie Hadley, our head of Food Safety and Q.A. and I will be working closely together on this, and we will reach out to you in Q1 2019 with additional specifics.
- As I mentioned, we want to increase our service levels to sustain at a best-in-class level across all measures. Each of us plays a role in moving the needle in the right direction on service. And while parts of our business are able to achieve these optimal levels, this needs to be a more

widespread trend. When we get closer to best-in-class service levels, there are certain traits in place:

- Agility to flex into different modes of operations: Sprint when you need to, run at a steady pace, or take a break. This is a must as we live in a dynamic retail environment that operates largely outside of our control.
 - Courageous communication: When you know something is wrong or challenging, call us while there's still time to trouble-shoot together.
 - Help us think in the "Future State". For instance, the entire industry is having a challenging time with transportation and labor shortages, so we need you to have deeper, longer-term relationships set with your transportation suppliers so they can service both of us best. Let's help each other look ahead at issues or challenges that are around the corner so we can mitigate where possible.
- We need to broaden our thinking around innovation to be about more than new products and packaging. As an example, as e-commerce grows, we will have new challenges to meet the needs that are unique to the e-tail environment. Also, given our planning calendar, we expect to have more information for you on our 2020 product launches by first quarter 2019 so we can leverage your best thinking. Innovation and supplier-enabled innovation will both play a key part in our plans. More to come!

I will keep you informed as our priorities and business plan continue to evolve. In the meantime, I want to emphasize that our **priorities are rooted in consumer insights**. In the past year, you have heard me say that we're committed to getting better at understanding and applying insights, and we are doing just that. As an example, we know that consumers are loyal to brands that provide convenience. They like having the ability to share our products with their friends and family. Consumers also believe in permissible indulgences so our industry is growing. With the right plan in place, and our expanded portfolio as a result of integration, we believe we can outpace industry growth.

You are supporting and working with Ferrara Candy, a solid company that is growing and poised for further growth. It is a great time to be part of our supplier community.

In closing, we have kicked off our nomination process among our employees to name the best supplier partners for the **2018 Supplier Awards!** Nominees will receive email confirmations over the next thirty days, and we are really excited because this group represents the best-in-class performers that have embraced and worked to advance our system-first behaviors. We will announce the winners in early December.

I hope you are seeing some improvements in how we have structured our team to be responsive to you and provide a one-door experience. I will continue to keep you informed, and please feel free to reach out to me or anyone on the team with any questions.

Thank you for your commitment to Ferrara Candy Company.

Ahmet Hepdogan
Vice President, Procurement
Ferrara Candy Company