STATE OF THE FOODSERVICE INDUSTRY

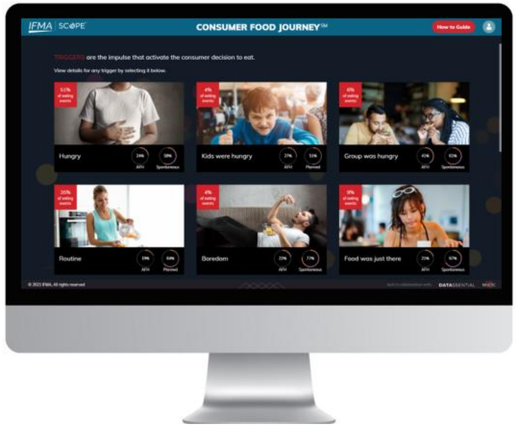
IFMA

IFMA INTERNATIONAL FOODSERVICE MANUFACTURERS ASSOCIATION

WHO IS IFMA?

An established trade association serving foodservice manufacturers for 70 years. IFMA works to improve industry practices and relationships while equipping every foodservice manufacturer with the tools to navigate their future with confidence.

IFMA CENTERS OF EXCELLENCE



INDUSTRY INSIGHTS

BEST PRACTICES

CONNECTIVITY

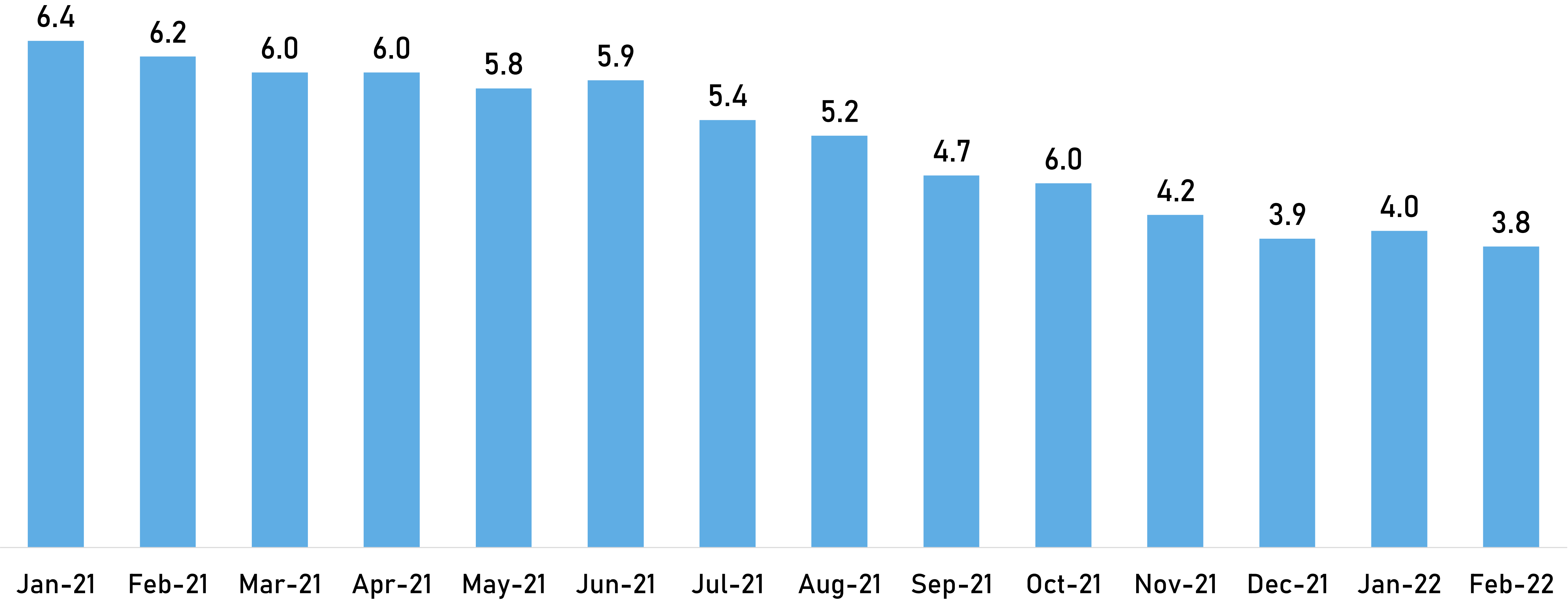
TRAINING & EDUCATION

AGENDA

- Select economic indicators
- 2022 Projections
  - Restaurant
  - On-site
  - Retail
- Key Takeaways

IFMA DATASSENTIAL FLC Foodservice Leadership Council

CIVILIAN UNEMPLOYMENT RATE (April 3.6%)



Source: Bureau of Labor Statistics

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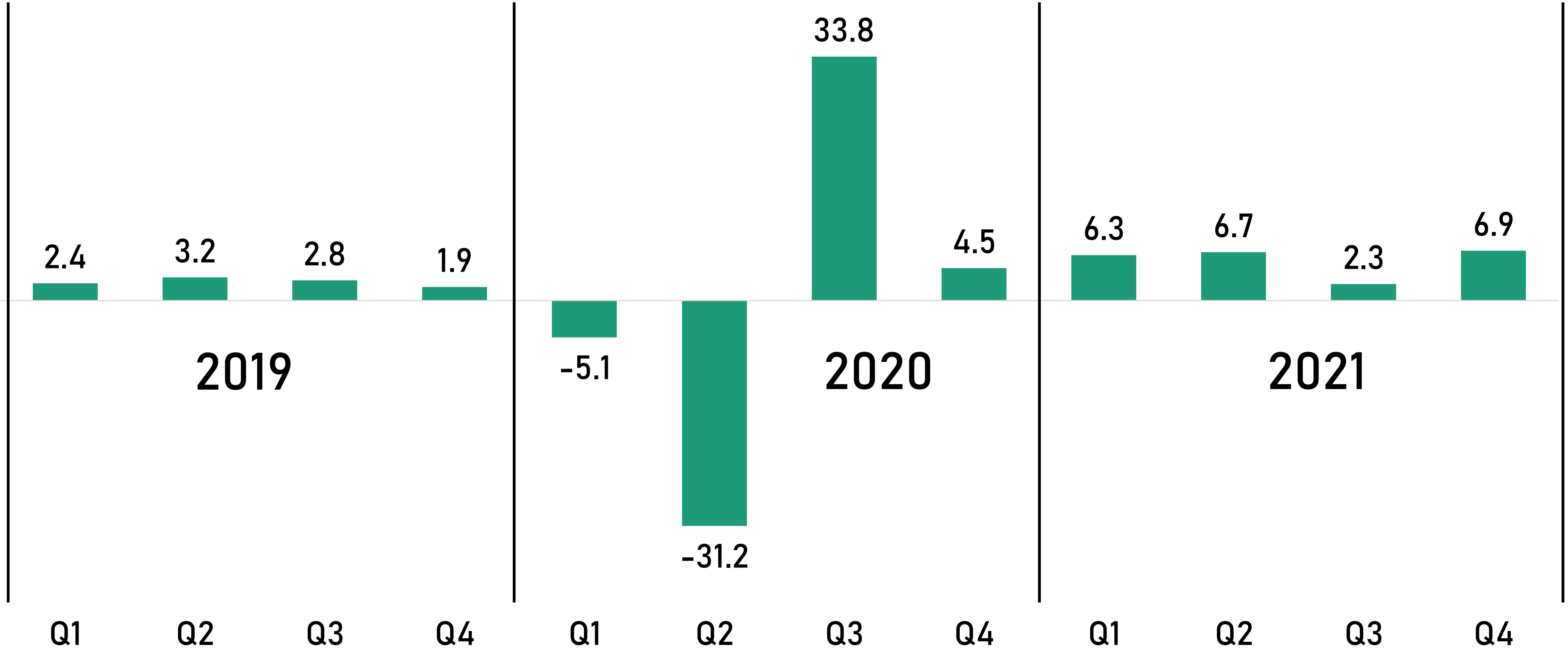
GROSS DOMESTIC PRODUCT (Q1 -1.5%)



Source: Bureau of Economic Analysis

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WHAT ABOUT INFLATION?

