



'09 IFDA
Distribution
Solutions
Conference

Best Practices for Today's Times



UNIPRO
FOODSERVICE, INC.



FROST
FAB
INC.



Bellissimo
Real. Best. Available.



Best Practices for Today's Times

'09 IFDA Distribution Solutions Conference

The Economic Outlook for Distribution: Preparing for Recovery

Adam J. Fein, Ph.D.

Pembroke Consulting, Inc.

www.PembrokeConsulting.com

'09 IFDA Distribution Solutions Conference
International Foodservice Distributors Association

October 19, 2009



© 2009 Pembroke Consulting, Inc.

2

Key Points

The recession is almost over although unemployment will remain elevated.

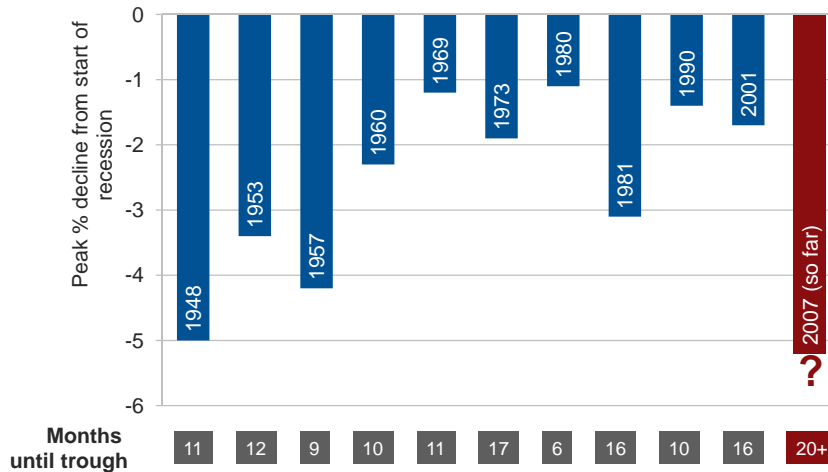
The recovery will be volatile and inflationary risks are growing.

Consumer spending is on track for recovery will remain depressed during the next 4 to 5 years as the excesses of the credit/housing bubble are slowly worked out.

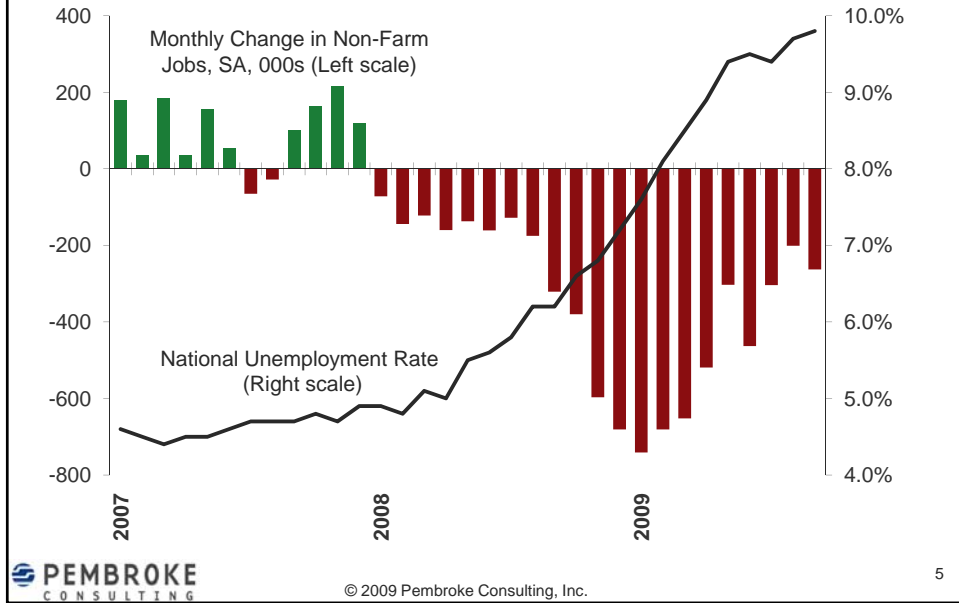
Get ready to operate under the "new normal" in the foodservice channel.

