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# Meeting Report

*From Customer/Vendor Education Sessions*



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THESE SUMMARIES REFLECT BULLSEYE RESOURCES, INC.'S SUBJECTIVE CONDENSED SUMMARIZATION OF THE APPLICABLE SESSIONS FROM U.S. FOODSERVICE'S 2008 NATIONAL SALES MEETING CUSTOMER/VENDOR EDUCATION SESSIONS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE SESSIONS. IN NO WAY DOES U.S. FOODSERVICE OR BULLSEYE RESOURCES, INC. ASSUME ANY RESPONSIBILITY FOR THE INFORMATION CONTAINED HEREIN, OR ANY DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS DOCUMENT.

# How We'll Get There Together

Speakers: **Bob Aiken**, Chief Executive Officer, *USF*

## The Big Idea

In addition to the company's guiding principles, values, and strategies, what truly differentiates U.S. Foodservice is its significant national scale combined with unparalleled local responsiveness. All of the company's activities are focused on enhancing this national scale and furthering the company's local responsiveness. The goal: to help each customer achieve their particular business objectives.

### Quick Summary

- A challenging economic climate means that customers will need more support than ever.
- USF supports its customers through both its Broadline and North Star operations, which have significant scale.
- The company is guided by a core set of values, guiding principles, and strategies.
- These strategies focus on operational efficiency, organizational effectiveness, and creating and leveraging technology.
- USF is unveiling a new corporate identity: your partner beyond the plate. This epitomizes what USF stands for.
- Five abiding priorities will guide USF into the future.

## Context

Bob Aiken provided an overview of where the foodservice industry is, where U.S. Foodservice is, and where USF intends to go.

## Key Takeaways

### ▪ In 2008, USF's customers will need support more than ever.

Industry data shows that consumers are increasingly pessimistic about the economy, are feeling pressured by fuel costs and monthly bills, and plan to eat out less frequently. (Data from Goldman Sachs shows a significant increase in the percent of consumers saying that they plan to eat out less frequently in the next six months.) Other industry trends include a projected flattening of traffic and high food inflation.

However, while commercial foodservice is projected to be a bit soft, other segments are expected to see solid growth. This includes healthcare and education. Of note, among USF's national account customers, many are seeing solid growth despite the challenging economy.

Regardless of the economic situation, USF is focused on helping customers achieve their objectives.

### ▪ Where USF is today: USF has tremendous scale and focus.

USF is the second-largest national broadline distributor in the US, with annual revenue of nearly \$20 billion. The company serves three primary customer segments—-independent restau-

rants, national accounts (hospitals, schools, etc.), and national chain restaurants.

The company operates two primary business units, Broadline with 58 distribution centers and \$17 billion in revenue, and North Star with about 10 houses and \$3 billion in revenue.

- *Broadline* customers are independent restaurants as well as institutional customers in healthcare, hospitality, education, government/military, and regional and emerging restaurant chains. These customers purchase the 10,000 to 12,000 items that USF stocks in the broadline distribution centers. The opportunity here is for USF to drive national uniform execution and create better alignment between suppliers and customers.
- *North Star* customers are primarily large, multi-unit quick-serve and casual dining restaurant chains that purchase a limited number of mostly proprietary products. Procurement is customer-directed. North Star is the logistics-focused organization these customers require.

USF has significant scale in terms of both infrastructure and business, with around 250,000 customers, 27,500 employees, and 4,700 sales associates. The company offers 300,000 SKUs from 6,000 suppliers, distributed to customers nationwide by a fleet of 6,000 trucks. USF is owned by Clayton, Dubilier & Rice and Kohlberg Kravis Roberts—private equity firms with impressive track records of improving the performance of their investments over time.

### ▪ Where USF is going: USF is driven by a clear set of guiding principles, values, and operating strategies.

While it is important to understand where USF is today, even more important is where it is going and how it will get there.

All of the company's efforts are grounded in USF's guiding principles. These are:

- *Create a proud legacy.* USF is building an enduring company.
- *Partner with customers to exceed their expectations.* The company exists to serve customers through continuous improvement and innovation.
- *Support the field.* Those in the field—territory managers and other division associates—are closest to the customers and are in the best position to exceed expectations. Everyone at USF contributes to supporting the field.
- *Practice open communications.* Clear, honest, and open communications are the lifeblood of the company.
- *Work safely.* Safe practices and the delivery of safe, quality products are USF's promise to customers and itself.

The values that underpin these principles include respect, diversity, innovation, openness, responsibility, accountability, partnership, integrity, safety, and quality.

From the company's guiding principles and values come a clear set of operating strategies. (Mr. Aiken shared the company's seven core strategies, but elaborated on just a few.)

### I. Sales and Gross Margin Growth

- *Grow street sales.*
- *Penetrate national accounts.*
- *Drive exclusive brands and procurement.* USF wants to offer customers a choice between exclusive brands and manufacturer brands.

