SMOKE JUMPERS

Orlando
October 2015

Confidentiality and Antitrust

- 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
- All information shared during this session should be considered "public domain"
- 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

Why are we here?

- Foodservice trade and pricing discounts is a challenging and dynamic environment

- Across manufacturers, there are significant yet common challenges to address

- In some areas, solutions defined collectively can have greater value than operating independently

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- Education

- Awareness

- Problem-solving

- Networking

Meeting History

I	2011	June	Chicago
II	2011	September	Chicago
III	2012	January	San Francisco
IV	2012	June	New York
V	2012	October	Las Vegas
VI	2013	January	Atlanta
VII	2013	May	Chicago
VIII	2013	December	Boston
IX	2014	May	Chicago
X	2014	November	Napa Valley
XI	2015	February	Austin
XII	2015	October	Orlando

Participating Companies

AdvancePierre	Hoffmaster	Nestle
Bagcraft	Hormel Foods	Ocean Spray
Campbell's Soup	Huhtamaki	Pinnacle Foods
ConAgra Foods	Idahoan Foods	Procter & Gamble
Continental Mills	International Paper	Reckitt Benckiser
Custom Culinary	J.M. Smucker	Rich Products
D&W Fine Pack	J.R. Simplot	Sabert Corporation
Diamond Crystal	John Morrell	Sargento
Flowers Foods	Ken's Foods	Schwan's
Foster Farms	Kraft Foods	Smithfield Foods
General Mills	Lamb Weston	Solo Cup
Genpak	Land O' Lakes	Tyson Foods
H.J. Heinz	M&M Mars	Unilever
Hillshire Brands	Mission Foods	Ventura Foods

Topics

Broker Consolidation

Buying Group perspective

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

I-Trade Network

Local Operators

NPD

Technomic

The Hale Group

Tibersoft

Unipro

Agenda for today

8:00	Continental Breakfast – Aruba/Bahamas
9:00	Introductions and Overview
9:15	Current Topics and Updates
10:00	GPO Process Improvements [break outs]
12:00	Lunch
1:00	Direct to Operator
1:30	Case Study [break outs]
2:45	Group Review
4:00	Adjourn

6:00	Dinner reception in Vinoy Room

Discount Automation

Good things
come from
Sysco®

Discount Administration

Pricing Effective Dates

PERFORMANCE
FOODSERVICE

US.
FOODS™
KEEPING KITCHENS COOKING.™

Recapture

Determining which operator volume is not eligible for the 'street rate' --

A. Non-Commercial

B. GPO

C. R&I Top 400

D. Technomic Top 500

E. School Bids

F. Any discounted business

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- Published
- Maintained over time

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Implementing Recapture --

A. Best Practices

B. Watch Outs

C. Advice

Group Purchasing Organizations

aramark

AVENDRA

Foodbuy

PREMIER

Novation

sodexo

San Francisco

<u>Agenda</u>

- Healthcare history
- Issues definition
- IFDA Letter

<u>Output</u>

- Standard expectations
- Evaluation scorecard
- Standardized claim content

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- Technomic findings
- Group findings
- Collective approach

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- IFMA as Champion
- Little support for collective approach

San Francisco

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New York

Agenda

- Technomic findings
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Las Vegas

Agenda

- Quantitative study
- Location level efforts

Output

- Claim evaluation
- UniPro invitation

GPO Core Issues

- Multi-Dip: GPO membership transparency and compliance -- Admin Fees paid against a single case for a single location multiple times.

- Extendibility: Deviated billing and location-level discounts administered through distribution are passed through to locations that are not GPO members.

  - ✓ Margin erosion
  - ✓ Street erosion
  - ✓ Trade flow friction within distribution community

- Contract Conflict: GPO members who are also large enough to warrant "their own" contract drive confusion across the workflow relative to which offer to apply volume against.