Today's Recession in Perspective

Total Change in Employment (Peak to Trough):
Current Recession vs. 10 Postwar Recessions

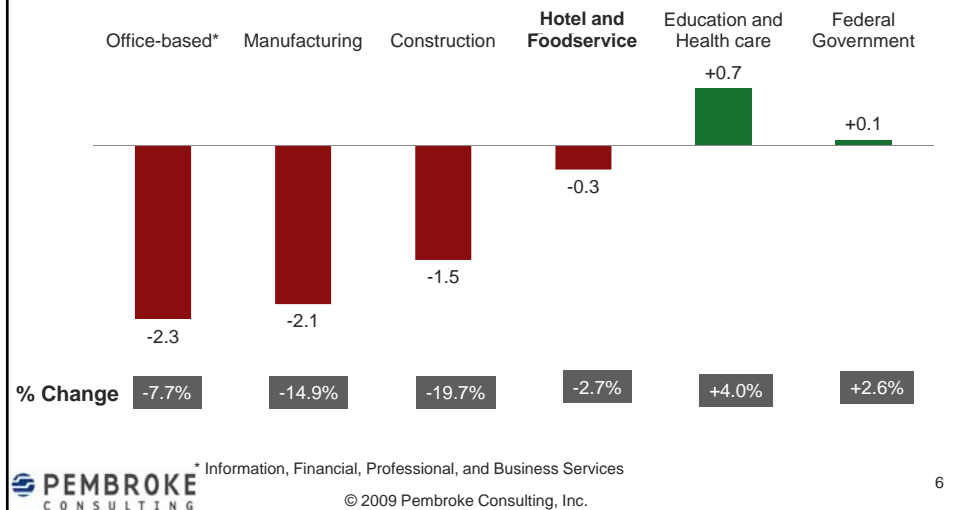


Employment situation is grim but improving

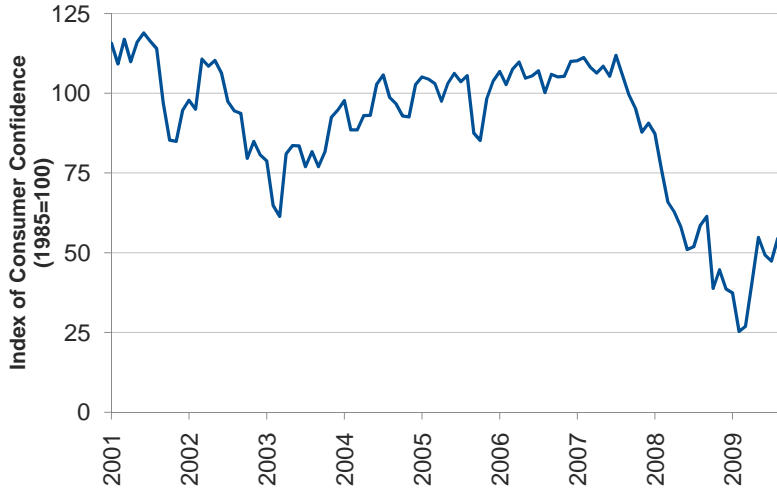


Job losses by industry

Change in Number of Jobs (millions):
December 2007 through September 2009



Consumer confidence bouncing off historic lows



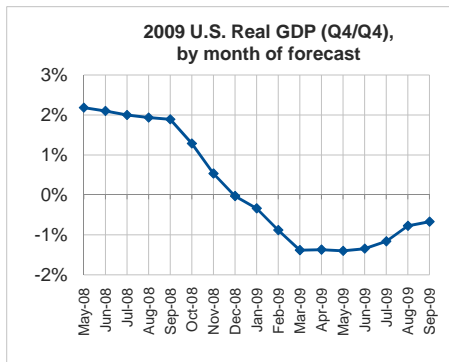
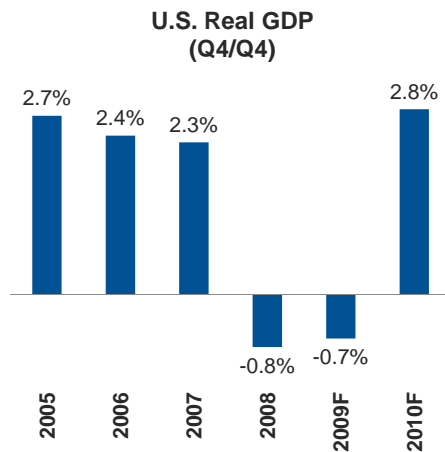
Source: The Conference Board



© 2009 Pembroke Consulting, Inc.

