



**Boston
December 2013**



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”



Agenda for today

- | | |
|-------|------------------------------------|
| 8:00 | Sourcing Update |
| | Round Table Topics |
| 9:30 | Break |
| 10:00 | Round Table [continued] |
| 12:00 | Lunch |
| 1:00 | Group case study |
| 2:00 | General discussion of case results |
| 4:00 | Wrap up |
| 5:30 | Depart for evening event |



Agenda for Friday

- 8:00 Day 1 Recap
- CHD Integration
- Update on Analytics

- 8:30 Functional discussion – Sysco Operator OI

- 10:00 Adjourn

Sourcing





Sourcing Initiatives

During our prior meetings, we had hypothesized that the process of responding could be challenging without proper planning in advance.

- Resources and priorities
- Executive meeting time
- Competitive gap definition
- Strengths / weaknesses by category
- Portfolio strategy assuming multiple category bids over time
- Cross-customer strategy [e.g., Sysco, US Foods, Others]
- Discounted business evaluation -- secure vs. at risk



Sourcing Initiatives - what we have learned so far

1. You will not have enough time or resources
2. Assign a real project manager
3. You need a multi-functional team
4. You need a governance and decision-making model for even the smallest decisions
5. Sweat microscopic details – undefined items will be resolved in the buyer's favor once you sign and they can become spendy
6. The worst assumptions are those that are not written and include items you might consider “no brainers”
7. General confusion remains relative to timelines, implications, the role of the local personnel
8. As a multi-category respondent, there are concerns about precedents and locking in to decisions going forward
9. Full-on scramble mode when you win ... and if you do not



Sourcing Discussion Points

- Award Integrity
- Local compliance
- Operator reaction[s]
- Will other distributors follow?
- Operator Off Invoice Allowance

Industry initiatives

- Sysco – Deal load
- Sodexo / CaRMA
- Novation
- Ben E. Keith - KDEV
- Foodbuy





Round Table

- **Growth of Cash & Carry – Restaurant Depot**
 - ✓ Restaurant Depot now 100+ locations and ~\$5 billion [Top 10]
 - ✓ US Foods Chef Stores
 - ✓ Focused on independents – order size and price
 - ✓ Implications on packaging – inner and outer cases



Round Table

- **Broker Consolidation**
 - ✓ Increases in administrative efficiency
 - ✓ Erosion of selling effectiveness
 - ✓ Turnover in the broker sales ranks
 - ✓ Focus – is the “bag too big?”



Round Table

- Net Pricing → Fighter and Flanker brands
- Lessons Learned from Retail trade effectiveness initiatives over the years
- GS1 Updates



Today's process

- Case study format
- Small breakout groups with assignments from the case
- Break out rooms to 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



Group 1

Angie

David D.

Kirk

Mike L.

Sue L.

Group 2

Greg

Mike N.

Phil

Sue P.

Group 3

Cathy

Joe

Rick

Rob

Group 4

Bryan

Marcy

Jose

Ray

Group 5

Brian J.

Brian M.

David H.

Jim

Lilly

Group 6

Don

Rena

Rita

Tim





\$30.00 List or Into Stock

\$3.00 Sysco 10% Operator OI

\$27.00 Net of Operator OI

A. Operator Deviated

\$28.00 Operator Deviated

(\$1.00) Nothing due

B. Operator Deviated

\$25.00 Operator Deviated

\$2.00 Sysco "Self Funds"



\$30.00 List or Into Stock

\$3.00 Sysco 10% Operator OI

\$27.00 Net of Operator OI

A. Operator Rebate

\$2.00 Operator Rebate

\$0.00 Nothing due

B. Operator Rebate

\$5.00 Operator Deviated

\$2.00 Sysco "Self Funds"



Rebate Type: Adjust Expected Rate on Operator discounts

REBATE COMPONENTS

active | inactive | **add new** | business rules

Component Information

ID:

Component Name:

Business rules for percentage rebates - Margin & Auto Pay: **i**

Auto pay calculations are net of cash discount: No Yes

Auto pay calculations are net of freight allowances: No Yes

Auto pay should exclude by credit type: No Yes

Percentage option used in TPA & Margin: **i**

Rebate Type: **i**

- None
- Base Price Protection Rebate
- Price Protection Increase Rebate
- Exclude from margin calculation
- Variable/Fixed Combo
- Express as cost in margin
- Add component value to invoice price

Interface as Rate:

Accrual On:

Recapture rate sources from program's budget (instead of program):

Display Off Invoice Claim Mechanics:

[if yes is selected, only claim mechanics with Off Invoice set to 'yes' will be shown]



Expected Rate Calculation

Billback # 000-2364243-00 307013340::1071139::CE4SKEZ::5400348 (06/01/2013 - 06/30/2013) (30 days)
Program # 000-1071139 (Operator-Deviated Pricing - Operator Core)
Distributor # 5400348 (SMSCS Sysco Nobel :: Denver, :: CO)
Product: 78001157 10074865605110 SYS/CLS B&B CHX Dumplings (4) 4lb (Net Weight = 7.2640) (Fixed Price)

Invoice Sample Size Details

Valid Billback Delivery Interval	06/01/13 - 06/30/2013
Billback No of Days	30
Distributor Purchase Period Ratio	3
Sample Size	$30 * 3 = 90$
Distributor Purchase Period Offset	0 days
Distributor Purchase Period Buffer	No Buffer
Invoice Sample	04/02/2013 - 06/30/2013
Eligibility Trigger	Invoice Date

Total Interval: 30 days

From	To	No of Days	Total Valid Interval	Weight	Rate/CS	Weighted Rate
06/01/2013	06/30/2013	30	/ 30	= 100.000 %	* \$3.6600	= \$3.6600
invoice/price sample period: 04/02/2013 - 06/30/2013						

Lowest special delivered price (price list) / CS	=	Not found
Lowest delivered invoice price (invoice) / CS	=	\$48.5100
Lowest national delivered truckload price (price list) / CS	=	Not found
Possible Invoice Price / CS	=	\$48.5100
Program Price / CS	=	\$44.8500
Expected Rate / CS (Invoice Price - Program Price) (\$48.5100 - \$44.8500)	=	\$3.6600
Expected Program Rate / CS (Σ Weighted Rate) =		\$3.6600