

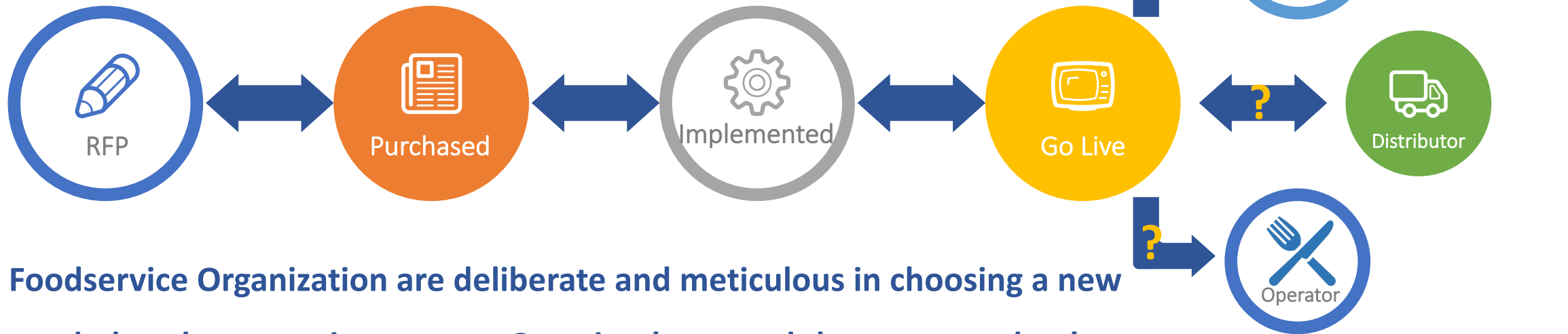
Our Perspective

Smart | Trade
Optimizing Foodservice
Trade





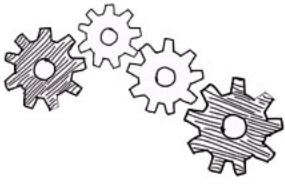
Is your Trade Process optimized ?



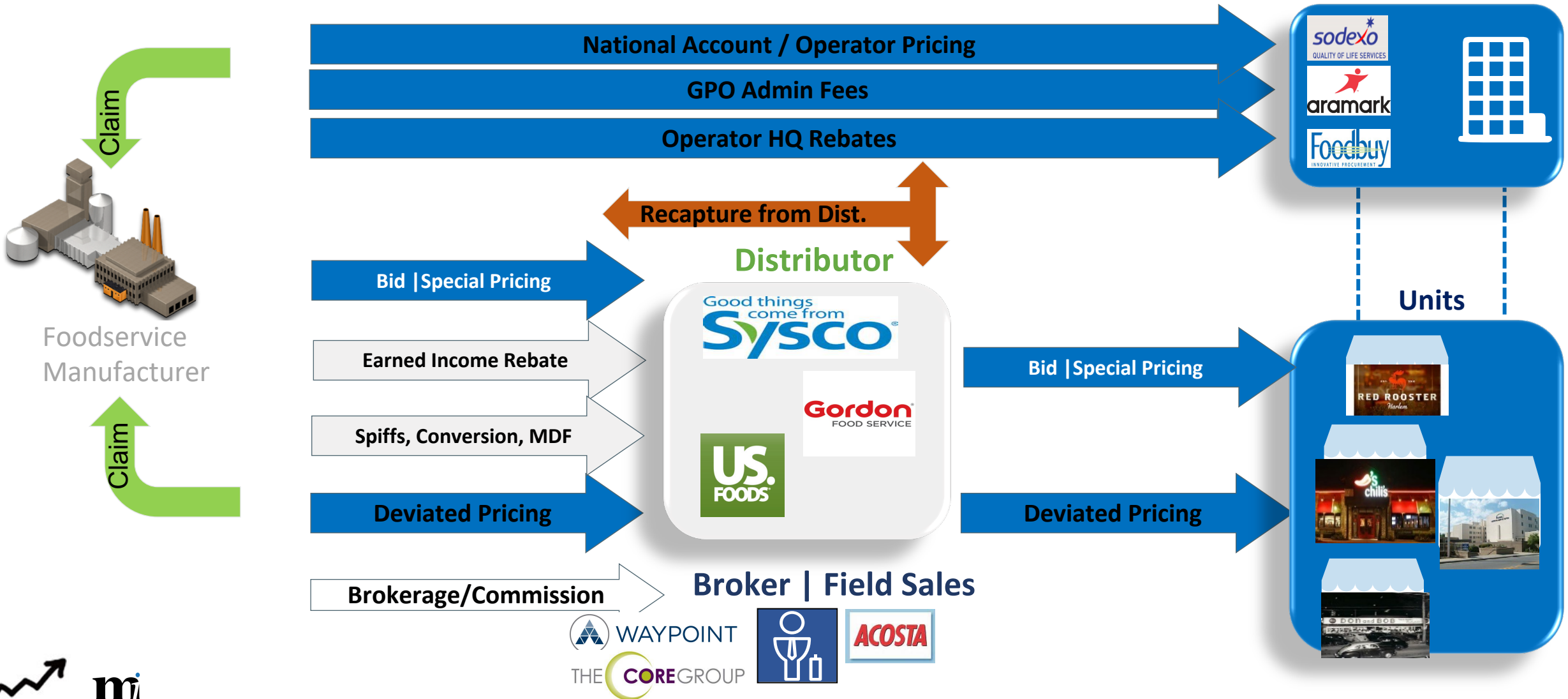
Most Foodservice Organization are deliberate and meticulous in choosing a new or upgraded trade promotion system. Once implemented they assume they're done and unknowingly leave money on the table

