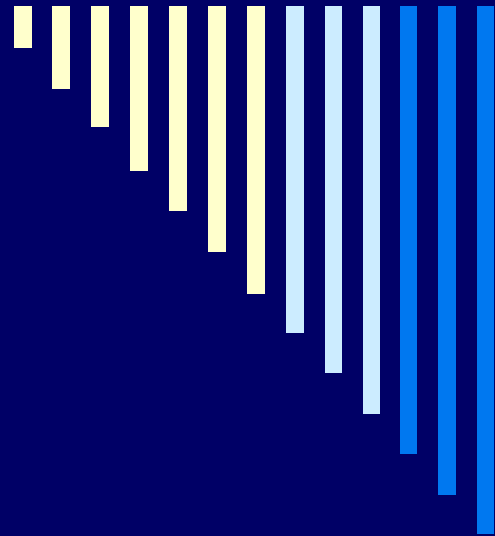


FOCUSING ON TECHNOLOGIES AND PRACTICES THAT IMPROVE YOUR BOTTOM LINE

THE FOODSERVICE DISTRIBUTION CONFERENCE & EXPO

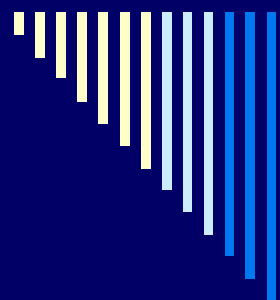




Making Financial Analysis And Business Metrics Your Middle Managers' Second Language

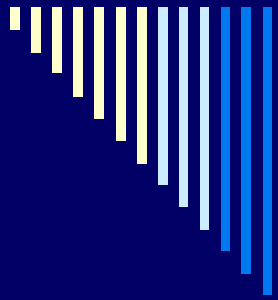
*IFDA Foodservice Distribution
Conference*

Monday, October 16, 2006



Can Anyone Tell Me What This Says?

Любой может сказать мне, что это говорит?



Ideally, what do we want our managers to know?

□ *Financial Statements*

- Read and comprehend an income (profit and loss) statement
- General understanding of company economics
- Be aware of and effectively manage their department expenses
- Be able to spot trends
- Participate in annual budgeting process

□ *Business Metrics*

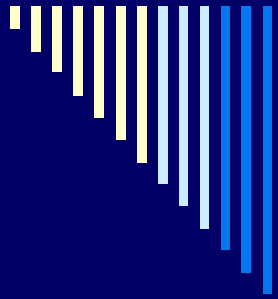
- Identify and track key statistics that quantify performance
 - Know the factors that influence metrics
 - Connect how a change in a particular metric (better or worse) affects financial performance
-



Ultimately, what should the numbers be used for?

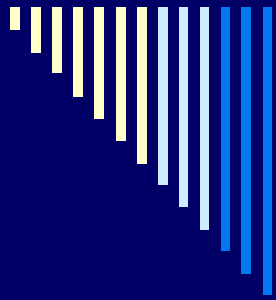
- Supporting managers' points of emphasis
 - Measuring the results
 - Benchmarking
 - Evaluating job performance

 - *Helping your managers initiate actions
to improve performance*
-



Challenges in getting managers to understand the numbers

- Job progressions/skill sets (“doer” skills vs. managerial skills)
- Limited to no exposure to financials
- “I don’t have time” syndrome



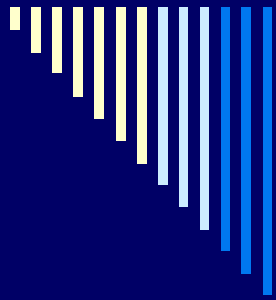
Teaching Your Managers and Workforce

- ❑ Do not try to make them CPAs in a day – take it a little at a time
- ❑ Keep it simple – explain it in terms they can relate to
- ❑ Share information
- ❑ Start out with the big picture and break it down from there

Example: Where does \$1 in sales go?

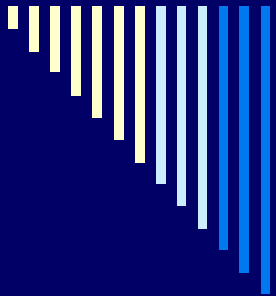


82 Cents – Cost of Product
4.0 Cents – Sales Expense
4.0 Cents – Warehouse/Bldg. Exp.
4.0 Cents – Admin. Expense
3.0 Cents – Delivery Expense
2.0 Cents – Other
1.0 CENT NET PROFIT



Other Ways to Engage Your Managers

- Make financial performance part of their incentive plan
- Translate task performance or improvement initiatives into financial impact
- Be consistent – issue the reports regularly



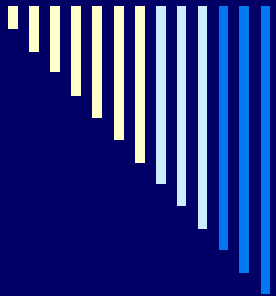
Example #1 – Incentive Plan

	Result	Company Profitability (\$000s)				
		< \$250	\$250-500	\$500-750	\$750-\$1,000	> \$1,000
Expenses vs. Plan	> 5% over plan	0.00%	0.00%	0.00%	0.00%	1.00%
	Between 3-5% over plan	0.00%	1.00%	3.00%	5.00%	6.00%
	Between 0-3% over plan	0.00%	2.50%	4.50%	7.00%	8.50%
	Between 0-3% under plan	0.00%	4.00%	6.00%	8.50%	10.00%
	> 3% under plan	0.00%	6.00%	8.00%	10.00%	10.00%