### II. Operating Expense Reduction

- *Fortify local geographic scale.* USF is continuing to invest to build out its distribution capacity, creating greater scale. One million square feet of capacity is under currently construction across the network.
- *Deliver warehouse and delivery excellence. Reduce inbound freight expense.* These strategies focus on making USF the low-cost distributor while ensuring uniform national execution.
- *Optimize North Star Foodservice.*

### III. Organizational Effectiveness

- *Support office organization evolution.*
- *Optimize processes and systems.* USF is focused on being the technology leader in the foodservice distribution industry. To that end, it is investing greatly to merge its two IT systems ("A" and "P") into one unified platform that represents "the best of both." (These two systems are down from the 17 systems the company had a few years ago.) When the best of both is complete, it will provide a platform that will enable USF to take the lead from a technology standpoint.
- *Focus on working capital management.*

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*"It's in the how's—the how's of our strategy and daily execution—that we distinguish ourselves . . . and support your [customers'] efforts to distinguish yourselves in your marketplaces."*

— Bob Aiken

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#### ▪ **What this means for customers: USF's promise is embodied in the "your partner beyond the plate" corporate identity.**

In September 2008, USF will officially launch its new corporate identity—*your partner beyond the plate*.

This corporate identity matters to USF because it communicates with one voice, helps create a common culture, leverages the company's heritage and brand equity, and establishes brand character. It sets expectations, internally and externally, about what the company stands for.

"Your partner beyond the plate" means:

- *USF acts with integrity.* USF's focus on its foundational values has earned it a reputation of integrity.
- *Responsiveness—USF does whatever it takes to support customers' businesses.* The company and its associates pride themselves on helping customers achieve their business objectives.
- *USF provides local solutions backed by global resources.* This is a fundamental advantage USF offers that no other company in the industry can—the promise of both national execution and responsiveness to customer units' local market needs.

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*"We provide local solutions backed by global resources. This is what distinguishes U.S. Foodservice—the promise of national execution with the ability to respond to local market needs."*

— Bob Aiken

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#### ▪ **What really matters: The priorities that will guide USF.**

As USF leaders look at the company today and plan how it will move forward, five priorities come into sharp focus. Achieving the company's objectives requires focusing on "what really matters":

1. *Focusing on our customers.* USF brings a strong customer focus to what it does, at both the national and local levels.
2. *Continuity of effort against the company's key strategies.* USF is clear about what it wants to accomplish and has a strong vision for how to achieve it.
3. *Connecting divisions to strategies.* USF makes sure that it preserves its unique advantage of having a local connection to customers with uniform national execution.

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*"No other [competitor has] that—either they don't have a national footprint, or they don't have the connectivity between national strategies and local operating companies."*

— Bob Aiken

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4. *Living the company's values to create a culture of trust.* USF is working hard to create a culture of trust internally and with customers. Transparency and openness will create this culture and lead to true partnerships with customers as USF helps each achieve business success.
5. *Creating an enduring company.* This means not only achieving financial success, but achieving significance. This is done by developing people, systems, and customer relationships to be able to meet today's challenges as well as those of the future.

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*"We're focused on being an enduring company, here to meet customer needs over the long term."*

— Bob Aiken

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# Sustainability: A Conversation About the Future of Foodservice

Speaker: **Gene Kahn**, Vice President, Global Sustainability Officer, *General Mills*

## The Big Idea

Sustainability is not a fad but a broad consumer trend, fueled by demand for real social and environmental change. It is a smart way to do business, as consumers and employees want to be associated with socially responsible companies. It is broader than a product niche—it's a corporate commitment to improving a company's environmental and social impact footprint. Sustainability presents foodservice companies with an opportunity to improve their social, environmental, and economic performance and to build consumer confidence in the American food system.

## Quick Summary

- Sustainability is not a fad but a broad consumer trend, fueled by demand for real social and environmental change.
- The opportunity for business: building a reputation that attracts customers and employees.
- The opportunity for the foodservice industry: rebuilding confidence in the American food system.
- The opportunity for society: continual sustainability improvement and the democratization of sustainable products and services all can afford.

## Context

Drawing on 35 years of exploring issues of corporate social responsibility, Gene Kahn shared his views on sustainability trends, including the opportunities it presents for companies, the foodservice industry, and society at large.

## Key Takeaways

- **Sustainability is not a fad but a broad consumer trend, fueled by demand for social and environmental change.**

Some 20% of the world's population accounts for about 85% of its expenditures on consumption, 65% of all electricity, and 70% of carbon dioxide emissions. That is not a sustainable situation. Increasingly widespread recognition that society cannot remain indefinitely on such a resource-consumption trajectory is fueling the sustainability movement.

The degree to which one agrees with dire global warming projections is moot from a business perspective. *Consumers* increasingly perceive sufficient environmental and societal threats to influence their consumption choices. Consumer demand for sustainable products and services is not a fad but a broad consumer trend fueled by desire for social and environmental change, not only in food and agriculture but in business generally. "Creation stewardship"—religions' advocacy of sustainable development—is a powerful driver behind consumers' increasing awareness.

Other drivers of the sustainability trend include a general mistrust of business, rising fuel costs, U.S. public policy shifts (with

such regulatory changes as greenhouse gas emissions caps likely), the converging of transparency and sustainability trends in business (with companies such as Wal-Mart finding business advantage in publicizing less than stellar social and environmental responsibility track records), and good business practice (with many sustainability initiatives also being cost savers).

