

Smoke Jumpers XVI

October 2017



Housekeeping



- Restrooms
- Wireless
- Calls / Teleconference
- Videographer



Get Social

#SJXVI2017



Safe Harbor



- We are not here to ask anyone to disclose sensitive competitive information
- We are not here to encourage anyone to recommend changes to their company policies or practices – those decisions are up to each of you independently
- If you feel something is proprietary or confidential, do not offer that up to the group
- Do not breach any confidentiality agreements you may have with your customers during these discussions
- Be especially careful to avoid discussions about anything to do with specific prices for specific customers
- Avoid discussions about whether to do business with certain partners and under what terms of sale

Goals



- Managing trade allowances and pricing discounts is a challenging and dynamic responsibility
- Across manufacturers, there are significant yet common challenges
- In some areas, solutions defined collectively can have greater value than operating independently

A. Education

B. Awareness

C. Problem-solving

D. Networking

Smoke Jumper's History



I	2011	June	Chicago
II		September	Chicago
III	2012	January	San Francisco
IV		June	New York
V		October	Las Vegas
VI	2013	January	Atlanta
VII		May	Chicago
VIII		December	Boston
IX	2014	May	Chicago
X		November	Napa Valley

XI	2015	February	Austin
XII		October	Orlando
XIII	2016	May	Chicago
XIV		October	Las Vegas
XV	2017	May	Chicago
XVI		October	Chicago

Participants



AdvancePierre

Alpha Baking

Bagcraft

Burry Foods

Butterball

Campbell's Soup

Carlisle Foodservice

Conagra Brands

Continental Mills

Custom Culinary

D&W Fine Pack

Diamond Crystal

Farmland Foods

Flowers Foods

Foster Farms

General Mills

Genpak

Hillshire Brands

Hoffmaster

Hormel Foods

Huhtamaki

Idahoan Foods

International Paper

J.M. Smucker

J.R. Simplot

John Morrell

Ken's Foods

Kerry Foods

Keurig Green Mountain

King & Prince

Koch Foods

Kraft Heinz Company

Lamb Weston

Land O' Lakes

Mars Wrigley

Mission Foods

Nestle

Ocean Spray

Perdue Farms

Pilgrim's Pride

Pinnacle Foods

Procter & Gamble

Reckitt Benckiser

Rich Products

Sabert

San Jamar

Sargento

Schwan's

Smithfield Foods

Solo Cup

Tyson Foods

Unilever

Ventura Foods

Volpi Foods

Weston Foods

Guests and Topics



Topics

Broker Consolidation
Buying Group perspective
CRM Integration with TPM
The Death of List Price Volume
Redistribution & Deductions
Efficient Claims Processing
GPO Compliance
GPO Location Level data
Growth of Cash & Carry
Industry News
Operator-focused Organizations
Recapture
Sourcing RFP's
Sysco - US Foods merger
Trade Metrics
Trade Organization
Value for the Sales Function

Guests

AFS Technologies
CBS
CHD Expert
Dot Foods
FSIC
Hale Group
I-Trade Network
Local Operators
NPD
Pentalllect
Technomic
Tibersoft
Unipro

Topics

Operator Needs

New Age of FS Data
Modern Commerce
Managing Commodity Proteins

Sysco Category Management
Budget-based controls
Buying Group effectiveness

Guests

B Restaurants
DataSential
Eat'n Park Hospitality
Restaurant Services, Inc.

