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Foodservice and the "Missing Link" for Trade Spend Optimization

April 2015

Go-to-Market Suite™

Agenda

- Background
- Trade Eco-system is Changing
- Trade Investment and Trade Teams
- Technology Systems and Trade
- Future of Foodservice Trade

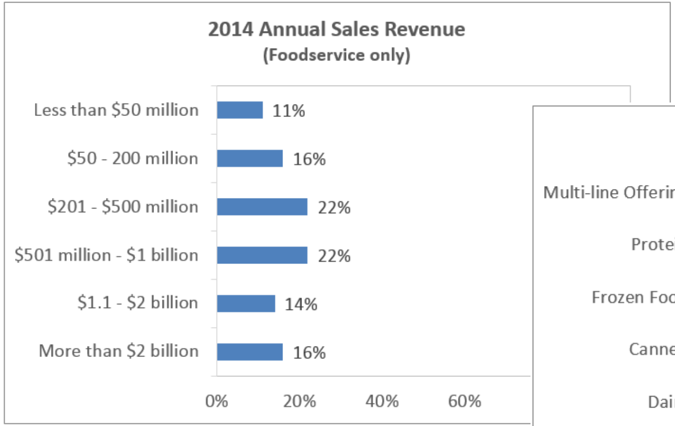
Background

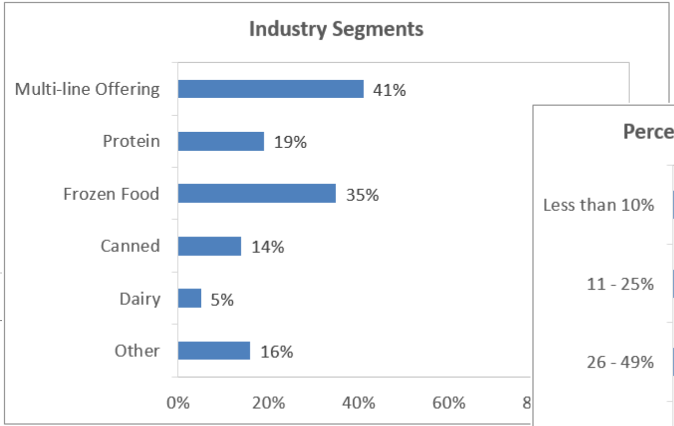
Previous Foodservice Trade Survey Highlights

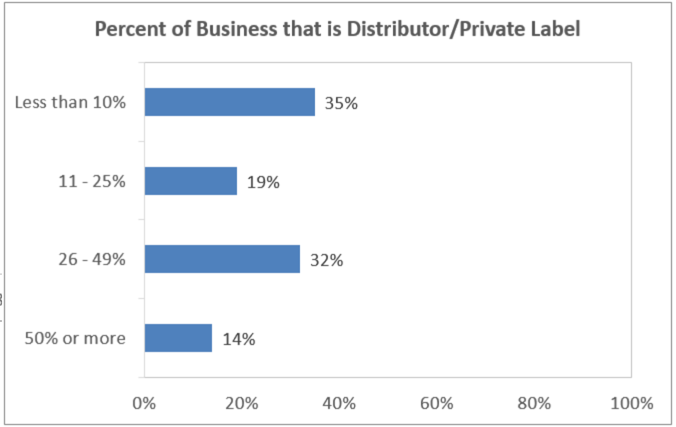
	2009 Survey	2011 Survey
Trade Eco-system	Contracted Operators surpass the street volume for most manufacturers	GPO proliferation creates opportunities and challenges for manufacturers
Trade Investment and Trade Teams	34% have dedicated Trade Teams Trade spend = 17%	38% have dedicated Trade Teams Trade spend = 18%
Technology Systems and Trade	Lack of systems means lack of insight ▪ 60% unable to evaluate past distributor marketing programs for effectiveness ▪ 85% don't know which Trade promotions worked	Data issues continue to inhibit progress ▪ Unable to measure performance due to lack of technology solution to collect, aggregate, and analyze data

2014 Foodservice Trade Survey

Research was conducted in November and December 2014 with 36 North American Foodservice manufacturers.

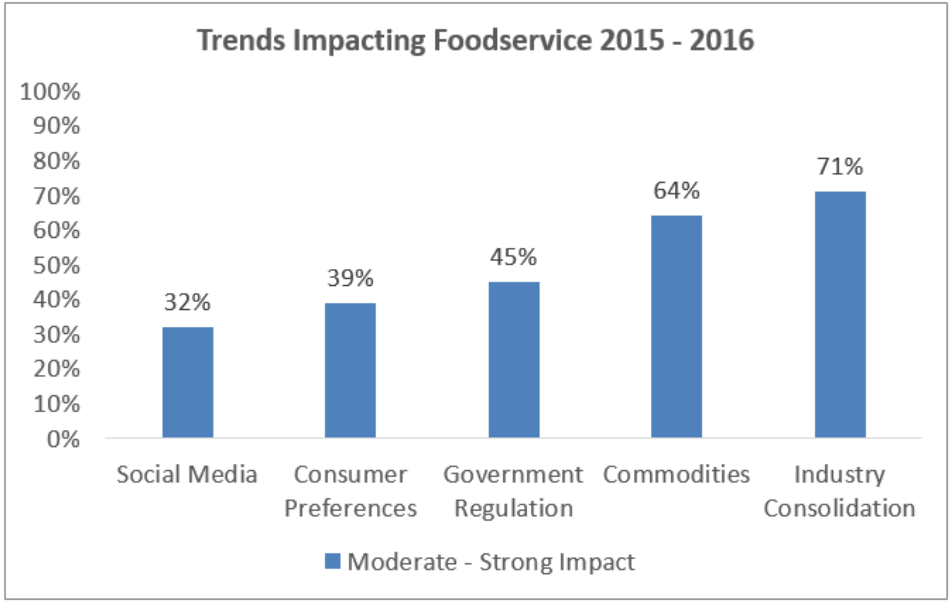






Trends affecting Foodservice Industry

Industry consolidation and commodities are expected to have the most impact on the Foodservice industry through 2016.



Trade Eco-system is Changing

Broker Consolidation Hasn't Achieved the Results Promised

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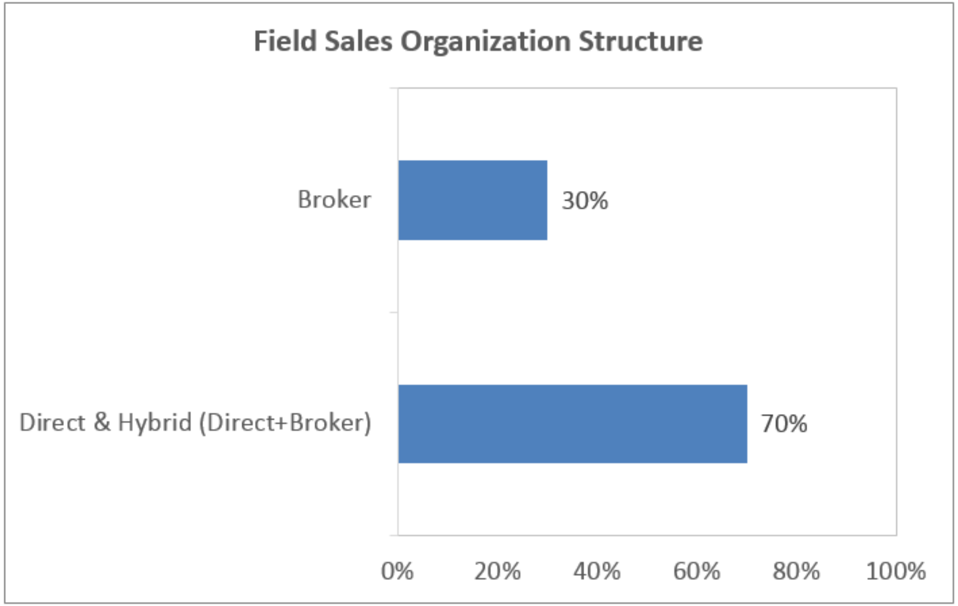
"Motivating brokers to execute keeps me up at night."

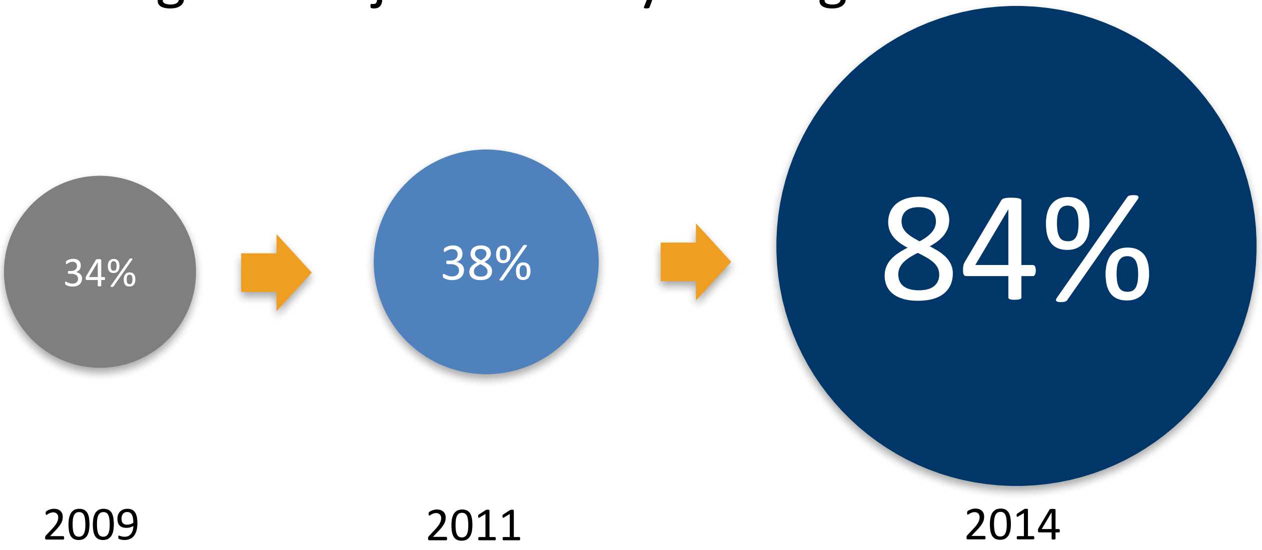
- In 2009 the majority of Manufacturers were exclusively Broker
- "Mega-brokers" just looking for a number to hit have lost local knowledge, disintermediating Manufacturers from the very group they want to be closer to



