



Developing “Your Own” Candy & Snacks MVE Program

CDA Webcast

Tuesday – May 17, 2016 – 1:00 PM EDT

Presented by Members of the

CDA Industry Warehouse-Delivered Snacks Committee





Kit is the President of InfoRhythm, Inc., a data analytics company and business intelligence provider, building collaborative solutions for all convenience channel partners. InfoRhythm is the data partner for the CDA InfoMetrics Program.

Kit serves as a consultant to help guide the work of WDSC.

He has been involved in many facets of the food industry. He was a supermarket owner, served as President of Spartan Stores, C-Store distribution companies (J.F. Walker Co., L&L Jiroch & United Wholesale), is past Chairman of Tripifoods, former Senior Vice-President of Willard Bishop Consulting, served on the Board of Directors of Lorillard, Inc., and has provided thought leadership to CDA members and the convenience industry broadly as the Principal of Dietz Consulting LLC.

The Warehouse-Delivered Snacks Committee was formed in 2001 to provide customer solutions to promote the benefits of center-store category management planning and execution in c-stores

These solutions provide opportunities focused in three key areas:

- Meeting consumer demand in store
- Maximizing center-store categories’ performance
- Increasing retailers category sales, gross margin and profitability



The CDA complies with all antitrust laws and all participants should take note of the antitrust compliance rules, which must be strictly observed. Violation of the antitrust laws is a serious matter and may involve a felony conviction and jail sentence. (CDA Antitrust Guidelines were provided to participants in advance of this webcast)

What The WDSC Does:

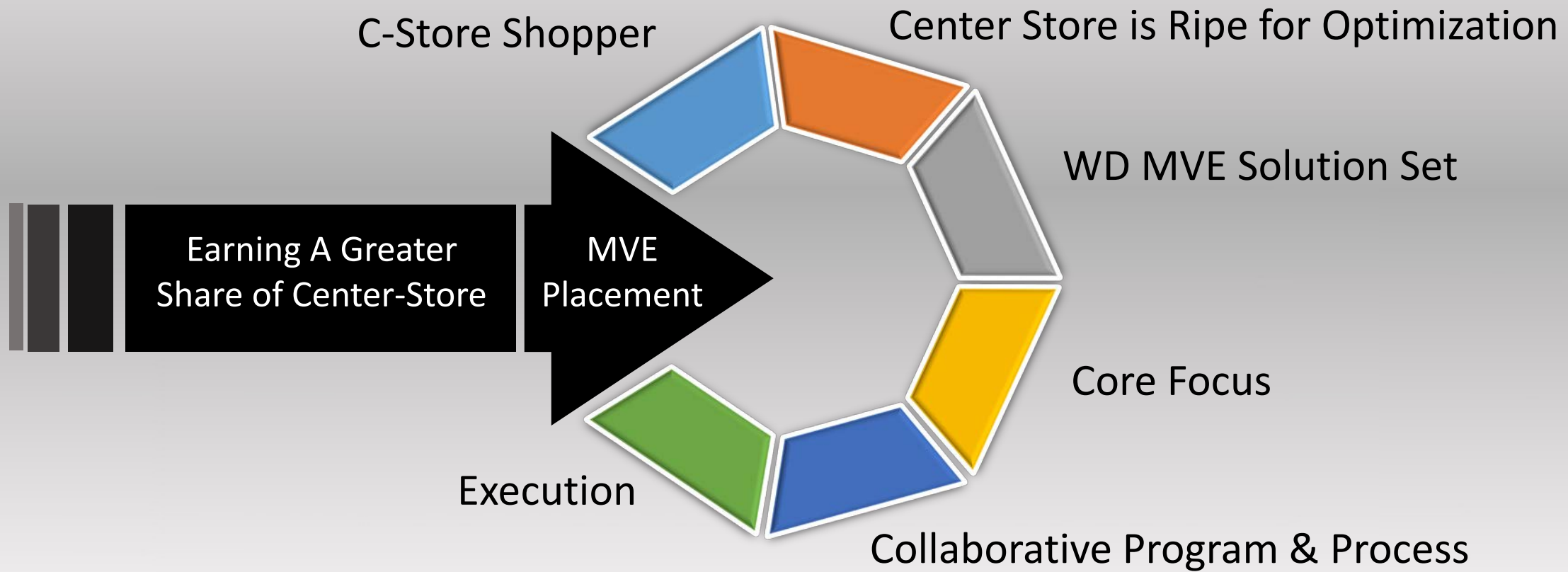
- Embrace a Holistic Approach to Category Management
- Conduct Research
- Identify Proven Opportunities
- Recommend Strategies & Tactics
- Develop, Source and Make Available End-Cap Fixtures (Dot Foods)
- Educate Retailers & Distributors

What the WDSC Never Does:

- Discuss Anything Related to Current or Future Pricing at Any Level; whether it be related to Manufacturer, Wholesaler or Retailer
- Recommend Planograms or SKUs for Planograms
- Have a Meeting Without CDA Legal Counsel Present

Our MVE Strategy is Pure Category Management

Building a Compelling “Fact-Based” Case for Warehouse-Delivered MVEs, Leading to Broader Execution



Steve Harris – General Mills



Steve Harris is the General Mills South Zone Manager for the Convenience Channel. He also serves as the lead contact for Industry Initiatives in the Convenience Channel at General Mills.

He began his career 32 years ago in a Southeast retail territory. He progressed through several sales management positions before moving to Minneapolis, Minnesota, to work at General Mills headquarters.

Steve has held various positions in multiple functions including positions in Convenience, Grocery & Military Sales as well as positions in key capabilities of Category Management, Marketing, Supply Chain, Customer Service and Consumer Insights.

Steve's broad experience will help us continue to drive profitable growth in c-stores and for you, the distributor.

Warehouse-Delivered Candy & Snacks MVEs truly are Category Management at its Finest!



Distributor Candy MVE (Example Only)

A Shared Multi-Vendor End-Cap

Leverages Brand Strengths and Satisfies a Broad Range of Cravings

Best Brands (core) Across Segments

SKUs are Selected by Sales Velocity
Essentially Consumers Vote with their Wallets

Highly Impulsive Brands

at a Secondary Location on the Path to Purchase

Incremental High Margin Sales

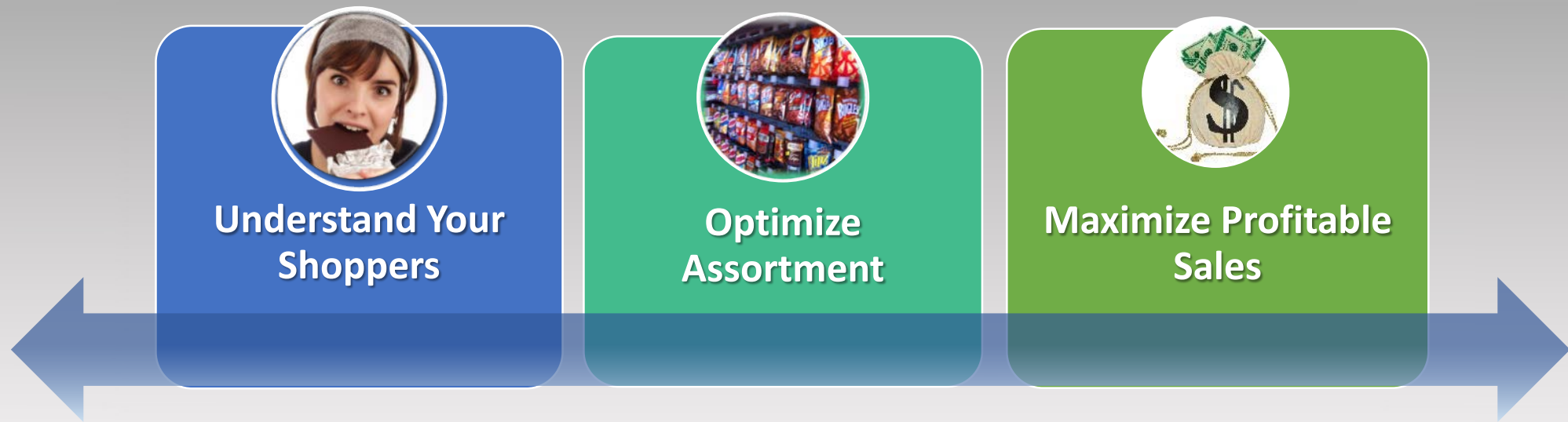
Warehouse Snacks on Average Deliver 11.9% Higher Gross Margin than the DSD – Candy Margins are even Higher



Distributor Large Snacks MVE (Example Only)

Getting it Right at Retail Requires

- Understanding and Satisfying Shopper Needs and Preferences
- Strategically Managing & Optimizing the Assortment of SKUs, by Category & Sub-category, in their Primary & Secondary Locations
- Leveraging the Brand Strength, Impulsivity and the Higher Margins of Warehouse-Delivered Candy and Snacks

