

Commercial Acumen – The 1st 30 day challenge.



Developing commercial acumen is a mix of logic and magic built over time. In many instances the magic comes from being commercially confident and experienced which includes learning through errors of judgement about what to commercially say or do in specific situations.

The logic is combining existing skills



and applying them to the new currencies of growth, efficiency and engagement.

The first 30 day challenge is grounded in logic and enabled by curiosity, being nosey to know your customers business!



Challenge 1.

Build a picture of the commercial challenges of 1 customer →

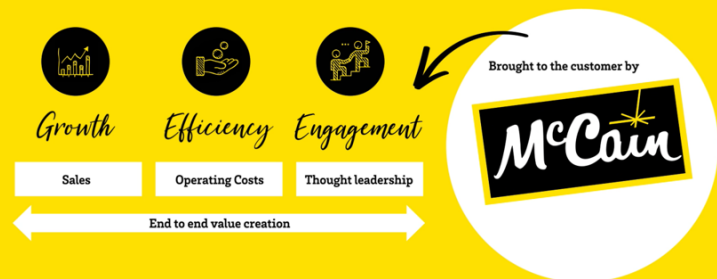


Choose 1 customer whose business challenges you want to understand better to fuel a smarter business conversation, **OR**, whose behaviour is causing them and McCain some operational challenges e.g. they are ordering erratically or in partial pallets which needs to be the basis of a smarter business conversation.

Challenge 2.

Challenge 3.

The end in mind – a detailed understanding of the customers commercial challenges anchored against the new currencies so that we can identify ways to help them and deliver profitable topline growth to McCain.



Brands	Sales \$bn	Operating profit %	Incremental sales to get \$10k operating profit
Kroger	\$122	1.8%	\$545k
Sysco	\$55	1.4%	\$715k
Yum!	\$6	36%	\$27.7k
McDonald's	\$21	25%	\$40.0k
Red Robin	\$1.5	19%	\$52.6k
Regional privately owned chain	-	15%	\$66.6k

Many customers are working on smaller operating profit than their suppliers. This means that suppliers are the natural go-to support for financial improvement. Being proactive with mutually beneficial support means that McCain is seen a real partner.

The incremental sales is calculated as:

10,000/0.018 = \$545k Kroger

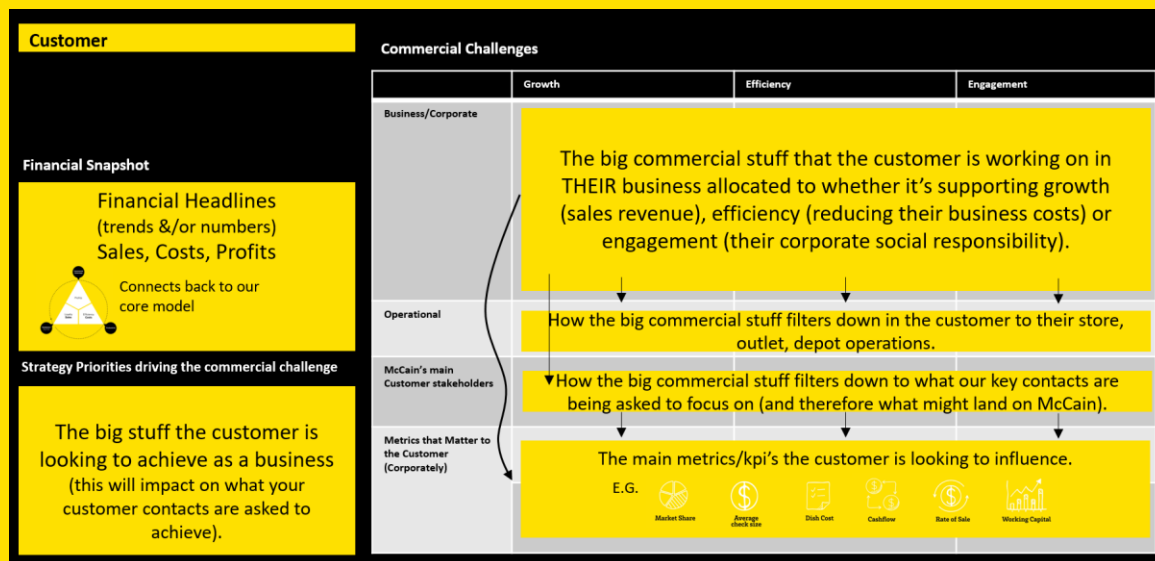
10,000/0.018 i.e. operating profit%=\$545k Kroger

To generate \$10k of operating profit, Kroger must sell an extra \$545k across any products (not McCain specific).