Areas of Focus

1. Definition of Standards and Expectations

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3. **More efficient distributor claims**

Rank	Opportunity	Size	Commentary
1	Gordon Food Service	Large	25% of industry pain level
2	Bunzl	Large	50% of disposables pain level
3	PFS	Medium	Variance by branch complicates streamlining
4	Vistar	Med to High	Files often hard to read and difficult to convert
5	Shamrock	Medium	Conversion of the files is painful

Special Mention

Reinhart	Large	Rate of discrepancy is higher than most
Sysco	Grande	Inconsistent execution / duplicates
US Foods	Grande	Contract mapping too complicated for GPO's

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1. Definition of Standards and Expectations

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Synopsis

- Efforts to broadly collaborate have failed

- There are some one-off door-to-door success stories

- The biggest opportunity will be PFS if the Sysco/USF merger goes through

Areas of Focus

1. Definition of Standards and Expectations

2. Broader collaboration [rather than door-to-door]

3. More efficient distributor claims

4. **GPO Headquarter Claims**

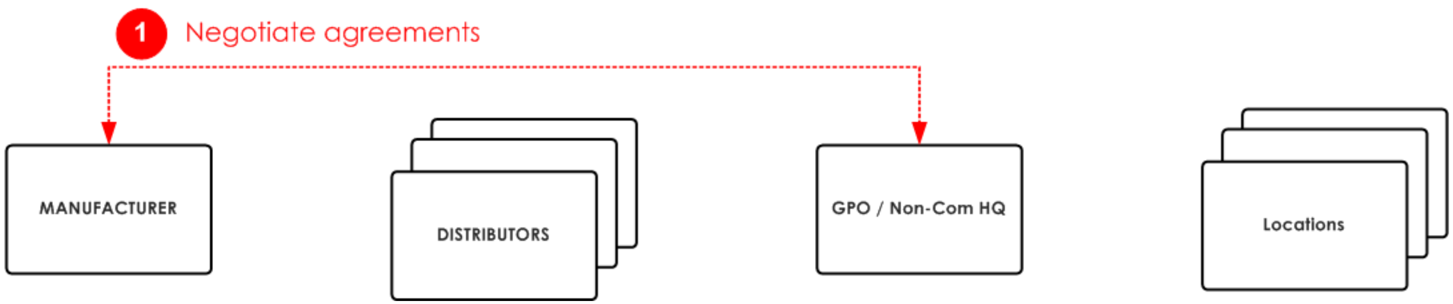
Areas of Focus

	Files	Members	Distributors	Products	Amounts claimed
ARAMARK	8-12 files per contract	Line of business and concatenated membership	The list is old and can create maintenance challenges	Their version of your product number	Requires some experience to understand
Avendra	Multiple per month	Varies	Named - No ID	Their version of your product number	Quantity UOM can be tricky
Foodbuy	Clean	Name plus city and state	Separate lookup file that is relatively up-to-date	Their version of your product number	Clean
Novation	Clean	Name plus city and state	Name and ID	Their version of your product number	Best
Premier	Clean	Named	Named - No ID	Their version of your product number	Clean but clarify for UOM could be better
Sodexo / Entegra	4 per contract	Full address	Name and ID	Their version of your product number	Best