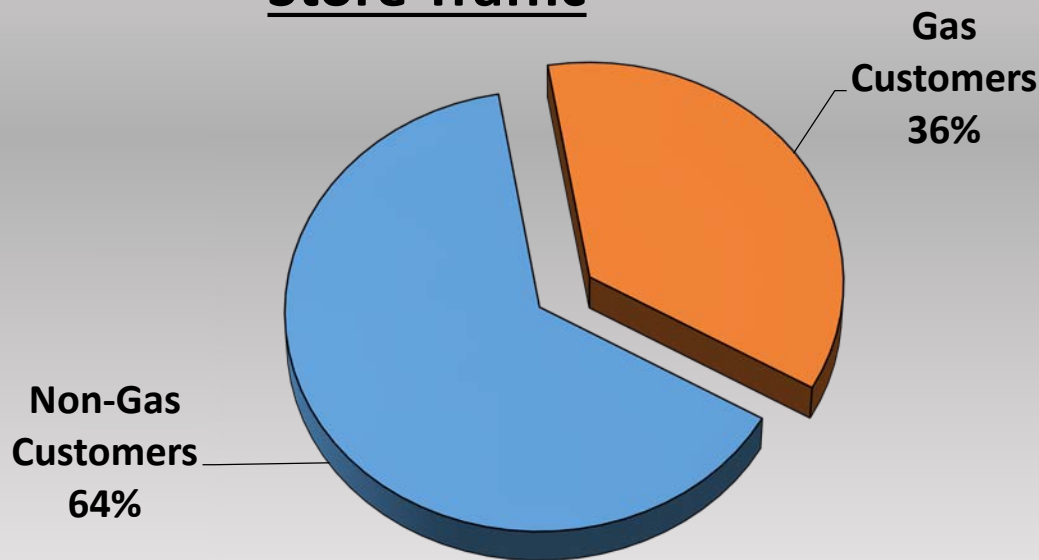


Store Traffic and In-Store Buyer Composition:

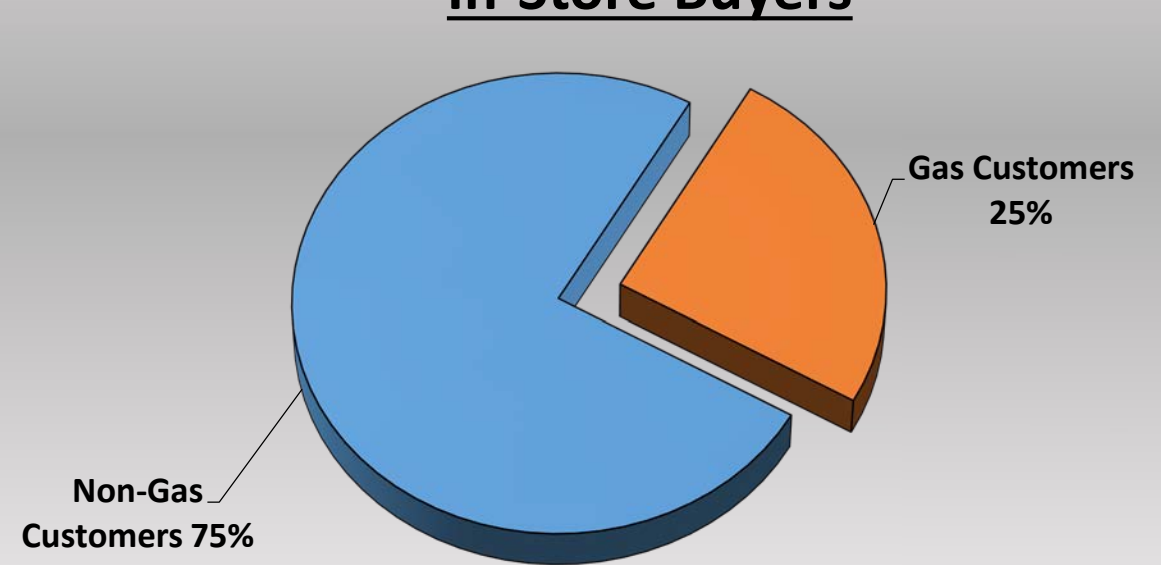
Gas vs. Non-Gas customers

- 64% of Customers are In-store to Shop & Buy
- 36% of Customers that walk into the Store are Gas Customers
- Drive Impulse Sales of Destination Categories like Candy & Salty Snacks

Store Traffic



In-Store Buyers



*Gas Customers – Patrons who made a gas purchase.

*Non-Gas Customers – Patrons who visited the store but did not make a gas purchase.

*Data Source: behavior data

*Source: VideoMining

C-Store Shoppers Path To Purchase

You have Less Than 3 Minutes
to Sell Them Something

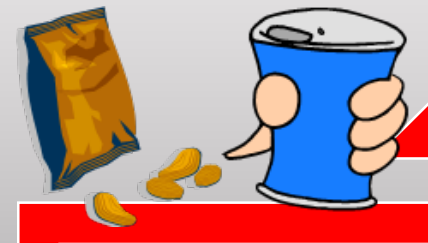


Shopper
Enters The
Store

Spend 2
minutes 26
seconds
shopping
Make Your Store
Fast To Shop and
Items Easy To Find



60% of traffic
converts to
buyers
Optimize Counter
Impulse by
Merchandising
Core Candy and
Snacks SKUs



Buy 2.3
items – 38%
buy only 1
item
Leverage Path To
Purchase with
Secondary
Locations for High
Margin Candy &
Snacks

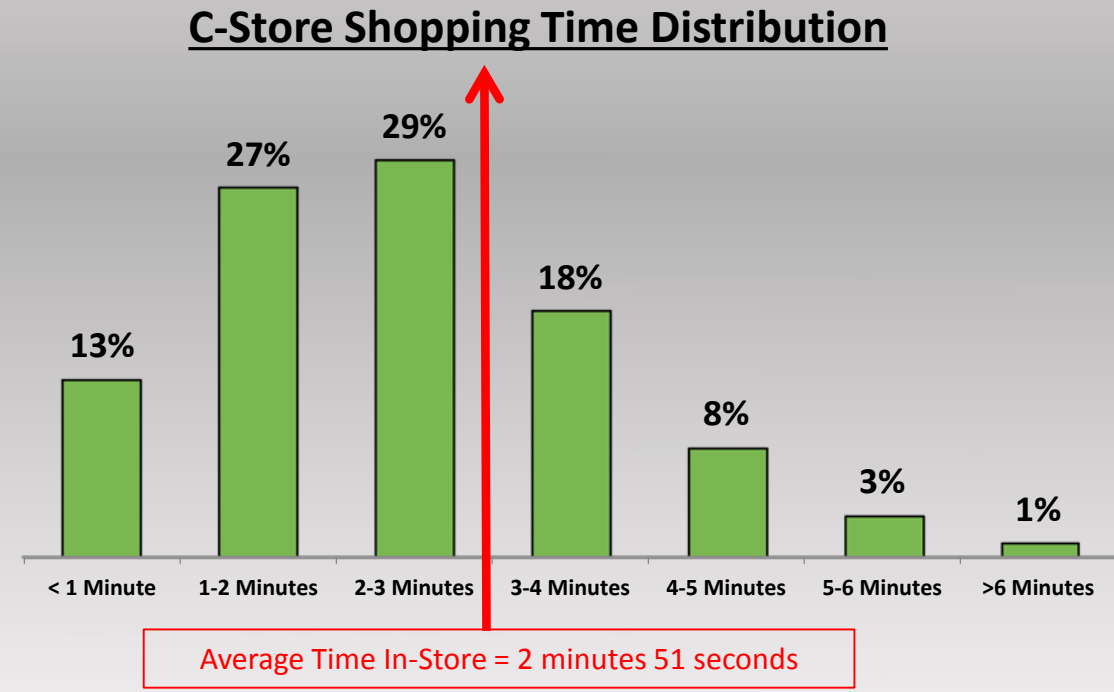
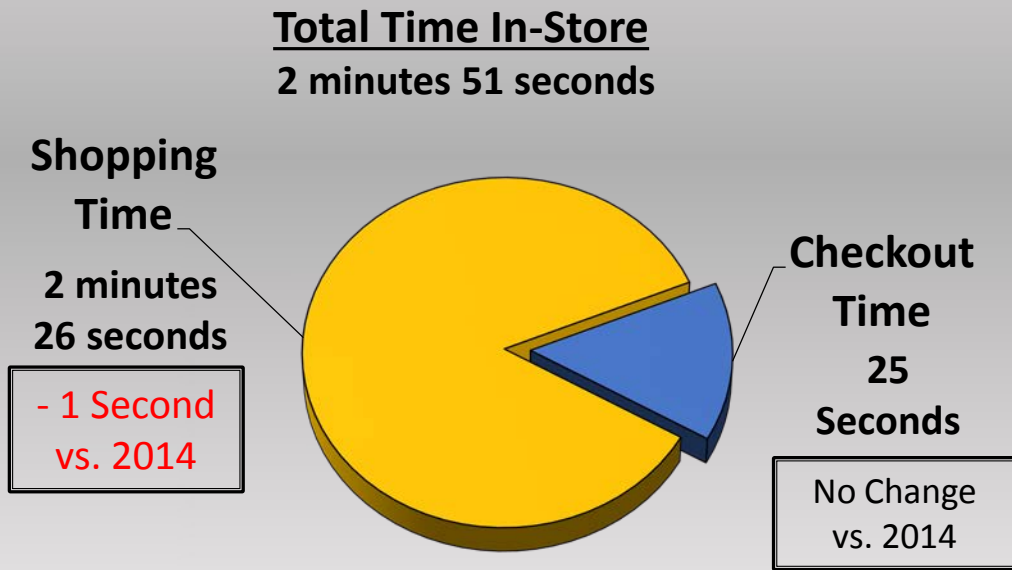


Spend \$6.02
– 25 seconds
at checkout
Increase Average
Transaction Size
and Gross Margin
Contribution

Source: VideoMining – How are C-Stores Shopped

Convenience is the Grab-N-Go Channel

- Average In-Store Time is Less Than 3 Minutes (No Change from 2014)
- 40% of Shoppers Spend less than 2 Minutes In-Store
- Retailers Should Focus on Making Trips Efficient and Timely for Shoppers



*Source: VideoMining 2015, Behavior Data

Warehouse MVE Solutions Target the Core

- Clearly, MVEs are the Right Solution for Retailers and Distributors
- It is an Important Merchandising Tactic that helps Distributors Capture a Larger Share of Space in the Center Store, gaining Best Selling Locations versus Your DSD Competitors, because we earn it!

