

Exit Strategies

2006 Joint Industry Unsaleables Conference

Exit Strategies Work Group

- **Peter Bannochie, General Mills**
- **Cal Frady, Gerber**
- **Mike Gadbois, Hannaford**
- **Stephen Kindler, Rite Aid**
- **Terry Mazza, Kimberly Clark**
- **John McKeon, Nestle USA**
- **Chris Mead, Food Lion**
- **Michael Mills, Pharmavite**
- **Michael Papierniak, Walgreens**
- **Gary Piwko, Kellogg Company**

Panel

Rod Kautz

Vice President, Category Management, Rite Aid

Derrick Spalt

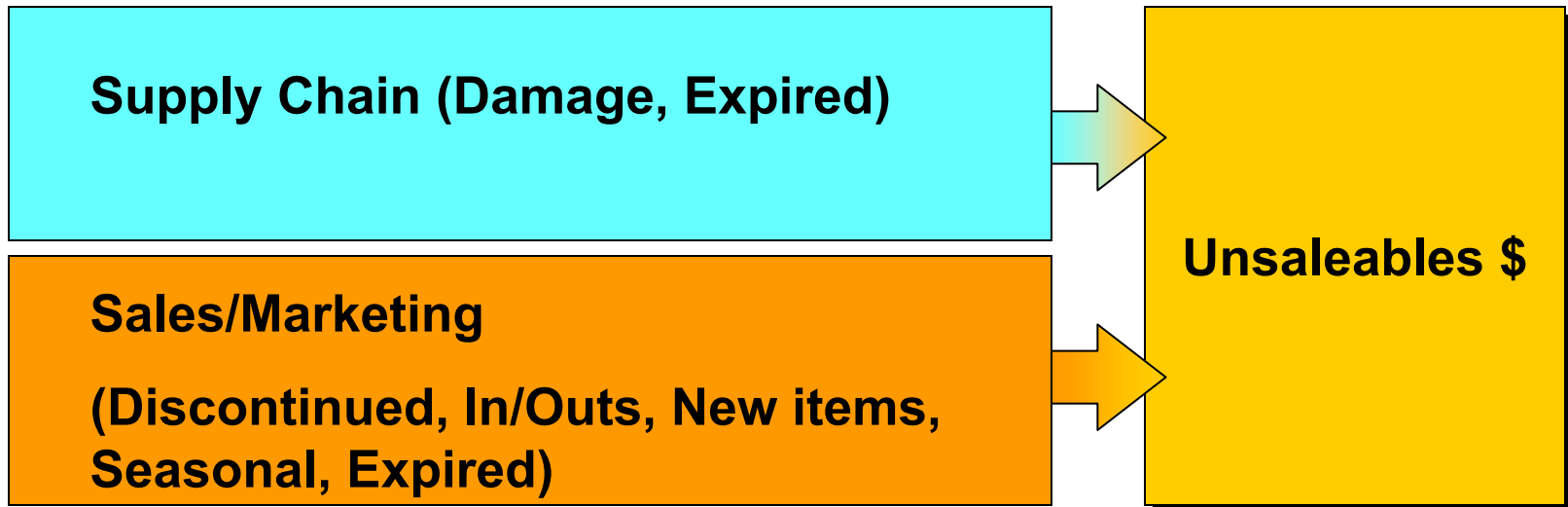
Director of Sales, Kellogg's Drug Channel

Mission Statement

Manufacturers and Retailers will jointly develop an effective exit strategy for discontinued items which will minimize unsaleables costs. Discontinued items may include:

- ▶ **New items**
- ▶ **In & outs**
- ▶ **Seasonal items**
- ▶ **SKU Optimization**

Unsaleables Responsibility Model



Some customers – “over half of unsaleables driven by Sales/Marketing issues”

Upfront Communication

Areas for Agreement

- ▶ Decision date for acceptance / rejection
- ▶ First ship date
- ▶ Suggested order quantities based on past history of similar items
- ▶ Retail price point and Retail execution
- ▶ Plan-o-gram updates
- ▶ Retail visibility dates
- ▶ Merchandising and media plans
- ▶ Length of trial period before success or discontinuation decision

Learning's

- ▶ **Exit Strategy should be handled outside of an adjustable rate policy**
- ▶ **Exit Strategies should be communicated in writing by the manufacturer's account handler during program sell-in and agreement obtained by the customer buying agent**
 - a) **Start**
 - b) **Minimal sales target**
 - c) **Support for inadequate performance**
 - **Slotting allowances are often used to help offset new item failures.**
- ▶ **Recalls are handled by the manufacturer outside of the unsaleables policy.**

Manufacturer's Exit Strategy Tools

- ▶ **Instant Redeemable Coupons**
- ▶ **Retail Sales Force**
- ▶ **Special liquidation mark down funds**
- ▶ **Sampling Funds**
- ▶ **Full case returns from customer warehouse**

Retailer Tools

- ▶ **Markdown process**
- ▶ **Promotions**
- ▶ **Advertising (Fliers)**
- ▶ **In-store coupons**
- ▶ **Extended displays beyond peak season**

Manufacturer / Customer Account Exit Strategy Plan

Preventative Maintenance

Key Sales/Account Generated Unsaleables

- Discontinued Items
- Resets/POG Changes
- In & Outs



Conclusions

- ▶ **Exit Strategies should be communicated in writing by the manufacturer's account handler during program sell-in and agreement obtained by the customer buying agent**
- ▶ **A white paper should be published to educate industry on successful practices**

Panel

Rod Kautz

**Vice President, Category Management, Convenience Foods, Rite Aid
(Need correct title)**

Derrick Spalt

Director of Sales, Kellogg's Drug Channel

Panel Questions

- ▶ **Role of exit strategies in your planning processes**
- ▶ **Critical components of executing an exit strategy**
- ▶ **Poor exit strategy example**
- ▶ **Successful exit strategy example**
- ▶ **Recommendations moving forward**