

Introduction document

L'OR Professional Mini Coffee Appliance *In-room occasion*



To: JDE MSU's

From: Marketing, R&D, Operations, Legal

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1. Introduction L'OR/D.E/Jacobs Professional Mini Coffee Appliance

This document is amended to support the 're-launch' of the Professional Mini Coffee Appliance in October 2019. It contains information on the concept, pricing, logistics etc. More marketing information about USP's etc. can be found in the Marketing toolkit. The Professional Mini Coffee Appliance is a JDE machine for our Z1 Nespresso Compatible Capsules. It has been specifically developed for the in-room occasion in hotel rooms and for cabins in cruise ships. It will be launched in our JDEP markets as a full solution including hotel tray, tea and cross selling.

The name Professional Mini Coffee Appliance is valid for all three brands: L'OR, Jacobs (Germany only) and D.E (Netherlands only).

2. Concept Information & Scope

The Professional Mini Coffee Appliance is a capsules machines with a very small footprint. The standard OTS machine is manufactured in China and is available in some markets (eg. France online via Maxi Coffee) as a retail machine. The (outer) design of the machine as such is not specific to JDE. However, we have made several amendments to the machine to make it suitable for use in the out of home segment of the market. The most important features of the machine are

- Brewer modified to get the best quality out of our JDE aluminum capsules
- Machine is piano black with chrome lever
- Machine will be available with three brands: L'OR (main brand), Jacobs (Germany only), Douwe Egberts (Netherlands only)
- Machine has 3 push buttons for
 - Espresso (40 ml pre-dosed)
 - Lungo (110 ml pre-dosed)
 - Hot water (120 ml pre-dosed)
- Power on/off button.
- 3 buttons for drink function, Espresso, Lungo & hot water, color Amber
- Auto off (timed – 9 minutes)
- First drink delivery to be in specification for volume and temperature
- Water Tank: Capacity 600ml
- Water Tank empty indication; all lights flashing
- Cup stand: Adjustable for Espresso or Lungo sized cups, removable for cleaning
- Waste liquid capacity; minimum 100ml
- Capsule bin capacity; 5 capsules
- Removable parts to be able to be cleaned in a dishwasher
- Mains cable 1m

Scope:

For introduction, we will focus on two segments and one occasion:

Segments

1. Hotels – Ambition: Offer full solution to our customers, covering all occasions including low throughput occasion in-room
2. Cruise ships – solution for cabins

Occasion

1. The Professional Mini Coffee Appliance has been developed for the in-room occasion within hotel (and cruise line) segment(s)

We will sell the machines directly to end customers (hotel chains / individual hotels / cruise lines). Machine can also be offered to these end customers via our partners (e.g. dealers / distributors), provided such partners have entered into a specific agreement thereto/extension to their existing agreement with JDE prof based on which such partners shall be appointed as distributors of the Professional Mini Coffee Appliance for this specific hotel/cruise line segment of the out of home market.

Office catalogue suppliers, Cash & Carry and direct selling to Business customers are **OUT OF SCOPE** for this machine.

PLEASE NOTE

We have had requests for the **H&C segment** as well (in-room occasion → for patients); either private clinics or private rooms in hospitals. This will be treated on a case by case basis and is only allowed after approval from Central Marketing and Legal teams. It is intended for a usage of less than 5 cups per day. The machine is life tested on 5,000 coffee brews and 2,000 hot water brews.

The below countries are in the scope for the re-launch of the project as of November 2019;

Country	Code		Country	Code
France	FRA		Norway	NOR
Spain	ESP		Denmark	DNK
Netherlands	NLD		Sweden	SWE
Belgium	BEL		New Zealand	NZL
Germany	GER		Greece	GR
Austria	AT		Czech	CZE
Switzerland	CH		Estonia	EST
U.K.	GB		Iceland	ISL
Ireland	IRL		Cyprus	CYP
Italy	ITA		Malta	MT
Australia	AUS		South Africa	ZAF

For the cruise line industry, the following countries (state flags) are important

Customer/prospect	HQ	ships	State flag
Holland America Line	Commercial HQ in Seattle - US Maritime HQ in R'dam - NL	15 ships	Netherlands
Costa Crociere	Genoa – Italy	15 ships	Italian flag
Aida	Rostock – Germany	12 ships	Italian Flag
Tui – Mein Schiff	Hamburg – Germany	6 ships	Valetta – Malta
Pullmantur	Madrid - Spain	4 ships	Valetta – Malta
Celestyal - Louis Cruise lines	Greece	3 ships	Malta

For ships in US, different voltage, certifications and approvals are required that are not in the scope of this project

Global Cruise lines	Athens Greece	6 ships	Bahamas
MSC	Geneva – Switzerland	14 ships	Panama
Celebrity	Miami - USA	11 ships	Malta

Other potential cruiselines: P&O, Princess, Cunard, etc

For other countries, it is mandatory to receive FTO approval by marketing and legal and follow the A4EQ process. This will be part of the GEO expansion board of capsules.

Second wave is already in progress for markets: China, Russia, Kazakhstan, Georgia, Ukraine & South Korea. Timing to be ready is expected in Q2 2020

3. Commercial guidance: Sales vs FOL and with vs without cross sell

Central commercial and legal guidance on selling the Professional Mini Coffee Appliance

Legal guidelines

- Hotel* segment and cruiseline ONLY → occasion in-room (in room use)
- JDEP or partner (FSD) sell directly to end customer
 - Contract set-up needs to ensure that only JDE capsules will go through the machines
- Machine should in principle be sold in larger quantities to one customer
 - More bedrooms per location
- Partner / FSD to sign contract / addendum that they will only sell to end customers for the in-room occasion
 - Use template addendum including penalty clause as developed by Legal (check local Legal counsel)
 - License & distribution agreement and always in combination with L'OR capsules (term of original agreement or 2+3 years (maximum 5 yr term))
 - Exclusive for hotel segment

** L'OR Mini in Health & Care: treated on case by case basis and only after approval from Central Marketing team and Legal*

Important commercial guideline: The in-room machine will have a low throughput per machine per year. On average 1 drink per day per machine. The target is to protect our total GM% on capsules which is set on average at ~56% for 2020 AOP

With a low throughput machine, there is a significant risk that the concept could be margin dilutive. This implies the following:

1. If part of a larger deal; hence including more occasions in a hotel (chain), the Professional Mini Coffee Appliance can be used in the total calculation. Machine can be offered FOL or with (a large) discount if the total deal is profitable.

When only offering the Professional Mini Coffee Appliance for one occasion, it is obliged to offer the full solution including table tray and cross sell (and tea if applicable) to protect GM%

targets. It is not allowed to offer machine FOL then. Note that as part of any offering to an end customer, the contract needs to ensure that only JDE capsules are used.

Please see below table on implications of selling vs FOL and with vs without cross sell. This is an example only, but shows it is of utmost importance to make sound financial calculation.

Table shows that FOL is only close to our hurdle rates in 5 year deal with a full solution (so including cross sell (and where applicable tea))

RSP Mini machine	€	89,95
COGS Mini machine	€	55,00
NOS L'OR capsule	€	0,22
COGS L'OR capsule	€	0,08
NOS tea + cross sell	€	0,12
COGS tea + cross sell	€	0,04
Throughput coffee per year		250
Throughput cross sell py		100

	1 FOL		1 50% discount MINI		1 Machine sales RSP	
	Machine only	Full solution	Machine only	Full solution	Machine only	Full solution
NOS	€ 55,00	€ 67,00	€ 99,98	€ 111,98	€ 144,95	€ 156,95
COGS	€ 73,75	€ 77,75	€ 73,75	€ 77,75	€ 73,75	€ 77,75
GM	€ -18,75	€ -10,75	€ 26,23	€ 34,23	€ 71,20	€ 79,20
GM%	-34,1%	-16,0%	26,2%	30,6%	49,1%	50,5%

	3 FOL		3 50% discount MINI		3 Machine sales RSP	
	Machine only	Full solution	Machine only	Full solution	Machine only	Full solution
NOS	€ 165,00	€ 201,00	€ 209,98	€ 245,98	€ 254,95	€ 290,95
COGS	€ 111,25	€ 123,25	€ 111,25	€ 123,25	€ 111,25	€ 123,25
GM	€ 53,75	€ 77,75	€ 98,73	€ 122,73	€ 143,70	€ 167,70
GM%	32,6%	38,7%	47,0%	49,9%	56,4%	57,6%

	5 FOL		5 50% discount MINI		5 Machine sales RSP	
	Machine only	Full solution	Machine only	Full solution	Machine only	Full solution
NOS	€ 275,00	€ 335,00	€ 319,98	€ 379,98	€ 364,95	€ 424,95
COGS	€ 148,75	€ 168,75	€ 148,75	€ 168,75	€ 148,75	€ 168,75
GM	€ 126,25	€ 166,25	€ 171,23	€ 211,23	€ 216,20	€ 256,20
GM%	45,9%	49,6%	53,5%	55,6%	59,2%	60,3%

Please also ensure in the big deals for customers that you include some additional machines in the calculation to replace during warranty year.