Best Brands (Core)
Across Segments

One Shared Multi-
Vendor End-Cap

Impulsive Secondary
Location

Capture High Margin
Incremental Sales



Expand Your Warehouse-Delivered
Footprint in the Center Store



Mike Gilroy – Mars Chocolates



Mike has been an associate with Mars Inc., for 18 years and is currently the National Channel Lead for C-Store/Broker for Mars Chocolates, LLC

He has vast experience in both the Canadian and U.S. Markets, across various business segments including pet products, confectionary and snacks.

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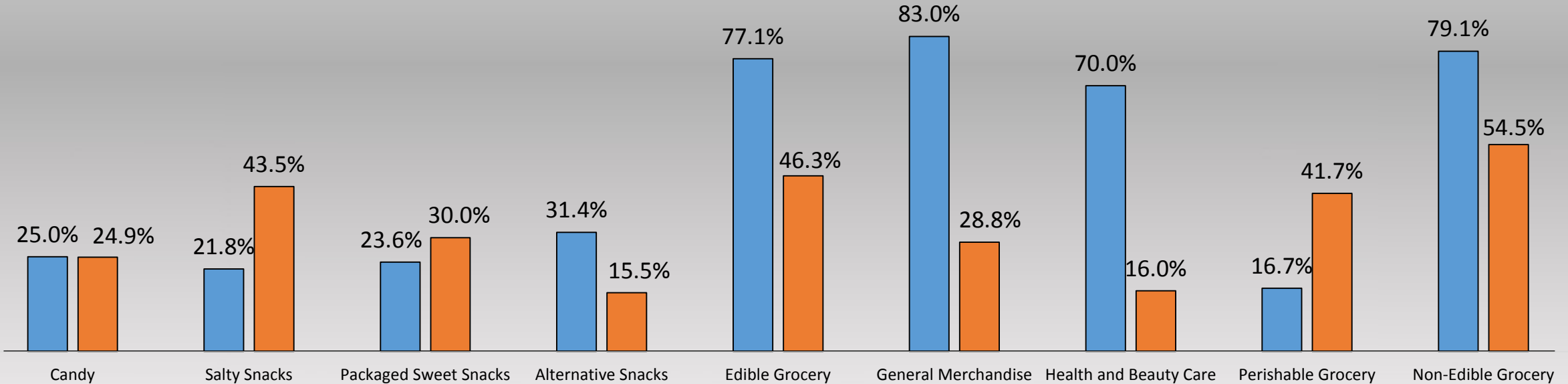
Mike is based in Nashville, Tennessee.

Center Store is Ripe for Optimization

- C-Stores Need a More Focused Category Management Approach
- Warehouse-Delivered Candy & Snacks should play a more strategic role based on Brand Strengths, Impulsivity & Higher Margins

C-Stores – Center Store SKU Performance

■ Selling <1 WK ■ % Unprofitable

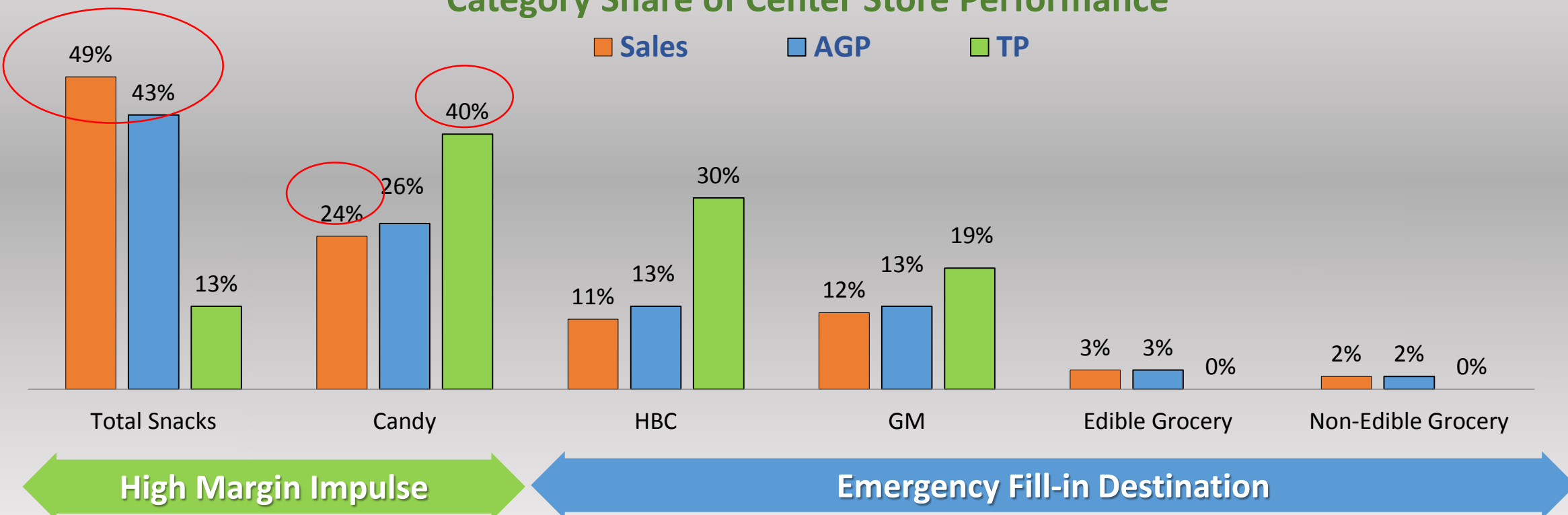


Source: Convenience SuperStudy™, Willard Bishop/Dietz Consulting

Center Store is Ripe for Optimization

- Candy Delivers the Highest True Profit Contribution in Center Store
- Total Snacks Delivers the Highest Sales and Gross Margin Contribution in Center Store

Category Share of Center Store Performance



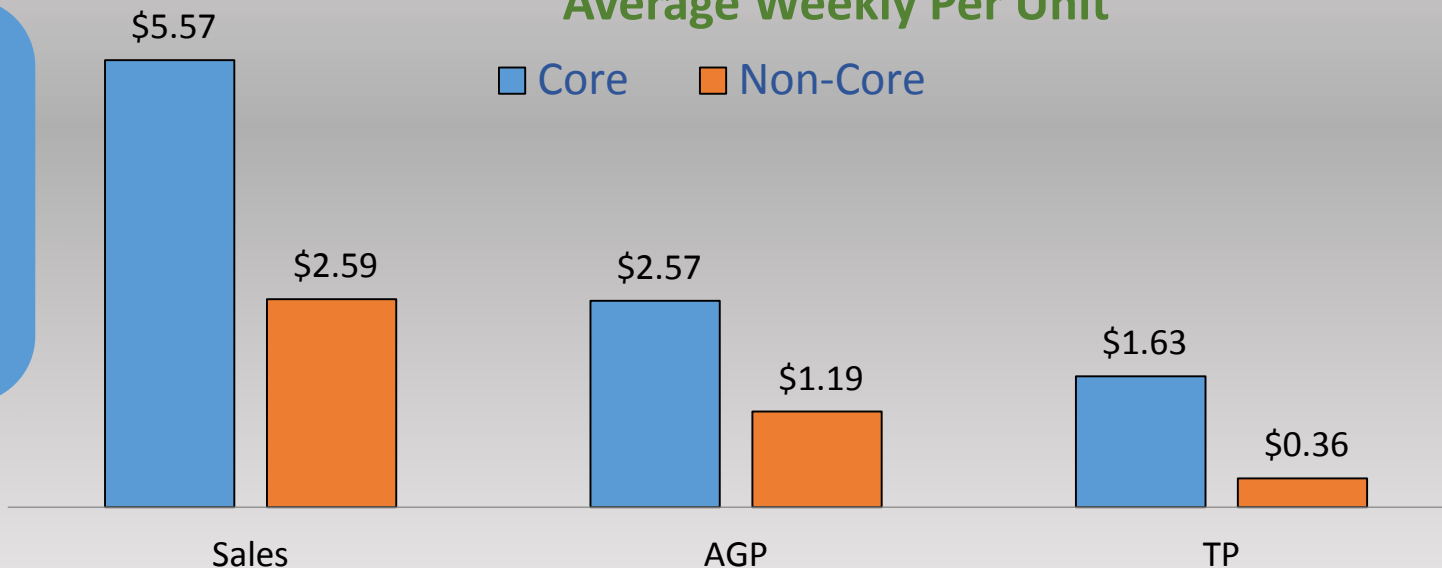
Source: Convenience SuperStudy™, Willard Bishop/Dietz Consulting

Core Skus Drive Profitability in All Categories

- In this Chocolate Example, Core Chocolate SKUs Drive Sales at 2.1X, Contribute Adjusted Gross Profit at 2.2X and Deliver True Profit at 4.5X Non-Core Chocolates
- This makes our MVE Strategy a perfect fit for all channel partners; “Focus on The Core”

Chocolate Core SKU vs. Non-Core SKU Performance
Average Weekly Per Unit

Core SKUs Drive Sales at 2.1X and AGP at 2.2X



Core SKUs Deliver 4.5X More True Profit

Source: Convenience SuperStudy™, Willard Bishop/Dietz Consulting

Abby Panfil – Kellogg Company



Abby is the Director of Sales Planning and Strategy at the Kellogg Company in the Specialty Division. In her role she works with the Convenience, Alternative Retail and Vending channels developing strategic plans around merchandising, innovation, trade and Category Management. Prior to her current role, Abby was a National Account Executive managing retail and wholesale accounts.

