

OVERVIEW OF FOODSERVICE PRICE STRUCTURES AND IMPACTS - *DELIVERIES*

	National Bracketed Delivered		Zone Bracketed Delivered		
ISSUE	Fixed	Floating	Fixed	Floating	FOB Plus Freight
Price Basis	Each <i>customer</i> is locked into a bracket based on order size history	Each <i>order</i> is assigned to the proper price bracket based on order size	Multiple Price Lists, based on geography or freight lane costs Customers locked into brackets	Multiple Price Lists, based on geography or freight lane costs Bracket assigned by order size	Price List and invoices show price of product at plant warehouse and/or DC. Actual freight or pre-established freight rate per lb is applied to order.
Distance	Close customers subsidize distant customers		Most subsidies eliminated via zone assignment		Distant customers generally pay more than close customers
Order Size	Small-order customers pay more than large-order customers		Small-order customers pay more than large-order customers		No impact, unless freight rates are adjusted for order size
Consistency	Provides potential to lock in all locations of corporate distributors to the same bracket	No consistency among distributors or orders	No consistency among distributors	No consistency among distributors or orders	No consistency among distributors or orders
Administration	Must be reviewed and adjusted regularly	Minimal	Must be reviewed and adjusted regularly	Minimal	Freight rates must be maintained and updated regularly

OVERVIEW OF FOODSERVICE PRICE STRUCTURES AND IMPACTS – CUSTOMER PICKUPS

	National Bracketed Delivered		Zone Bracketed Delivered		
ISSUE	Fixed	Floating	Fixed	Floating	FOB Plus Freight
Price Basis	Truckload or appropriate bracket		Truckload or appropriate bracket		FOB Plant or DC, as appropriate
Allowance	Generally “per lb” based on customer zip code, pickup location, and freight cost table		Generally “per lb” based on customer zip code, pickup location, and freight cost table		None
Distance	Distant customers receive higher allowance based on manufacturer savings, but also incur higher freight costs		All customers in a given zone should receive same pickup allowance		No impact on price
Order Size	If Truckload bracket is provided on all pickups, it can incent smaller orders. Some manufacturers set a high minimum (1/2 TL) on pickups		If Truckload bracket is provided on all pickups, it can incent smaller orders. Some manufacturers set a high minimum (1/2 TL) on pickups		No impact on price
Consistency	No consistency among distributors		No consistency among distributors		All customers who pick up receive same FOB price
Administration	Pickup allowances must be maintained and updated regularly. Often subject to debate with distributors.		Pickup allowances must be maintained and updated regularly. Often subject to debate with distributors.		If FOB pricing is used for pickups, and bracketed pricing for deliveries, the differential must be maintained (and defensible) when prices are increased

OVERVIEW OF FOODSERVICE PRICE STRUCTURES AND IMPACTS – *BENEFITS AND RISKS*

	National Bracketed Delivered		Zone Bracketed Delivered		
	Fixed	Floating	Fixed	Floating	FOB Plus Freight
Overall Benefits	<ul style="list-style-type: none"> ▪ Distributors like predictable pricing ▪ All locations of corporate distributors can be priced the same 	<ul style="list-style-type: none"> ▪ More accurate linkage of price with cost 	<ul style="list-style-type: none"> ▪ Reduces amount of subsidies ▪ Requires maintenance of CPU Allowances, but fewer than with national pricing 	<ul style="list-style-type: none"> ▪ Reduces amount of subsidies ▪ Requires maintenance of CPU Allowances, but fewer than with national pricing 	<ul style="list-style-type: none"> ▪ Clearest separation of product costs and logistics costs ▪ Consistent pricing among all distributors who pick up
Overall Risks	<ul style="list-style-type: none"> ▪ Creates subsidies ▪ Requires regular review of customer order patterns ▪ Requires maintenance of CPU Allowances, and often leads to debate with customers over “fairness” 	<ul style="list-style-type: none"> ▪ Creates subsidies ▪ No consistency among distributors or orders ▪ Requires maintenance of CPU Allowances, and often leads to debate with customers over “fairness” 	<ul style="list-style-type: none"> ▪ Requires maintenance of multiple price lists ▪ No consistency among distributors ▪ CPU Allowances subject to debate 	<ul style="list-style-type: none"> ▪ Requires maintenance of multiple price lists ▪ No consistency among distributors or order sizes ▪ CPU Allowances subject to debate 	<ul style="list-style-type: none"> ▪ Freight rates must be maintained ▪ No consistency among distributors on deliveries ▪ Delivered price to distant customers may be uncompetitive vs. local suppliers