DATASSENTIAL IFMA

CURRENT INFLATION RATE

6.3%

April 2022

Source: US Inflation Calculator

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INFLATION ASSUMPTION

- 5.0% ANNUAL AVERAGE FOR 2021 & 2022
- INFLATION WILL BE HIGHER IN SOME INDIVIDUAL MONTHS (NOTABLY AT THE END OF 2021 AND BEGINNING OF 2022)

Source: US Inflation Calculator

2022 ASSUMPTIONS

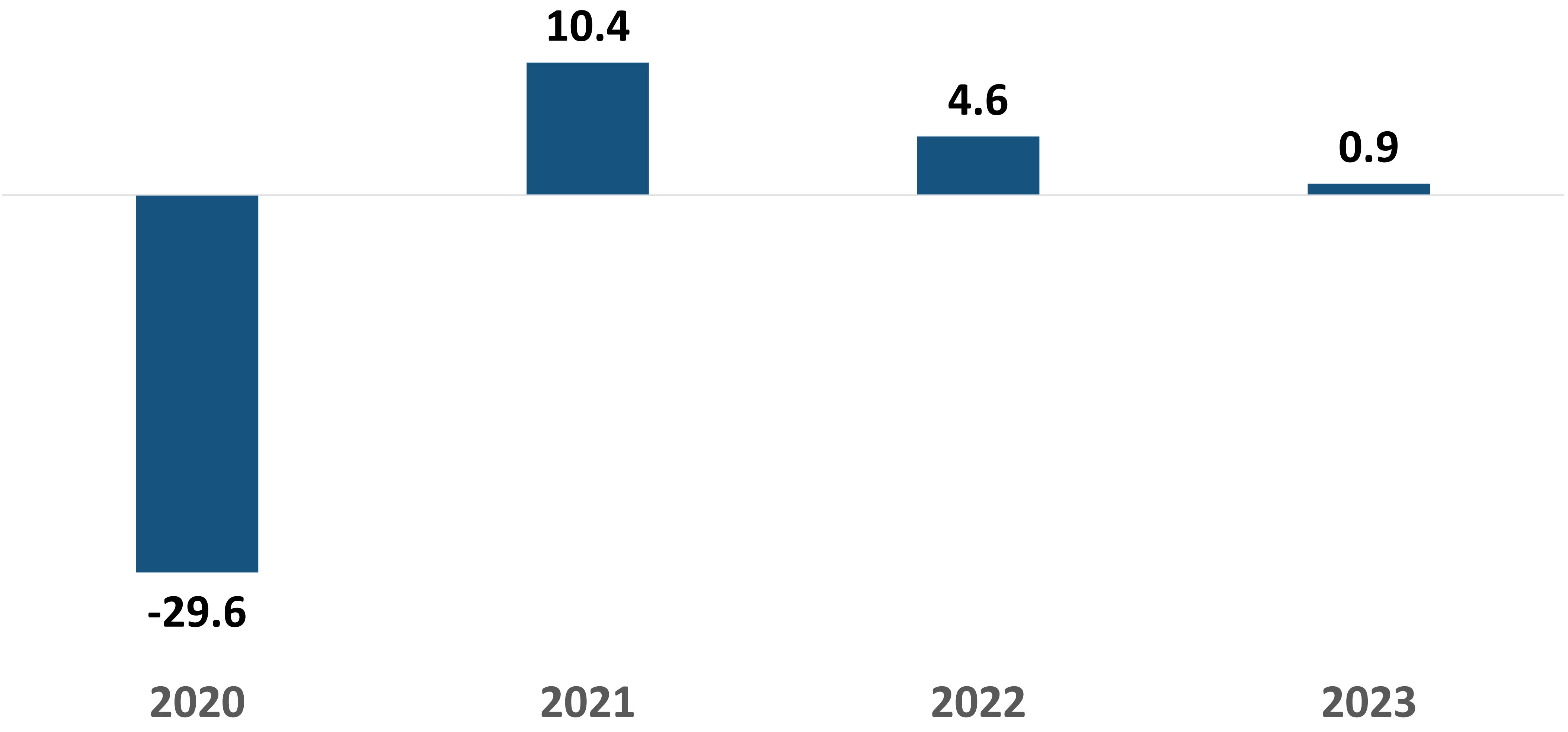
- No expectation of further government mandated lockdowns or stay at home orders
- Domestic tourism and travel is up, but international and business travel remains down
- Higher than anticipated consumer willingness to attend large events (sports, weddings, etc.)
- Remote-first work policies remain for many

2022 KEY CONSIDERATIONS

LABOR SHORTAGES

SUPPLY CHAIN CHALLENGES

TOTAL FOODSERVICE INDUSTRY REAL GROWTH OVER PRIOR YEAR (%)



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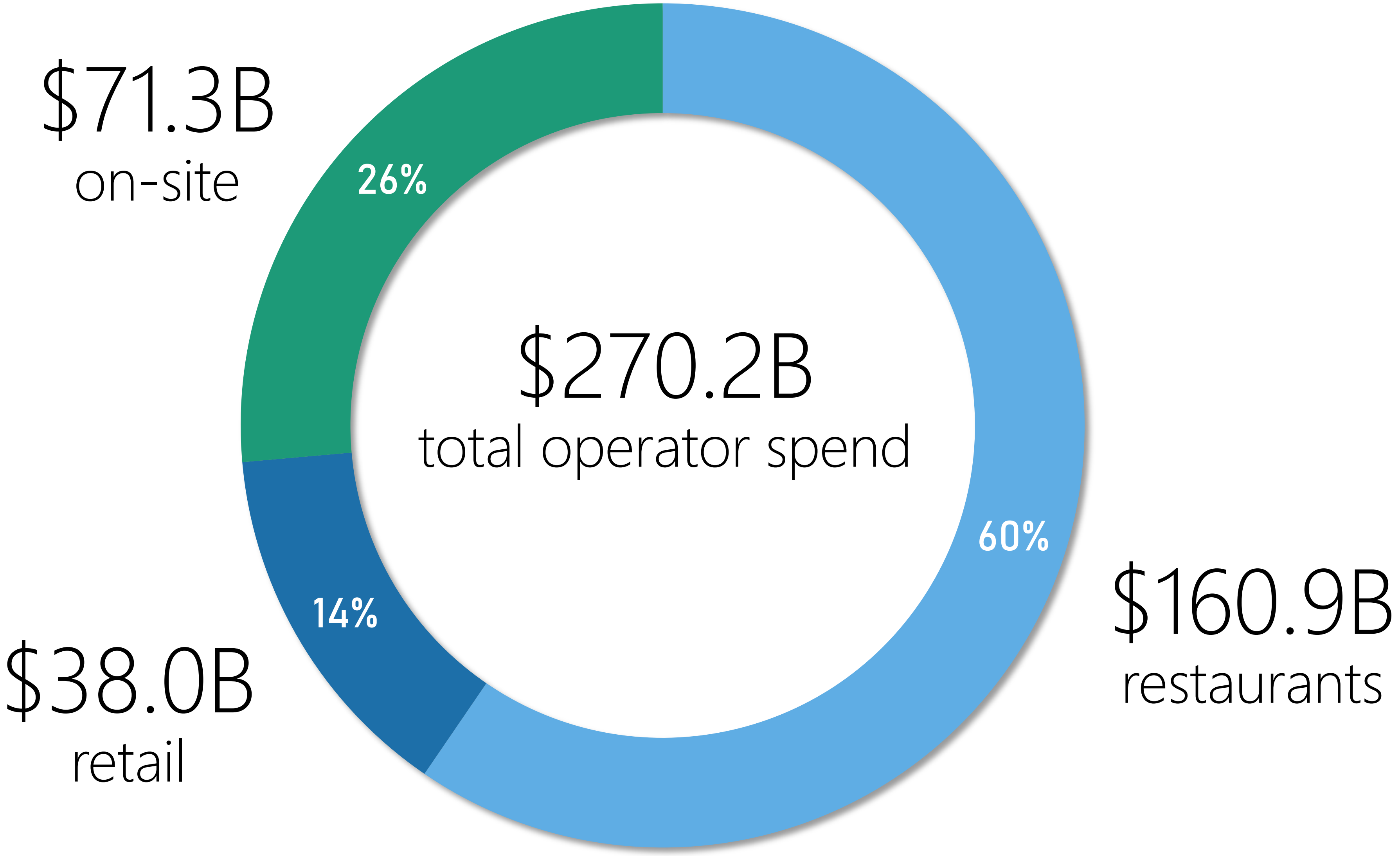
2022 FOODSERVICE OPERATOR SPEND



