

Our Perspective

*Foodservice Distribution has
been disrupted*





**Foodservice
Distribution is a
complicated channel..
With now even tighter
margins**



**Foodservice
Distributor**

Margin Compression

- Decline in Earned Income due to contracted business
- Lack of commodity increases reduces opportunity to impact prices
- GPO Proliferation squeezing street flexibility

Consumer Demands

- Fresh, Local, Sustainable: do not generate earned income
- Delivery creating new competition Meal Kits, Grocerants, Ghost Kitchens
- Customized for Me vs optimized production

Operators

- Demand for local products
- Have ability to "shop" the internet for deals/ pricing
- New players, GPOs , Grocerants/C-stores have leverage

Technology Digital

- What should IT look like-Cloud?
- IoT
- How to drive Digital through value chain

Sales

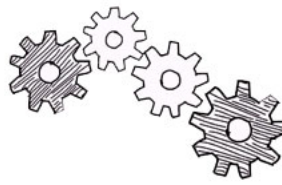
- Field sales lack insights
- Disintermediation of the DSR by technology
- What is next best sales opportunity?
- Operators don't value the DSR

Competition

- How to combat the rise of GPOs, Cash & Carry/ Club stores
- How to have a unique value proposition for the operator
- When will an "Amazon" competitor appear
- Can vendors be distributors?

**The ability to
recognize and
address the key
issues will
separate winners
and losers**





Potential Disruptive Scenarios...What if?

Consumers ...

- ❑ **Valued CPG brands more** than those of restaurants
- ❑ Moved aggressively towards **fresh, local and sustainable**
- ❑ **Materially redistributed share of wallet** within the existing foodservice channel

Distributors ...

- ❑ **Formed partnerships and ecosystems** that improve create differentiation with manufacturers and operators
- ❑ Had to compete on **trust and sustainability as scale (e.g. through Blockchain)**
- ❑ Were **disintermediated** by large manufacturers or cooperatives

Operators ...

- ❑ Were able to **share consumers preferences with manufacturers in real time** via POS
- ❑ Were able to **use trade funds to digitally target the right consumer with the right offer** to drive traffic
- ❑ Had to **rethink labor models and core competencies**

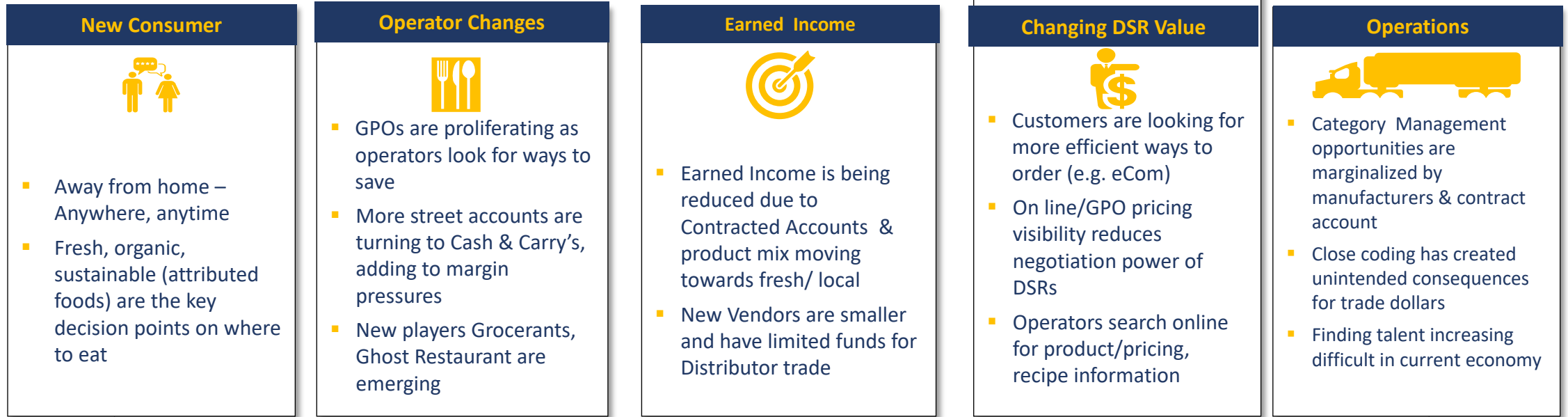
Technology ...