7

Macroeconomic forecasts are stabilizing



Source: Wall Street Journal survey of economic forecasts



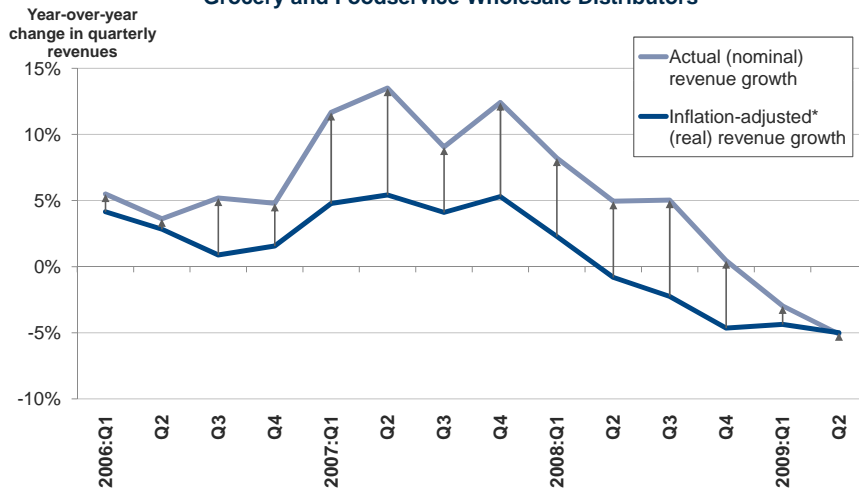
© 2009 Pembroke Consulting, Inc.

8

Inflationary growth gap closes for distributors

% change in revenues from previous year, 2006:Q1 to 2009:Q2

Grocery and Foodservice Wholesale Distributors

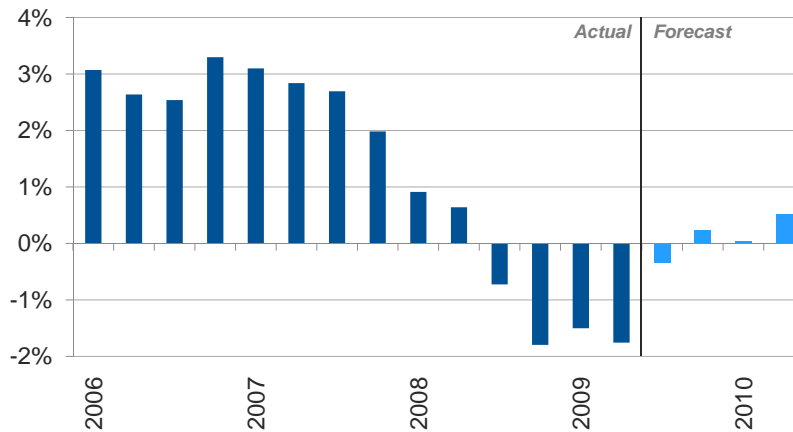


* Real revenues equal actual revenues adjusted for product inflation using food distribution price deflators.

Consumer spending will recover weakly

Real Personal Consumption Expenditures

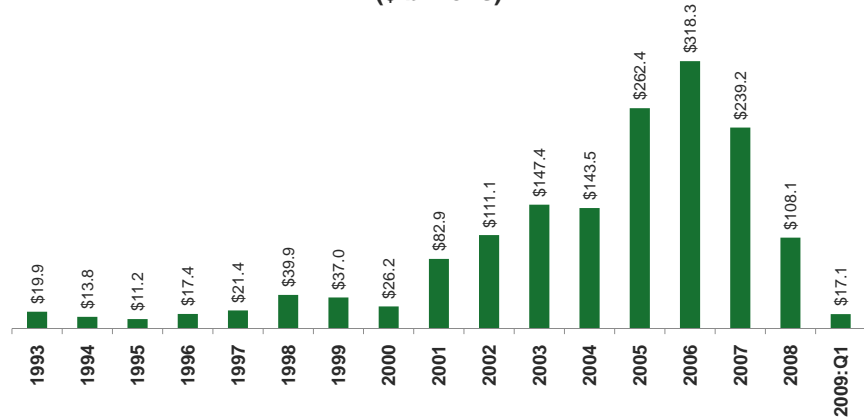
(Change from Year Ago)