Abby was the Vice President of Sales for iChill Beverages LLC from 2011-2012, working with customers such as Kroger, Wal-Mart, McLane and Walgreens. During her tenure at iChill, she created a college internship program, a college ambassador program and drove double digit sales growth.

Abby is currently a Community Leader for Women of Kellogg's and a Committee Member for Network of Executive Women. She received her B.A. from Purdue University with a degree in Selling and Sales Management.

Striking the proper balance between Warehouse & DSD Snacks requires a focus on the following:

- Leverage the brand strengths of Warehouse Snacks across segments
- Capitalize on the margin advantages of Warehouse Snacks vs DSD
- Assure distribution and avoid out of stocks on Core SKUs & Program SKUs
- Capture prime secondary merchandising locations and ensure “fair share” of space between DSD and WSD snacks
- Rapid distribution of innovation products (incremental sales)



Leverage the Destination Categories to Drive Snacks & Candy

Primary Destination “Perimeter”

- Beverages
- Cigarettes
- OTP

Leverage Foot Traffic

Destination items and the “Traffic Drivers” like Beverages are primarily on the perimeter of the store

High-Margin Impulse “Center Store”

- Snacks
- Candy

Optimize Assortment,
Category Size /
Merchandising

High-Margin/Impulse Categories should be oriented in the Center Store

Emergency Fill-In “Center Store”

- Grocery
- HBC
- GM

Rationalize Variety &
Leverage Brands

Emergency Fill-In Categories don’t require prime placement – leverage brand strength and limit variety to best sellers

Snacking Segments Assessment

The Snacking Segments are Highly Impulsive, & Power Brands are Most Responsive to Secondary Merchandising Displays

Snacking Segments Assessment	Power Brands		Higher Margins		Secondary Placements	
	DSD	WD	DSD	WD	DSD	WD
Tortilla/Corn Chips	X			X	X	
Pretzels	X	X		X	X	X
Potato Chips	X			X	X	
Canister Chips		X		X		X
PKG RTE Popcorn		X		X		X
Other Salty		X		X		X
Nuts/Seeds		X		X		X
Cakes/Pastries/Desserts		X		X		X
Muffins/Donuts		X		X		X
Cookies		X		X		X
Other Alternative		X		X		X
Meat Snacks		X		X		X
Health/Energy Bars		X		X		X
Granola/Fruit		X		X		X

Bag Potato/Corn Chips Segments are DSD's Branding Sweet Spot. They Leverage that Strength Outside of their Core and Add SKUs to their End-Caps Outside of their Branding Strength

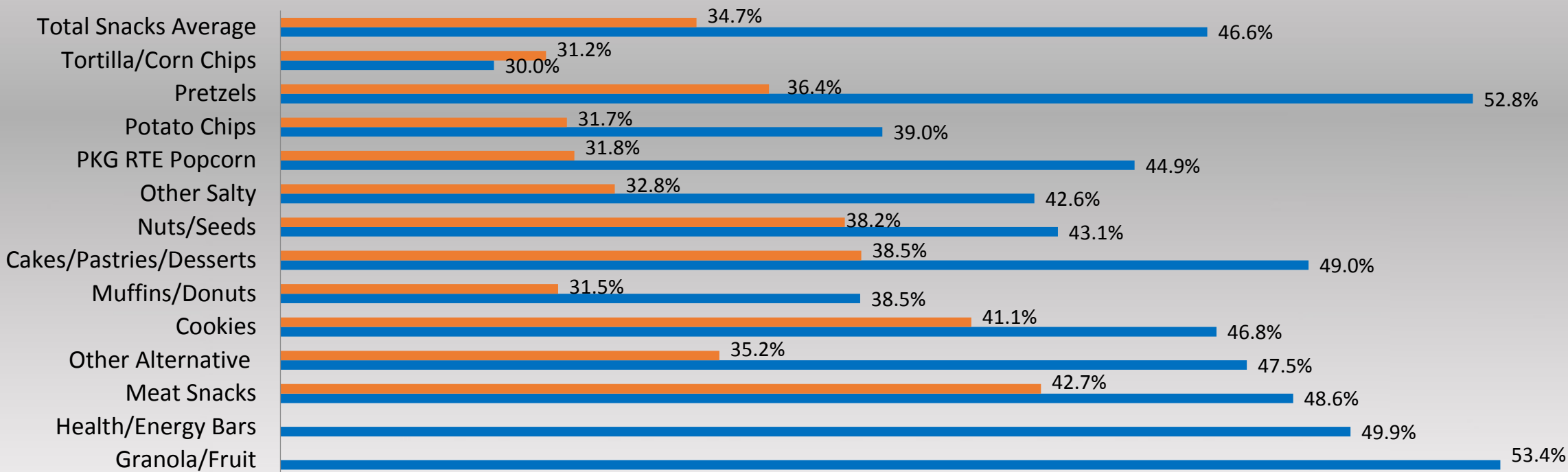
In All Other Snacking Segments, Warehouse-Delivered Snacks offer Brands Consumers Love across Leading Manufacturers; Delivering Greater Variety & Higher Gross Margins, Across The Salty, Sweet & Alternative Segments

This reinforces that our MVE Strategy is More Effect than a DSD Single Vendor End-Cap Placement. Warehouse-Delivered Snacks Deserve Greater Visibility & Secondary Placements In C-Stores

On Average, Warehouse-Delivered Snacks Deliver 11.9% Higher Average Margins Than DSD Snacks