Implication→ Manufacturers need to utilize their claims data to direct sales to the next best operator opportunities

Dedicated Trade Team Now Table Stakes

Most manufacturers now have dedicated Trade Teams – a significant change from just a few years ago.

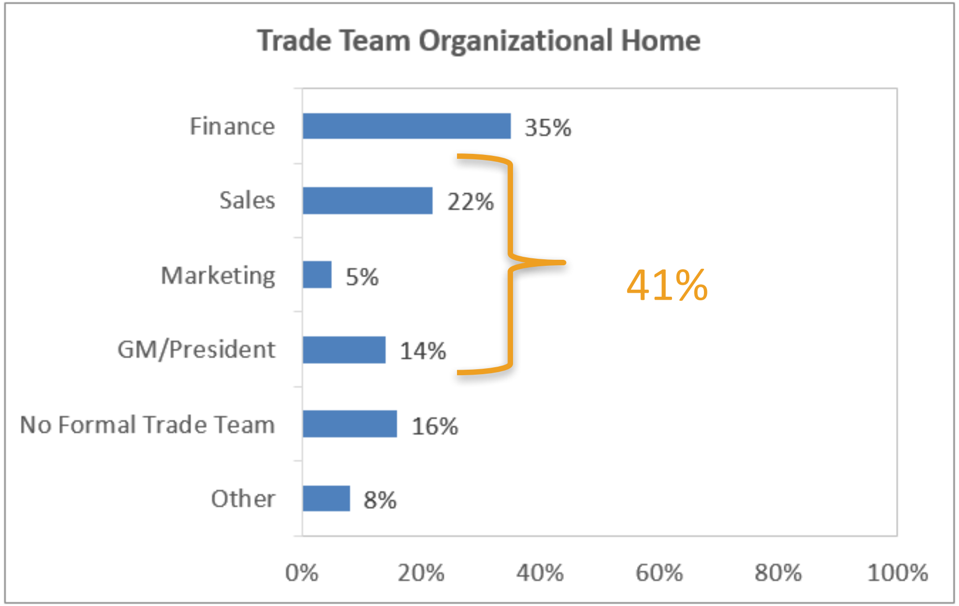


Implication→ Manufacturers are acknowledging the importance of Trade; respondents discuss the “*need for discipline to insure balance.*”

Trade Team Organizational Home

Homing of Trade Teams in Finance suggests a "tactical mindset."

Homing of Trade Teams outside Finance reflects a shift to a **Strategic Trade mindset** as Trade is used in a targeted approach to drive new business structure for Trade.



Note: "Other" respondents indicate a shared reporting structure that includes Sales and/or Marketing with Finance

Implication→ Trade planning needs to be more collaborative, even while Finance maintains fiscal oversight

Program Analysis

Analysis of programs is the Blind Spot in manufacturers trade practices:

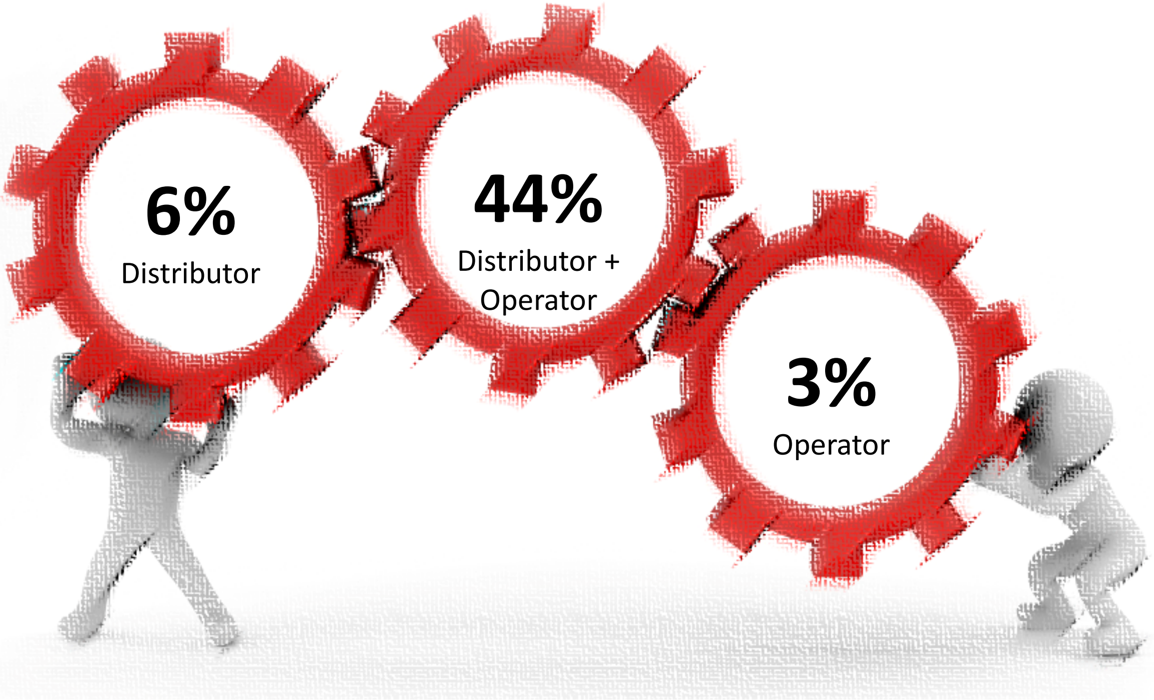
Less than **7%** always analyze trade for:

- ROI (have a common methodology)
- Impact of multiple programs on Gross to Net
- Sharing insights with either distributor or operator partners to drive improved performance

Trade Process Evolving as a "Win-Win"

About a third (31%) of survey respondents still use a siloed approach to planning Trade spend.

But some now jointly plan Trade with distributors, operators or both.

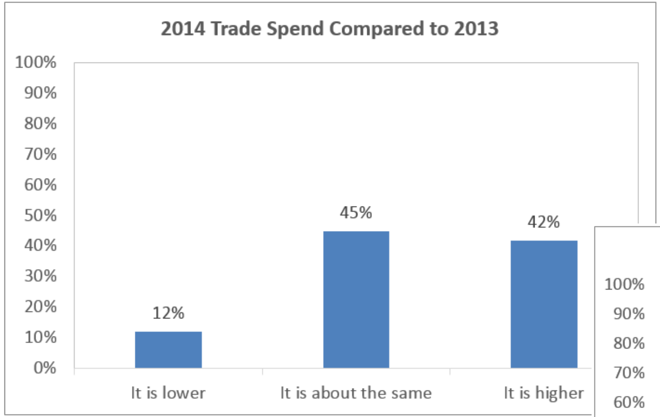


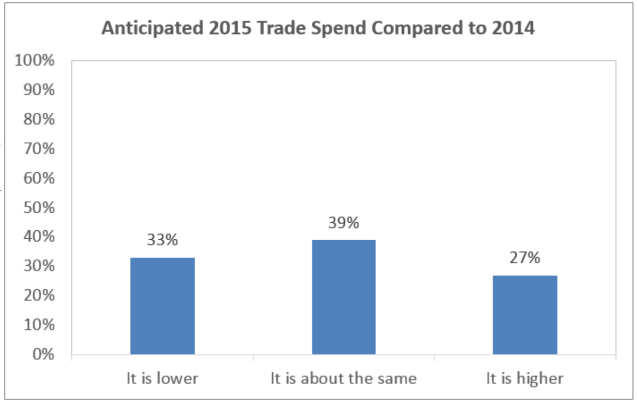
Implication→ Planning for *mutual benefit* is rapidly becoming table stakes.

Trade Investment Spend: 2013 - 2015

A third of manufacturers anticipate spending *less* on Trade in 2015. Efficiencies and strategic investment are the most probable explanation.

- Only 16% of respondents increased Trade investment in both 2014 *and* 2015
- Manufacturers are also utilizing "recapture" to reduce Earned Income for Contracted Accounts





Implication➔ The amount spent for Trade investment is stabilizing

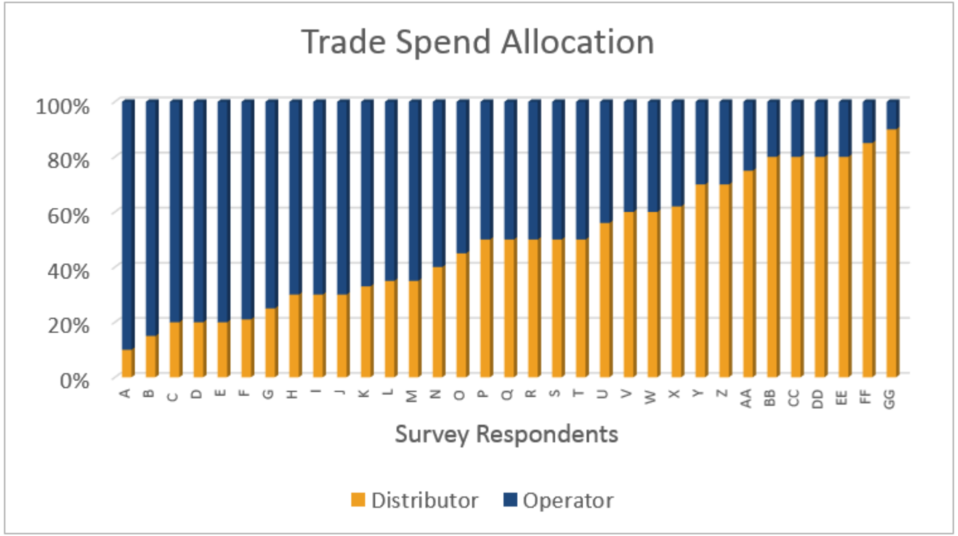
Trade Organization and Investment

Trade Spend Allocation

Manufacturers vary greatly in how Trade is allocated to distributors vs. operators.