Source: BEA

Cash-out refinancings can no longer support consumer spending

Total Home Equity Cashed Out (\$ billions)



Source: Freddie Mac

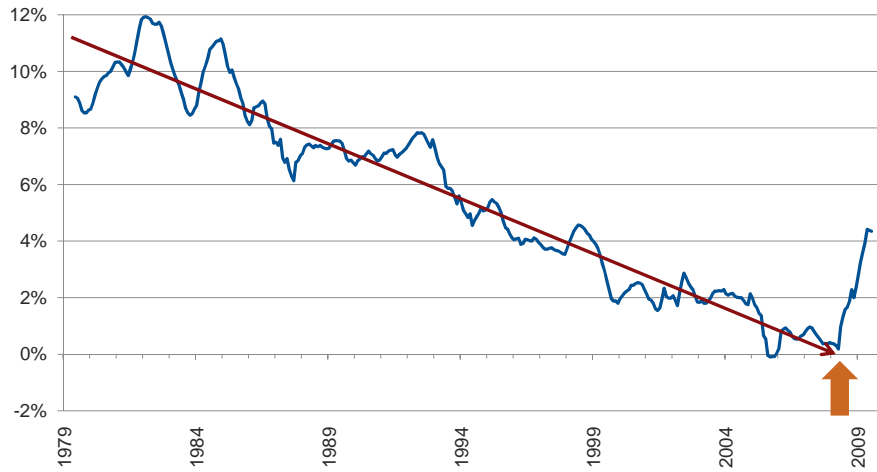


© 2009 Pembroke Consulting, Inc.

11

Our thrifty future?

U.S. Personal Savings Rate (6 month moving average)

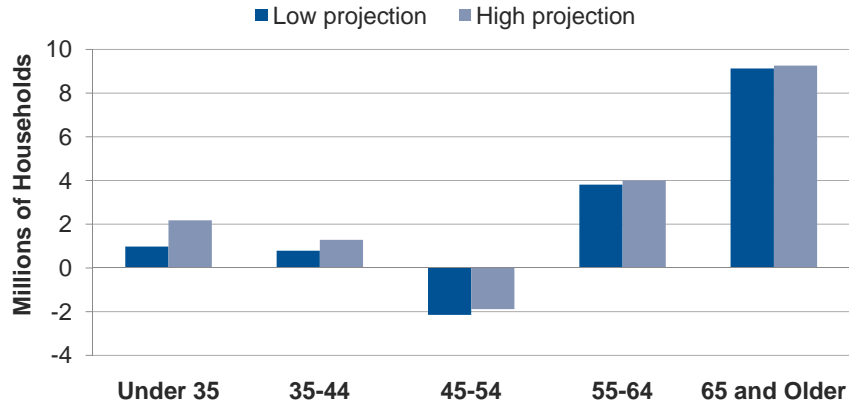


© 2009 Pembroke Consulting, Inc.

12

A Changing Environment

Projected Change in Number of U.S. Households by Age of Household Head, 2010-2020



Source: 2009 State of the Nation's Housing, Joint Center for Housing Studies of Harvard University
 High-series projections assume immigration rises from 1.2 million in 2005 to 1.5 million in 2020 (per Census Bureau's 2008 population projections). Low-series projections assume immigration is half the Census Bureau's projected levels.

Channel Survival and Recovery Strategies

Distributor Strategies

- Improve internal productivity (by cutting)
- Improve internal productivity (by spending)
- Manage customer profitability
- Make strategic acquisitions of people and companies

Customer Strategies

- Adopt self-service technologies
- Leverage strategic sourcing relationships
- Improve supply chain productivity
- Shift to private label products

Who Will Win in The Channel?

The **skill**
to be strategic in a new era

The **will**
to invest when others are pulling back

The **till**
to fund growth and innovation

2010 Economic Outlook for Wholesale Distribution

LIVE Webinar with Adam J. Fein, Ph.D.

November 19, 2009 @ 1:00 PM EST

Register at <http://www.mdm.com/2010forecast>

Sponsored in part by:



Produced by:

