

Guideline for *Trade Spend* A&P



A&P

It is not the intention to achieve volume targets in the short term but to *increase sales in the long term* by *enhancing positioning*

E-COMMERCE - DIGITAL PLATFORMS

Payment for digital displays/spaces in digital channels (**Excluding customer's platforms**) i.e. Rappi, Amazon. *A&P* If it is for advertising on Internet



Platform between the customer, sales force and staff to ensure knowledge of Diageo brands. Incentives/prizes are given to bartenders in exchange of their participation in e-learning courses

Purpose: Keep them well informed about our brands (Recommend Diageo products). *A&P*



TRADE SPEND

Any deals or arrangements that are viewed as being *linked to the sales value*

Contract of digital platforms-banners with customers. *Trade Spend*
Better visibility - ranking
Discounts
Promos - Combos



AGREEMENTS PAID TO CUSTOMERS IN EXCHANGE OF BETTER VISIBILITY

Trade Spend

- Opportunity to make advertisements of Diageo products in Events.
- Sell Diageo products in the event
- Have priority in the consumers sight for Diageo products



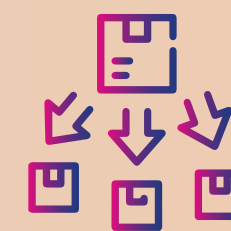
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Combos purchased to the distributor at a "fair price": Soda, beer, chips, snacks given for free to the shopper for the purchase of Diageo product:

- Temporary promotion
- If part of a marketing campaign (Introduce a new product/ flavor or to reach a new customer group.
- Diageo provides the non-diageo product

Marketing



ON TRADE - OUT TRADE

Marketing activities executed by the customer with Diageo guidelines. Visibility (POs material) executed by the distributor/indirect customer. If it is for a distinct service and the same service could have been obtained from a 3rd party: A&P

COMBOS

- Non-Diageo product is paid full price (includes customer's margin).
- The promotion has the objective to increase sales

Trade Spend



CONTRACTS WITH RESTAURANTS/BAR

Trade Spend

Non direct customers The fee paid includes:

- Bartenders must recommend Diageo products to customers
- Diageo products must have priority in the bar location
- Sales proposal achievement by the Bar/Restaurant to meet sales target



RENT FOR USING SPACE FOR A PROMOTIONAL ACTIVITY

Diageo pays the rent (£8,000) to the airport and has no other arrangement with it.

It should be recognised as a *marketing expense* as it represents the fair value of the service.

Rental paid to the duty free shop (Diageo customer) £10,000.

Rental paid (£10,000) to the duty free shop is more than if paying another provider (£8,000).

As the rent paid is in excess of fair value, the payment of £8,000 should be shown as a *marketing expense* and the £2,000 excess be deducted from net sales.

Where it is not possible to determine the fair value, it should be accounted in trade spend.



MARKETING STAFF

Diageo pays for a trip to a Scotland distillery for the 3 highest performing salesmen of its distributor.

Purpose of the trip is to highlight brand values. A&P

MERCHANDISERS/PROMOTORS/WALKERS

- People hired through a third party to manage right position of; Diageo products, visibility and advertisement in the Store
- They are working on brand building promotions (NOT selling activities)
- Their activities can be directly linked to a specific Diageo brand

MARKETING

Gifts given with the purchase of a product. If the customer provides the gift and Diageo reimburses them. **Trade Spend**

If these items are given away for meeting sales targets, or it is part of the "whole" deal with the customer. **Trade Spend**

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GIFTS

Cost of adding a gift. If the gifts are given to a distributor **by Diageo. Marketing**

Gifts to consumers during promotional nights where no purchase is necessary. **A&P**

Items such as display fridges or TV Screens which the customer would use in their business but which would have a **long term promotional benefit to Diageo. A&P**

Gifts given with the purchase of a product. If the customer provides the gift and Diageo reimburses them. **Trade Spend**

If these items are given away for meeting sales targets, or it is part of the "whole" deal with the customer. **Trade Spend**



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FREE GOODS

A bottle is offered free of charge as part of a sale of a bottle of JW Black Label

Free product is a different brand, i.e. 30cl Smirnoff and is offered to the end customer.

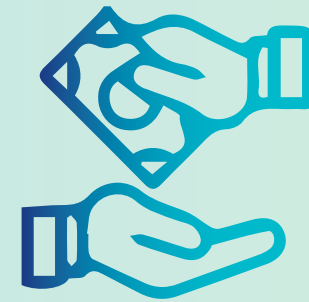
Purpose: Advertising Smirnoff and increase sales in the future

The free product is 70cl and is from a different variant, i.e. JW Blue. The free product is regularly traded in this form.

Purpose: Temporary promotion to encourage customers to purchase more premium products

If the purpose of the free good is: Increase visibility of a new design/packaging/bottle size, or to move customers to more premium products, on a short period (up to 6 months).

Marketing



SLOTING FEES AND FIRST POUR PAYMENTS

Payments to bars to incentive them to first pour Diageo products.

Fees paid to distributors to ensure high visibility of in the outlet.

These services have no value without the underlying contract of Diageo selling the products to the customer. Payments deducted from revenue: *Trade Spend*



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FIXED ASSETS

Purpose of installing fixtures is purely to promote a product. i.e. A cardboard shelf in the customer's premises to promote a new design of a brand. **Marketing**

A&P

Marketing events to promote Diageo brands (Place rental, speakers, equipment rental, etc.)

Promotional packaging

Cost of special packaging (Material and production labour) which is designed to boost the sales of the product in the short term.)

Coupons

Cost of producing and placing coupons.



Purpose of providing fixtures/reimbursement is to fix a contract with the customer. i.e. A fridge provided to a bar.

Trade Spend

TRADE SPEND

Advertising activity undertaken by customer on behalf of Diageo.

Any excess amount paid by Diageo above fair value of advertising activity.

Contracted payments to customers to provide different services such as data/statistics, some promotional activity.

The payment level may be based on customer revenue and it is not possible to obtain a similar service from an external company.

Coupons

Redemption of coupons for money off

Discounts

Bulk discounts
Loyalty discounts
Early settlement discount



Trade Spend Versus A&P

A&P

(When) customer has provided promotional goods or services for Diageo brand that Diageo could otherwise have been obtained from a 3rd party provided for the same price and that would have produced the same result

KEY WORD MANUAL

Common GL accounts for A&P with examples

<https://bit.ly/3SbjeSZ>

A&P STREAM

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TRADE SPEND

Generally, any payments or other consideration given to customers will tend to be accounted for as a reduction in revenue except where such consideration conveys an identifiable benefit and could have been separated from the customers' purchase of Diageo's products"

KEY WORD MANUAL

Common GL accounts for A&P with examples

<https://bit.ly/41isRnh>

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<https://bit.ly/3XFkhMb>

