SMOKE JUMPERS

Chicago
May 2014

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

Agenda for today

8:30	Introductions and General Session
9:15	iTradeNetwork – Patrick Skinner
10:00	Break
10:30	Technomic – Gary Karp
12:00	Lunch
12:45	Franklin Foodservice Solutions – Dave DeWalt
2:15	Break
2:30	Case Study Group Breakouts
3:30	General Session
5:15	Depart for evening event from lobby

Friday

8:30	Blacksmith new features
10:30	Wrap up

Cubs Baseball

3639 Wrigley Rooftop

3639 North Sheffield Avenue

12:20	Doors open at the facility
1:20	First pitch

Fall Smoke Jumpers

- State of the Industry Update

- Organizational models for foodservice trade

- Sysco / US Foods updates

Culinary Institute of America at Greystone
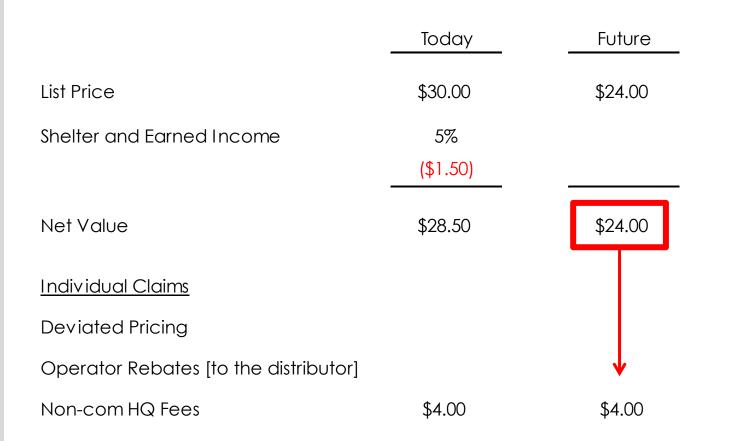St. Helena, CA

Arrivals   November 5 [Wednesday]

Meeting   November 6 and 7 [Thursday and Friday]

Sourcing Awards and Non-Commercial HQ Fees

- Several of the RFQ categories awarded in 2013 involved pricing that is net of all operator allowances and discounts

- The majority of these are also 'Most Favored' in that there is a commitment to match or beat that price going forward vis-à-vis new discounts offered

Discussion Points

1. What will be the mechanics for reimbursing customers like Aramark, Sodexo and Foodbuy relative to their headquarter fees?

2. If the RFQ price is 'world's best' and already at the bottom of the margin range, how will those fees be affordable?

3. Others from the group

	Today	Future
List Price	$30.00	$24.00
Shelter and Earned Income	5%	
	($1.50)	
Net Value	$28.50	$24.00
Individual Claims		
Deviated Pricing		
Operator Rebates [to the distributor]		
Non-com HQ Fees	$4.00	$4.00

Discussion Points

1. Does the new RFQ winning price already account for the HQ Fees?

2. Is there enough margin left to have a winning value for both?

iTradeNetwork

Patrick Skinner

Technomic

Gary Karp

Franklin Foodservice Solutions

Dave DeWalt

GROUP BREAK OUTS

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

Subject A – Operator GPO

January 2012	**July 2012**	**October 2013**
San Francisco	New York	Las Vegas
Agenda	Agenda	Agenda
• Healthcare history	• Technomic findings	• Quantitative study
• Issues definition	• Group findings	• Location level efforts
• IFDA Letter	• Collective approach	
Output	Output	Output
• Standard expectations	• IFMA as Champion	• Claim evaluation
• Evaluation scorecard	• Little support for collective approach	• UniPro invitation
• Standardized claim content		

Subject A – Operator GPO

Challenges

- Multi-dip

- Extendibility

- Street Conversion

Past Discussions

- Standards / IFMA

- Rate segmentation based on 'buyers' vs. 'collectors'

- Unit Level integrity

- Improve claim quality

- Contract carve outs for major sub-members

- Eliminate deviated pricing

- Recapture

Subject A – Operator GPO

<u>Discussion Points</u>

- What evidence is there that things are getting better in any meaningful way?

- Are any of the major GPO's [e.g., Foodbuy, Entegra] doing anything at all to acknowledge or address their issues?

- What would be on your Wish List for improving the situation?

- What should we take on … what is pragmatic?

Subject B – Recapture

Why recapture?

- Discounted operator growth

- Shift dollars to the operator

- Margin realization

- Minimal to zero offensive value from shelter and earned income

Challenges

- Auto Deduct

- Reconciliation

Resistance and Friction

- My system cannot handle it

- It screws up my accruals

- It's my customer and my money

- You are out

Subject B – Recapture

Discussion Points

- Rules on which operator discounts – all or some?

- Should the policy include cases that are paid to the operator HQ only?

- What is the goal of recapture?

  - Economic – we cannot afford to pay for both

  - Deterrence – we want to discourage extendibility

- Field execution – how to align strategic goals with sales goals?

- Why not Off Invoice?

FRIDAY

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Blended Rate

User will provide the 'base' rate – system determines the blended result. Ability to recalculate within each program on-demand.

Open Items

- Date rules determined within each program vs. global rule set?

- Rules about operator types determined within each program vs. global rule set?

- Handling for new products – inherit the category or hierarchy rate?

Auto Exclude

System identification of individual products to flag as excluded [e.g., zero rate] from earned income given their volumetric share of discounted business.

Open Items

- Rules about 'what percent and higher' determined within each program vs. global rule set?

- Date rules determined within each program vs. global rule set?

- Rules about operator types determined within each program vs. global rule set?

Auto Reconcile

Special situation handling for GFS, Reinhart, Shamrock, etc., where there are multiple shelter deductions requiring match with one or very few 'auto pay' billbacks.

Open Items

- Nothing at this time.

- Rich's has volunteered to be the Pilot.

Auto Cancel

System 'cancel' of programs where the created date is N days ago or greater without any claim activity. Helps clarify actual liability and cleans up the view of active contracts.

Open Items

- Nothing at this time.

- Lamb Weston has volunteered to be the Pilot.

Rebates as percent of list

To set rates per case or pound, user provides a percentage that resolves against list price for convenience and ease of use.

Open Items

- Should the rate update when list price updates?

- Not applicable for manufacturers maintaining customer-specific into stock pricing.

Program Payment History v3

Update and enhance the program payment history [dollar sign] view.

Open Items

- Cool idea seeking creative partner[s] who share a philosophy that simple and clean is sometimes better than trying to display gobs of data that ends up being too many clicks and too slow to load.

Auto Pay v3

Update and enhance the Auto Pay module.

Open Items

- Search / Sort / Filter

- Seeking volunteers to review and provide feedback in June

User Conference

- Targeting September or October 2015

- Educational break outs by area of use

- 2 days of sessions

Open Questions

- Good idea?

- Lead time to solidify headcount?

- Chicago?

- Fees?