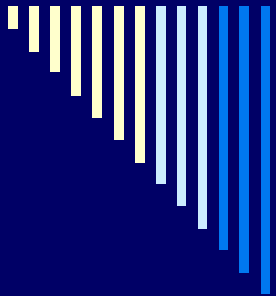
Example #2 – Translate Into Financial Impact

MILES DRIVEN							
Week			Change	Pct.	# Gall. Gas	\$ Savings	% Change
Ending	2006	2005	(Miles)	Change	Savings *	(\$/gallon)	Sales
8/5/06	11,956	11,669	287	2.46%	(41)	(123)	3.30%
8/12/06	11,677	12,130	(453)	-3.73%	65	194	9.82%
8/19/06	11,193	12,287	(1,094)	-8.90%	156	469	9.59%
8/26/06	11,298	12,639	(1,341)	-10.61%	192	575	10.25%
9/2/06	11,738	12,520	(782)	-6.25%	112	335	15.43%
9/9/06	10,332	10,998	(666)	-6.06%	95	285	8.69%
9/16/06	10,927	12,126	(1,199)	-9.89%	171	514	3.29%
9/23/06	11,601	12,515	(914)	-7.30%	131	392	11.59%
9/30/06	11,110	12,358	(1,248)	-10.10%	178	535	1.53%
TOTALS	101,832	109,242	(7,410)	-6.78%	1,059	3,176	8.21%
Per Wk.	11,315	12,138	(823)		118	353	

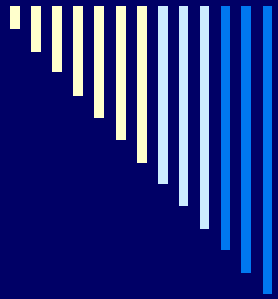


Example #3 – Be Consistent, Issue Reports Regularly

	Category	Week Ending			
		08/05/06	08/12/06	08/19/06	08/26/06
	TOTAL SALES				
Actual	Sales	1,291,635	1,300,005	1,258,185	1,428,970
	GP \$	211,230	205,644	197,956	226,625
	GP %	16.35%	15.82%	15.73%	15.86%
	Tonnage	670,911	672,949	755,625	730,907
	Total cases sold	40,058	38,206	38,217	42,341
Goals	Sales	1,304,450	1,304,450	1,304,450	1,304,450
	GP \$	211,973	211,973	211,973	211,973
	GP %	16.25%	16.25%	16.25%	16.25%
	RETAIL				
Actual	Sales	45,703	45,280	46,498	39,104
	GP \$ (@27% GP%)	12,340	12,226	12,554	10,558
Goals	Sales	39,008	39,008	39,008	39,008
	GP \$	10,532	10,532	10,532	10,532

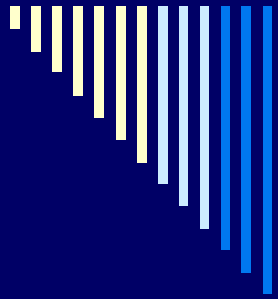


	Category	Week Ending			
		08/05/06	08/12/06	08/19/06	08/26/06
	MEAT DEPT.				
Actual	Pounds Produced	28,304	32,856	30,999	29,780
	\$ Sales	136,321	138,230	132,760	140,327
	Avg. Price/Pound	4.816	4.207	4.283	4.712
	GP \$	28,634	29,520	27,658	29,603
Goals	Pounds Produced	37,250	37,250	37,250	37,250
	\$ Sales	137,825	137,825	137,825	137,825
	Avg. Price/Pound	3.700	3.700	3.700	3.700
	GP \$	30,322	30,322	30,322	30,322
	PAYROLL				
Actual	Total Payroll	112,350	105,393	108,370	107,041
	OT Hours	303.25	196.50	201.75	340.00
	Total Hours	6,381.00	5,989.50	6,141.25	5,933.25
Goals	Total Payroll	110,142	110,142	110,142	110,142
	OT Hours	273.00	273.00	273.00	273.00
	Total Hours	6,353.00	6,353.00	6,353.00	6,353.00
	OPERATIONS				
Actual	Pick Rate/Hr.	105.13	106.35	105.38	105.78
	# Pieces Picked	29,902	29,476	28,069	32,023
Goal	Pick Rate/Hr.	105.00	105.00	105.00	105.00



Keys To Success

- Explain it in terms they can relate to
- Break the numbers down into digestible parts
- Start with a winner
 - Easy to understand
 - Improvement can have a big impact
 - An area you feel your managers will have a high probability of success



What Numbers Should You Track?

- ❑ Whatever they are, they have to be easy to understand
- ❑ Start with the metrics or expense lines that are most meaningful/have the biggest impact
- ❑ For every company initiative or improvement plan, identify 1-3 key metrics that measure your success