So have you conducted with the same rigor your trade practices?

- Are your rates reflective of the corporate product strategy?
- Are all your distributor programs defensible and driving agreed upon goals?
- Are your operator programs generating the sales promised?
- Have your updated data requirements?
- When was the last time you review your trade in-depth?



Foodservice's Multi-Tiered Landscape for Trade



Foodservice *Smart* | Trade



Trade *Spend* vs Trade *Investment*-

Foodservice manufacturers have traditionally viewed trade spend as a cost of doing business.

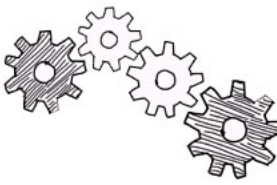
Issues include:

- Three tiered supply chain creates multiple demands for trade funds
- Lack of visibility to operator unit level performance
- Distributors viewing “Earned Income” bottom line dollars vs. toll to grow business 80-125% of a distributor's profit is from Shelter/Earned Income
- Group Purchasing Organizations (GPOs) demanding trade dollars without a value add reduce margin
- “Double Dips” more than one trade claim on a case of product
- No ability to measure the ROI for foodservice trade
- CatMan actually creates negative value for some manufacturers
- Funds spent on tradeshow without in-depth consideration of specific goals



What it means to foodservice manufacturers:

- Trade spend the 2nd highest cost after COGS
- Loss of margin
- Inability to direct trade to the most effective area
- Inability to grow traffic by impacting the consumers decision with operators
- Lack of understanding how contracted accounts are performing at the local level and if all units are purchasing “spec’d” products
- Not gaining all possible contracted sales- a recent survey found that manufacturers are only gaining approximately 70% compliance for hard spec products
- Lack of unit level data create opportunity for “double dips” of up to 15% of trade funds



There are numerous areas to find savings

from the design of a program

to the rates paid

to the accuracy of the
settlement process

Alignment

Insure trade rates are aligned to corporate strategy and capabilities

Tiered

Not all customers are the same, tier level of spend to level of customer involvement

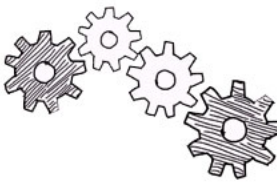
Commitment

Only pay for performance agreed to in the contract, insure data is provided in the right format and in a timely manner

Challenge






Avoid double-dips by utilizing membership rosters, use recapture for contracted sales
Focusing on what is driving value

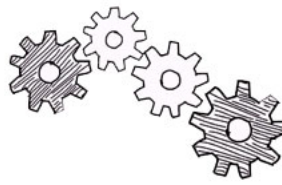
Smart | **Trade** will also improve decision making due to enhanced visibility



Lack of visibility to uncoordinated programs impacts the bottom line...