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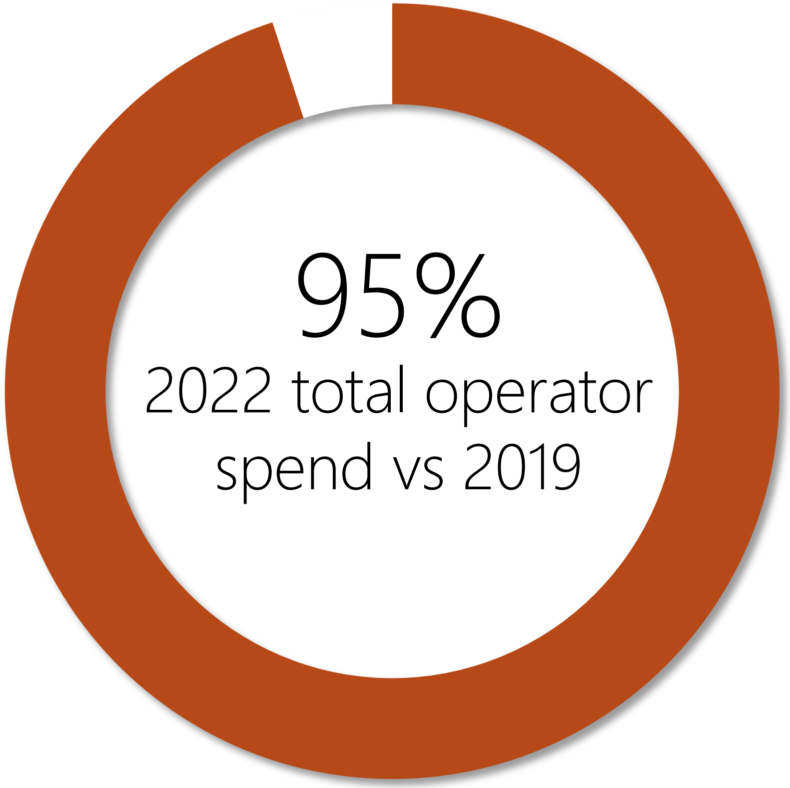
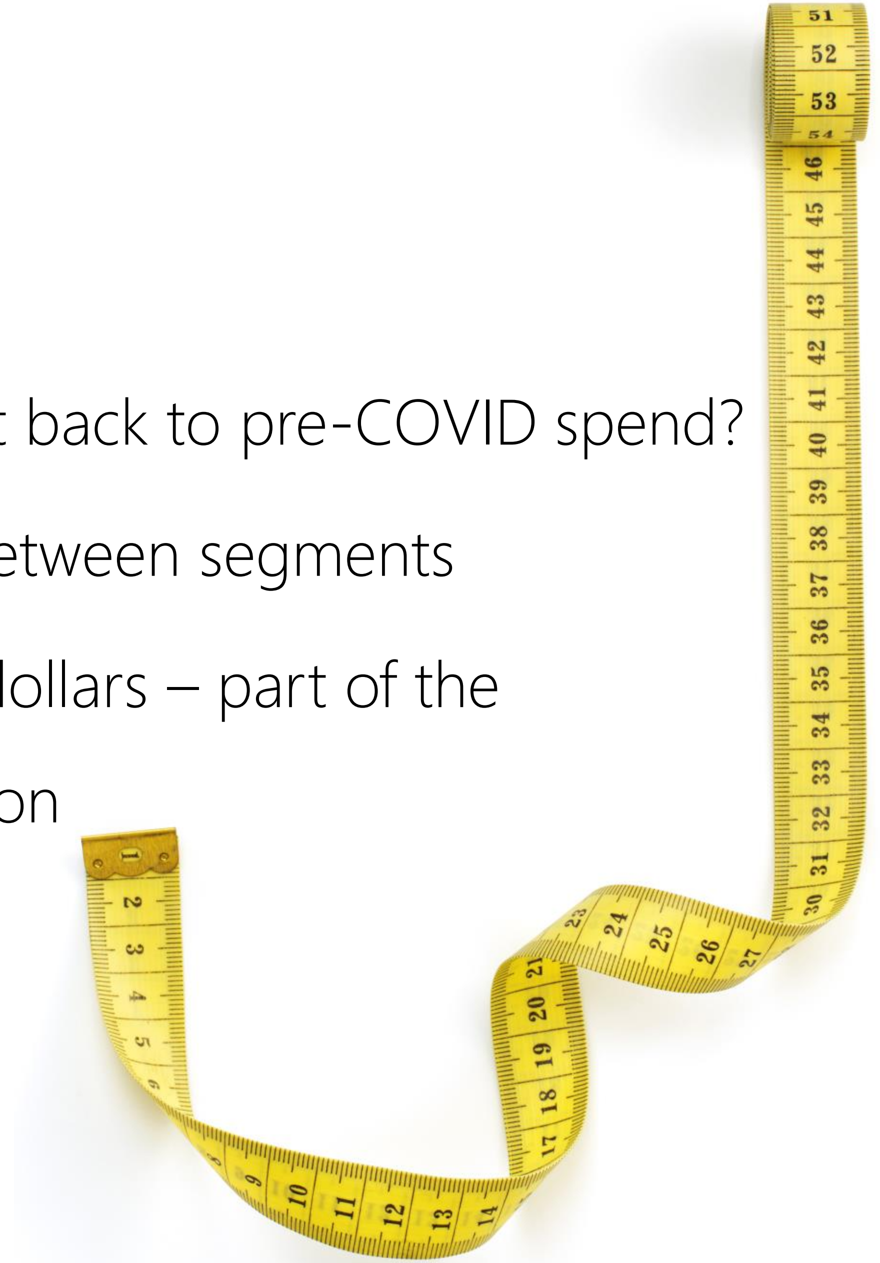
2019 AS A BENCHMARK



- How long until we get back to pre-COVID spend?
- A way to normalize between segments
- 2019 dollars vs 2022 dollars – part of the improvement is inflation



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2022 SEGMENT OVERVIEW

	2022 OPERATOR SPEND AS A SHARE OF 2019 SPEND	2022 SPEND ($B)
TOTAL	95%	$270.2
QSR	107%	$70.2
Fast Casual	98%	$18.9
Midscale	81%	$18.3
Casual Dining	91%	$49.7
Lodging	71%	$12.4
Healthcare	88%	$13.3
K-12	100%	$10.6
C&U	98%	$8.5
B&I	75%	$4.9
Supermarket	115%	$21.7
C-Store	99%	$15.4