Since 2011, Trade is shifting more toward the operator to influence the distributor purchases as Category Management takes hold

- Manufacturers with strong Brands or contracted business tend to have higher Operator spend



Overall Trade Investment

What *you* spend on Trade should be determined based on:

1. Competition
2. Category
3. Market Share
4. Margin Contribution

19% Average Trade investment

Up slightly from 2011 pace of increase has slackened and may reverse based upon 2015 projections

91% Recapture

Reduce earned income for contracted accounts; this is up significantly from 35% in 2011.

Implication→ Trade rates need to be scrutinized for opportunities to capture margin and redirect to the operator

Distributor Trade is at an Inflection Point

88%

Manufacturers now have a defined strategy for both Independent & Corporate Distributors

(Corporate OpCo are receiving less local programs as funds move to HQ)

53%

Buying groups are receiving more attention and are being asked to be strategic partners with manufacturers due to the Sysco/USF and other corporate distributor consolidation

60%

Category Management is forcing Manufacturers to change how they allocate their trade funds:

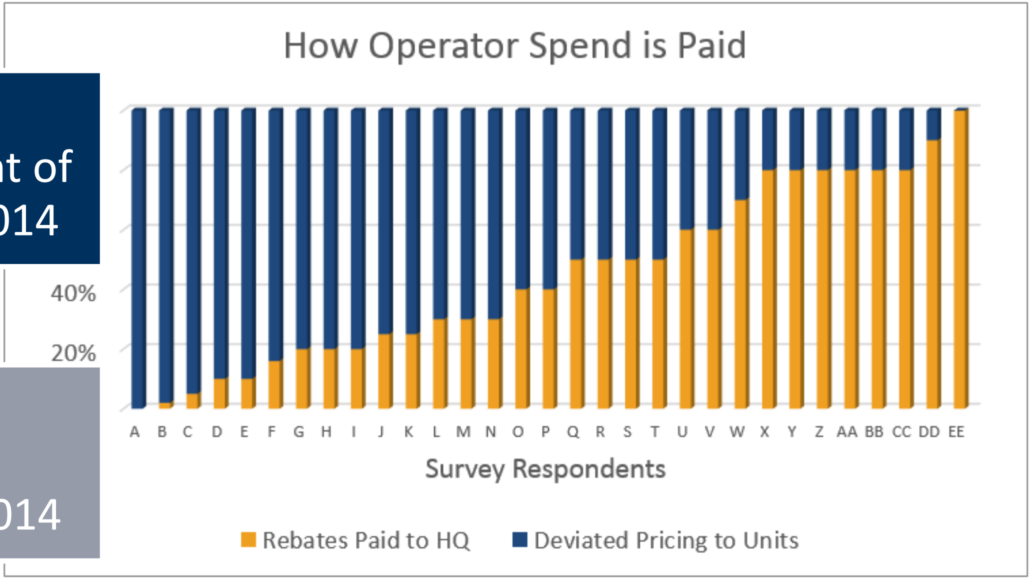
Less or no trade to the distributor for restricted categories

More to Operators to "pull" cases through

Operator Trade

56% Manufacturers who increased the amount of Operator Spend in 2014

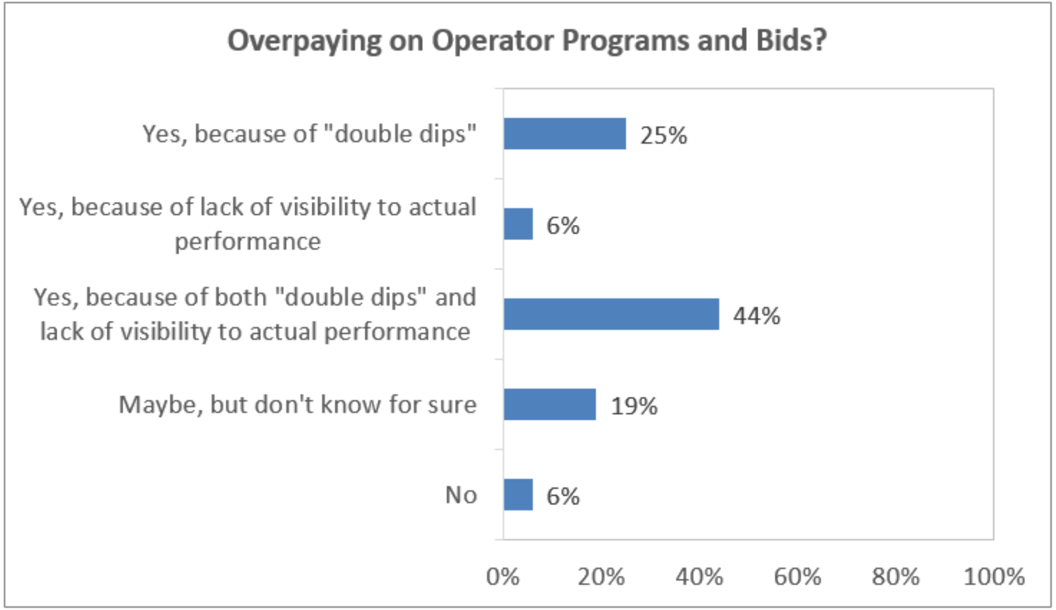
29% Manufacturers who increased or added deviated pricing in 2014