Foodservice Price Waterfall

Town Hospital			Invoice: 123789
Manufacturer Products	Code	780037	Sysco Warners
Pack 4/1 Gallon			<u>Illustrative</u>
Price	\$34.00		March 16, 2016
 Contract Management deviated Billback	(\$1.00)	\$33.00	Billed back by Distributor
Contract Management rebate to HQ	(\$0.50)	\$32.50	Billed back by Contract Management Company
Contact Management Category Growth	(\$0.50)	\$32.00	Year end payout are National Account included?
 Corporate Distributor Program	(\$0.25)	\$31.75	All sales or reduced for National accounts? Can we apply Recapture?
Corporate Category Growth Program	(\$0.50)	\$31.25	All sales or reduced for National accounts? Can we apply Recapture
Local Branch Marketing Program	(\$0.35)	\$30.90	Only on street growth or all sales?
Corporate/Local Loyalty Program	(\$0.55)	\$30.35	All sales or reduced for National accounts?
Local Branch Growth Program	(\$0.45)	\$29.90	Only on street sales or does the distributor include National Account sales?
 Town Hospital is also member of a GPO	(\$3.50)	\$26.40	Do you allow double dips? Sent in different time frame/format
 Local Branch Healthcare "bid" program or another GPO	(\$0.75)	\$25.65	How can you check when this bill back is a different time frame and format
 Foodshow Allowance	(\$1.00)	\$24.65	Do you allow for National Accounts to participate in local Foodshow allowances?
National Marketing Rebate	(\$0.50)	\$24.15	Usually tied to Marketing budget not trade promotion
Sales Rep Spiff	(\$0.50)	\$23.65	Paid out of MDF Funds
Equipment or blanket MDF funds not included			
This is the assumed Net Price		This is the True Net	



Value of *Smart* | Trade

Smart | Trade will have immediate payoffs, while building a sustainable approach to foodservice trade

End-to-End Visibility

Clear understanding of how and where funds are spent across the value chain, including net-net pricing of distributor and operator. Understand what is driving the operator's decision



Re-allocation against Priorities

Enables a clear alignment of investment across the end-to-end value chain in-line with current / future growth priorities



Practical Approach

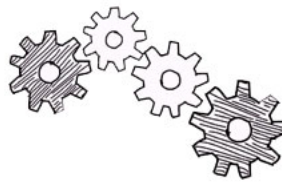
Led by an experienced team that comes from the industry. Realistic expectations and real world guidance



Identify cost saving opportunities

Identify opportunities to reduce duplicate spend and drive more efficient route-to-market





Smart | Trade

A realistic approach to maximize Trade Investment ROI

Experience

- We have had significant success in applying Smart|Trade to Foodservice Trade. This uses the same principles as zero based budgeting but allows for foodservice additional trade complexities

Supply Chain

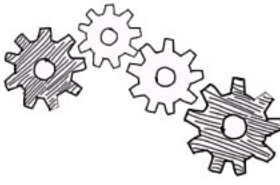
- Our interest is to optimize the total value chain between the supplier, distributor and operator. Our approach is to re-align spend with customer growth strategy. However with distributors, we also identify opportunities for absolute spend optimisation

Visibility

- The key benefit of the Smart|Trade approach is driving enhanced visibility out of your total value chain. Based on this we drive targeted and tangible spend improvements and reductions as well as new sales opportunities

Go to Market

- Smart|Trade needs to be delivered in the context of a clear customer and go-to-market strategy, while also taking account of the opportunities and challenges presented by digital disruption



Six success factors that enable successful implementation of Operator & Distributor Spend Optimization

Journey

Smart | *Trade* will be a journey, there will be quick wins and the need to take a long view of the process



C-Level leadership **priority** to ensure commitment to outcomes



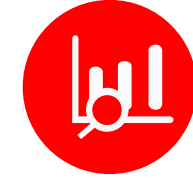
Active negotiation with both distributors and operators must utilize carrot and stick leverage



Participation of key account teams to get insight into plans vs actuals



Budget for a two year implementation journey – as some changes will relate to annual / contractual budget negotiations



Trade and reporting capabilities must be able to handle data at the location level

Data

As an additional benefit designed properly claims data will be the foundation for improved analytics



Proven Results....