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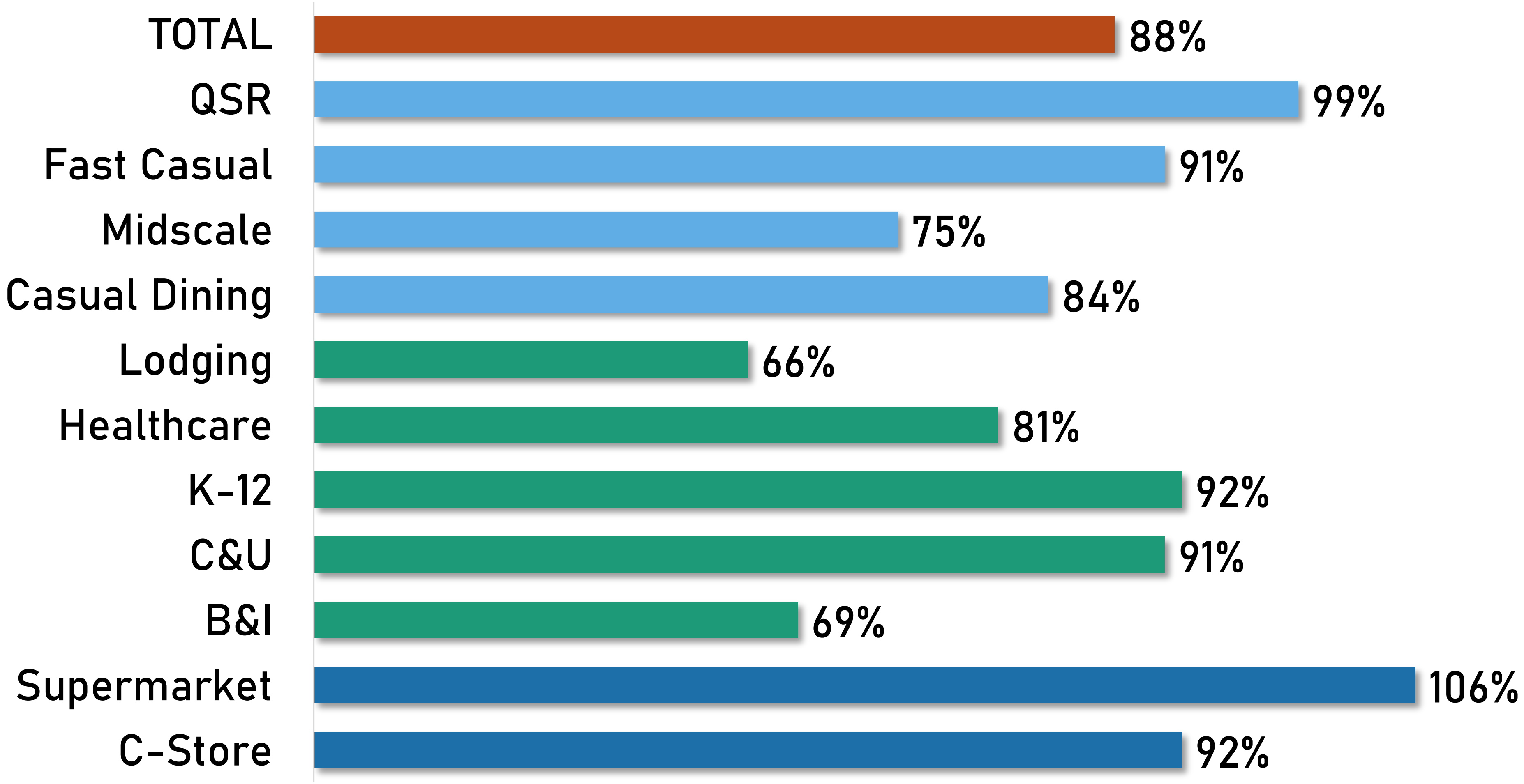
2022 SEGMENT OVERVIEW INFLATION ADJUSTED

2022 spend (in 2019 dollars) compared to 2019 spend



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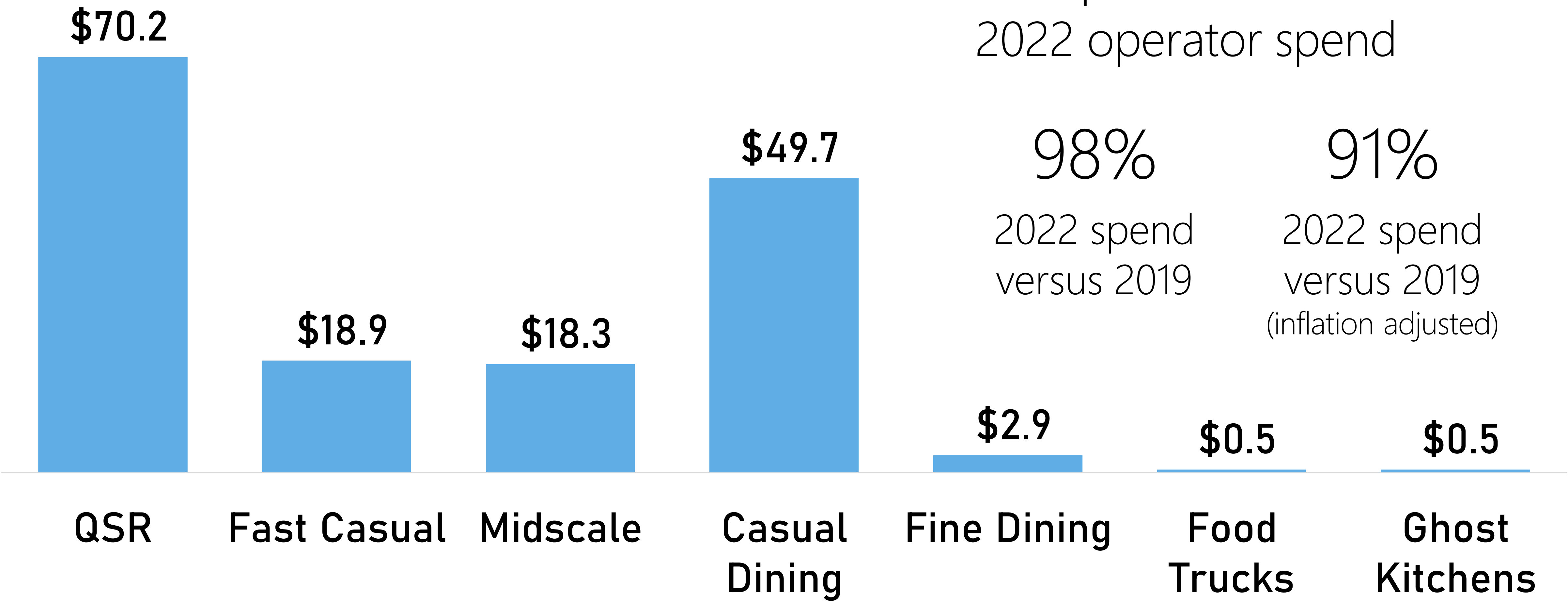
2022 RESTAURANT OPERATOR SPEND

$160.9B
2022 operator spend

98%
2022 spend versus 2019

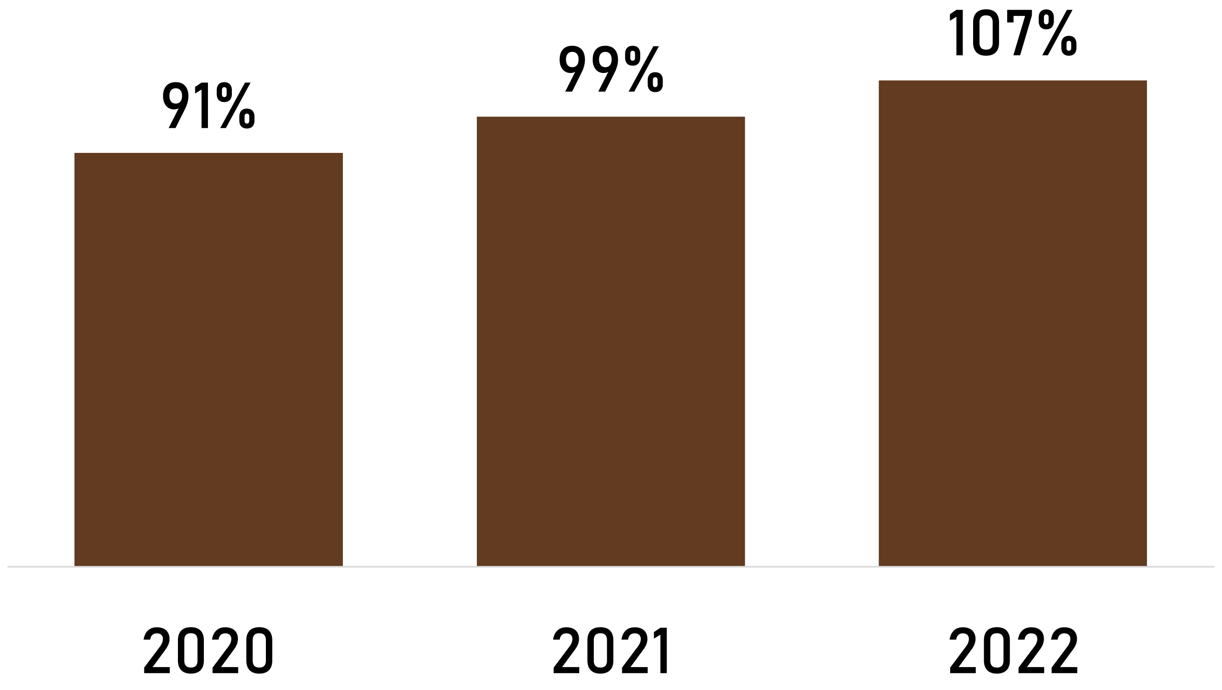
91%
2022 spend versus 2019
(inflation adjusted)



*assumes 5.0% average annual inflation for 2021 & 2022

QUICK SERVICE

$70.2B 2022 operator spend



OPERATOR SPEND VS 2019

TAILWINDS

- Heavy off-premise consumption
- LTOs and value meals
- Loyalty programs & apps

HEADWINDS

- Rising disposables/packaging costs
- Fewer breakfast occasions
- Cost of 3rd party delivery fees

*assumes 5.0% average annual inflation for 2021 & 2022

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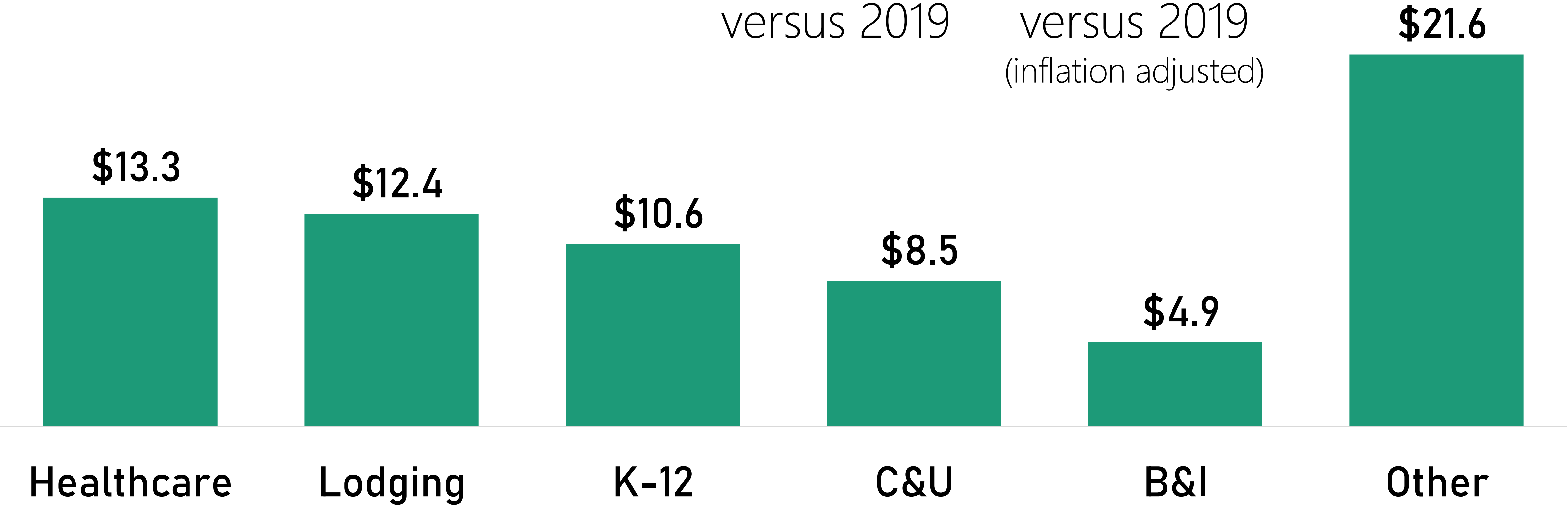
2022 ON-SITE
OPERATOR SPEND

2022 ON-SITE OPERATOR SPEND

$71.3B
2022 operator spend

83%
2022 spend versus 2019

77%
2022 spend versus 2019
(inflation adjusted)



*assumes 5.0% average annual inflation for 2021 & 2022

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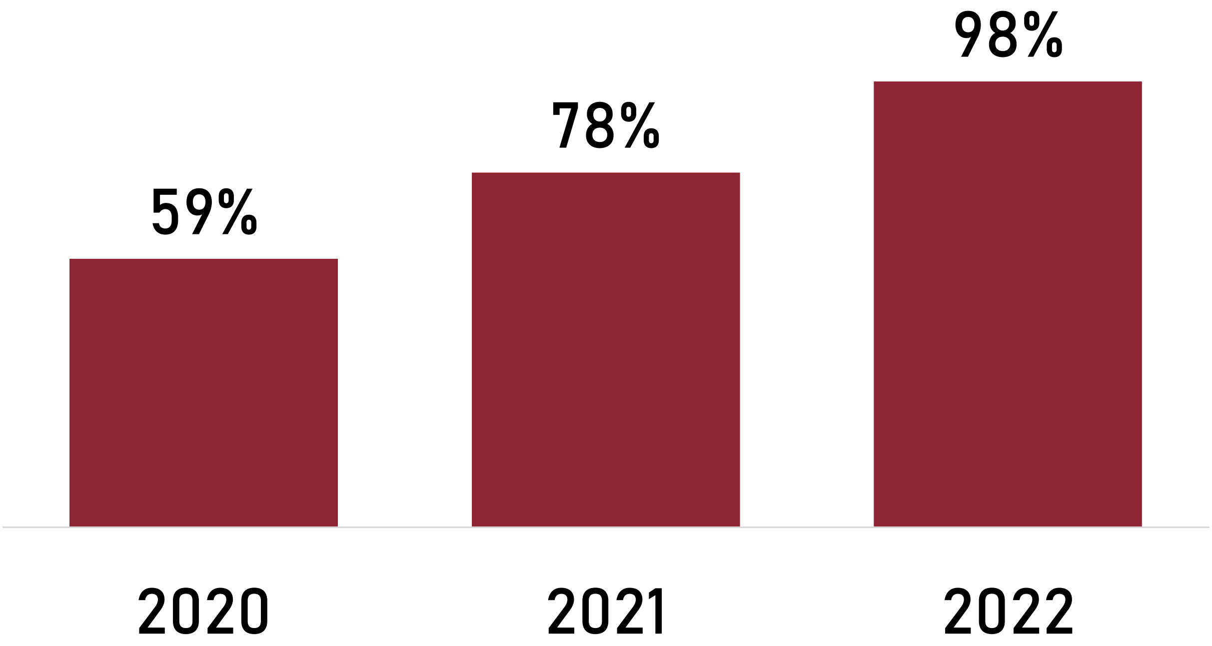
COLLEGE & UNIVERSITY

$8.5B 2022 operator spend



OPERATOR SPEND VS 2019

TAILWINDS

- Foodservice as an amenity
- Campus dining delivery
- Digital & order ahead pick-up

HEADWINDS

- Reduced catering & events
- Shift to online education
- Competition from restaurants

*assumes 5.0% average annual inflation for 2021 & 2022

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2022 RETAIL OPERATOR SPEND

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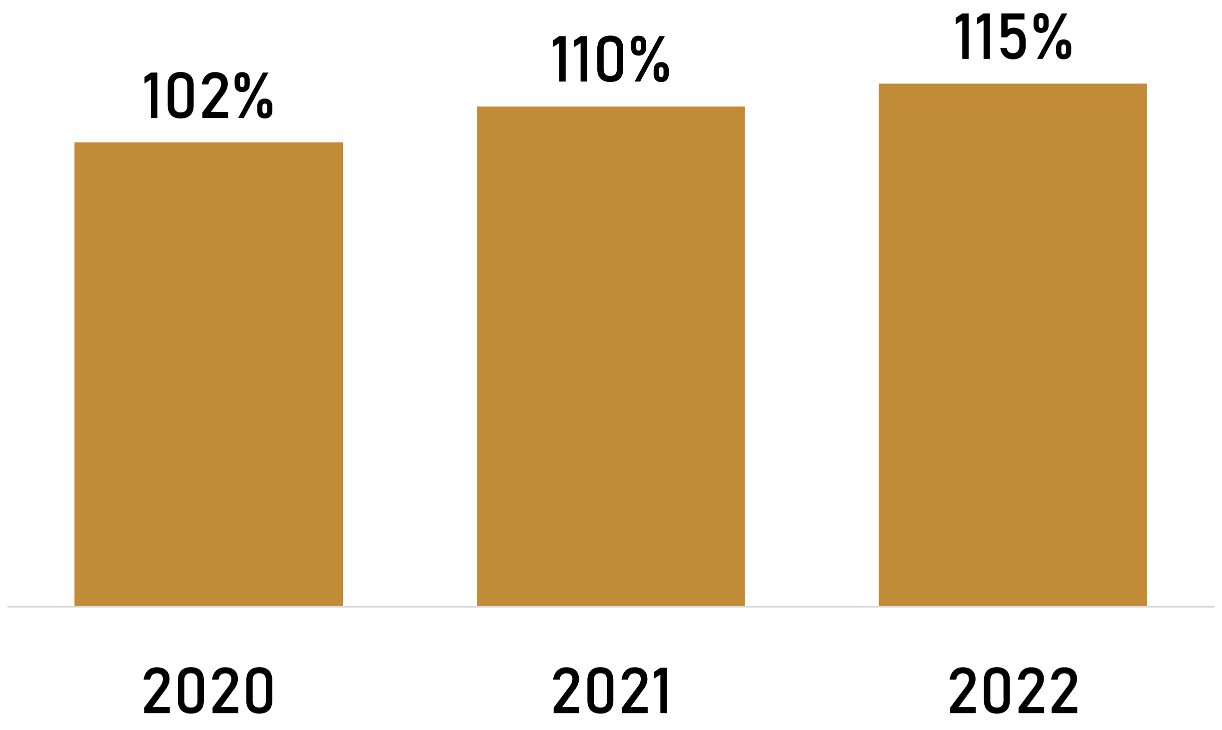
SUPERMARKET

$21.7B 2022 operator spend



OPERATOR SPEND VS 2019

TAILWINDS

- Increasing store foot traffic
- Shift to more at-home meals
- Meal kits & family meals

HEADWINDS

- E-commerce grocery alternatives
- Limited prepared order ahead
- Removal of self-serve areas

*assumes 5.0% average annual inflation for 2021 & 2022

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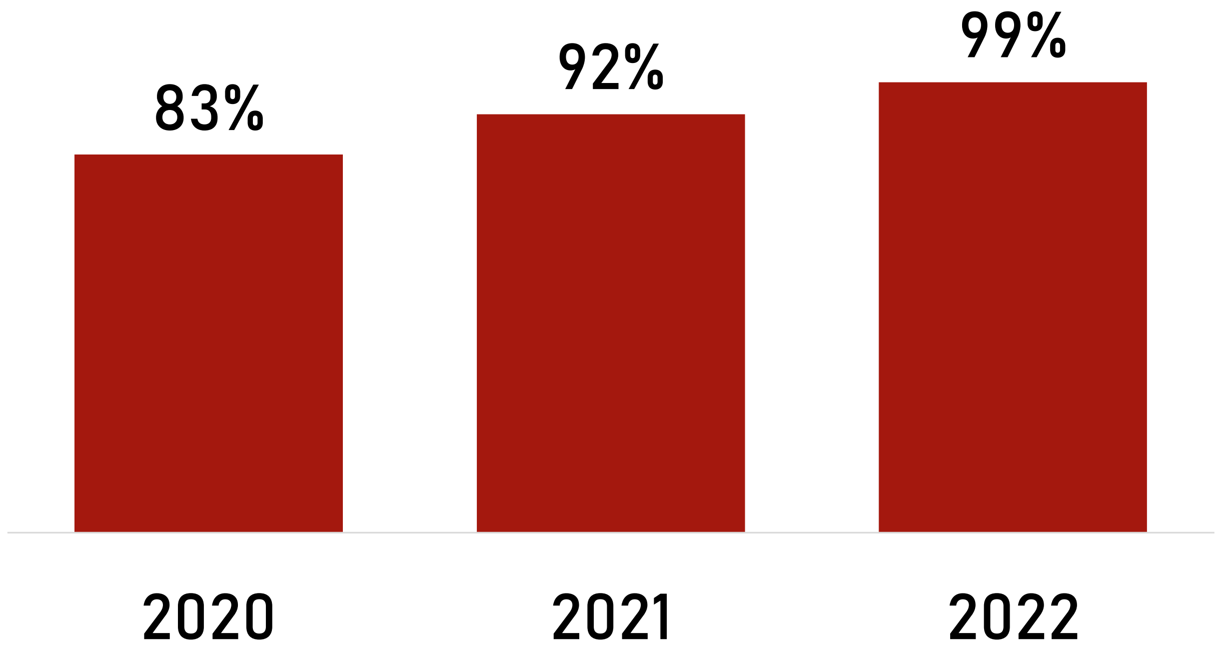
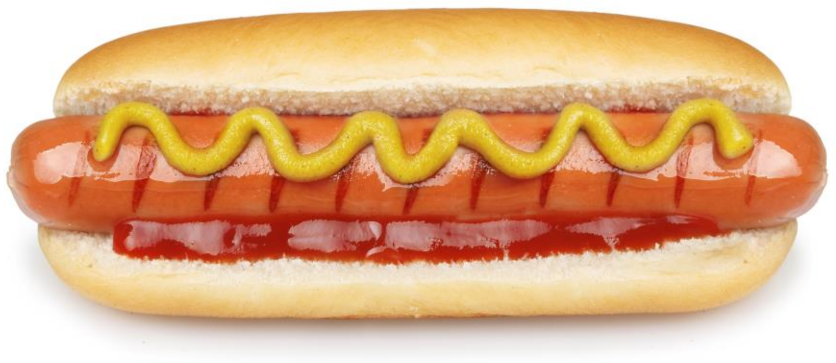
C-STORE

$15.4B 2022 operator spend



OPERATOR SPEND VS 2019



TAILWINDS

- Heavy off-premise consumption
- Increased car travel
- Loyalty programs & apps

HEADWINDS

- Fewer commuters
- Declining AFH breakfast
- Negative cleanliness perceptions

**assumes 5.0% average annual inflation for 2021 & 2022*

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KEY TAKEAWAYS

- Labor and supply chain are limiting growth in 2022
- Dollars may be improving (in part due to inflation), but traffic will still lag for some segments
- COVID-19 changed <u>where and when</u> Americans work and that will have lasting impacts on foodservice.
- Suburban locations are outperforming urban locations
- Innovation and acceptance of technology will accelerate