Example: with deal Van der Valk (5,600, the Dutch team included 5% of machines to be replaced during first year; so investment in machines was 5,600 + 280)

4. Branding

The Professional Mini Coffee Appliance is branded either L'OR, Jacobs or DE and will be in delivered to customer in plain carton box with brand/version sticker. All machines and versions will be shipped in same box, just the label varies by brand and plug type.

5. Prices, versions, article numbers & branding kits

Version types:

There will be **three brands** introduced (L'OR, DE & Jacobs), we will also introduce some L'OR versions with different power plugs:

Configuration	<u>L'OR</u> <u>Standard EU</u> <u>version</u>	<u>L'OR</u> <u>U.K. / Irish</u> <u>version</u>	<u>L'OR</u> <u>Swiss</u> <u>version</u>	<u>L'OR</u> <u>Australia /</u> <u>NZ version</u>	<u>Douwe</u> <u>Egberts</u> <u>EU version</u>	<u>Jacobs</u> <u>EU version</u>
Machine	L'OR Professional Mini Coffee Appliance (EU)	L'OR Professional Mini Coffee Appliance (UK&I)	L'OR Professional Mini Coffee Appliance (CH)	L'OR Professional Mini Coffee Appliance (ANZ)	Douwe Egberts Professional Mini Coffee Appliance (NL)	Jacobs Professional Mini Coffee Appliance (GER)
For which countries	All EU countries	U.K. & Ireland	Switzerland	Australia & New Zealand	NL	Germany
SAP art # (ZFIN)	4029709	4029710	4029711	4029712	4029713	4029714
Voltage	220-240 V	220-240 V	220-240 V	220-240 V	220-240 V	220-240 V
Frequency	50/60 Hz	50/60 Hz	50/60 Hz	50/60 Hz	50/60 Hz	50/60 Hz
Power cord	Standard EU (Plug type F)	Standard U.K. / Ireland (plug type G)	Swiss power plug (type J)	Standard ANZ plug (plug type I)	Standard EU (Plug type F)	Standard EU (Plug type F)

USP's

Contemporary design	<ul style="list-style-type: none"> • Modern and contemporary design; winner "Reddot" award 2016
Great in cup quality	<ul style="list-style-type: none"> • Beautiful and very consistent crema layer
Temperature	<ul style="list-style-type: none"> • High temperature for your coffee
Wide range of varieties	<ul style="list-style-type: none"> • 13 L'OR blends available in Professional • 5 Jacobs and Douwe Egberts blends
Coffee and tea	<ul style="list-style-type: none"> • Two separate outlets for coffee and hot water • No cross contamination • Only water that will be used in cup will be heated via thermo-block (no waste of water in kettle)

Small footprint	<ul style="list-style-type: none"> • Very small footprint machine; ideal for low throughput locations (e.g. hotel rooms)
Great efficiency	<ul style="list-style-type: none"> • Plug and play machine • Very easy to install • Very easy to clean and descale • Fast drink delivery
Competitive cost price	<ul style="list-style-type: none"> • With a very competitive price for a total hot drink machine in hotel rooms (coffee and hot water)

The Professional Mini Coffee Appliance will be set-up in the SAP system as ZFIN article.

Article numbers, descriptions and purchase prices for dispensers:

Appliance	Supplier code	UPC / EAN code	NEW JDE SAP # ZFIN	Price*	Countries
<u>L'OR Standard EU version</u>	<i>3A-C279-LOR-EU</i>	8711000461006	4029709	~€50	All EU countries
<u>L'OR U.K. / Irish version</u>	<i>3A-C279-LOR-UK</i>	8711000461020	4029710	~€50	U.K. / Ireland
<u>L'OR Swiss version</u>	<i>3A-C279-LOR-CH</i>	8711000461044	4029711	~€50	Switzerland
<u>L'OR Australia / NZ version</u>	<i>3A-C279-LOR-ANZ</i>	8711000461068	4029712	~€50	Australia / New Zealand
<u>Douwe Egberts EU version</u>	<i>3A-C279-DE-EU</i>	8711000461082	4029713	~€50	The Netherlands
<u>Jacobs EU version</u>	<i>3A-C279-JA-EU</i>	8711000461105	4029714	~€50	Germany