The **end in mind** from this challenge is that for your nominated customer you have built out as complete a picture as you can from questioning and listening to the customer **AND** doing some investigative work about their business which should then be on-going.



The big buckets to try and get a view on:



Challenge Tool completed example:

Financial Snapshot

	2017 (\$ mns)	2016 (\$ mns)	2015 (\$ mns)
Sales	\$ 122,662	\$ 115,337	\$ 106,830
Merchandise costs, including advertising, warehousing, and transportation, excluding items shown separately below	95,662	89,502	85,498
Operating, general and administrative	21,568	19,176	17,946
Rent	911	881	723
Depreciation and amortization	2,436	2,340	2,089
Operating profit	2,085	3,436	3,576

Summary: Increases in costs outpacing sales growth which is negatively impacting operating profit
THEREFORE ... Likely to want to maintain sales growth BUT get more efficient to recover profit.

Strategy Priorities driving the commercial challenge

Purpose: Feed the Human Spirit

Vision: Serving America through food inspiration and uplift

Redefine Grocery CX

- Drive & Personalization
- Digital
- Reuse Optimization

Partner for Customer Value

- Infrastructure & technology
- Logistics
- Alternative revenue
- Private Labels
- Smart Pricing

Develop Talent

- Associate Experience
- Investing in and retaining store associates
- High performing leaders and teams

Use Our Purpose

- Zero Hunger | Zero Waste
- Our Customers Our Values | Our Promise

Create Shareholder Value

- Free cash flow
- Operating margins

NOT all customers will have this level of openly accessible information but we can form a picture e.g. by asking a Regional Chain "What are the big things you're working on this year?" or "What are the biggest business challenges you're anticipating having to deal with this year?" will help you to form a picture.

Getting started



1. For your nominated customer reflect on what you know &/or think you know about their commercial challenges from discussions that you've already had. Capture it on the Challenge Tool.
2. Hit the www with some searches on the customer to see what you can find:
 1. If it's a public business there will be published full year results and most of the time these are accompanied with explanations of "why" and what will be the focus for the following year.
 2. Look at their corporate sites, social media platforms, e-comm. platforms, menu's – all of these will give you clues about where their focus lies e.g. e-comm, delivery services are focussed on sales revenue BUT must be done in away that's operationally sensible and not driving up costs.
 3. Go in store/outlet or depot and observe what's going on as a consumer/shopper and then back of store/house as a supplier. What do you see? Who can you talk to and uncover the "why's?" or "why not's?" e.g. "Why are you breaking down pallets? What stops you from getting stock on to shelves? What are your biggest day to day problems?"

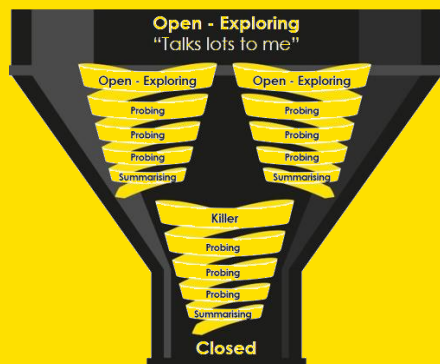
What does this tell you about the customer's Operational challenges?

Make a connection to Growth, Efficiency or Engagement and add to the Challenge Tool.

3. Based on how your Challenge Tool is starting to shape up think about where you have knowledge gaps and who you know in the customer that you could talk to. This may highlight that we only have a limited network so it may prompt you to ask for introductions from people you feel you can ask, OR, it will prompt a conversation with people you know.

Either way you need to think about the questions to ask so that they are talking and you are listening! It may feel uncomfortable but most people want to talk about their business and will be pleased that you've asked.

4. Focus on big open questions and remember to probe in a conversational (not interrogative way) and lead in to why you're asking e.g.



"I was looking at / talking to / reading about what, why, how .."

"I think you're leading in to a new financial year ... what, why, how .."

"One of the things I've noticed is ... what, why, how .."

Actively listen and use their language to probe and get real clarity e.g.

"You mentioned you were looking to bring a better guest experience to drive average check size – experience can mean different things .. What do you mean by a better guest experience?."

Remember to summarise back to what you've heard and ask 2 high gain questions:

- a) Open: "How would you prioritize the importance of fixing the commercial challenges you've talked about?"
- b) Closed: "Is there anything I've missed or summarized incorrectly?"

After the discussion, reflect on what you've learned. Make a connection to Growth, Efficiency or Engagement and add to the Challenge Tool.

- 5. Look at the picture you've started to build out. Can you see any connectivity between the commercial challenges and,
 - a) requests that you've been receiving from the customer?
 - b) things you see happening across their business e.g. in stores, outlets or depots?
- 6. Share and socialise the picture you've built with your team and Line Manager before moving in to Challenge 2.