- ❑ Enabled **automated replenishment** across the supply chain, forcing a rethink of the role of sales and service
- ❑ Leveraged **the Internet of Things to connect assets** for allocation and performance
- ❑ Allowed for **driverless deliveries and transportation**
- ❑ **Monetized vast data** across the value chain



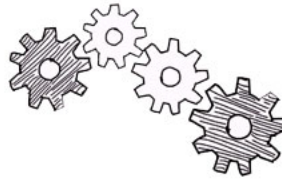


Current Challenges...





Where we see the future of Foodservice Distribution



All food decisions are Local

Help sales marketing and the operator understand the market they are in trends, demographics and needs
Create food with a story

Increase Margin

Providing insight to trading partners (as well as field sales) will increase margins

Analytics underlie everything

Develop Advanced Analytics & AI Capabilities pushing Actionable Insights to the Field Sales and Customers
Analytics as a Service

Collaboration

A new approach to how manufacturers interact with distributors developing a personalized approach to consumers to drive “butts in seats” for the operator



***Creating Value
with Data***

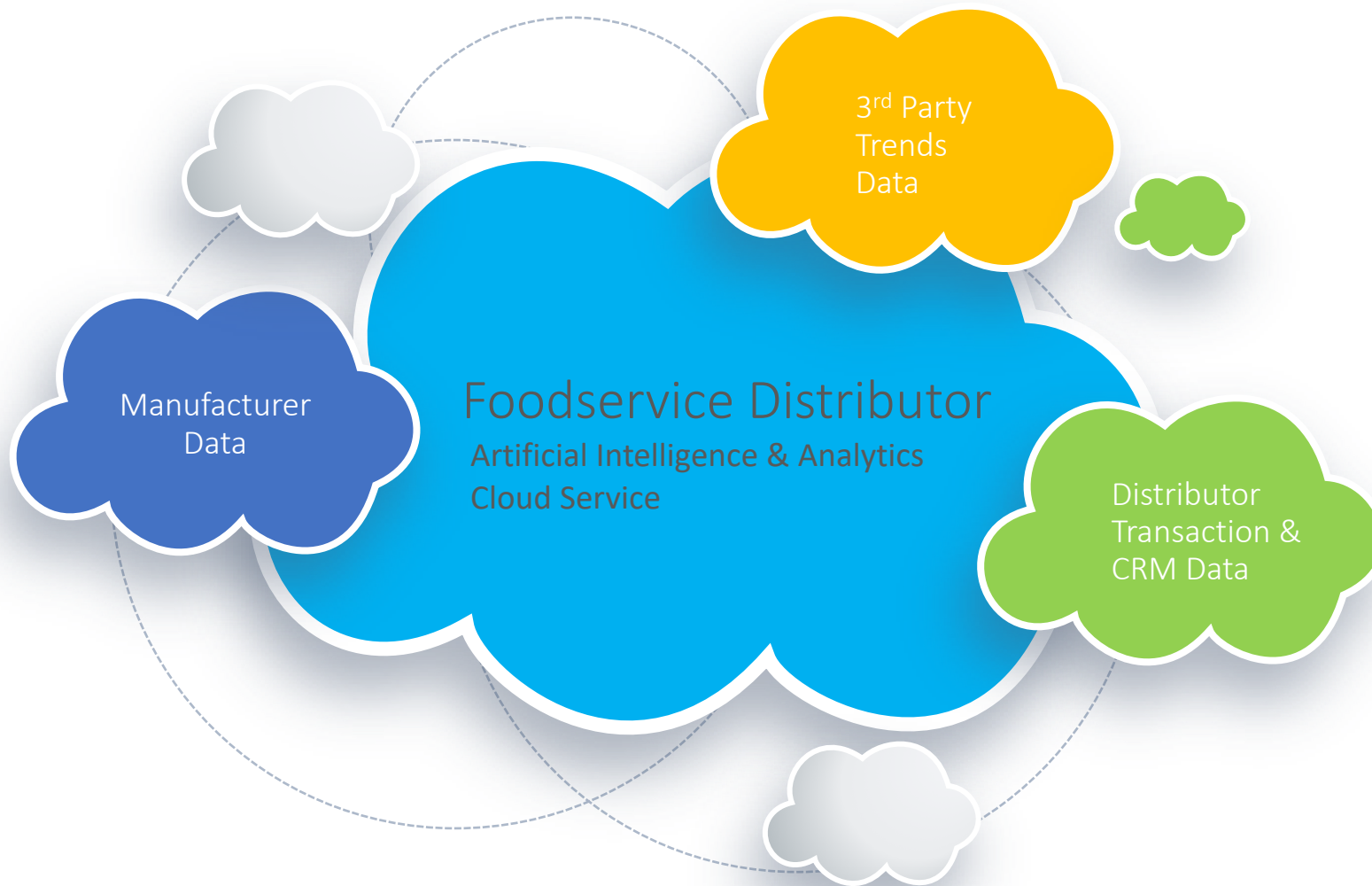
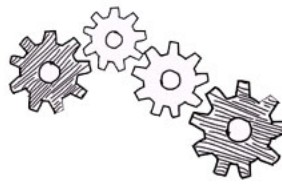
We have identified two areas that
can enhance a distributors
performance & profitability