Accessories:

Kits	Supplier code	UPC / EAN code	JDE SAP	Price*	Countries
L'OR HOTEL ROOM TRAY 1PC X12	130332 (vendor ID)	8711000423462 (piece) 8711000423479 (box = 12 piece)	4051190	€8,30	All countries
Descal agent (1 liter)	21002666	8016712036031	55119528	€5,20	All countries
Cup Holder Mini machine			55120185	€1,05	All countries
Drip Tray Mini machine			55120186	€1,54	All countries
Capsule container Mini machine			55120187	€1,62	All countries
Water tank Mini machine			55120188	€2,27	All countries

* The above prices are supplier sales prices, excluding transport / import duty cost. Up-charges via Supply Chain not included, which means that final price that MSU pays is higher than the above prices.

Pricing Professional Mini Coffee Appliance towards end customer

Recommended selling price to end customers €89 ex VAT

(When dealers/distributors become part of the business model, this price can indeed only be a recommendation.)

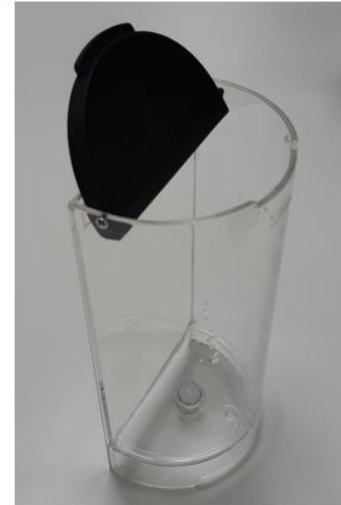


6. Cleaning and descaling requirement

To keep the Professional Mini Coffee Appliance operating efficiently, you should clean away the mineral deposits left by the water regularly. The actual frequency of descaling depends on the local water hardness and the frequency of using the appliance. The general recommendation is to perform this descaling yearly. Descale with JDE supplied de-scale agent or use commercial descaling agent recommended for espresso coffee makers. The procedure to de-scale can be found in the on-line manual.

Daily cleaning

- Open mechanism to eject capsule.
 - Helps keep flow paths cleaner
- Remove & clean waste bins
 - Keeps machine fresh
- Remove & dry water tank
 - prevents limescale build up



7. Machine service performance

The Professional Mini Coffee Appliance is a low-cost Plug & Play machine like L'OR Lucente PRO. We will give one year of warranty to our customers. During the warranty year, we will ship a new machine to a customer if there is a breakdown, no technician will be sent to repair a machine.

8. Delisting

The Professional Mini Coffee Appliance is a new machine and fits in the SiSe program for Professional. No machines will be delisted.

9. Roll Out Planning – MSU's Machine:

Version & Options	Sept 2019	Q2 2020
Standard version	FRA, ESP, NLD, BEL, GER, AT, CH, GB, IRL, AUS, NZL, NOR, DNK, SWE, GR, CZE, EST, ISL, CYP, MT, ZAF, ITA	Other countries

The list of 'new' countries may consists of:

- China
- Russia
- Ukraine
- Georgia
- Kazakhstan
- South Korea
- Saudia Arabia

Business case numbers (signed CER) for 2019 and 2020 are as follows:

		MACHINES	
		2019	2020
Southern Cluster	France	15	64
	Spain	117	496
DACH	Germany	527	2.240
	Austria	25	427
	Switzerland	68	290
BNL	Netherlands	357	1.268
	Belgium	28	120
UK	UK	236	1.003
Nordics	Sweden	30	130
	Denmark	16	75
	Norway	16	80
ANZ	Australia	1.056	2.112
	NZ + Fiji	150	750
RW	Rest of World (GBD)	185	600
	HOTELS	2.826	9.657
	IKA hotels (EU deals)		1.500
	CRUISELINERS (EU based)	115	490
	TOTAL	2.941	11.647

Capsules:

All L'OR capsules can be sold with the Professional Mini Coffee Appliance. The Jacobs version will be supplied with Jacobs capsules and Douwe Egberts with the Douwe Egberts capsules.

10. Supply Chain Rules & Guidelines

Since the machine will be launched with capsules (see above, chapter 3), it is very important that forecasting machines and ingredients are fully aligned. More details:

- The machines will ship with 96 units per pallet, MOQ in SAP set to 1 pallet;
- Standard version is with water tank and standard EU power cord ("Schuko" standard);
- The U.K. / Ireland version is with water tank and U.K. / Ireland special power cord.
- For **other** deviating power requirements in the future we will create different country versions once volumes per version are sufficiently high (MOQ 1.000 units / yr.);
- Lead times and delivery conditions are according standard AAA Ningbo products. Safety stock will be kept centrally. Orders outside the regular forecast have a lead time of 12 weeks.
- Forecasting for machines to be performed weekly via the regular SC FC sheet.
- Forecasting for capsules to be performed weekly via SAP/APO.
- Standard process for forecasting and ordering should be followed
- At break downs we will exchange the machines. However, for NL we have created two spare parts: watertank & drip tray. These 2 parts are included in the table on page 11 (accessories).

Return process

The Professional Mini coffee appliance is a low cost coffee machine. Hence it has been decided to not service this machine. We will only have 2 spare parts available; the water-tank and the cup tray. These can be ordered via standard process of Supply Chain. The machines come with a one year warranty as of the date of delivery of the coffee machine at the customer . If a machine would break down during that first year, we will replace the machine for free and discard the initial machine.

Standard return procedure:

1. If a genuine failure (i.e. failure not caused by lack of maintenance or use not in conformity or according to the manual) reported: Ask customer to return the machine to a central location in your country and ship a new machine (w/o capsules) to the customer. Always ask customer to include copy of invoice as well to check warranty period;
2. Collect the broken / not working machines in your central location;
3. Once every year ship the machines received that quarter, back to the central DC (Janssen / Venlo). Only send from local warehouse; do not ask customers to send directly to Janssen;
4. The international team will provide detailed feedback on the returned units to the supplier. MSU will be reimbursed for all machines above 2% of total volume;
5. The supplier will investigate the returned units and reimburse JDE if the defect cause is within the contractual agreement.
6. End of process.

11. What is in the box

The following items are delivered with the machine

- Safety instruction sheet: One A4 sheet including some safety remarks and a web link referring to our JDE-PRO web site with the manual in 11 languages.
- Web link to manuals:
<http://jacobsdouweegbertsprofessional.support/index.php/single-serve/l-or-lucente-pro>
- Quick start guide (English only).




12. How to install the L'OR/DE/Jacobs Professional Mini Coffee Appliance

With installation it is important to remove:

1. Protective film around machine
2. Restraining tape on water tank and waste bin
3. Protective tape UNDER water tank


Unboxing & Priming

Step 1




Remove from carton


Step 2




Remove machine & cup stand from protective bags




Remove protective film



Remove all blue restraining tape




Remove protective film



Remove protective film

Step 3



Prime system

- Half fill water tank
- Press 'ON/OFF' button ④
- When lights solid
- Press 'ESPRESSO' ①
- No need to insert a capsule
- Water will flow from outlet after ~5sec.
- Let machine dispense full (~40ml) volume.
- Press 'ON/OFF' button ④

3A-279
July 2019

13. Marketing & Communication, training, documentation & Q&A

Marketing:

For the Professional Mini Coffee Appliance there will be limited marketing toolkit available developed consisting out of the following elements:

- Photography of the machine.
- Small Sales presentation.
- Q&A including trouble shoot, recycling & sustainability instructions.
- Shared storage place will be developed to ensure that best practices on activation can be shared. Example is the UK press release and advertisement.

Please take following guidelines into consideration with regards to communication:

- In all (internal) and external communication at least mention full names of the machine once → L'OR/DE/Jacobs Professional Mini Coffee Appliance
- When communicating on L'OR Professional capsules machines: it always needs to be clear that it's about a coffee appliance. Via name, text, visual or context.
- Always show picture of machine in full solution – including our capsules
- When showing capsules, ensure to use pictures as stipulated in Legal Manual
 - Use latest version of capsules (with silver lid)
- If machine name used more in the communication, shorter name is allowed, but always with L'OR
 - L'OR Mini (include shorter name in brackets when full name is used first time: eg L'OR Professional Mini Coffee Appliance (L'OR Mini))
- When also using Nespresso®* in external communication
 - Always use bullet points, example:
 - L'OR Lucente PRO
 - Nespresso®* machines
 - The brand Nespresso should be followed always followed by the sign ® and by the asterisk * referring to the ownership disclaimer: trademarks of third party not connected to JACOBS DOUWE EGBERTS
 - Only use neutral font size and as small as possible
- Local legal clearance always required when communicating externally

Legal manual:

The Legal Manual can be found on Sharepoint under chapter 2. Legal Manual:

<https://coffeandtea.sharepoint.com/sites/Z1%20Commercial/SitePages/Home.aspx>

Training:

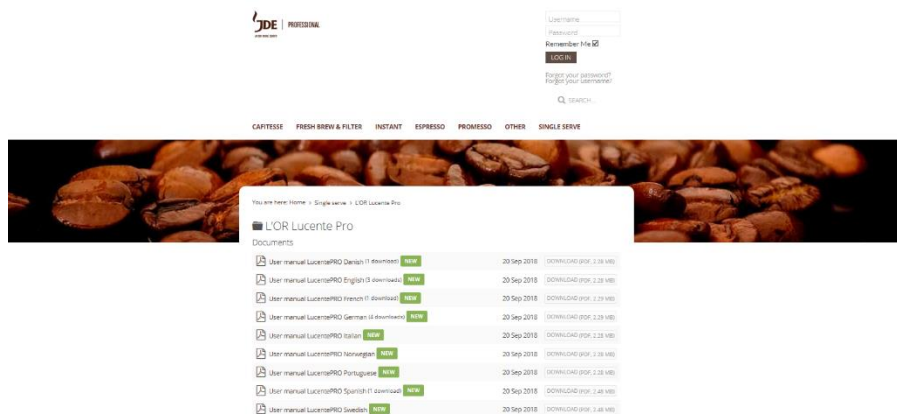
For the Professional Mini Coffee Appliance there will not be an in-depth training given since the machine is a “Plug & Play” type machine and is directly shipped to the customer – not to be installed by JDE technicians.

Documentation:

All service related documentation that is developed for the Professional Mini Coffee Appliance, will be added to the <http://jacobsdouweegbertsprofessional.support/index.php/single-serve/MINIAPPLIANCE> site.

Quick reference card:

The machine will ship with a quick reference card in the English language, which will also mention the above listed URL to the full manuals.



14. Technical Data Sheet

Parameter MINI appliance	Values	Unit
Machine dimensions (W x D x H)	100x350x240	mm
Machine dimensions incl. packaging (W x D x H)	150x380x310	mm
Height when lever is open/up	370	mm
Total machines per pallet (packaging from Venlo)	96	piece
Weight (Net) per machine	3,76	kg
Minimal required ventilation around side / back of the dispenser	n.a.	cm
Power supply	220-240V, 50/60Hz	V / Hz
Power rating	1200 W	W
Heating	Thermo-block	
Max. requirement water hardness	Recommended to yearly descaling at water hardness around 5-10 degrees	DH
Water tank	0,60 Liter	Liter
Waste bin	5	capsules
Ingredient	capsules (5,2 gr) (L'OR, DE or jacobs)	gram
Standard recipes in machine (factory settings, each button volume is adjustable)	Espresso (40ml)	
	Lungo (110ml)	
	Hot water (120 ml)	
Clearance with cup/drip tray	5.5 (upper position)	cm
Max. clearance without cup/drip tray	13.5	cm
Hour capacity	n.a.	cups á 110 ml/hr.
ECO mode adjustable	Automatic switch off after 9 minutes	-
Delivered parts in the box (standard version)	Drip tray, quick reference card with link to on-line manuals, power cord	

15. Contact persons

Find below the contact persons within JDE regarding Mini Appliance:

Person	Responsibilities	Email
Paul J. Schoon	Global Category Lead (Marketing)	Paul.schoon@jdecoffee.com
Olaf Galesloot	R&D SiSe Manager	Olaf.galesloot@jdecoffee.com
Jeff Gardiner	R&D Appliances	Jeff.gardiner@jdecoffee.com
Erik Visser	Innovation Delivery Manager	Erik.visser@jdecoffee.com
Geronimo Edwards	Supply Chain (forecast machine)	Geronimo.edwards@JDEcoffee.com
Philip Wichmann	Supply Chain (forecast machine)	Philip.wichmann@JDEcoffee.com
Laurent le Guevel	Supply Chain (forecast capsules)	Laurent.LeGuevel@JDEcoffee.com