Total Snack Category ADJ Gross Margins by Segment

■ DSD ■ WD

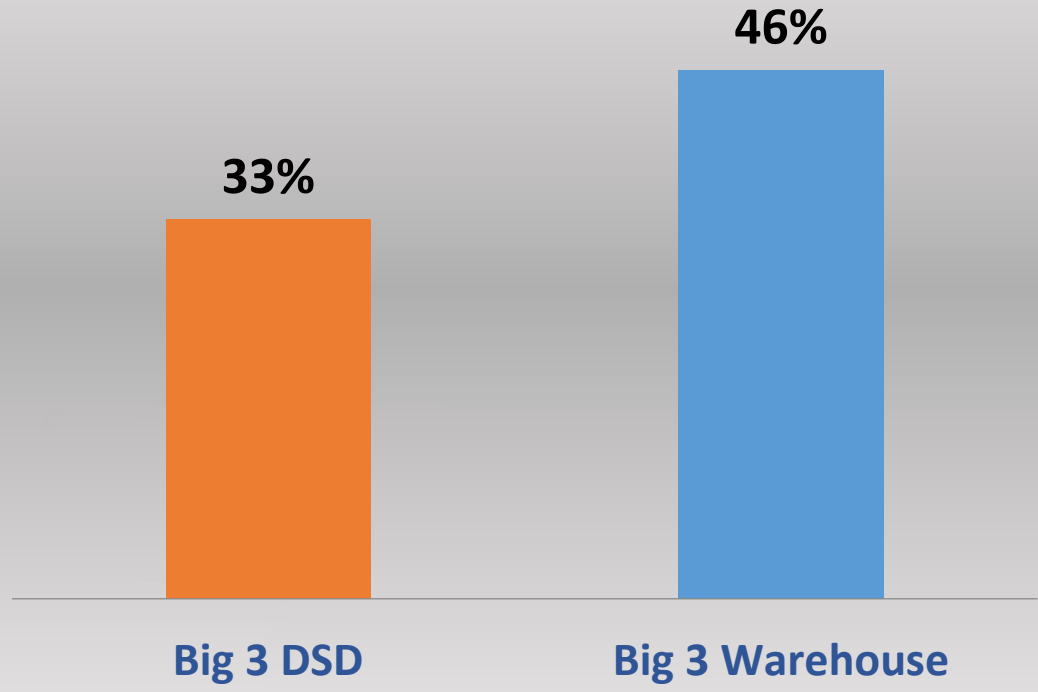


Source: Convenience SuperStudy™, Willard Bishop/Dietz Consulting

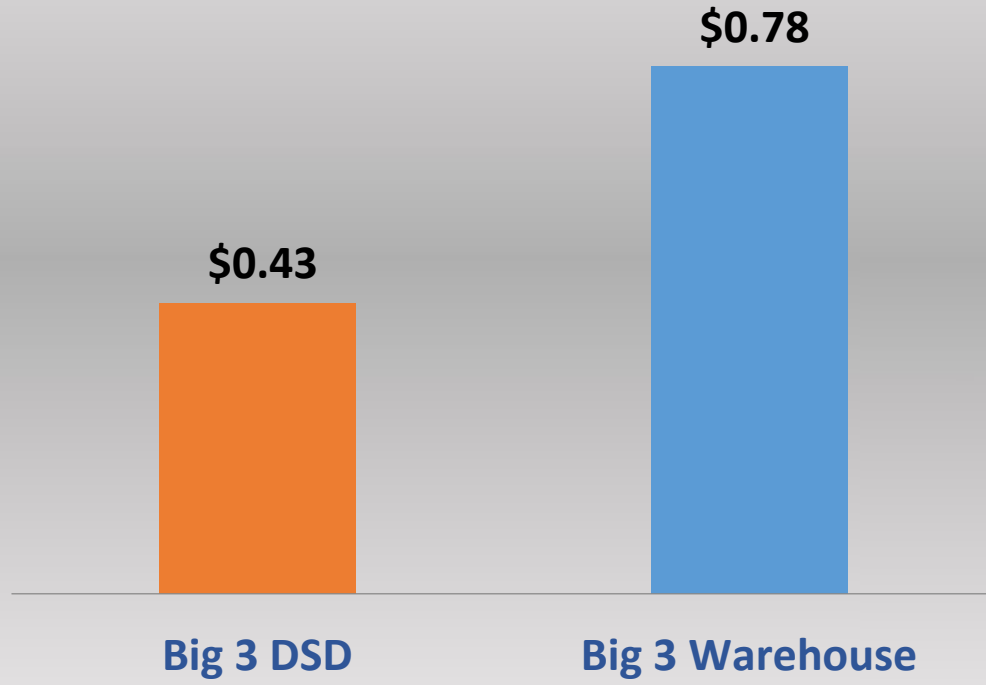
Another Warehouse-Delivered Advantage

The Big 3 warehouse brands deliver a higher average GM & unit profit than DSD

Average Gross Margin



Average Unit Profit

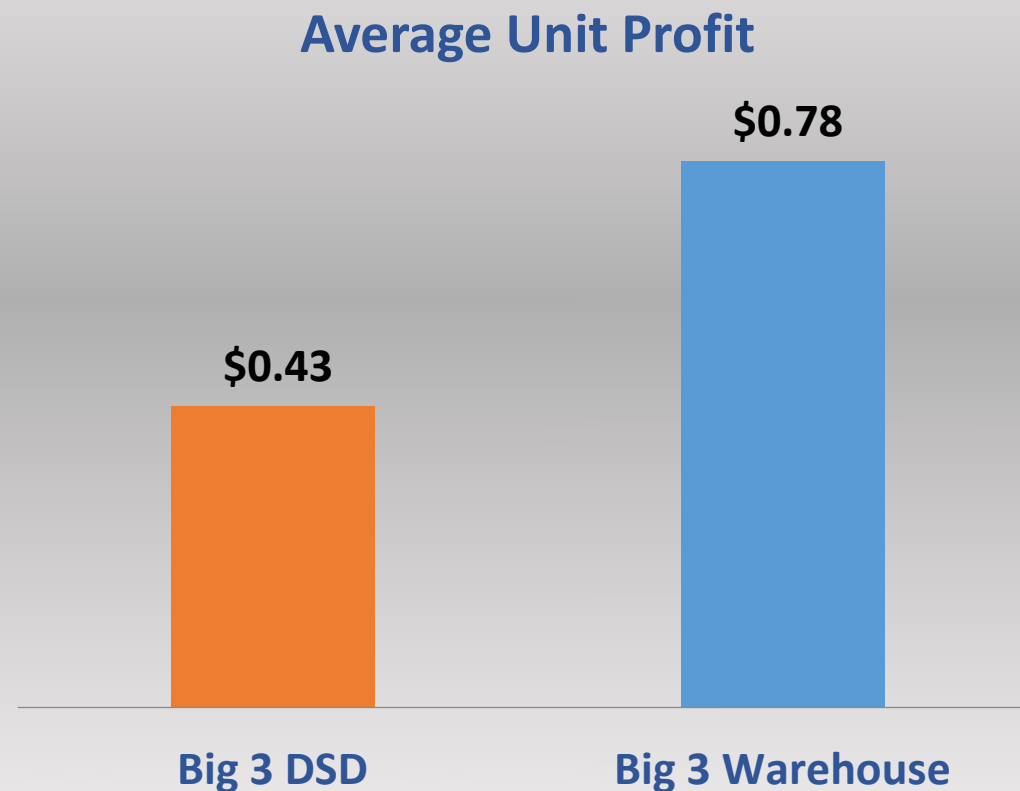


With optimization, warehouse snacks can work harder for the Retailer

Source: Convenience SuperStudy™, Willard Bishop/Dietz Consulting

Activity-Based Costs are Lower for Wholesale-Delivered Products Versus DSD

Activity	DSD	Wholesaler
Place Order	\$ -	\$ 0.010
Receive Product	\$ 0.018	\$ 0.020
Sort, Load, Move to Aisle	\$ -	\$ 0.019
Position and Open Case/Tote	\$ -	\$ 0.002
Place Product on Shelf	\$ 0.003	\$ 0.045
Cleanup Condition Shelf	\$ -	\$ 0.015
Check Out and Bag Labor	\$ 0.083	\$ 0.077
Handle Returns	\$ 0.001	\$ -
Take Cigarette Inventory	\$ -	\$ 0.012
Process Invoices	\$ 0.034	\$ 0.005
Cost of Bag	\$ 0.005	\$ 0.003
Occupancy	\$ 0.399	\$ 0.201
Inventory Carrying Cost	\$ (0.002)	\$ (0.004)
Total ABCs	\$ 0.541	\$ 0.405



Source: Convenience SuperStudy™, Willard Bishop/Dietz Consulting

Key Take-aways

- **On Average, Warehouse-Delivered Snacks Deliver 11.9% Higher Average Margins Than DSD Snacks**
- **Big 3 Warehouse Brands deliver Higher Avg GM & Unit Profit than DSD**
 - With optimization, Warehouse Snacks can work harder for the Retailers
- **High-Margin/Impulse Categories (Candy and Snacks) should be oriented in center store along the path to purchase from the destination categories**
- **While direct labor is lower for DSD products, indirect labor and occupancy costs per unit are significantly higher for DSD products**

Alan Tobin – The Hershey Company



Alan Tobin is the Sr. Manager of Category Strategy & Insights for C-Store, Vending, Specialty Retail and Food Service at the Hershey Company. In his current role, Alan leads a team of category analysts who work closely with retailers to develop category management strategies, capabilities and solutions around total store snacking.

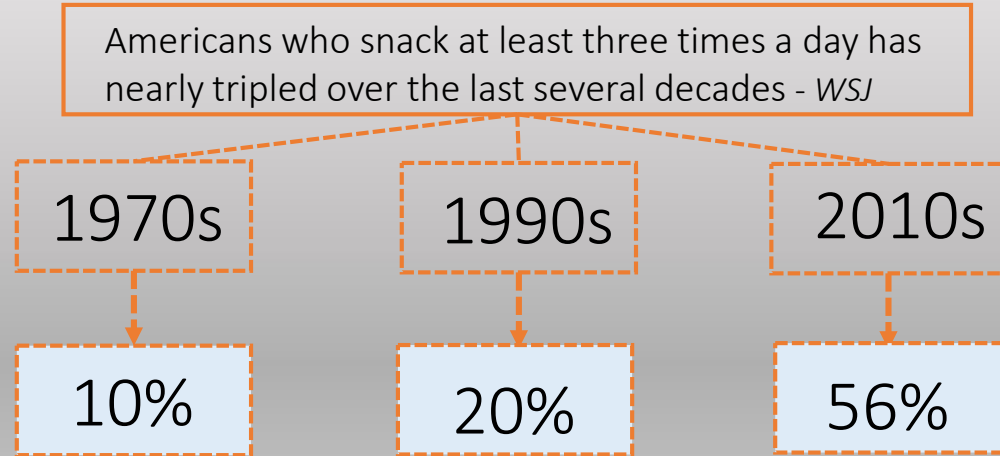
Alan is originally from Ireland, living in the U.S. for the past 15 years. He has been with Hershey for 14 years, holding positions in various sales & category management functions. The past eight years of his career have been focused on building and executing confection and snacks category management strategies in C-Store & Walmart.

Alan has extensive experience with instant consumable snack categories from his previous roles as C-Store Category Analyst, Front End Advisor at Walmart and most recently as Sr. Manager of Front End Experience, where he consulted with many major retailers across all classes of trade on pay point merchandising and assortment optimization. Alan is based at Hershey's Home Office in "The Sweetest Place on Earth," Hershey, Pennsylvania.

Eating Habits in America have Changed

SNACKIFICATION: (v.) the act of snacking more than eating distinct meals

Americans who snack at least three times a day has nearly tripled over the last several decades - *WSJ*



Drivers of Snackification



Why are people snacking more?

