Frictionless Foodservice — a new model

"The essential point to grasp is that in dealing with capitalism we are dealing with an evolutionary process… At the heart of capitalism is ***creative destruction*.**

…Situations emerge in the process of creative destruction in which many firms may have to perish that nevertheless would be able to live on vigorously and usefully if they could weather a particular storm."

—Joseph A. Schumpeter

Jim Klass

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Overview

The Foodservice Industry has traditionally focused on ways to extract revenue without adding value:

- This model is ripe for replacement, especially as consumers and operators adopt digital
- An operator centric approach needs to replace the current model
- Digital collaboration between trading partners will unlock value for all
- To do so requires removing friction in foodservice
- It is time for ***Frictionless* Foodservice**

Friction in Foodservice

Operator *Friction*

- Multiple distributors order sites consuming time and energy to navigate, DSR hidden cost
- No trends data on consumer preferences
- Hidden cost/price drivers – pallet allowances, false pricing- inflating cost + programs
- Manufacturers' overstated prices due to Contract Management rebates not available to the independent operators
- No true cost to serve visibility so operator can maximize saving
- False costs on exclusive branded products Sysco, USF etc.
- GPO gatekeeper to what products are "eligible" and only passing on a portion of the "savings"
- Lack of integrated digital platform to manage business and attract consumers

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Friction in Foodservice

Distributor *Friction*

- 10% of customers generate 130% of the profits
- How to create "stickiness" with the operator and not have a race to the bottom on price?
- GPO interference, and margin loss
- Lack of consistency in prices between corporate and independent distributor
- Manufacturer recapture of trade dollars for contracted business
- Lack of consistent manufacturer field sales support
- Time consuming and costly manufacturer trade management reporting
- Acting as manufacturer's bank on deviate pricing

Friction in Foodservice

Manufacturer *Friction*

- No real time visibility to all operators
- Do operators see the value current in trade spending? What % is actually reaching the right party?
- Distributor and GPO gatekeepers
- Field Sales interaction/ lack of valid performance measurement
- GPOs no differentiation between new and existing business
- Exclusive Brands are not on level playing field with Branded Products
- Earned Income isn't earned
- Lack of true trade spend performance analysis

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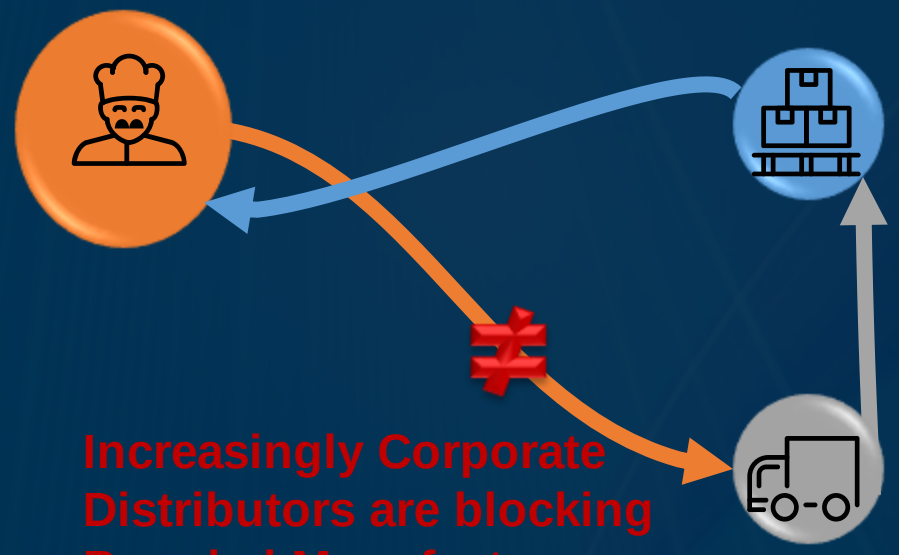
Current Transactional Operator Support

No visibility or accountability, silo'd information

Operator's consumer interaction

Operator have limited access to what is driving the consumer to their restaurant (or not)



Distributor orders from Manufacturer

Due to lack of data distributors don't know what is trending

Increasingly Corporate Distributors are blocking Branded Manufacturers access to the operator

Operators are pushed to Exclusive Brands by Corporate Distributors

Operator purchases product for the Distributor

Transactional

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A new Paradigm- Operator *Centric* Platform

For Operator:

A unique platform of tools to help the operator:

- Order from supplier more efficiently
- Market to the right customer with the right offering at the right time
- Reduce reservation and order costs while retaining the consumers data
- Maintain recipe and actual costs
- Manage margins, staff and profits down to the menu item
- Receive food trends data to stay connected with consumers
- Have distributors and manufacturer provide LTOs and customized offerings to specific operators as needed

A new Paradigm- Operator Centric

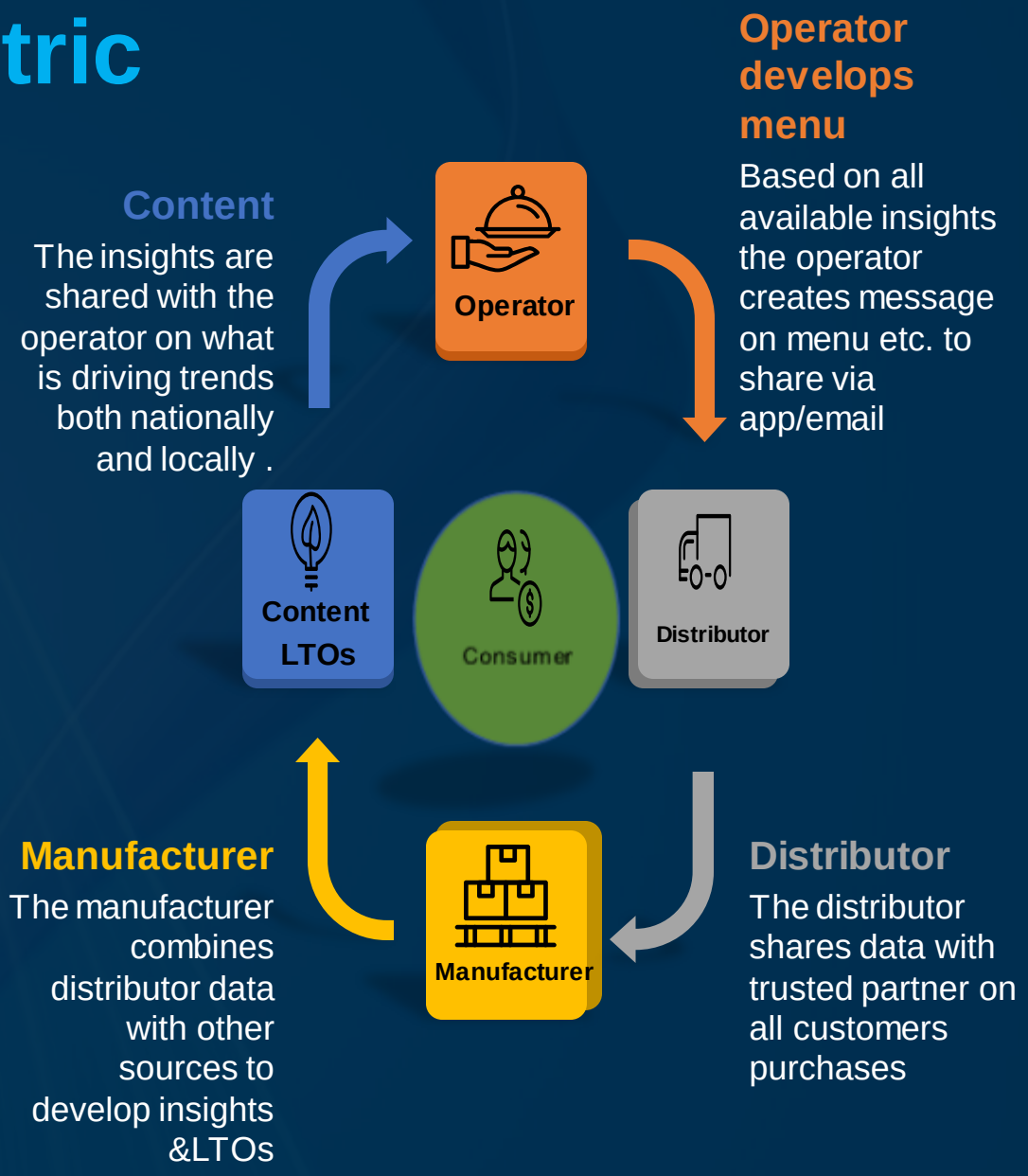
For **Distributor**:

- Pricing from manufacturer stripping out current manufacturer **Buy-side** trade spend to be replaced replace with a new **Sell-side Model** resulting in lower cost of goods
- Distributors would provide sell thru data in real time to manufacturers and allow manufacturers to target specific operators or segments with LTOs to drive consumer visits
- Operator's purchases would be based on the 4 key factors- cases per order, number of drops per week, speed of payment, and desire to pay for a DSR
- Distributors would earn their Sell-side fees based on actual sales and transmitting the individual operator information to the manufacturer in real time
- Need for DSRs would be greatly diminished reducing costs
- Manufacturers could manage inventories reducing internal staff

A new Paradigm- Operator Centric

For **Manufacturer**:

- Complete visibility to all sales not just contracted
- No Fees or earned income that do not add value -reduced ineffective trade spend
- Only promote to grow business
- Real time trade information, plus accurate ROI post - promotion
- Increased margin
- Most importantly access to real time unit level data across all segments and the ability to directly connect to the operator and measure results (including field sales performance)
- Collaboration and data sharing throughout the supply chain



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Frictionless Foodservice:

Solution: Visibility & Accountability

Operators > Consumer interaction

Operator has all the information he needs to attract the consumer with trends and LTOS if necessary

Distributor orders from Manufacturer

Distributors are compensated for LTO information allowing trade fund analysis by manufacturers

Operator purchases product

Operator purchases the right products to incent the consumer

Operator data shared

Distributors share operator purchases with trusted manufacturers and LTO results

Insights shared

How consumers are reacting to LTOs, and trends shared with the operator

Operator purchases product

Increase volume due to on-trend offerings

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Advantages to the *Frictionless* Model

Operator

- Ability to set pricing on purchases
- Lower costs /level playing field
- Retention of consumer data
- Integrated digital platform to better understand
  - P/L
  - Consumer Trends
  - Customer Loyalty
  - Marketing

Distributor

- Level playing field
- Less administrative burden
- Reduced need for DSRs
- More profitable customers
- Greater “stickiness” with Operator

Manufacturer

- Increased visibility to all operators, better understanding trends
- Reduced Trade spend while increase effectiveness
- More collaborative approach connecting entire supply chain
- Greater opportunity to influence actual consumer consumption
- Better margins

Frictionless Foodservice Model

New Service -Value may be created through a Confederation of Data to develop a 360° View of the Operator and the Local Market

Distributor Data

Operator Order Data
Pricing Data

Manufacturer Data

Shipment Data
Operator Analytics

3rd Party Data

Datassential, CHD
Supply Track, FastBase

Operator Data

Operator Basket, Profitability
Operator POS Data
Website

DSRs | Manufacturer Sales Reps

Increased Efficiency
Improved Relationships with Customers
Increased Sales

Marketing

Understanding the operator at a more granular level to allow for a more connected message

Independent Operator

Create a new "stickiness" with operator as they rely on FS Mfg. for local market knowledge and trend analytics

Chains

Provide chains with visibility to their locations at a granular level.
Help them design offering tailored to individual markets to drive "butts in seats"

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Foodservice Distributors & Manufacturers must develop their "abilities"

focus on these **5** areas to drive performance and fuel growth

Accountability

Pay for performance
Measure trade investments
Validate operator sales by reps
Move trade funds from the "buy side" to the sell side

Visibility

Understand what's happening at the operator
Know the impact of trade dollars and contracted compliance
Spot emerging trends

Predictability

Provide Field sales with next best opportunity
Sense and inform supply chain for demand drive forecasting

Connectability

Utilize the "cloud" to connect with supply chain, customers and consumers to drive demand and being relevant Available to customers 24/7

Flexibility | Agility

Uberize or create on-demand functionality
Sales as a Service (SalesaaS)
Execute on changes in consumer demand through out the supply chain

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Next Steps or Learn More?

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