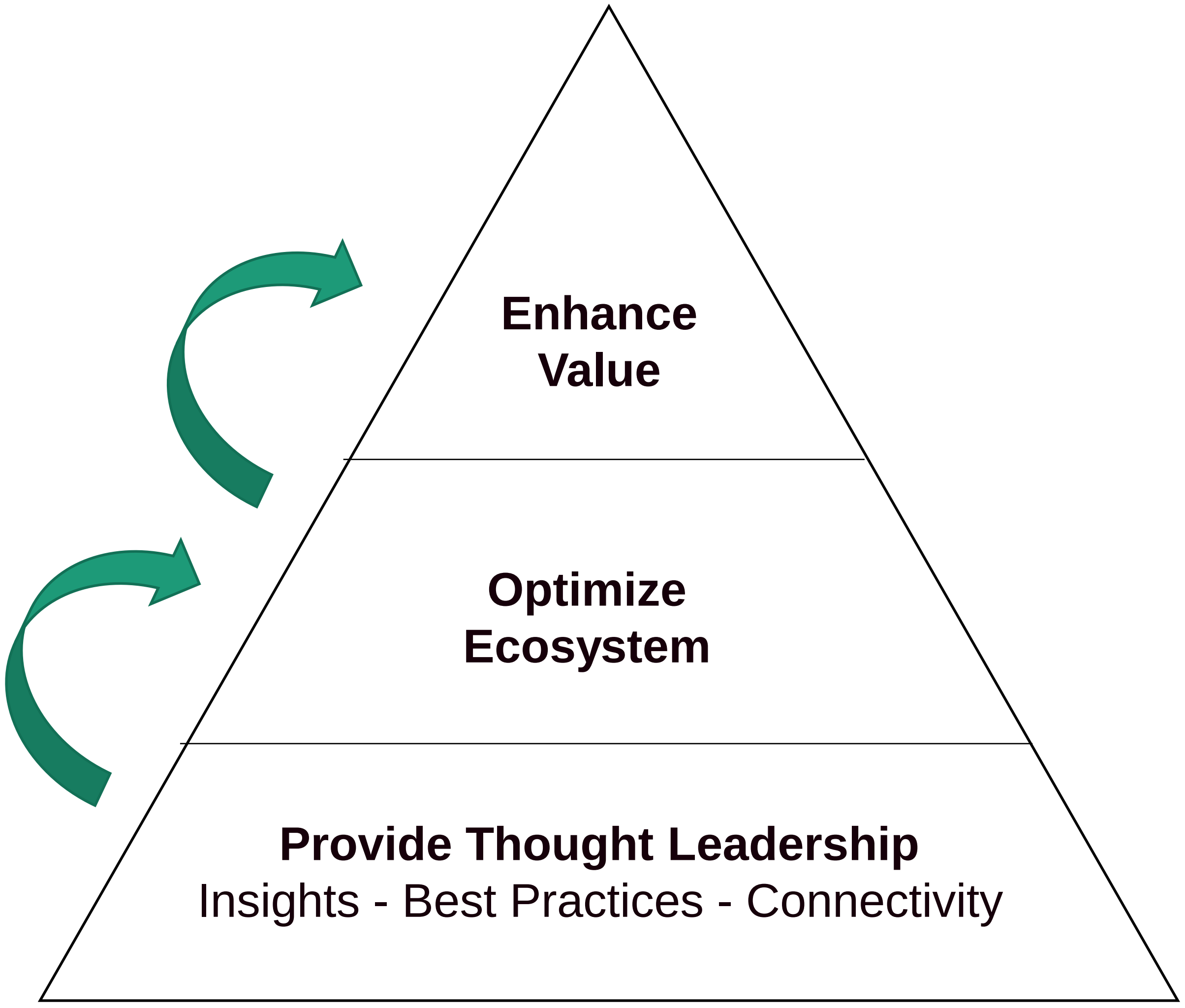

FOODSERVICE
LEADERSHIP COUNCILS
WHAT ARE THEY?
C&U Council
IFMA
INTERNATIONAL
FOODSERVICE
MANUFACTURERS
ASSOCIATION

Strategic Plan

Vision
“Enhance the value of foodservice to our customers and organizations”

Mission
*“Optimize ecosystem relationships to enhance our value”**

Objective
*“Efficiently and effectively provide Insights, Best Practices and Connectivity supporting ‘Enhance Value’ and ‘Optimize Ecosystem’ ” **



*Manufacturers, distributors, brokers, FMC’s, GPO’s research and technology companies, other associations, regulatory, etc. …all involved with the channel

FLC Foodservice Leadership Council
Embracing Today. Creating Tomorrow.

2021 Committees

Elementary & Secondary Foodservice Leadership Council	College & University Foodservice Leadership Council	Business & Industry Foodservice Leadership Council	Healthcare Foodservice Leadership Council	Restaurant Foodservice Leadership Council
Share Group	Share Group	Share Group	Share Group	Share Group
USDA/Reg.	C&U/OCM	Ecosystem	Ecosystem	2025
Prod./Concept	Prod./Concept	Consumer Value	Prod./Concept	Innovation

- C&U Operator Collaboration Model Committee
- Product/Concept Development Committee
- Share Group Committee

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OCM

C&U: SUPPLIER SEGMENTATION
Introduction

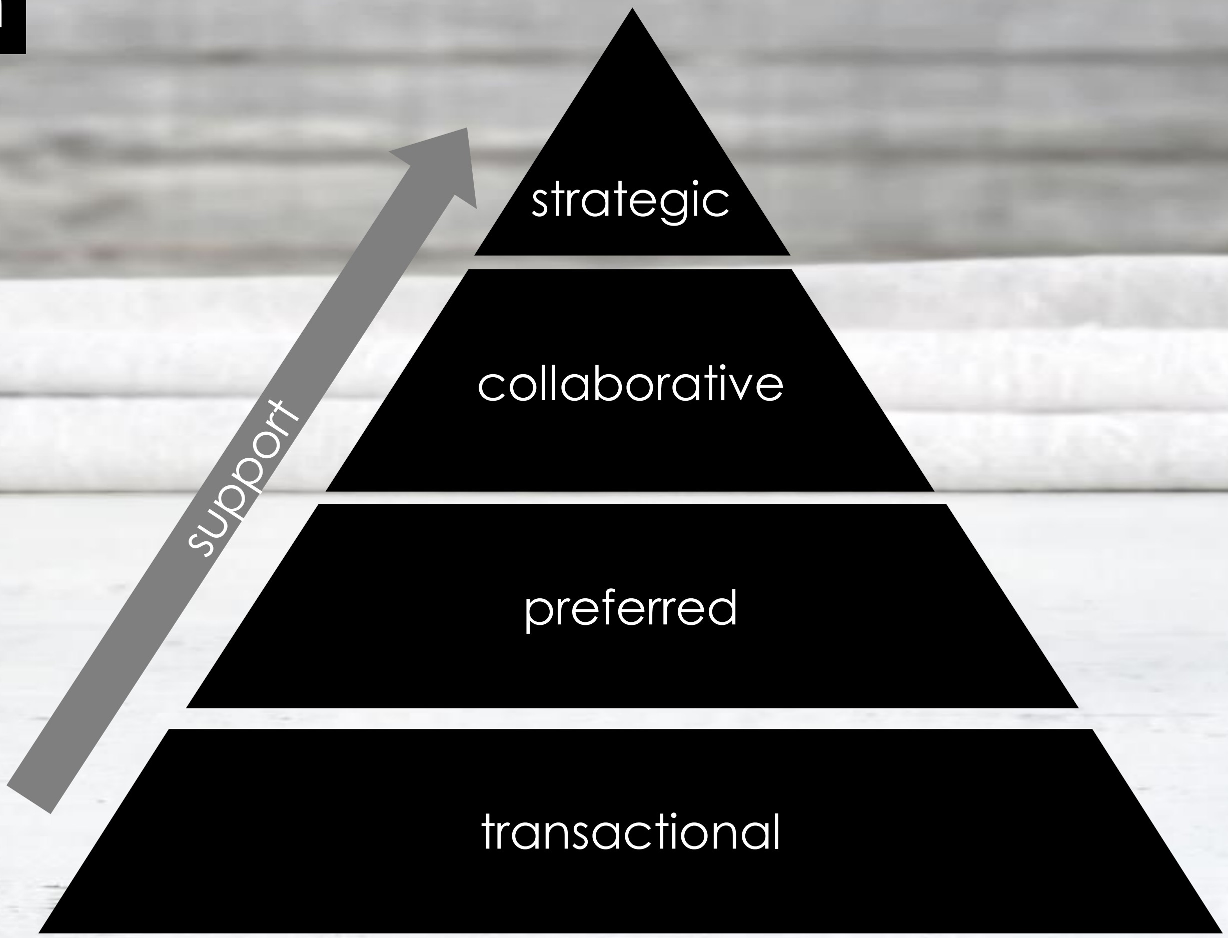
OCM is a best practice model for assessing and segmenting suppliers.