Always on the Move



Needing a jolt of energy

Quick satisfying fixes

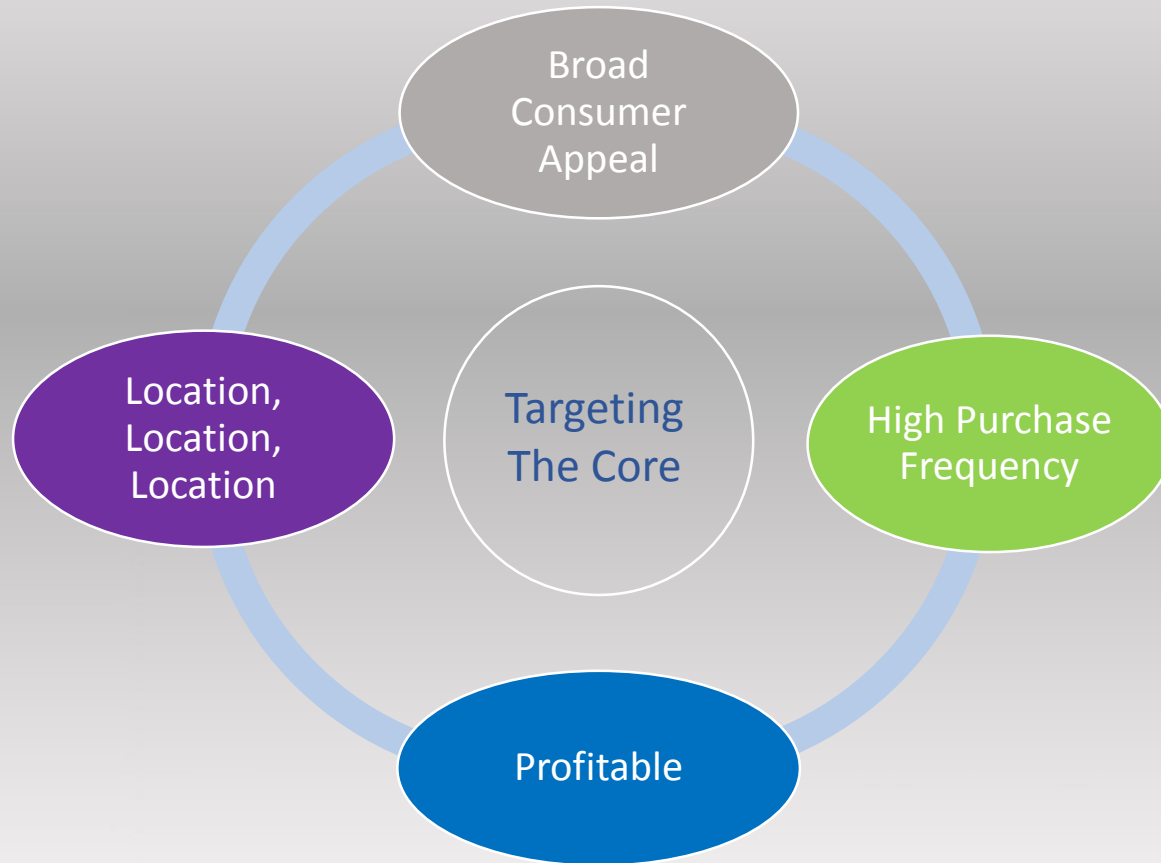
Portable grab-and-go



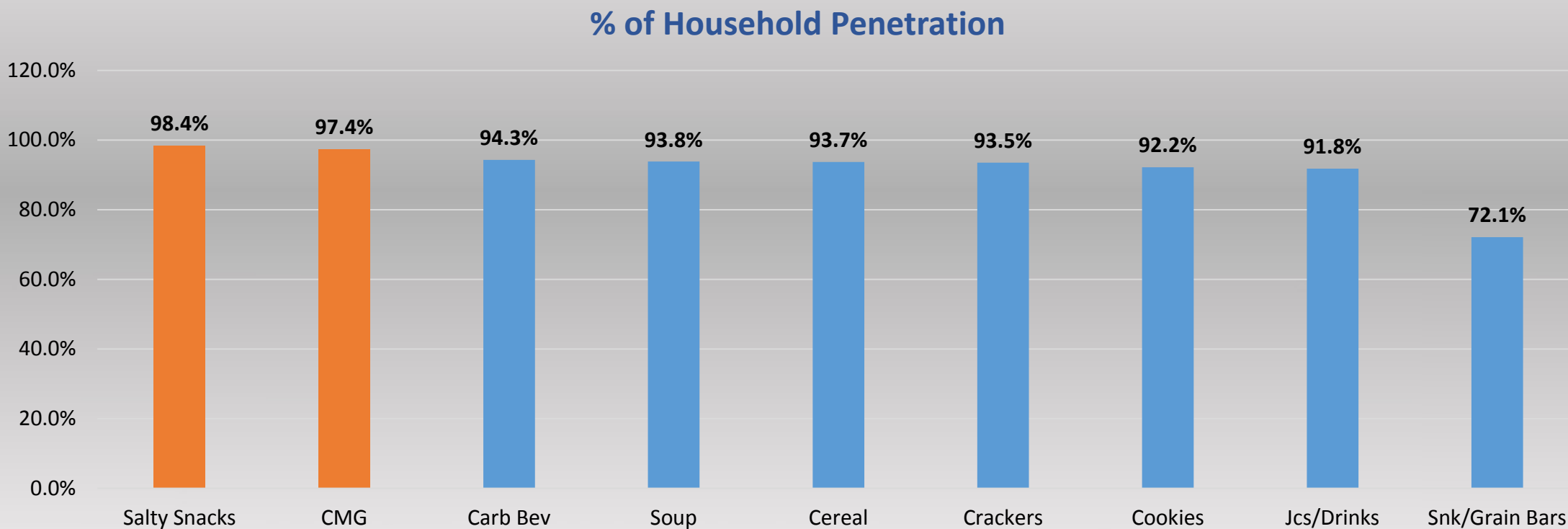
Source: <http://www.takepart.com/article/2014/07/04/snack-time-America>;
<http://www.businessinsider.com/america-is-becoming-snackified-2012-10>

Supporting Consumer Snacking Needs

A Multi-Vendor end-cap program, built on key category management principles, supports consumer snacking needs



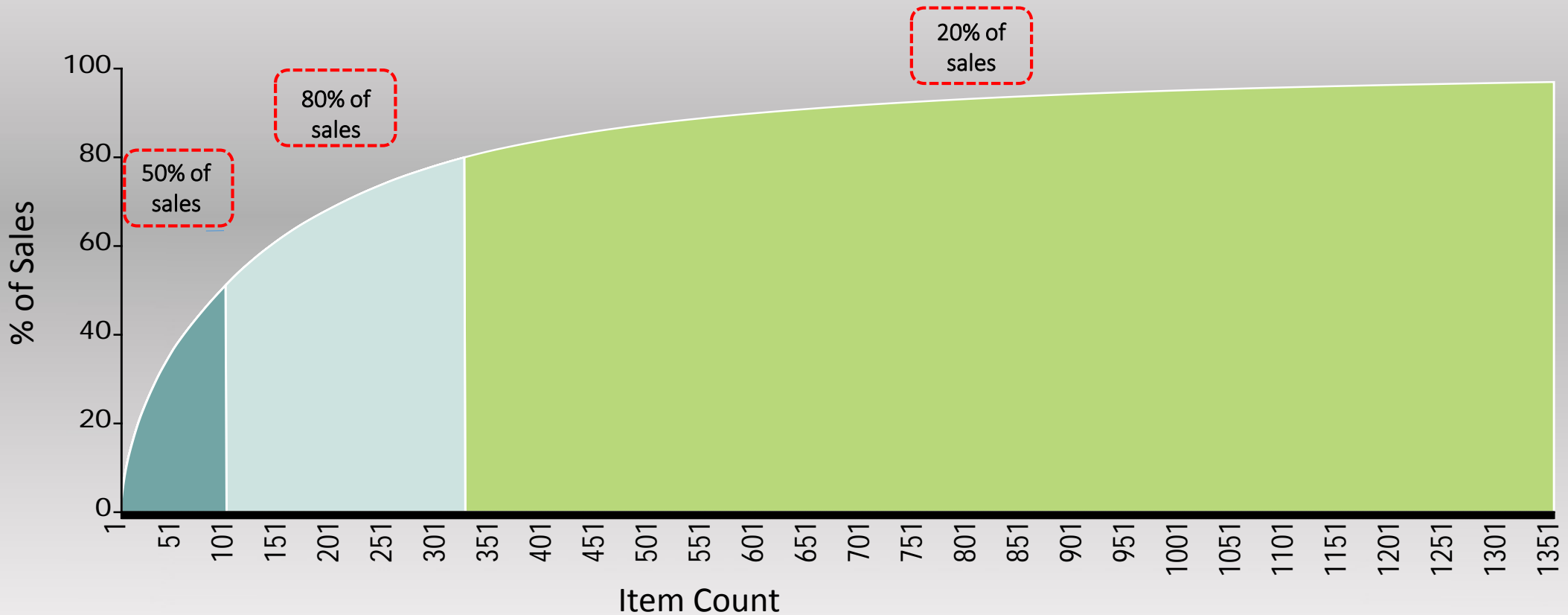
Candy, Mint & Gum (CMG) and Salty Snacks have the highest HH Penetration among edible categories