*"I believe the commitment from consumers is generated by the reality of the situation we're in—that's why it's not a fad. We will not sustain ourselves . . . on our current trajectory given the population increases projected."*

— Gene Kahn

- **The opportunity for business: building a reputation that attracts customers and employees.**

Embracing sustainability is the smart way to do business. Increasingly, employees and customers like to be associated with companies committed to sustainable development, and much reputational currency can accrue when companies accept accountability for their toll on the environment and society.

*"The best way to build consumer confidence is through an emphasis on candor, transparency, and commitment."*

— Gene Kahn

Sustainability is broader than product niches; it's a corporate commitment that starts with assessing a company's environmental and societal impacts. Next comes acknowledging these impacts—with accountability and transparency and without defensiveness ("we must own what we own")—and reducing them.

*"Assessing and acknowledging our record is one of the most important parts of leadership in sustainable development."*

— Gene Kahn

An actionable definition of sustainability:

*"Sustainability is a commitment made by an organization to assess, evaluate, and acknowledge its overall environmental and societal impact, develop appropriate goals with metrics, and achieve specific improvement plans within defined timelines."*

To pinpoint the sustainability programs with the most relevance for a company, think of sustainability as the intersection of one's business interests with society's interests. For material relevance, sustainability-focused initiatives should:

- Be within the company's influence to control.
- Have relevance both to its business and to society (such as U.S. Foodservice's support of America's food banks), with outcomes that stakeholders (broadly defined as anyone who considers themselves a stakeholder) will care about.

- Significantly impact the business, perhaps but not necessarily representing a net positive return on investment.

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*“Everyone doesn’t have to work on greenhouse gas emissions. It’s about what your business impact is and what’s most relevant to both your business and society.”*

— Gene Kahn

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- **The opportunity for the foodservice industry: rebuilding confidence in the American food system.**

The U.S. foodservice industry has a compelling sustainability opportunity. The industry has clear impacts on global warming, biodiversity, energy and water use, pollution, soil fertility, social and economic conditions, and health and nutrition.

By some estimates, the food system represents 5% of the nation’s energy use, 18% of greenhouse gas emissions, and 28% of municipal solid waste. The agriculture sector clearly has the greatest impact (half of the food system’s greenhouse gas emissions and 82% of the nation’s fresh water usage). Yet there is much room for improvement downstream as well: retail foodservice establishments and consumers account for 28% of total municipal solid waste.

All supply chain participants share in the sustainability responsibility. The Environmental Protection Agency defines “environmentally preferable products” (EPPs) as those produced by companies that take a “lifecycle” approach to sustainability. A lifecycle approach means seeking sustainability improvements not only in areas of direct influence, but also in areas of indirect influence. Distributors must seek to influence agricultural practices and supplier practices, as well as the practices of their customers and end consumers.

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*“We have to look beyond our sector to see our accountability. You may not grow the corn, but the corn is grown on your behalf.”*

— Gene Kahn

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For foodservice companies to focus solely on their individual sector opportunities will be inadequate to solve all of the problems. The industry must conduct a comprehensive assessment of its environmental and social impact and coalesce around sustainability priorities. Doing so will help rebuild confidence in the American food system.

Suggested sustainability priorities include initiatives in waste elimination, energy reduction, nutrition and health, philanthropy and community involvement, local production, hunger abatement, ethical sourcing/EPP, local farm production, water and pesticide use reduction, best management practices, transportation and logistic improvements, packaging reduction, and composting.

- **The opportunity for society: continual sustainability improvement and the democratization of sustainable products and services all can afford.**

As sustainability priorities spread, foodservice companies will have an opportunity to improve the social, environmental, and economic performance of the American food system.

Mr. Kahn’s forecasts:

- Sustainability will be thought of as a continuum of improvement activities; not as a product or an end state.

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*“With the democratization of sustainability, products will be taken out of the exclusive realm . . . sustainability is inclusive, because it’s all about continuous improvement.”*

— Gene Kahn

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- Foodservice organizations will perform ongoing sustainability assessments and build specific improvement plans.
- Reporting will become more formalized and demanding.
- Communication to customers and consumers will be more scrutinized.
- Sustainability will be built into everyday products, and these products will be preferred by many consumers.
- Sustainability increasingly will drive competitive advantage.

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## Other Interesting Point

- **No experts.** There are myriad self-appointed “experts” in sustainability. But in reality one person is as expert as the next. Sustainability requires no special skills; just common sense. “If you have kids and care about them, you’re an expert.”
- **Greenwashing.** This is a prevalent enough a practice that the word has been defined in the *Oxford English Dictionary* as “misleading publicity or propaganda designed to present an image of environmental responsibility.”
- **Sharing the wealth.** When working at Welch’s, Gene Kahn spearheaded a project to alleviate hunger in sub-Saharan Africa by helping villagers get micro loans to start small-scale farms. He learned that such small investments are the most powerful way to help people feed themselves.