***Rethinking
Profitability***



Creating Value with data...

Develop a 360° View of the Operator and their local Market



Analytics as a Service

- ❑ Leverage combined data from disparate sources to develop a complete view of the operator
- ❑ Utilize advanced analytics, machine learning & artificial intelligence to provide actionable insights to sales and marketing teams via an app that connects to CRM Platform
- ❑ Create new service for local operators to better understand trends and connect with consumers to drive “butts’ in seats”
- ❑ Provide Chains with a better measurement of same store sales by creating dynamic comparable market sets
- ❑ Can be in conjunction with Foodservice manufacturers in a “cleanroom” → **Share insight not data**



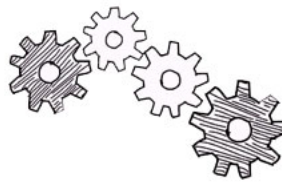


Other potential uses of data & analytics.....

- ❑ Create *digital trade fund* for operators to target consumers directly increasing check averages
- ❑ Provide sales with the next best sales opportunity to cross or up sell the operator

Further out.....

- ❑ Anti-GPO GPOs continue to grow threatening both the distributor and manufacturer profitability:
 - GPOs take 40-70% of the available funds and limit the operators selection
 - A partnership between a distributor (or group of distributors) and manufacturers has the potential of eliminating the need for GPOs providing the right offering to the right operator as well as allowing both the manufacturer and distributor to regain or increase margin
 - To accomplish this distributors and manufacturers need a new approach to their supply chain relationship



Rethinking Profitability

Distributors have labored under misconceptions in how their companies really make money.

This has changed with the evolution of analytical software which allowed distributors to see **where they made money on a line-item basis**. Meaning they could evaluate their customers in terms of profitability.

Nobody achieves success by trying to manage the product or product lines.

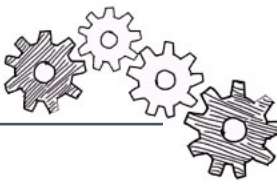
There's no product that is inherently profitable or unprofitable by itself.

Ultimately it's **your customer logistics that determine whether or not the sale of any product will be profitable**

Instead of putting energy into managing product lines or pricing, **focus efforts on managing customer relationships**

Recognize that not all customers are equal.

You can't out
-Sysco Sysco
so it's time to
change the
game →



You can increase profits without adding new accounts

You're already making more money than your system is showing

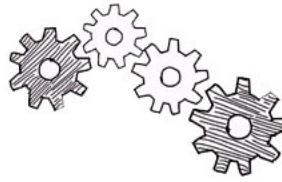
Certain accounts are really hurting you, and it doesn't take long to fix

Advanced analytics of your own business can help you focus the sales team on the small number of accounts that will really make a difference

Be ready to defend the right accounts if your competition begins using analytics of their own

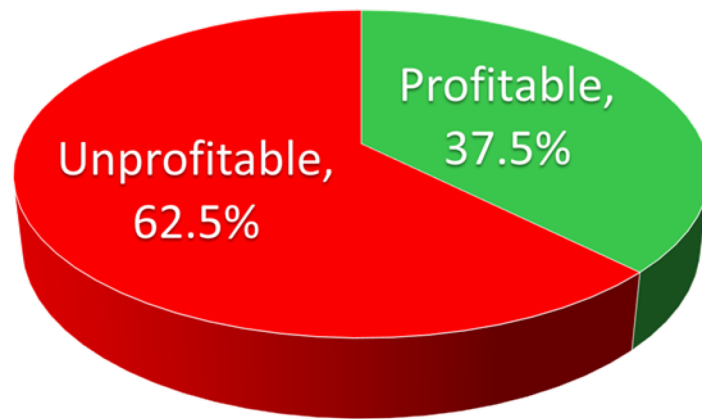
Every company needs to be doing this – now before an Amazon disrupts Foodservice

Ability to have a Distributor Assessment tool with instant benchmarking to the FS universe <https://assess.waypointanalytics.com/analyze0.asp>



Let's cut to the chase at the end of the day it's Profits NOT Margin

**Over 60% of your customers
& invoices are unprofitable***



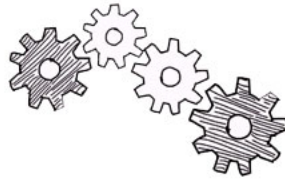
Invoices

In fact: Logistics drives Profit

- ❑ 15% of customers generate net profits
- ❑ 60% customers generate a loss of profits*

* Based upon \$75 Billion in Distribution Analytics by Waypoint





Let's look at a Tale of Two Customers

Customer A			Customer B		
Revenue	\$272,743		Revenue	\$261,580	
Gross Profit	\$57,703	22.1%	Gross Profit	\$43,161	15.8%
Selling Exp	\$4,454		Selling Exp	\$3,589	
Order Entry Exp	\$1,611	3 orders / week	Order Entry Exp	\$1,243	2 orders / week
Whs Expense	\$38,212	762 picks	Whs Expense	\$21,212	423 picks
Delivery Expense	\$8,516	4 deliveries / wk	Delivery Expense	\$5,076	2.5 deliveries / wk
G & A	\$10,279	3 invoices / wk	G & A	\$7,709	2 invoices / wk
Cost-to-Serve	\$63,072	23.1%	Cost-to-Serve	\$38,831	14.8%
Net before Commissions	(\$5,369)	↔	Net before Commissions	\$4,331	

Waypoint Analytics Data

From a margin perspective at the top line GP Customer A looks to be the best customer, however by analyzing the complete picture Customer B represent the ideal customer. **There is a \$9700 difference and this prior to commissions paid!**

The key to success is to develop the right service models for your customers:

- **Price Priority-**

- Aggressive price, low transaction count, standard service

- **Logistical Priority**

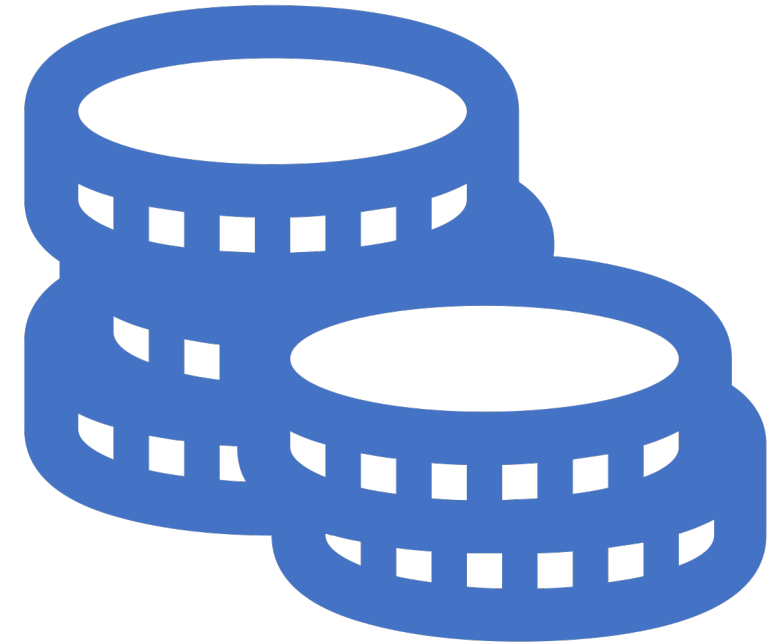
- Unlimited transactions, higher price, standard service

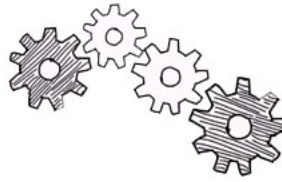
- **Service Priority**

- Average transaction count, higher price, special services & benefit

- **Balanced**

- Mid-range margins, average transaction size standard service





Why Market *Intelligence* ?

- ❑ Will be on board from Strategy to Execution
- ❑ Strong Best In-class Partners
- ❑ Industry expertise
- ❑ Flexible Execution Approach
- ❑ Hands On Process Management
- ❑ Ability to work across Departments

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