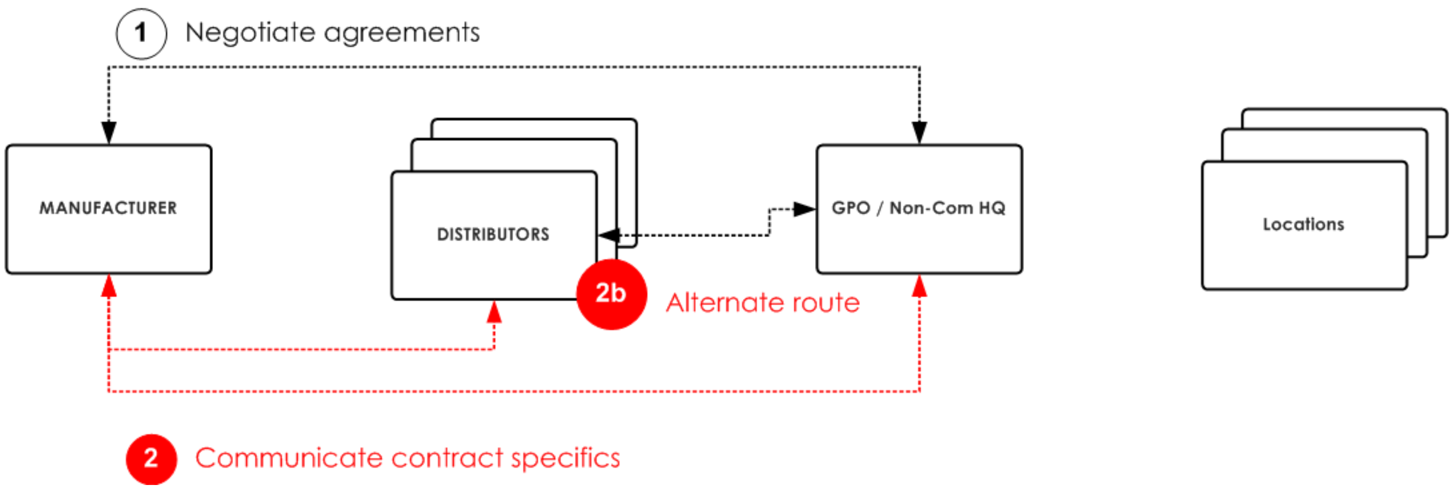
Areas of Focus

1. Definition of Standards and Expectations
2. Broader collaboration [rather than door-to-door]
3. More efficient distributor claims
4. GPO Headquarter Claims
5. **Automation of contract information to the GPO's**

Contract Workflow



Contract Workflow



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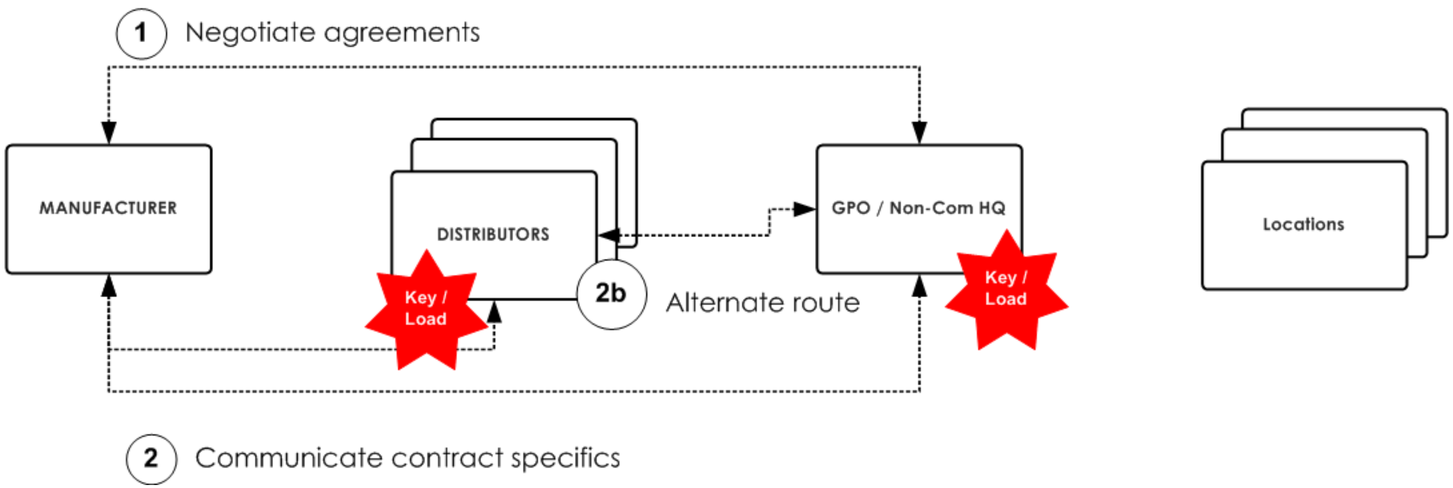

Automation of contract information to the GPO's

1. Transferring the contract data from your system to the customer system remains a pain point for everyone
    - Timely and accurate updates
    - Contract numbers and alignment of items and rates
2. This should be the path of least resistance given there is value for the operator
    - We are not asking for them to revise their claim process
3. We would like to approach each of the major six non-commercial operators and propose a file export/import process to load your contracts to their system
4. The file format and process would be 'TPM Agnostic' – not just Blacksmith
5. We have a budget [dollars] set aside to fund the IT support or consultants if these accounts have some work to do

GROUP BREAK OUTS

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

What action items or tasks should our group attempt to take on?

Group 1	Group 2	Group 3	Group 4
Laurinda Beaver	Jenny Bennett	David Archibald	John Claggett
Lana Braverman	Cathie Bunch	Joann Biondo	Ellen Maier-Zinn
Mike Leiker	Amy Clark	K.C. Danzansky	Bernie Silveira
Matthew Massoud	Jay Crown	Bryan Krayer	Jim Stolle
Cathy Montplaisir	Chris Curry	Gina Lalka	Tom Theis

Group 5	Group 6	Group 7
Richard Bishop	Dennis Gould	Rigo Brioschi
Andrea Eberly	Teresa Holley	Michelle Jensen
Kathy Freed	Dayna Johnson	Joe Lamb
Darren Oellien	Scott Marquardt	Julie Michel
Eric Wilkins	Tim Wayne	Rita Westall

LUNCH

DTO

The Good Old Days

Distribution

- 3,000 relevant points of distribution
- National brands controlled more than 80% of most categories
- Top 50 = 33%
- Trade programs centrally defined by manufacturers with local house focus
- 3-5 competitors per market area

✓ SYSCO
✓ Kraft Foodservice
✓ Beveco
✓ JP Foodservice
✓ PYA Monarch
✓ Rykoff Sexton
✓ White Swan
✓ Comsource
✓ Ben E. Keith
✓ Gordon Food Service

Operators

- Explosive growth of QSR locations opening daily
- National universe booms to 800K locations by late 90s
- Top 400 control 30% of the consumer dollars
- Majority of manufacturer incentives ‘rebates’ per case
- Deviated pricing controlled for high volume opportunities
- ‘Menu clips’ and coupon mentality to transactions

Modern Warfare

Distribution

- Only 100s of relevant points of distribution
- Private label approaches 60% share led by SYSCO
- Top 10 = 75% of "broadline"
- Corporate direct trade approaches 80%
- Regional RFP's for "single source" challenge relevant points of difference
- Distributor as purchasing agent alters historical role

✓ SYSCO
✓ U.S. Foodservice
✓ PFS
✓ Gordon Food Service
✓ UniPro
✓ DOT Foods
✓ 5-10 relevant regional's

Operators

- Store-level growth flattens driving 'take share' mentality
- Top 400 Chains control estimated 60% of the consumer dollars and continue to grow overall share
- GPO definitions dissolve as funding supports loose-knit structures absent of purchasing influence and compliance
- Deviated pricing control crashes, now more than 70% of operator-based discounts
- Settlement continues to become more complex relative to gross-to-net, recapture, point-to-point freight and extendibility

Operator Pass Through Value

The traditional sweet spot of "street" business is rapidly disappearing with an alarming amount of the value failing to reach the operator.

- 70%+ of the offers are "Private" [single distributor access] and 50% of manufacturers offer specific distributors different prices for the same operator business
- Less than 20% of operators "know" a special price is available
- Less than 20% of the local POD discounts effect the operators landed into stock price
- When it is passed through, less than 30% is reflected in the "new" operator price from the distributor
- More than 40% of the "wins" are actually straight conversions from a competitive distributor [same item, lower price]
- More than 70% of the distributors view these transactions as an offset to compressed commissions

The Big Idea

Process all operator discounts as payments to the operator – eliminate deviated pricing through the distributor

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Dayna Johnson

Mike Leiker

Julie Michel

Group 2

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Kathy Freed

Matt Massoud

Jim Stolle

Rita Westall

Group 3

Jenny Bennett

Rigo Brioschi

Teresa Holley

Bryan Krayer

Darren Oellien

Group 4

Lana Braverman

Amy Clark

Scott Marquardt

Cathy Montplaisir

Tom Theis

Group 5

Laurinda Beaver

Chris Curry

KC Dansansky

Gina Lalka

Eric Wilkins

Group 6

John Claggett

Joe Lamb

Ellen Maier-Zinn

Bernie Silveira

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