Source: Nielsen

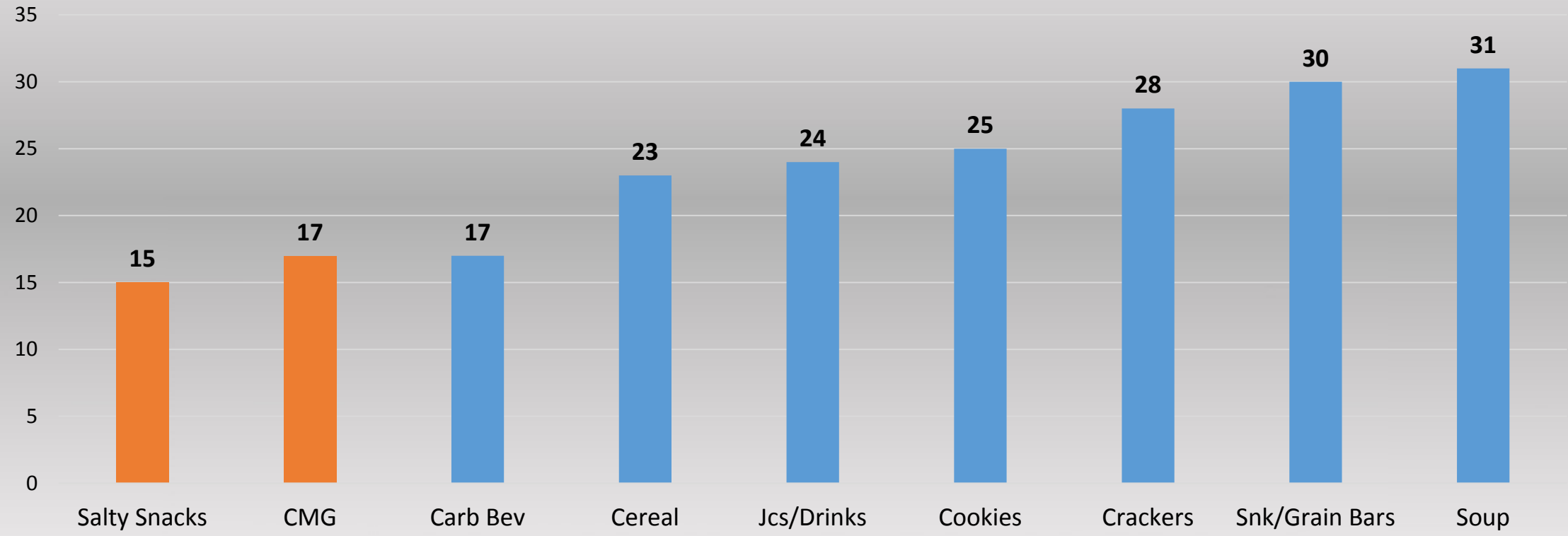
Target Core SKUs

Assortment on the MVE should be limited to the CORE selling items which account for 50% of total retail Candy Sales



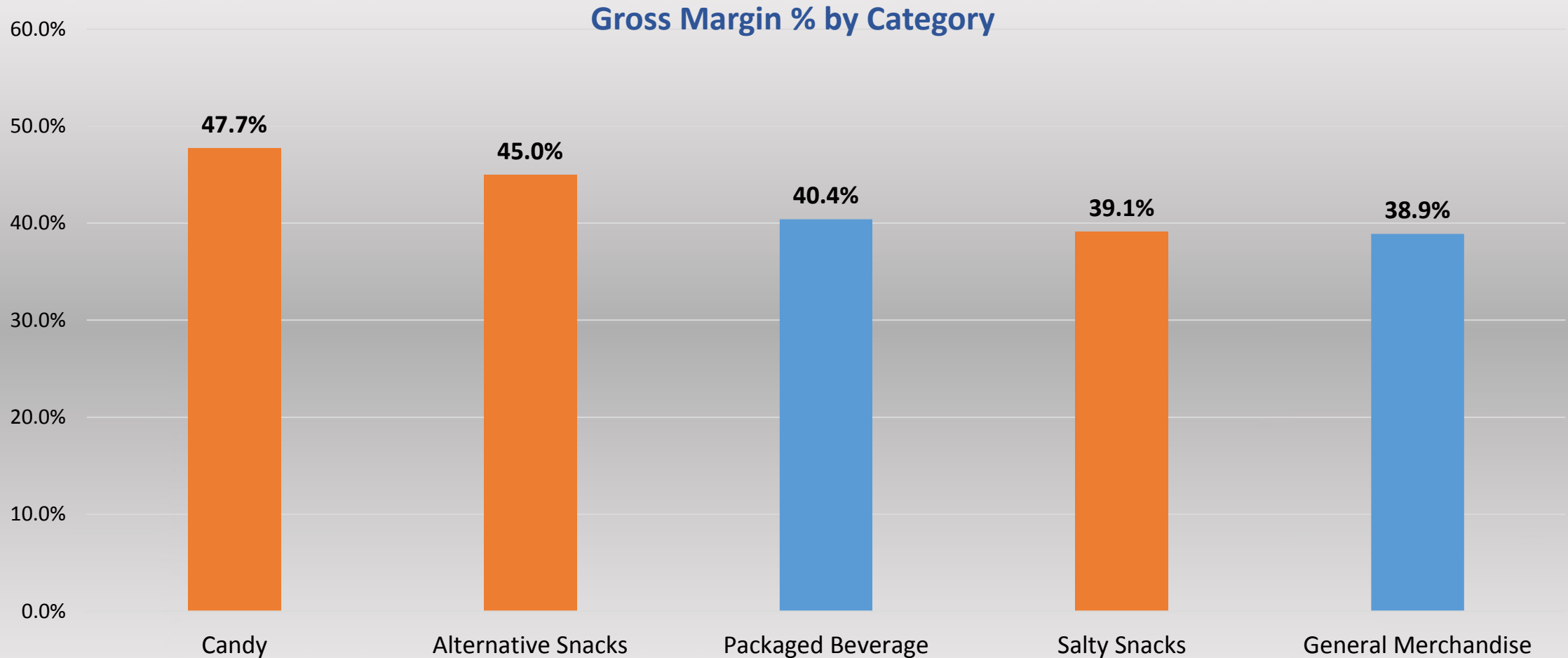
CMG & Salty Snacks are the most frequently purchased

Purchase Cycle in Days



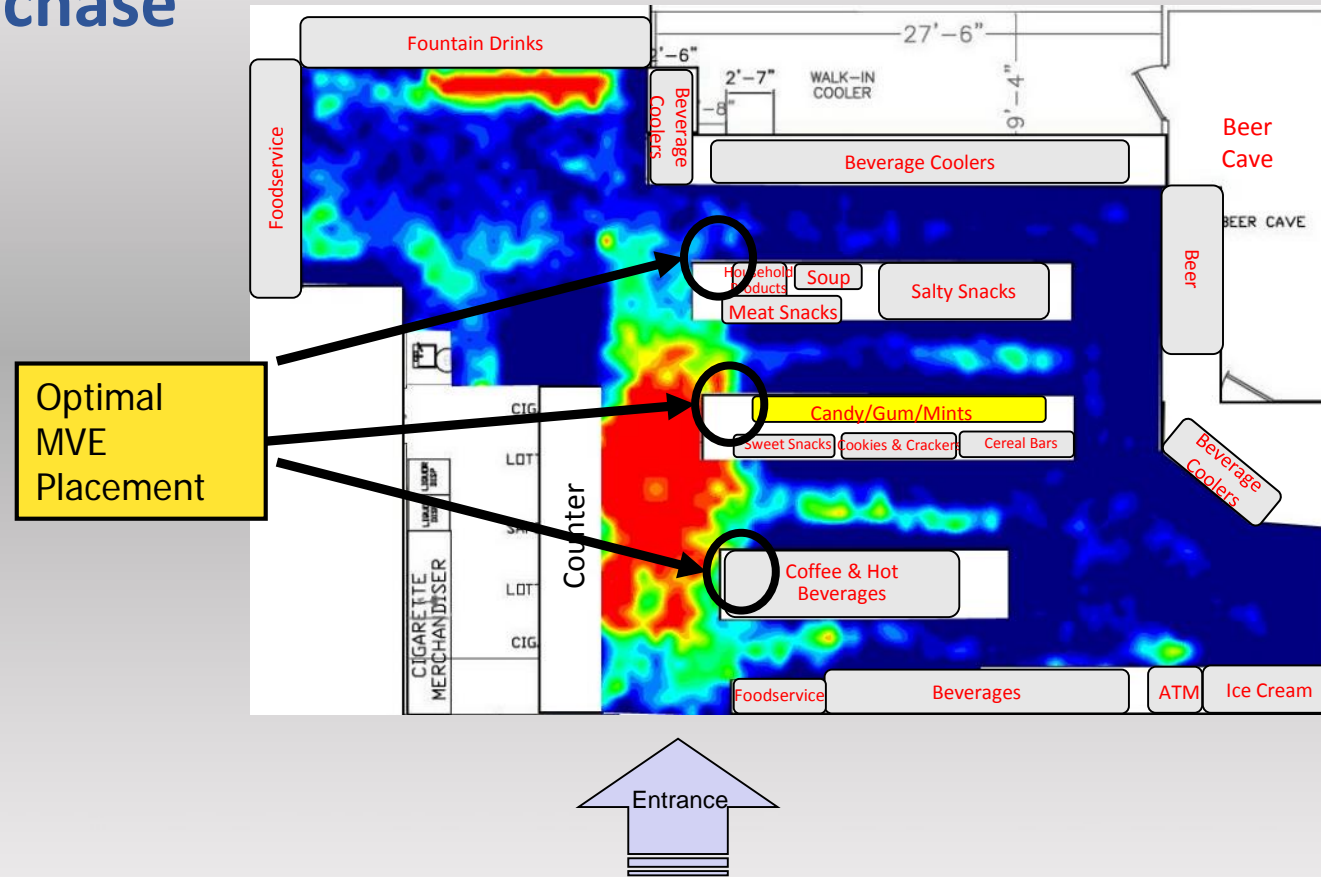
Source: Nielsen

Candy, Alt. & Salty Snacks are Top 5 Gross Margin Categories



Source: NACS SOI, 2015

Place MVE in areas of high traffic and where shoppers are dwelling on the path to purchase