Implication → Manufacturers need better visibility to how operator trade is driving both compliance and velocity

Overpayment on Operator Programs and Bids

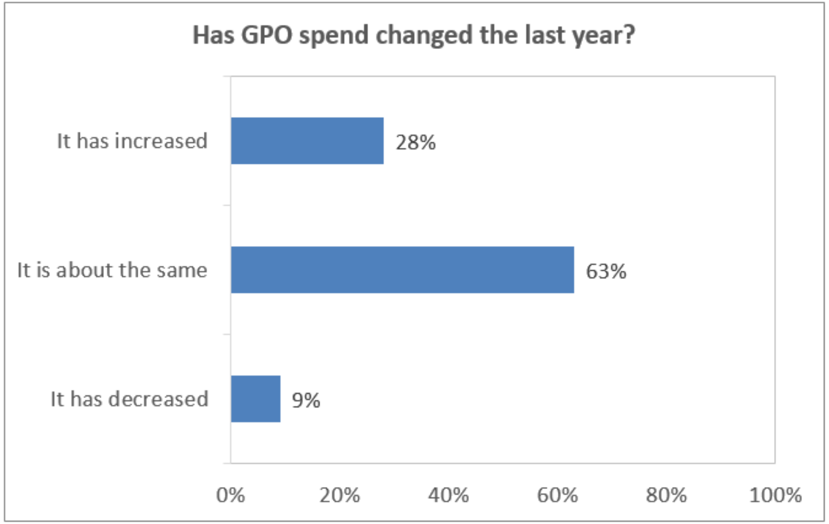
Overpayment on Operator programs is a serious concern with **94%** of manufacturers believing they (may) have overpaid!

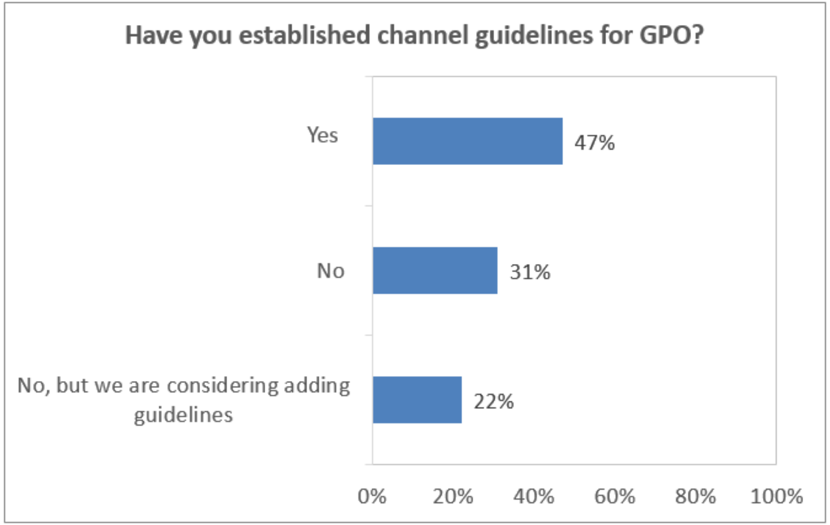


Implication→ Take control of your Trade program and stop overpaying!

Group Purchasing Organizations

With some increases in GPO spend, manufacturers are more likely to develop channel guidelines for GPOs.