DataSential
PROS
Urner Barry

J.R. Simplot
General Mills
Conagra Brands

Wednesday Agenda



8:30 to 10:30	State of the Industry
10:30	Break
10:45 to Lunch	Operator Panel
Until 1:15	Lunch
1:15 to 3:15	Round Table discussions
3:15	Break and Snack
3:30 to 5:00	Case Study
6:15	Meet in the lobby – Chicago Sports Museum

Thursday Agenda



7:30 to 8:30

Breakfast

8:30 to 9:15

Next Generation Analytics

9:15 to 10:00

FORGE Release 8

10:00

Break

10:30 to 11:15

Retail Planning and Analytics

11:15 to 12:00

Best Practices in Claim Processing

12:00 Noon

Lunch & Departures



State of the Industry

Methodology & Significance



- Year over year comparison for period ending 9/30/2016
- 'Final' transactions only [filter out WIP/RFA]
- Includes traditional foodservice, grocery/supermarket, convenience and gas, mass merch, club and industrial
- 425,000 promotional events / contracts / 'deals'
- \$4.2 billion discounts [checks, credits, OI]
- \$43 billion client sales dollars in the eligible channels

Food & Beverage

Cavendish Farms
ConAgra Brands
Continental Mills
Custom Culinary
Diamond Crystal
Flowers Foods
General Mills
J.R. Simplot
Ken's Foods
Kerry Foods
Kraft Heinz Co.
Lamb Weston
Land O' Lakes
Mars
Mega Mex
Mission Foods
Nestle
Norpac
Rich Products
Smucker's
Stratas
Unilever
Ventura
Weston Foods

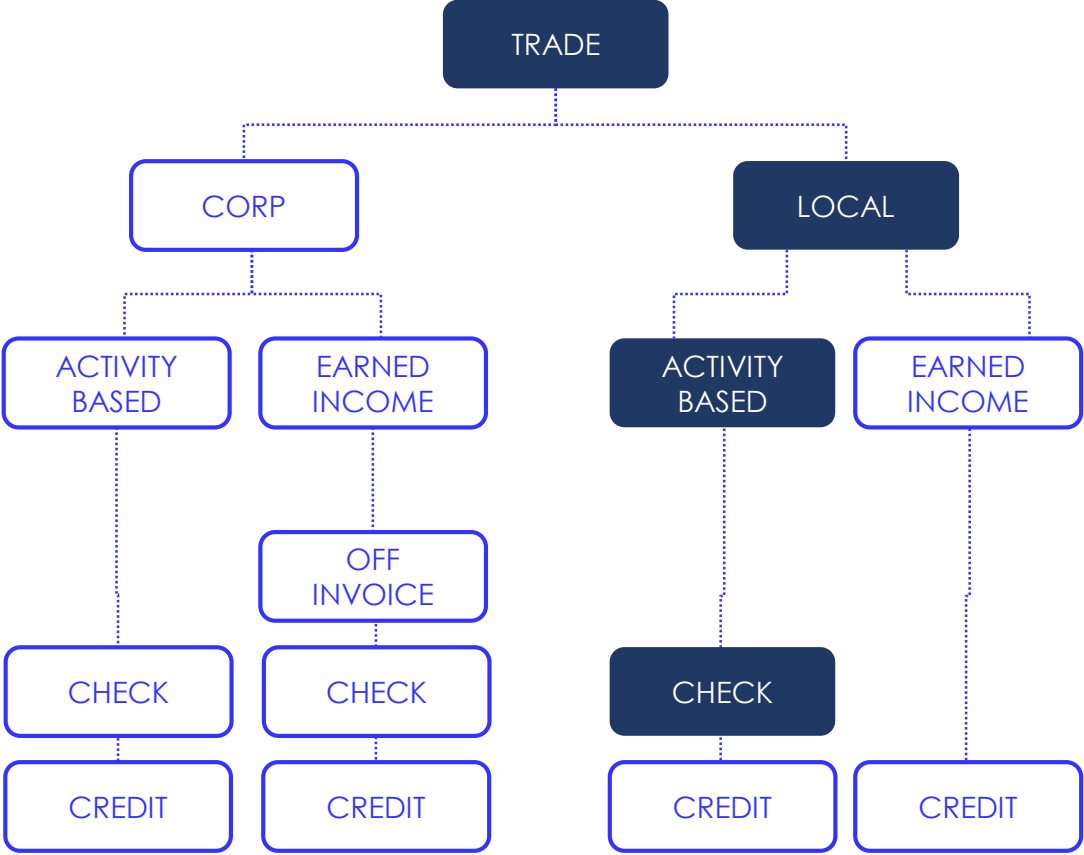
Proteins

AdvancePierre
Brakebush Brothers
Butterball
Foster Farms
Hormel
John Morrell
Koch Foods
Nathan's
Perdue Farms
Pilgrim's Pride
Smithfield Foods
Volpi Foods