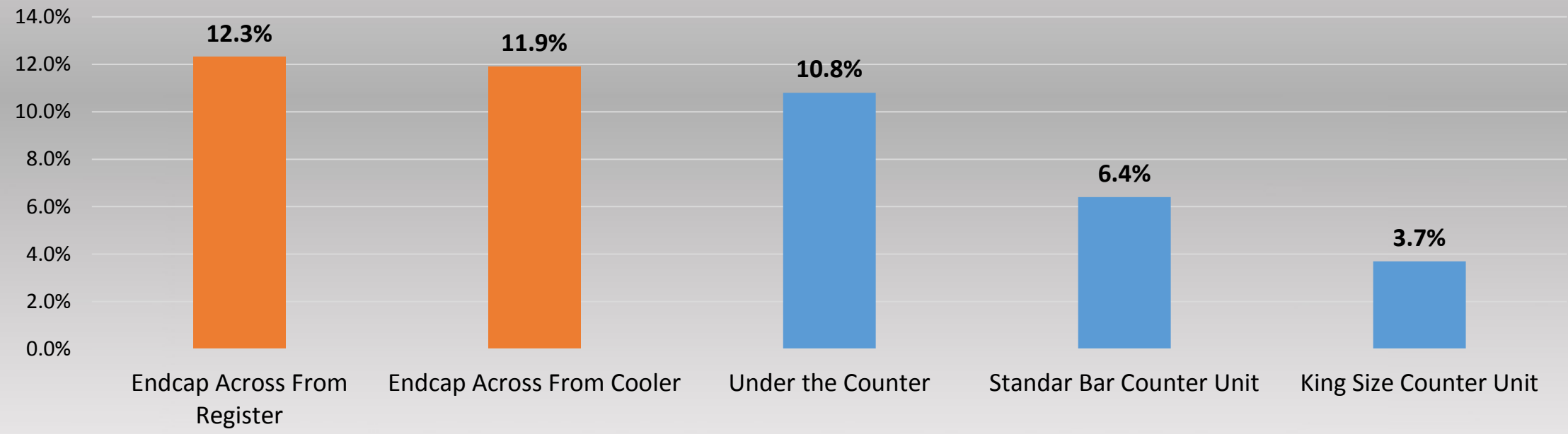
Source: VideoMining

Highest Lowest

Target Prime Selling Locations

Research has shown that Candy End Caps located across from register or cooler vault drive the greatest sales lift

Percentage Lift by Display Type



Source: Knowledge Networks, Inc.

Kenneth Batterton – Grocery Supply Co.



Kenneth is the Director of Merchandising & Purchasing at Grocery Supply Company in Sulphur Springs, Texas.

He oversees category management and product promotion in a top ten c-store distributor covering the south central US. He works closely with the field team to keep retailers updated on innovation and changes in the market. MVE's factor heavily into Kenneth's go-to-market strategy, providing a best-in-class answer to retailer's needs.

He earned his BA in Communication from the University of South Florida.

Kenneth brings nine years of retail experience managing stores for Gap Inc.'s Old Navy division and in the western apparel and footwear market.

He lives with his wife and three kids in Sulphur Springs, TX.

WDSC MVE is the Right Solution for C-Stores



- Best Of the Best in assortment
- It's not a home for new items, it's a home for proven winners, best brands of multiple manufacturers, across all category segments
- This provides us with a competitive advantage in the battle for space in c-stores vs. DSD.
- Best of the Best in Brand Strengths & Variety & we deliver Superior Margins vs DSD



Be Strategic with Your Initial Placements

- Partner with your Best C-Store Customers First. Those customers that have a track record of executing well in their stores

Your Sales Team & Fact Based Selling

- Leverage the Research & Tools created by the WDSC
- It's hard to argue with facts and we have the facts on our side.
- Create a compelling selling story that starts with the c-store shopper and the strong value proposition that will gain placement in the Best Secondary Selling Locations in the store. It's battle with DSD
- Facts say..... We Win



Thanks to Dot Foods – Procuring the Industry End-Cap Fixtures is Simple & Cost Effective

- The Fixtures are High Quality, Sturdy & are Manufactured by Tennessee Wire
- MVEs can be ordered with your traditional Dot Foods purchase order
 - The Normal 2 – 4 Day Lead Time Applies (large orders may require additional lead time)
 - Order in Pallet Quantities (below)
- To place an order, contact your Dot Foods Customer Service Representative at 800-366-3687
 - or log on to The Dot Expressway at www.dotexpressway.com



Item #	MVE Type	Pallet Qty	Minimum Order
605350	Confections	8	8
605351	Small Snacks	10	10
605352	Large Snacks	8	8

Our MVEs are a Chess Move

- Protected Territory
- Better Margins for Retailer
- Variety Outperforms DSD
- Drives Impulsive Sales
- Retailer



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Mike is based in Nashville, Tennessee.

Selection of MVE SKUs

- Appoint a Category Captain and Validator
- Use Multiple Data Points
 - Review Your In-House Data To Determine Best Sellers
 - Review Market (syndicated) Data as a Check & Balance
- Determine Share of Space for Each Category Segment
- Utilize Best Practices Based on SKUs Selected

Category Objectivity



MVE Rack Management

The MVE Rack Program is created in Collaboration with Manufacturer Partners and is Managed by Each Distributor as it is “Their Own Unique Program”

- The Rack Payment Program developed is between each distributor & each manufacturer
- Rack Payments are based on Space Allocation (fair share of space) or other agreed to method developed between each distributor and manufacturer
 - Rack Payments may include reimbursement for:
 - New MVE Rack Cost
 - Annual Retail Placement Incentive
 - Sales Spiff (placement & set up)



Manufacturer Program Requirements

Manufacturer MVE Program Compliance Tracking & Requirements

Skus on the rack are to be determined by a category management process, selecting the best-selling skus across segments. It is not a new item fixture. (cost share is at the end of the process)

- All Skus placed on the MVE are secondary placements – a Key To Success
- Manufacturers require quarterly reports from participating distributors, by account, rack type, skus, & movement (CDA InfoMetrics tool available)
- Manufacturer funding of MVE programs are unique for each manufacturer

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*All data entry areas are in boxes and the text is in blue fonts (all data presently entered in these boxes is random and is for example purposes only)

Is this a New Rack? -	Yes
New Rack Cost -	\$ 100.00
Retail Placement Allowance -	\$ 100.00
Other -	\$ -
Sales Spiff -	\$ 20.00
Total Annual Cost in Year One, which includes the New MVE Rack	\$ 220.00
Total Linear Inches of Merchandising Space based on "Your" Planogram	576

Planogram Share of Space and Manufacturer Cost Share Allocation

Manufacturer	Facings	Linear Inches of Merchandising Space	Manufacturer Share of Linear Inches of Space	Manufacturer Cost Share
A	30	107	18.58%	\$40.87
B	26	92	15.97%	\$35.14
C	18	84	14.58%	\$32.08
D	16	78	13.54%	\$29.79
E	10	67	11.63%	\$25.59
F	8	58	10.07%	\$22.15
G	6	34	5.90%	\$12.99
H	4	27	4.69%	\$10.31
I	3	19	3.30%	\$7.26
J	2	10	1.74%	\$3.82
K	0		0.00%	\$0.00
L	0		0.00%	\$0.00
M	0		0.00%	\$0.00
N	0		0.00%	\$0.00
O	0		0.00%	\$0.00
TOTALS	123	576	100.00%	\$220.00

Helpful Tips to Manage & Launch Your Program

- How much time does it take to manage the MVE program throughout the year?
 - Planogram - one person, once a year
- Contracts – Field Team Sells Program
- Promotions Manager Tracks Shipments & Bills Back Suppliers quarterly
- How did we launch the program?
 - Launched at annual tradeshow
 - Showcased racks on platform
 - Dynamic Mfg. Rep gave MVE keynote
 - Interest resulted in meetings with chains including Mfg. rep
- In the field: Sell sheet including planogram

It Takes Less Time To Manage
Than You Might Think





<https://www.cdaweb.net/Resources/Warehouse-DeliveredSnacks/MultivendorEndcap.aspx>