Savings

Aligned rates to corporate goals and objectives reduced overall trade spend



Tiered Distributor Programs

Developed distributor programs aligned to specific levels of commitment



Double Dips

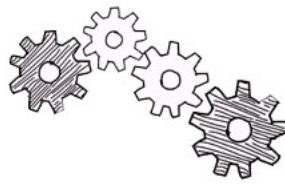
Utilizing trade software along with membership roster saved 5% on operator spend



Growth

Directed Field sales to next best sales opportunity at targeted operators and distributors

1% in trade spend saving is equal to 30 basis point increase in both Top and Bottom Line results – CFO Global Food Manufacturer



Engage Market*Intelligence*



Our Role

Conduct **assessment** of current programs versus corporate strategy

- Is the foundation right?
 - Data Alignment
 - Decision Metrics

Develop a **deliberate approach to both operator and distributor trade**

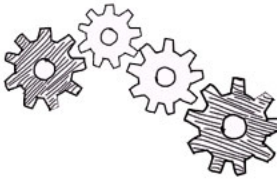
- Create a roadmap from trade spend to trade investment

Work with sales and Marketing team to **execute**

- Train field sales on how to implement
- Provide analysis to support decisions

The journey isn't worthwhile if you can't measure the results.

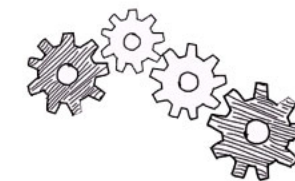
- Did we achieve the **value identified?**



Market*Intelligence*, LLC

- Experience | *Results*

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



Jim Klass– Managing Director



Jim Klass
Managing Director

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Background

Jim has over 3 decades of experience in the foodservice primarily focused on distribution and food manufacturing, including 19 years as CEO of a highly successful brokerage firm. Following the industry experience he has concentrated on helping Clients develop Route to Market capabilities both from a strategic consulting (**Hitachi, Booz&, Accenture**) and technology perspective (**Sentrana, iTrade and Vistex**). He has a unique, insider's view of the challenges, opportunities and business cycles, having worked closely with hundreds of large manufacturers, distributors, transportation providers and foodservice operators.

Expertise

Functional Knowledge:

- GTM Strategy
- Strategic Cost Reduction
- Sales Force Restructuring
- Corporate Restructuring and Org Design
- Operating Model
- Analytics

Industry/Domain Experience:

- Consumer Goods
- Foodservice
- Trade Promotion/Optimization
- Predictive Analytics
- Field Sales
- DSD

John Flood – Partner



John Flood
Partner

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Background

John has the proven ability to inspire organizations to deliver exceptional results in operations, sales, trade spending efficiency, innovation, new product development, organizational development and profit. His track record includes generating profit and growth at premier food service, prepared foods and consumer marketing organizations (**Sara Lee, King & Prince, and Wayne Farms**). As a decisive senior executive with extensive change management and business development experience, John provides sound, strategic vision across sales, marketing and operations disciplines in both large, complex businesses and privately held entrepreneurial ventures.

Expertise

Functional Knowledge:

- P&L Management
- Organizational Design
- Strategic Cost Optimization
- Sales Force Restructuring
- Trade Promotion/Optimization
- Training and Development
- Mergers and Acquisitions

Industry/Domain Experience:

- Foodservice
- Retail Deli/Prepared Foods
- C-Store
- Club
- Home Delivery
- Sales and Marketing
- Operations Analytics