# Sustainability Panel Discussion

Moderator: **Rachel Fineberg Sylvan**, Manager, Corporate Responsibility and Sustainability, *USF*

Speakers: **Michael Batterberry**, Founder and Senior Editor, *Food Arts Magazine*

**Gene Kahn**, Vice President, Global Sustainability Officer, *General Mills*

**Mark Krasnow**, CEO, *BullsEye Resources*

**Deon Lategon**, Director of Residential Dining Services, *Colorado State University*

**Melody O'Shea**, Vice President of Sales, Livermore Division, *USF*

## The Big Idea

Sustainability is going mainstream. There is increasing awareness of the importance of environmental stewardship and social responsibility. Driving the sustainability trend in business is increasing recognition of the advantages that can accrue—including cost savings, marketing, and revenue generation. Driving the trend in food-service are various pressures and opportunities faced by food manufacturers, distributors, operators, and chefs.

## Quick Summary

- Sustainability drivers are evolving from reactive, defensive responses to proactive, offensive opportunities.
- Sustainability is mainstream in certain respects—with increasingly widespread awareness of its importance.
- Sustainability is not yet mainstream in other respects, as there is not yet a widespread supply of sustainable products.
- Tips for capitalizing on sustainability trends include taking the right approach: assessing impacts via metrics, owning up to them, and committing to improved performance.

## Context

The panelists shared their perspectives on sustainability, discussing the drivers of sustainability, where it stands today, and where it is headed in the future.

## Key Takeaways

### ▪ Sustainability drivers are evolving from reactive, defensive responses to proactive, offensive opportunities.

Four years ago, the issue most on US companies' minds was Sarbanes-Oxley compliance; now it's sustainability. Both issues have a similar "forcing" dynamic to them. Initially companies reacted to the concept of sustainability defensively, acting only out of necessity—and often doing the minimum required—just to appease regulators, customers, and/or the media. At times they staged less-than-sincere attempts to appear green in the public eye (greenwashing).

However, with time has come greater recognition of the importance of environmental stewardship as well as the business benefits that sustainable practices can bring.

Increasingly the drivers of sustainability in the business community are becoming more proactive than reactive:

- B-to-C companies are seeing some consumer demand for green/sustainable offerings; there appears to be real business opportunities.
- B-to-B firms are seeing sustainability-related specifications spelled out in RFPs as purchasers of products and services seek to gain more information about the sustainability of the products/services they buy. (In fact, the demands of a large customer of U.S. Foodservice's San Francisco division helped trigger that operation's sustainability focus.)

*"Our genesis to get certified was a large customer . . . who came to us saying that [sustainable practices] was their expectation."*

— Melody O'Shea

- Companies are recognizing that sustainability initiatives can save them money, and that marketing and revenue opportunities can accrue from growing demand for sustainable offerings.

Outside of the business community, other drivers hold sway. Some examples from panelists' varied experiences include:

- *Reputation drives the chef community.* Organic food is perceived by chefs to be superior, and chefs want to be identified with good practices and with the production of superior food. Culinary schools are furthering the organic trend.
- *Responsibility drives academia.* Universities are reinforcing students' interest in environmental stewardship by enlisting their help in green initiatives (Colorado State's foodservice facility asks students to return to-go containers for composting.)
- *Activism is prevalent in places like San Francisco.* San Francisco has many green-focused activist groups and initiatives. For example, certified green restaurants in the Bay Area are uniting.

### ▪ Sustainability/green is mainstream in certain respects, with increasing awareness of its importance.

Everywhere you turn there is mention of "green" and environmentalism. Some examples panelists noted:

- USA TODAY recently reported that 97% of culinary students surveyed said green practices will play a role in their careers.
- A big percentage of Colorado State's students choose to pay \$17 per month for wind power in their dorm rooms.
- Conserving food waste is a preoccupation among chefs.

▪ **However, green/sustainable products are not yet mainstream.**

The availability of sustainable products and services is not yet widespread enough to meet demand in some market niches. One restaurateur in attendance shared that she is having difficulty finding enough organic meat to meet her customers' demand. That problem resonated with several panelists.

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*"As an operator, I would love it all coming on the back of a U.S. Foodservice truck. Some schools contract with farmers to buy their entire crops. We're working through these supply chain challenges."*

— Deon Lategon

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Panelists commented that while the subject of "green products" is getting a great deal of attention, to date, the actual demand for such products has been relatively low. (Today, the majority of consumers won't pay more for green products, but for many consumers being green is a tie-breaker—if all else is equal and one product is green, they will choose that product.)

As a result, most manufacturers and distributors are waiting to see greater demand materialize before fully committing to make green products a priority. However, there are consumers and businesses where green matters—and these customer segments are projected to grow. The panelists feel that the availability of more sustainable products is just a matter of time; eventually, green products and services will be produced in volume that allows them to be priced competitively and affordable to all.

