



Tampico, Mexico, January 2018

To whom it may concern,

Arteli is a chain of supermarket stores, with 36 branches in different formats (Arteli, Arteli Más, Arteli Express and Aka). Arteli is widely recognized in the region due to their location, quality, and range of products, as well as their great customer service.

Between May and December 2017 we developed the "Innovación" project in conjunction with London Consulting Group. The objective of the project was to improve our profitability through the transformation of our Supply, Commercial and Logistic processes.

This project has been fundamental in reaching our goals of substantially improving the company's results and our position in this highly competitive market. This was achieved through the implementation of better processes and by making changes in different areas of the company, such as:

PURCHASING MODEL – SUPPLY:

- We reengineered and implemented the following processes: Administration of Parameters for the Supply GAINS Software, Purchasing Schedule, Purchasing Order Administration, Supply of Discounted Products and Automating the Collection Process for our non-compliant Suppliers.
 - **64%** reduction in Lost Sales.
 - Increase in the Collection of Fines due to Fill Rate which represented a **1%** of the Commercial Utility.
 - **78%** improvement in the Assertiveness of Purchases.
 - **98%** Utilization of the GAINS system.

COMMERCIAL MODEL:

- We designed and implemented the following processes: Workload Balancing and Supplier Assignment, Pricing, Portfolio Administration, Remuneration Model, Active Supervision and a Commercial Management System.
 - **6%** increase in Commercial Utility.
 - **4%** increase in Net Sales.
 - **1%** increase in Sales by standardizing our commercial offers.

LOGISTIC MODEL:

- We designed and implemented the following processes: Defining and implementing the distribution model policies (Stock, Cross Dock and Transit), Reviewing the Supplier Contributions, Distribution Center Operations Model (reception, warehousing, product distribution and Logistics Management System).
 - **10%** reduction in days of inventory for the whole company.
 - Improving the fulfillment capacity of the Distribution Centers by **8%** vs 2016.
 - **0.4%** increase in received contribution over the Commercial Utility.

The annualized economic benefits of the project have surpassed our expectations. The project generated a real return on investment of **1.55 to 1** as of this date, and a forecasted annualized return of **5.4 to 1**.

London Consulting Group's methodology was a key factor in the success of this project. The manner in which they managed change, the shoulder to shoulder implementation, and the involvement at all levels of the organization, generated a positive cultural change among our personnel.

Due to this, we highly recommend London Consulting Group as a professional company which is very focused on attaining results.

Sincerely,

CP Arturo Elizondo
Grupo Arteli President

CP Jorge Alvarado Mitre
Arteli General Manager