Operators can analyze suppliers across qualitative and quantitative criteria to understand and rank supplier's capabilities and willingness to support them.

Suppliers are scored on metrics across 4 relationships levels: transactional, preferred, collaborative and strategic.

BENEFITS

- Understand supplier's capabilities, history and willingness to partner at deeper level.
- Identify suppliers to more closely partner with.
- Build more effective supplier and category plans.
- Determine strengths and weaknesses and use that assessment to provide feedback to them.



The OCM Relationship Pyramid

OCM

C&U: SUPPLIER SEGMENTATION
Level Definitions

Top level - Strategic - most advanced partnership. Typically, an operator has fewer than seven strategic.

Mix of suppliers at all levels. None are bad, all are needed to have an effective mix of suppliers.

Suppliers can move levels. As supplier moves up from Transactional, the relationship moves from reactive to proactive, from buy-sell to one of broader engagement, and from off-the-shelf product to greater customization.

	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
DEFINING CHARACTERISTICS	✓ Buy-sell relationship ✓ Off-the-shelf ✓ Minimal contact	✓ Supportive ✓ Responsive ✓ Some customization	✓ Engaged ✓ Collaborative ✓ Proactive ✓ Customization ✓ Solves problems	✓ Partnership ✓ Vested in Operator's success ✓ Supports strategic development ✓ Multiple supplier touch points ✓ Customization ✓ Investing in relationship ✓ Transparent

OCM

C&U: SEGMENTATION CRITERIA
Part 1: Supplier Metrics

Part 1 segmentation criteria is Supplier Metrics. Allows C&U operator to capture and assess a supplier's importance across 4 metrics.

A supplier can be at a different level of relationship for each metric.

Operator may determine that supplier should work with them to elevate the relationship – i.e., move to a higher level, or they may decide maintain the status quo.

SUPPLIER METRICS	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
$ Purchased from suppliers (annual)	< $X	>= $X, < $Y	>= $Y, < $Z	>= $Z
# of Categories supplied	One	Two	Three	More than 3
Supplies product that is a critical/ core/differentiator or a signature flavor/ item for us	Not a differentiator	Provides a core product that I want/need to continue to purchase	Provides a very important product/flavor/function to my operation that I am not interested in switching out	Provides a product that is unique, custom and/or an important differentiator in my operation
# of Functional contacts I have with supplier	No salesperson involved	Broker or DSR only	Supplier sales rep is interacting with me	Multiple supplier contacts across relevant functions

OCM

C&U: SEGMENTATION CRITERIA
Part 2: Supplier Matrix

The second part of model is the Supplier Matrix. (see the next page for the detailed matrix)

Matrix is heart of OCM model and outlines nine criteria to scorecard your supplier.

These criteria were chosen by C&U operators to reflect the areas of supplier support they value most.

SUPPORT MATRIX	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
1. COMMITMENT TO C&U SEGMENT				
Understands C&U				
Willingness to collaborate (time, $, strategy)				
2. INSIGHT & MARKETING SUPPORT				
Provides actionable insights				
Provides/invests marketing & merchandising support		*see the next page for the detail*		
3. INNOVATION SUPPORT				
Brings relevant innovation				
Willing to customize product				
4. ASSURED SUPPLY				
Product is easily available				
5. RESPONSIVE / PROACTIVE				
Degree of responsiveness				
6. TRANSPARENCY				
Degree of transparency (pricing, nutrition, ingredients, process, source, etc.)				

C&U: SUPPLIER SEGMENTATION CRITERIA - Part 2: Support Matrix

SUPPORT MATRIX	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
1. COMMITMENT TO C&U SEGMENT				
Understands C&U	No C&U specific understanding demonstrated	Experienced in C&U but does not proactively demonstrate understanding	Experienced in C&U, brings value proactively	Highly knowledgeable, proactively demonstrates understanding through custom initiatives and insight sharing
Willingness to collaborate (time, $, strategy)	Not actively collaborating	Willing to invest time when asked depending on the project	Proactive, open to collaboration, shares some elements of their C&U plans	Committed to segment, open to collaborating and investing time/$, shares plans/capabilities
2. INSIGHT & MARKETING SUPPORT				
Provides actionable insights	Not providing any insight	Provides insight either on an ad-hoc basis or when asked	Proactively provides C&U insights and unique research on a regular basis	Provides a high level of C&U specific insights, open to custom research, recipes, insights go beyond supplier portfolio to include C&U consumer
Provides/invests marketing & merchandising support	Not providing any marketing or merchandising support	Provides some off-the shelf merchandising and display support	Proactively brings both off-the-shelf and some custom C&U merchandising and display materials/tools	Proactively provides customized C&U merchandising, brand I can leverage, marketing/display/serving materials/tools - open to working with us to develop unique custom tools
3. INNOVATION SUPPORT				
Brings relevant innovation	Presents no innovation	Occasionally brings new products, usually branded products designed for all segments	Regularly presents innovation products/solutions and some degree of C&U specific innovation	Brings well though-out C&U specific innovation ideas/recipes, products and solutions
Willing to customize product	No customization	Will provide some degree of customization if asked/forced	Engages in collaborative innovation on an ad-hoc basis, will do some research with our customer base	Proactively engages in collaborative innovation with us - customized solutions that solve C&U's unique problems – engages in research with our student/client base
4. ASSURED SUPPLY				
Product is easily available	Product not always readily available through my current distribution network	Product usually available through my current distribution network	Product always readily available through my current distribution network	Goes above and beyond to ensure product availability – proactively solves my supply issues
5. RESPONSIVE / PROACTIVE				
Degree of responsiveness	No relationship with supplier	Broker/DRS responds when called	Supplier responsive, proactive when selling	Integrated functional responsiveness & proactiveness, proactively works to understand/address my issues
6. TRANSPARENCY				
Degree of transparency (pricing, nutrition, ingredients, process, source, etc.)	Provides only basic required data through website or broker/DSR	Higher degree of data availability and visibility when asked	Engages us, provides visibility to product/supply chain and cost data	Proactively provides a high degree of visibility to product data, supply chain data/sourcing, product costs

OCM

C&U: SUPPLIER SEGMENTATION
How to Use

1. Customize the scorecard (the model metrics & support matrix criteria) to reflect your business needs.
2. Scorecard your current top 20 suppliers, to start, (using the score carding sheet – next page).
3. Determine the average level for each supplier who is now Transactional, Preferred, Collaborative and Strategic.
4. Use the scorecard output to validate/revise your assessment of each supplier.
5. Utilize the scorecard output to facilitate discussions with your suppliers to identify areas of opportunity and collaboration.
6. Collaborate with your Collaborative and Strategic suppliers to build a joint business plan.

SUPPORT MATRIX	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
1. COMMITMENT TO C&U SEGMENT				
Understands C&U				
Willingness to collaborate (time, $, strategy)				
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Degree of responsiveness				
6. TRANSPARENCY				
Degree of transparency (pricing, nutrition, ingredients, process, source, etc.)				

Example of supplier score carding result: average = Preferred

Scorecard

Supplier:

SUPPLIER METRICS	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
$ Purchased from suppliers (annual)				
# of Categories supplied				
Supplies a product that is a critical/core/ differentiator or a signature flavor/item for us				
# of Functional contacts I have with supplier				

SUPPORT MATRIX	TRANSACTIONAL	PREFERRED	COLLABORATIVE	STRATEGIC
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The Relationship Pyramid

C&U OPERATOR COLLABORATION MODEL

IFMA INTERNATIONAL FOODSERVICE MANUFACTURERS ASSOCIATION

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