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*"As customers demand more green products, manufacturers and mainstream distributors will be able to supply them. A real partnership will come into play, with all parts of the supply chain working together."*

— Gene Kahn

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▪ **Sustainability projects must still make financial sense.**

Companies have a profit mandate, and like all business initiatives, sustainability projects must offer a compelling ROI. A compelling social/environmental case is not enough. Without sufficient financial returns (or other compelling benefits, such as reputational or competitive advantage) to justify expenditures on sustainability, projects are unlikely to gain support

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*"We do an ROI on every commitment we're following. We're not going to do something that will lose us a lot of money."*

— Gene Kahn

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But unlike corporations, educational institutions have mandates besides profit to weigh, such as teaching students the value of environmental stewardship. At Mr. Lategon's university, the foodservice operation takes a holistic, versus an individual project, approach. The cost savings of some sustainability-focused initiatives are used to fund others. For instance, rather than taking the cost savings from a new LEED-certified building and from going trayless (which saves water and energy) to the bottom line, they

are used to fund other green initiatives, such as \$36,000 for environmentally friendly take-out containers.

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*"Our new green building will be powered 100% through renewable resources, so the energy savings will be enormous. That and our other cost-saving ideas fund the fun things we want to do."*

— Deon Lategon

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## Suggested Actions

The panelists offered advice for capitalizing on the green wave:

- Recognize that sustainability is here to stay. Companies not yet thinking in terms of sustainability are behind the curve.
- Assess sustainability by using metrics that measure the environmental and societal impacts, then commit to improving performance.

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*"For the foodservice industry, the most important thing is the reckoning . . . through assessment. We have to assess our issues and opportunities in order to make progress."*

— Gene Kahn

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- Find initiatives that align with your business mission. Alignment is important for relevance to the consumer; having myriad green initiatives unconnected to business purpose could cause consumers to tune out.
- Educate customers and business partners. Companies that are knowledgeable and are early adopters of sustainability have a huge opportunity to add value by educating their customers and their supply chain and other business partners. In particular, there is an opportunity for larger companies to share their knowledge with smaller organizations that lack the same level of resources.

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*"As a distributor, U.S. Foodservice is interested in finding ways to partner with suppliers and customers to support the cause."*

— Melody O'Shea

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- Realize that change starts with one person. Recognize that someone passionate and knowledgeable will be listened to and can drive change from any level of an organization.
- Innovate collaboratively. To take advantage of a diversity of ideas, form workgroups of passionate people and brainstorm.
- Focus on incremental progress. Lots of little steps taken continually are the way to achieve greater stewardship of the environment.

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*"The incremental approach is the only approach . . . you're building a cathedral."*

— Michael Batterberry

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# Food Safety Update

Speaker: **Jorge Hernandez**, Vice President, Food Safety and Quality Assurance, USF

## The Big Idea

New challenges in food safety reflect increasingly complex and fast-changing industry dynamics. These new challenges require a new approach. USF's "one company" solution ensures that the safety of the end customer remains the priority, both within USF and among its suppliers and customers.

## Quick Summary

- Food safety is a value ingrained in USF's DNA—it is the way the company does business.
- Food safety must be a farm-to-fork partnership. Vendors and customers' interests are the same as USF's—all parties share the same stakes and responsibilities.
- Food safety expectations must be set and verified. Transparency breeds accountability.
- Critical to food safety is continuous improvement.

## Context

Mr. Hernandez shared the end-user-focused partnership approach USF takes to ensure food safety before, during, and after food products are in USF's hands.

## Key Takeaways

### ■ **New challenges in food safety call for new solutions.**

Food safety incidents happen all the time, but recent incidents have caught enough media attention to shake Americans' faith in the safety of the food supply. After scares about both imported food and domestically produced food, 61% of Americans say they are worried about food safety, and 73% think they may have owned or consumed a recalled product.

Worse, the problem is growing. Today, 55% of Americans say they are more worried about the safety of their food than a year ago. This is partly due to the increasing globalization of the food industry. One food product may contain ingredients from multiple countries, each touched by multiple parties in complex supply chains. The ability of any one player to ensure the quality control of all others is extraordinarily difficult.

In such an environment, it's not hard to imagine the reputation of a food distributor—or any firm whose brand is associated with a food product—to be tainted by an incident caused by another party. It's not enough for U.S. Foodservice to ensure that no safety violations occur under its watch; to protect its reputation it must ensure that no violations occur under anyone's watch.

### ■ **USF's "one company" solution unites it with vendor/customer partners in the common cause of end-user safety.**

U.S. Foodservice has a "one company" approach to thinking about safety, which is focused on the end customer and ensures

that safety is a priority, internally within USF and externally among suppliers and customers.

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*"Our responsibility doesn't end when we deliver to the customer. We have both the responsibility and the stakes to target ultimate end-user safety."*

— Jorge A. Hernandez

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The components of this approach are:

— *Food safety must be the way business is done.* Too often, food industry players come at safety from a regulation perspective, focused on compliance rather than on safety as a value. Safety is a foundational value of USF, and it is critical to the business' success that safety be ingrained in USF's DNA. The stakes are too high and risks too great for safety not to be a way of life.

— *Food safety is a farm-to-fork partnership.* As a distributor in the food supply chain, USF must ensure that its partners keep their eyes on safety: manufacturers must use the safest ingredients and produce products in the safest ways; customers must store, handle, and cook Monarch & USF products safely. The end user's safety must be the goal of USF and its partners.

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*"We're in the middle: we don't manufacture; we have customers. To be effective . . . we have to make safety a partnership. We have no other option."*

— Jorge A. Hernandez

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— *Food safety expectations must be set and verified.* USF sets out its food quality and safety expectations for suppliers in comprehensive manuals—covering such issues as sanitation, allergen control, facility and equipment requirements, traceability requirements, specifications and label approvals, quality control systems, and sustainability policies. Such transparency breeds accountability. USF's verification program involves audits by both the company and third parties.

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*"We make sure suppliers' efforts are ongoing and that they're principled. We don't want the Wall Street Journal knocking on our door."*

— Jorge A. Hernandez

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— *Critical to food safety is continuous improvement.* USF holds its own distribution and transportation facilities to the same high safety standards and verification processes. Outside auditors inspect each facility at least twice yearly, and corporate officers also visit twice a year. Monitoring and verification data is tracked and analyzed. With job-specific food safety training, all employees know the safety responsibilities, and more than 200 internal HACCP-certified professionals assure adherence to impeccable practices.

To ensure that customers maintain the integrity of food products once delivered, USF provides education on safety issues such as poultry handling. USF also anticipates risks by getting information from sources such as CDC on food safety issues.

# eCommerce Update

Speaker: **Bridget Warns**, Senior Director eBusiness, USF

## The Big Idea

USF's eCommerce capabilities are strong, with numerous features and robust reporting capabilities. But these capabilities are about to go through a significant upgrade. New and improved reports are about to be available, search capabilities have been improved, and better product information is being made available.

But that's not the full story. USF is also in the process of conceptualizing its eCommerce platform of the future. The idea is to develop one platform for all users that is a total supply chain management solution.

## Quick Summary

- USF already offers a valuable suite of eCommerce reports.
- New and improved reporting capabilities will soon be available.
- New search engine functionality will soon be rolled out which will enhance the USF.com experience.
- A new Product Information Management (PIM) system offers far richer product information.
- The company is at work on its eCommerce platform of the future. This will provide a singular solution for all customers that will be broader than order entry; it will be a supply chain management solution.

## Context

Bridget Warns provided an update on USF's current and future eCommerce initiatives.

## Key Takeaways

- **USF's reports provide customers a wealth of information, and the reports offered are only getting better.**

U.S. Foodservice already makes available a suite of reports to help customers better understand their purchasing and operations. Types of reports include:

- *Reports to review invoices and statements.* These contain information on credits, purchasing history, and copies of invoices and statements.
- *Accounting and finance reports.* These reports allow an organization to look at information for one or many facilities. The types of information that can be reviewed include accounting information, whether credits have been applied, food cost data, spend by manufacturer, payment term information, and overall spending data.
- *Purchasing reports.* These reports provide information on the products being purchased; they can be used to analyze purchasing patterns.

— *Compliance reports.* These reports allow customers to look at purchasing compliance, particularly how compliant different locations are against specific contracts. These reports also provide data on rebates.

These previous reports are all currently available. To further assist customers, USF is near completion of "Reporting Guides," which are detailed user manuals that describe how to make the most effective use out of any report.

In addition, USF is creating a next generation of Customer Product Management Reports. The specific reports are:

- *Order Guide Price vs. Invoice Report.* This report compares the prices on a customer's master order guide to the actual prices on all invoices.
- *Off Order Guide Report.* This report tracks purchases of the products that were purchased that are not on the order guide.
- *Order Guide Stock Status Report.* This report enables customers with facilities across multiple USF divisions to see the stock status for each order guide item at each division. Customers can see if an item is in stock, the stocking level, and the pricing.
- *Service Level Report.* This report analyzes if the products that were ordered were delivered by USF. For products that were not delivered, the report provides the reason as well as information on the product substituted and the pricing of the substituted item.
- *Order Guide Change Report.* This report shows what changes were made to an order guide over a specified period of time. It shows which items were added or deleted, and shows any price changes.

These new reports are being piloted and a rollout is planned in the spring.

- **New enhanced search functionality will make it easier to find things on USF.com.**

Customers today want more Google-like ways to search and find information on USF.com. In response, USF has enhanced its on-line search capabilities. USF.com's new, more user-friendly search engine will be keyword-driven and much more intuitive.

Users can search using multiple key words, can search for one exact word, or can search for any word. (For example, "Apple Pie" will return products containing either of the words "apple" or "pie.") These new search capabilities also provide the ability to search by manufacturer number and to narrow the search.

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*"We used to have a page-and-a-half-long document explaining how to search. It wasn't at all intuitive."*

— Bridget Warns

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▪ **A new Product Information Management (PIM) system provides the capability to see far richer product information.**

Customers and vendors have long desired what USF's new PIM system offers—far richer and more consistent product information.

In addition to pictures of products, PIM includes: all the product details USF has available, tags on products that are refrigerated ready-to-eat, a full list of ingredients, enhanced descriptions, nutritional information, and stocking information. A “print” button provides nicely formatted reports that contain all of the product information along with each customer's purchase history, last price paid, and date of last purchase.

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*“For manufacturers and vendors, this is an awesome way to get your information in front of customers.”*

—Bridget Warns

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PIM is currently being rolled out to sales representatives and customers; its first wave includes pictures of 1,297 products and nutritional information for more than 7,000 products.

PIM is seen as the holy grail of product information. But in addition to PIM, much progress has been made in the past year in providing extended product descriptions for all products. Instead of descriptions that are limited to 30 or 75 characters, extended product descriptions of four lines *provide far more information. This is a great solution that can be used broadly as PIM is further developed.*

▪ **USF's eCommerce vision goes beyond an order entry system to a complete supply chain management solution.**

USF envisions a long-term eCommerce solution—a comprehensive platform—that minimizes overall supply chain management costs for all USF customer segments. This platform will change how USF operates and how TMs, account managers, and customers manage their businesses.

Today USF has 11 different ordering systems. The goal is to create one system for the entire company. All users would have a similar interface and “speak the same language.” This will greatly improve ordering functionality, reduce customer and associates' workloads, and speed users' learning curves. And, this platform would allow for easy integration with third parties through a complete set of standard EDI.

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*“We realize it's important that we integrate with key third parties . . . Those of you who are technically inclined should start salivating when you see this.”*

— Bridget Warns

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The vision includes providing customers with the capability to input their own data—product information, budget, inventory, etc.—and maintain their own databases, which would feed into the USF system. In addition, “Smart” order entry systems would immediately alert customers placing orders to any difficulties, such as orders that don't match what was contracted for. This platform is early in the development phase. Associates and several customers will be contacted to provide input in the development process.

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*“I think we have an exciting vision in front of us.”*

— Bridget Warns

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Another capability to be piloted (and perhaps rolled out by the summer of 2008) is Automated Contract Management. This provides a web-based capability where manufacturers, operators, and USF can all review and approve contract information on the same website. For example, manufacturers would upload pricing and other information. Operators would review this information, and if accurate would approve it. After pricing was approved, contracts would feed into the USF system. The system would be transparent and all parties would have visibility.

# Megatrends—The Best of Business Thinking

Speaker: **Mark Krasnow**, CEO, *BullsEye Resources*

## The Big Idea

The key trends being talked about by thought leaders are: a changing workforce; collaboration; innovation; globalization; analytics; risk management; and sustainability. These trends affect every organization in every industry, regardless of size or location. Most important is to understand these trends, think through how they affect your organization, and develop plans to capitalize on them.

## Context

Mark Krasnow summarized the key business trends he has observed having heard hundreds of business leaders, leading academics, and thought-leading authors at hundreds of conferences across a wide variety of industries.

## Key Takeaways

- **A changing workforce is forcing employers to change their employment and operational strategies.**

Experts predict a workforce shortage in the US and other Western countries as Baby Boomers retire and fewer new workers enter the labor market. This shortage is not just of bodies but of brains, as older workers take with them valuable knowledge and experience and new workers entering the workforce are often seen as lacking knowledge and readiness.

Employers are dealing with this reality in the following ways:

- *Providing a more flexible employment deal.* Employers are recognizing that to keep those approaching retirement age and to retain their best people, employers are needing to offer more flexible work arrangements.
- *Developing their own people.* Seeing that new employees tend to lack readiness, employers have little confidence in the US education system to adequately educate their employees. As a result, employers are finding it necessary to invest more heavily in developing their own people.
- *Outsourcing/offshoring.* Because in many industries and fields it is not possible to find an adequate number of qualified employees in the US, and because comparable or more skilled employees are often available overseas at a fraction of the cost, many employers have moved jobs overseas. (While costs are often lower, many employers say that their primary reason for shifting work elsewhere is a lack of skilled workers in the US.)

- **There is much focus on eliminating silos and becoming more collaborative.**

Executives in all industries and across all functions talk about how their organizations have traditionally been structured in silos, but these silos hinder progress.

Companies are seeking to organize and structure their business units, supply chains, project teams, and all other aspects of their businesses in ways that work across silos in a more integrated and collaborative way. Conference speakers frequently mention formation of cross-functional teams, new organizational structures, and new incentives that encourage and reward cooperation and collaboration.

And this emphasis on collaboration isn't just internally focused. Increasingly firms recognize that innovation and effective execution of initiatives require collaboration that extends beyond the borders of the organization. As a result, companies are focused on increasing the cooperation and collaboration with partners, customers, and suppliers. This desire for greater external collaboration is creating a more "open" environment, which requires new types of relationships and technologies.

- **In most industries, innovation is the name of the game.**

Every conference attended, regardless of industry, seemed to have sessions dealing with innovation. And it appears that the nature of innovation has changed. Previously innovation was owned by the R&D function, was limited to product innovation, meant making a few big bets, and was conducted with an attitude of "failure is not an option." Now the leading experts on innovation are focused on:

- *New types of innovation.* Now innovation is thought of far more broadly than just new products. It includes new business models, revenue streams, business processes, and management techniques.
- *Creating a "culture of innovation."* Heard often was the refrain of "fail fast, often, and cheap." The notion is to create a culture of experimentation where all employees (not just in R&D) are encouraged to innovate and where failure is encouraged, not punished (as long as it is cheap, fast, and generates learning). Related to the desire for experimentation, there is an increasing emphasis on speed over perfection. (Numerous speakers said, "Perfect is the enemy of good enough.")

- **Every business is now a global business.**

In a short period of time, globalization has come to be seen as a fact of life. It is now a reality, part of doing business in today's global economy.

Companies in every industry think of their supply chain as a global supply chain. Companies pick one piece of the supply chain on which to focus and then find suppliers and partners from anywhere on the globe to provide raw materials, manufacturing capabilities, labor, and technology.

Even an independent restaurant in the middle of Oklahoma is part of a global supply chain. The food this restaurant purchases may have ingredients from overseas or the food may have been processed internationally. Equipment or lighting or linens or furnishings are likely to have been made in a foreign market. And aspects of the technology used—the hardware or software or

POS system—may also have come from abroad. Today, every organization is part of an interconnected global supply chain.

Since this is a reality, savvy companies are deciding on the particular portion of the supply chain where they add value and are then finding partners and suppliers for everything else. In looking at partners, they are considering where in the globe they can purchase products or services to get the lowest prices and best quality and are looking to international markets for opportunities to sell their products to create new revenues.

▪ **Organizations are using increasingly sophisticated “analytics” to make more fact-based decisions.**

Historically decisions in organizations have been made based on judgment, experience, intuition, and gut feel. This includes decisions on hiring, strategy, new products, marketing, etc. However, many of these decisions have turned out to be wrong, and wrong decisions are costly and represent missed opportunities.

At the same time, organizations are often sitting on vast reservoirs of data, such as customer purchasing information and data on customer behaviors. Yet this data is often completely unused.

But that is changing. Increasingly organizations are tapping into this data. They are combining tools, technology, people, and processes to mine their data to better understand customers and find hidden insights. The goal is to make better informed and more accurate decisions. Many organizations are creating new “analytics” capabilities or even entire analytics departments.

▪ **Organizations are thinking broadly about risk management.**

Previously risk management was an area within the finance function that identified risks and insured against them. But following 9/11, Katrina, and Enron, it became apparent that there are risks—from factors such as terrorism, nature, and fraud—for which it is not possible to purchase insurance and which can be devastating. The result is that increasingly organizations have thought about risk more broadly, identifying the key risks faced by all parts of the enterprise and putting in place strategies to try to mitigate these risks.

▪ **Green is in.**

These days, rarely is there a conference without a session on “green” or “sustainability.” (The U.S. Foodservice meeting was no exception, with a panel discussion on the subject.) In general, confusion reigns as people in different functions and industries seek to understand, “What exactly is sustainability and what does it mean for me and my company?”

There are two general approaches:

- *Defensive.* Many organizations are dealing with sustainability reactively, under pressure from customers, employees, or the media. They feel compelled to take some sort of action to respond to customer requests and to be able to say, “Look at our sustainability strategy.”
- *Offensive.* Other organizations have come to see sustainability as an opportunity. This opportunity may be to save money by decreasing waste or use of resources; the opportunity may be a marketing opportunity to differentiate their product or com-

pany; or there may be opportunities to increase revenues through more sustainable products or services.

At some foodservice industry conferences speakers used the term “locally grown” to refer to sustainability. At other conferences speakers discussed entrepreneurs and investors racing to make their fortunes in “clean energy.”

▪ **The lingo used by conference speakers sheds light on the terminology that those in the business world need to know.**

In addition to the trends that have been mentioned, the following words are mentioned in some capacity at most conferences.

- *Journey.* Nothing is static. It seems that every speaker and every organization is on a never-ending journey.
- *Culture (and DNA).* Regardless of the subject, leaders are trying to embed various attributes into their organization’s cultures and their “DNA.” Leaders are trying to create a “culture of innovation” or a “culture of risk management” or a “culture of analytics.” Whatever the emphasis is, the desire is not merely to have an initiative, but to make it part of the culture.
- *Accountability.* There is often talk about “effective execution.” With that talk is an emphasis on accountability. Leaders want their organizations to “do what we said we were going to do.” Organizations and individuals are expected to be accountable.
- *Engagement.* No longer do organizations want employees to be “satisfied”; they want them to be “engaged.” Data shows that while few employees are actually engaged, those who are pay big dividends for their organizations.
- *Web 2.0.* This is the next evolution of technology and the Internet. Web 2.0 emphasizes interactivity and social networks.
- *Google and Apple (iPod).* Regardless of the subject, Google and Apple are mentioned. They are the poster children for innovation, creative cultures, attracting the best and brightest people, and seemingly everything else that is positive in the universe.
- *Authenticity.* In an age of cynicism, individuals and leaders are emphasizing the importance of being (or seeming to be) authentic. Products, brands, and companies are focusing on and striving to be authentic.

## Suggested Action

The amount of information from conferences can be overwhelming. In boiling down hundreds of speakers, seven key trends have been identified. In digesting these trends, some advice:

- *Just simplify it.* Don’t try to deeply understand or capitalize on all of these trends. Instead, pick the one trend that most impacts your company and customers and that can make the most difference to your business. Then, focus on this trend, seize on it, and figure out how to take advantage of it to make a difference in your organization.