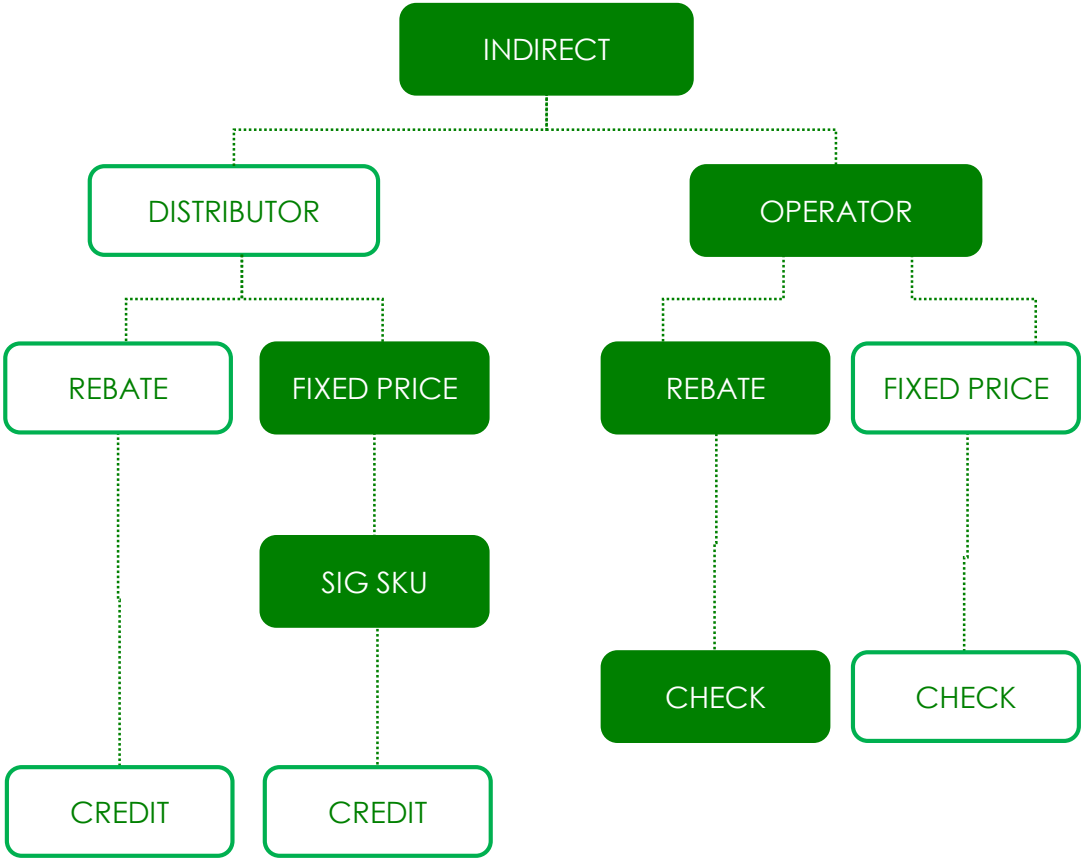
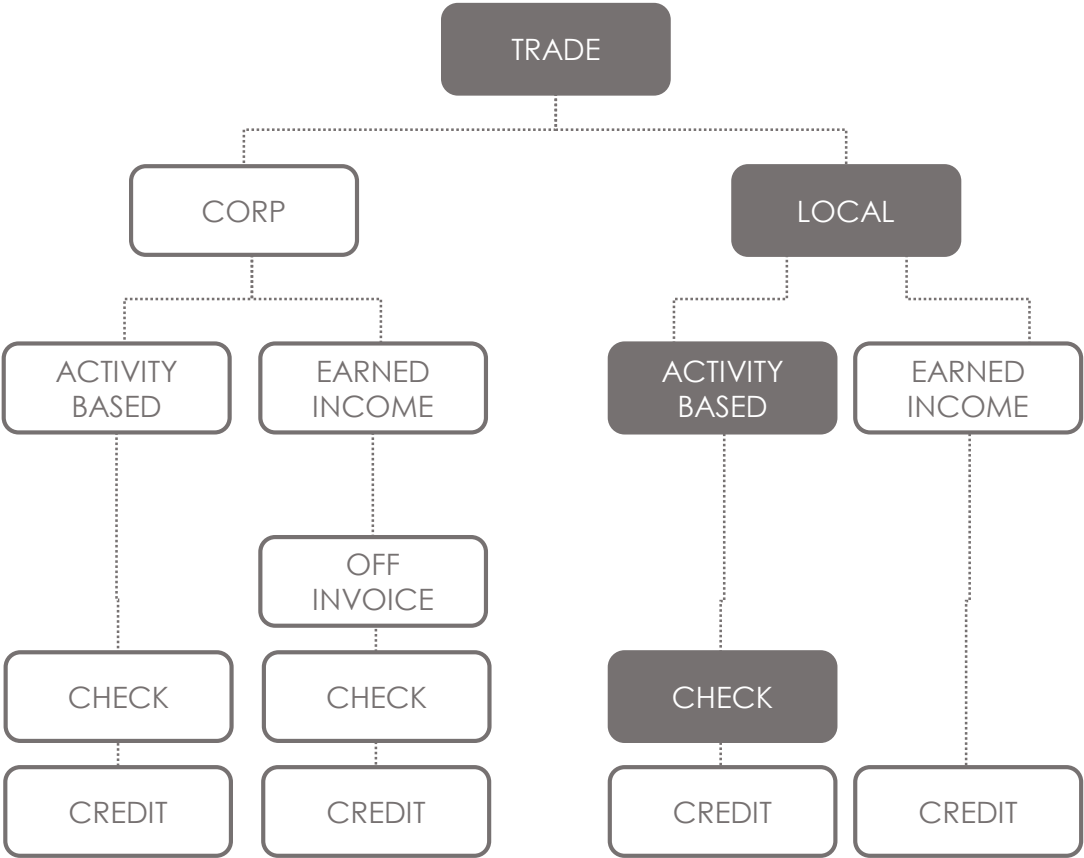
Disposables & Jan San

Bagcraft
D&W Fine Pack
Genpak
Hoffmaster
Huhtamaki
International Paper
Novolex
Procter & Gamble
Sabert

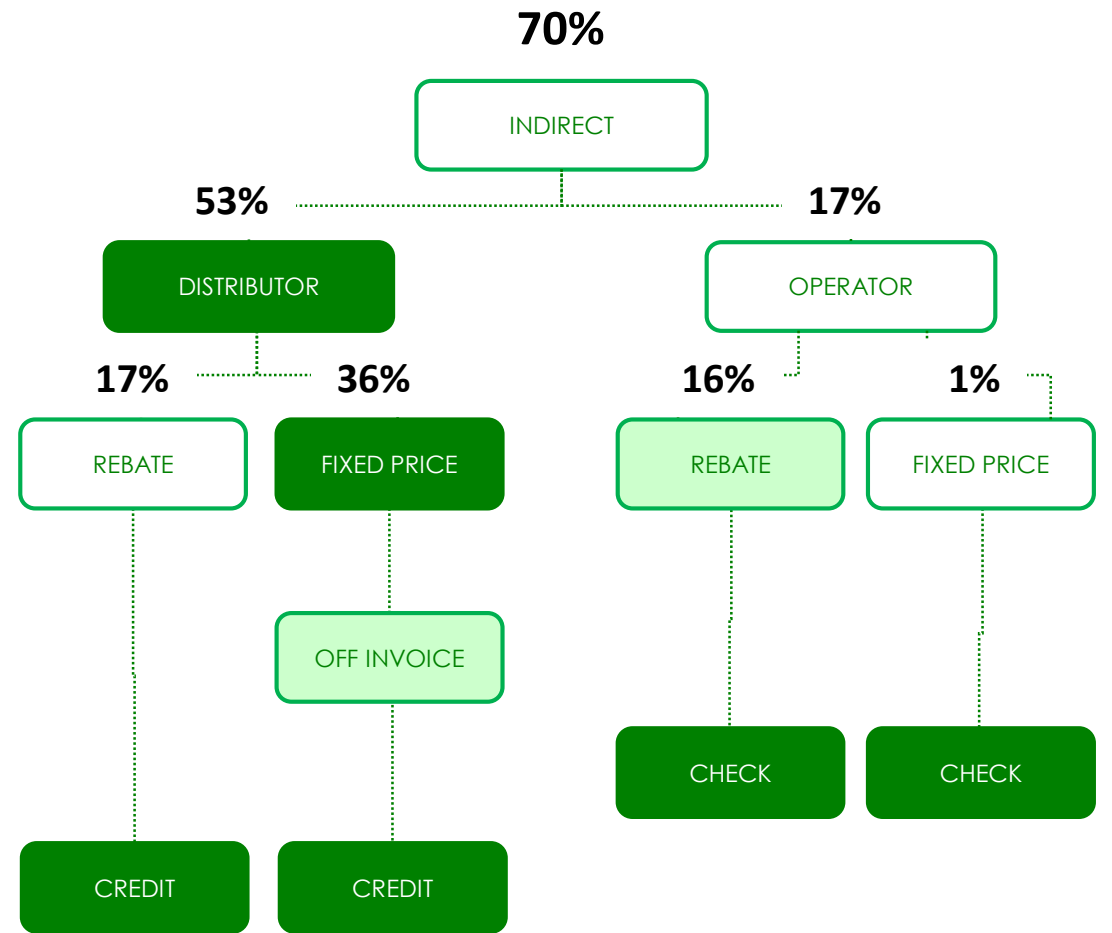
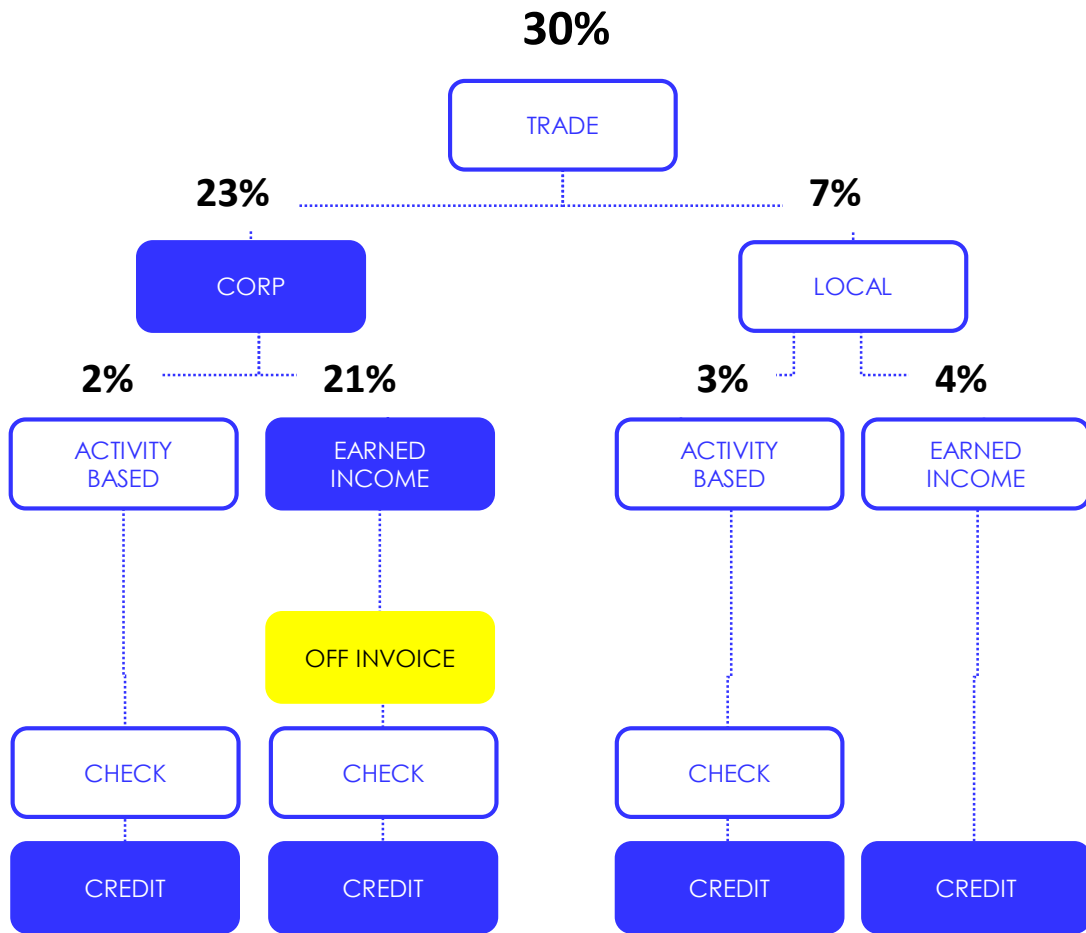
The Good Old Days



The Good Old Days



Unfavorable



Not what we are looking for ...



	<u>Average</u>	<u>Peak</u>	<u>vs. PY</u>
Discounted share	54%	71%	3.5 point swing on average
Operator depth of discount	16%	22%	2 point swing in wrong direction

** Based upon dollars vis-à-vis gross sales dollars*

Shift to operator discounts continues



	<u>Average</u>	<u>Peak</u>	<u>vs. PY</u>
Operator Discounts	70%	77%	2 point increase on average
Direct Trade	30%	48%	2 point decline on average

- Operator discounts are more than 85% deviated price that is mostly deducted by the distributor
- Direct Trade is more than 80% rebate/allowance that is deducted

Deviated Pricing



	<u>Average</u>	<u>Peak</u>	<u>vs. PY</u>
Dollar share	86%	92%	4.5 point increase on average
Volume share	74%	89%	3.8 point increase on average

- *Share of operator-based discount activity*

Settlement of Convenience



	<u>Average</u>	<u>Peak</u>	<u>vs. PY</u>
Total discount via deduction	74%	96%	Relatively flat all around
<hr/>			
Discrepancy rate [deduction]	4%	9%	Relatively flat
> \$0 Variance [deduction]	13%	21%	3.5 point increase on average
<hr/>			
Discrepancy rate [operator]	3%	8%	Relatively flat

Claimed Rate vs. Expectations



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Direct Trade	30%	48%	2 point decline on average

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Disappointing rate of change in Ecosystem



Nice Wins

- US Foods PACE initiative
- US Foods First Course
- GFS CSV

Bummers

- Continued 'street' erosion
- GPO membership integrity remains weak
- Even the 'new news' is likely to be unfavorable
 - ✓ Aramark & Avendra
 - ✓ Amazon

Focus on the Operator



Approach

- Tools and training have to resonate at the Moment of Truth
- Broadly report on “street vs. chain”
- Track all agreements for expected vs. actual
- Segment operator universe and track growth goals by segment
- Data-driven model

Benefits

- Sales accountability [vs. Push strategy]
- Broad and deep visibility of ‘discounted share’
- Resources focused on the best operator opportunities
- Organizational awareness of operator business trends [at all times]
- Accuracy and timeliness of indirect accruals

Drive your discounts to the Operator



Capabilities

- Recapture
- Automated Blended Rate
- Automated Exclusions
- Quarterly review of discrepancies

Benefits

- Aligns benefits of the discount with ultimate buyer
- Reduction in trade provides for more competitive pricing offers
- Higher payout on full list price business rewards 'street growth'
- Slows the growth of trade dollars paid on GPO and Bid volume

Focus on economics, wide and deep



Approach

- Engage brokers, field sales and sales management
- Margin-based approval [v. volume]
- Approval thresholds by category and role
- Ease of Use is critical with efficiency features, e.g., Auto Renewal

Benefits

- Drives accountability
- Increases visibility to economics and balances focus with volume
- Reduce Finance burden to be all things to all functions

Shrink the pie for non-performing dollars



Approach

- Focus Samples and Shows on products with high conversion rates
- Control via Budgets by sales area, broker and/or customer
- Requires planning mindset ... the organization has to migrate away from reacting and get in front of the plan

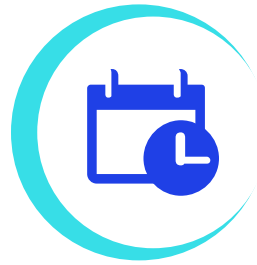
Benefits

- Aligns funding with volume accountability
- Creates correlation between funds and results
- Allows for migration from volume-focused 'pound mongers' to business managers

Let's go all in ...



McKinsey & Company



Benchmarks and industry knowledge

- What are the questions you consistently struggle to address?



Insights and decision support

- What actions are you considering that you are seeking decision support for (e.g., consumer promotion optimization, operator incentives, etc.)?
- What (if any) analyses are you doing outside the platform that you would like to see incorporated as new features and functionality



Operator Panel

Operator Panel



- We have spent a lot of time on internal efficiencies
- We felt like it was time to improve our understanding of the operators needs

Group Discussion

- How can we make life better for the operator?
- What do they recognize as high value process steps?
- What are their pain points?
- What's on the Wish List



STEVE PATTISON

Chief Financial Officer

Restaurant Services, Inc.

GREGG GORDON

Director of Purchasing

Eat'n Park Hospitality Group

KEVIN WATSON

Vice President of Business Operations

&

Executive Chef

b Restaurants

ERIC LIEBERMAN

Purchasing Analyst

Eat'n Park Hospitality Group



Round Table Discussions

Round Table Discussions



The New Age of Foodservice Data

Mark DiDomenico, DataSsential

Modern Commerce

Tim Chilson, PROS

Effective Buying Group Promotion

Himanshu Deoskar, Conagra Brands

Budgets – Strategy & Implementation

Gina Schupanitz, General Mills

Negotiating Strategies for Commodity Proteins

Russ Whitman, Urner Barry

Sysco Category Management

Ellen Maier-Zinn, J.R. Simplot



Case Study

Group Case Study



Today's process

- Small breakout groups for discussion
- Ideate, brainstorm and problem-solve
- Re-group as a general session

Your role

- Rely upon your experience and knowledge in the industry
- Try to free yourself of the constraints you may have “back at the ranch” [e.g., disposable vs. F&B, broker v. direct, etc.]
- While we are working as a group, feel free to throw in challenges you have right now for selfish reasons

A wide-angle photograph of the Chicago skyline, featuring numerous high-rise buildings with glass facades and brick accents. In the foreground, a body of water, likely the Chicago River, flows through a park-like area with green trees and a concrete walkway. The sky is blue with scattered white clouds. Overlaid on the center of the image is white text in a large, bold, sans-serif font.

SMOKE JUMPERS XVII
CHICAGO
MAY 2018