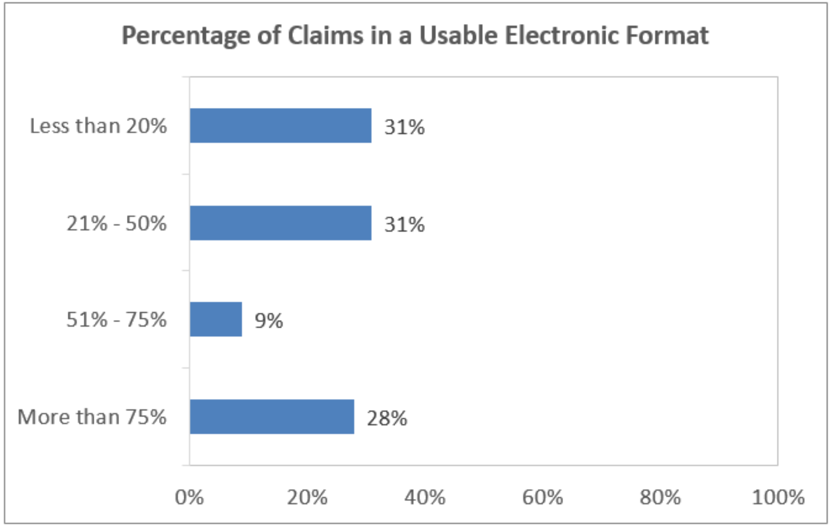


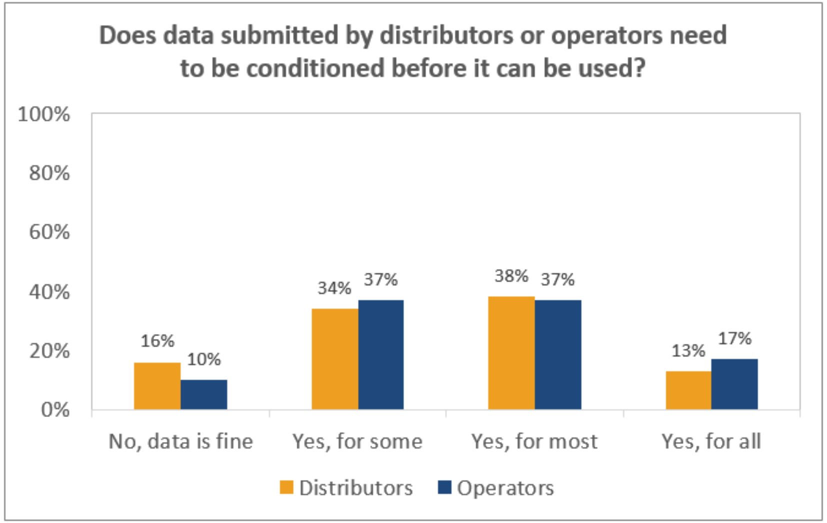
Implication → GPOs are crucial but membership and channel must be managed

Data and Systems for Managing Trade

Usable, Formatted Data is a Concern

The majority of data – 90% from Operators, 84% from Distributors – requires at least some cleansing.





Implication→ Converting Claims data about the operator (unit level) into actionable insights is crucial for manufacturers to engage with the operator and drive compliance and velocity

(Not Much) Satisfaction with Current Systems

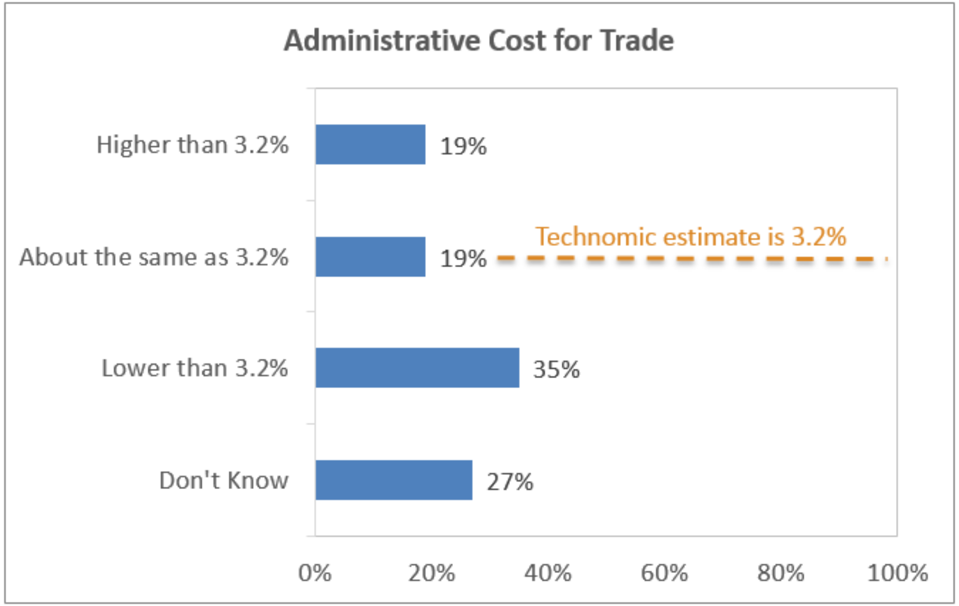
40% of manufacturers are *not* satisfied with their current systems to manage Trade.

- Most believe systems handle ***tactical*** contracts, claims and payments well…
- But fail to provide ***strategic*** insight like analytics and dashboard reporting

Implication→ Manufacturers must require more from their solutions; basic blocking and tackling aren't enough. Actionable insights on margin and velocity will differentiate best-in-class foodservice manufacturers from the crowd.

Administrative Cost for Trade

Technomic estimates the administrative cost for Trade as 3.2% of sales but a third (35%) of manufacturers report lower costs.



Implication→ Manufacturers must streamline process and manage exceptions in an automated system

Manufacturers Lack Critical Insights & Reporting

32%

Seldom or never…

Evaluate past distributor marketing programs for effectiveness.

39%

Seldom or never…

Evaluate the impact of multiple contracts on a distributor, operator, unit, and/or product level.

61%

Seldom or never…

Analyze distributor deviated proof-of-performance information at the unit location level.

40%

Seldom or never…

Share analytical data and insights with distributors and operators in support of the annual agreement process.

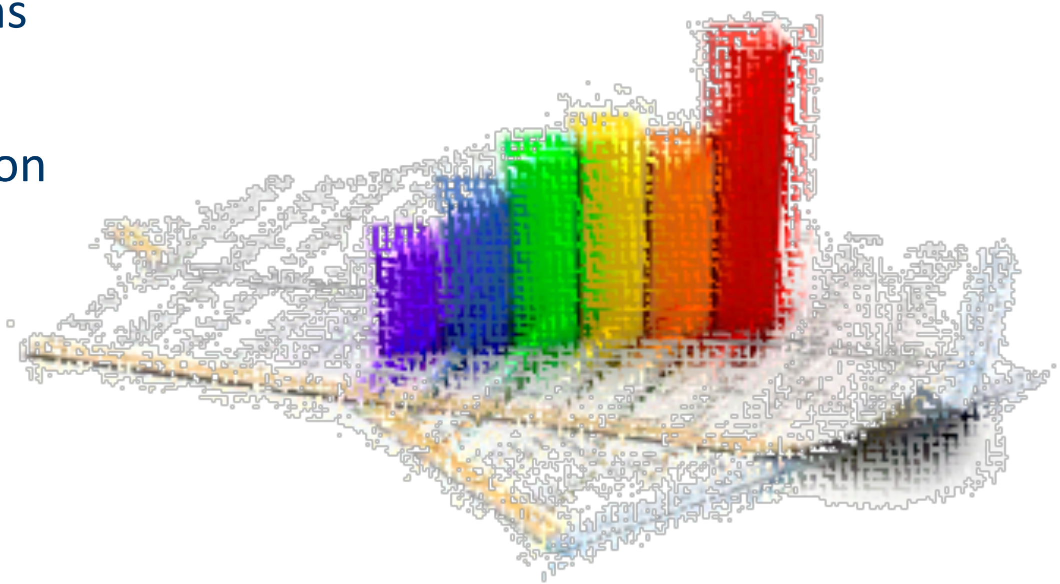
% Manufacturers answering "Always"

32%	10%	6%	7%

Needed Enhancements to Current Systems

Most items on manufacturers’ “wish list” to improve their systems are features considered table stakes in other industries:

- Integration with other systems
- Reporting, dashboards
- Democratization of information
- Unit level visibility
- Post-program analysis
- Self-service analytics
- Ease of use



Future of Foodservice Trade

Strategic Approach to Foodservice

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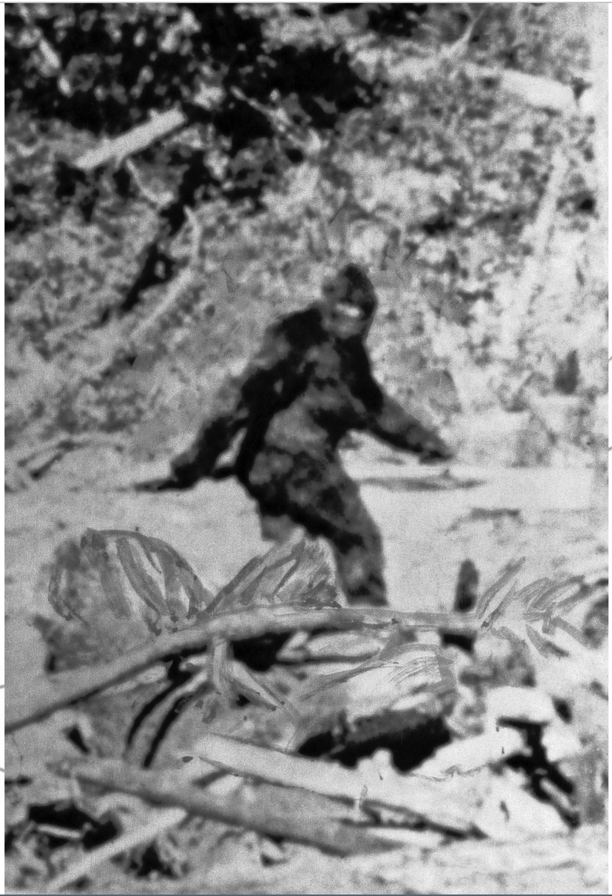
Concerns	Requirements
Manufacturers are focusing on trade to drive margin and incremental sales ▪ But it must be more efficient	Compatibility with current financials; number needs to be **THE** number for all reporting and analytics
Resources are already stretched thin; how to do more with less? Utilize others' capabilities	Ease of use by field ➔ CRM integration Unit level performance
Need to provide more prescriptive guidance on both selling as well as promotional offerings Analytics that drive action	Ability to measure effectiveness Clean, accurate and timely data feeds

The Missing Link in Foodservice Trade?

Data and systems to generate insights that will take you from tactical Trade Spend to ***strategic Trade investment***.



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