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Summary of “A Conversation with UNFI”, Featuring John Raiche, UNFI’s Executive Vice President, Supplier Services.

HEI Webinar Series April 15, 2020

May 7-8 Hirshberg Institute Scheduled for May 7-8 \$50 <https://hirshberginstitute.com/boulder-2020/>
May 29 senior executives from KEHE ncg and infra joining for webinar and Q&A. https://zoom.us/webinar/register/2915868841318/WN_r-0jLeUhQjyLA7nHhV4d2w
The full list of webinars- <https://hirshberginstitute.com/webinar-series/>

UNFI supplier support site <https://unfinc.zendesk.com/hc/en-us>

UNFI Blog <https://unfinc.zendesk.com/hc/en-us>

John Raiche Notes

- Demand
 - in natural stores hit about 10 days before it hit the conventional stores
 - The expectation that the pantry loading would lead to a follow on dip has not happened. The consumer purchase pattern seems to be continuing since they are now spending a lot less than the traditional 50% of their food dollar away from home
 - More than 50% of business travelers say they won’t be comfortable getting on a plane in 6 months.
- New Normals of demands/fundamental shifts
 - Hygiene products will go up.
 - In home prep ingredients will go up
 - Bulk, salad bars and self serve will go down.
 - Anything with high human touch or potential for consumer touch will see a dip
- What can suppliers do?
 - How can you keep stock on shelves.
 - Think through the supply chain to make sure that the entire chain is strong.
 - Think through your co-packer relationships
 - If you need to skinny down your product mix to be able to support the needs of the market. Example- A midsize company that supplies UNFI is reducing their sku count from 100 items down to 4.
 - Communicate with your RSM and UNFI receiving with any short shipments, late shipments or cancelled shipments. Yesterday there was a 50% no show at one DC which

means that we are not maximizing the opportunity to bring needed inventories into UNFI DC's

- SupplierPandemicPlanning@unfi.com is manned almost round the clock. Let them know of no shows, late or shorted shipments as soon as you know. Can also ask questions.
- How is UNFI changing
 - SupplierPandemicPlanning@unfi.com Hotline
 - Unfi.com link to the supplier blog
 - UNFI would like to be helpful in advising brands on how they may want to skinny down their line.
 - UNFI will help brands get those suspended products back onto the shelf.
 - Can help providing freight resources.
 - Morale is great despite how much there is to do because people feel they are serving a real purpose.
- How do we deal with promos:
 - No one right answer. Some are promoting, some are not.
 - Any promo that is in flight meaning that it is already in the retailers planning grid, UNFI cannot cancel that promotion.
 - If a promotion can't be cancelled and the brand shorts the product, there will be no penalty during this COVID period, except if UNFI has to sell full price inventory at a discounted price. In that case, they will look to recover the difference between the full price and the discounted price from the manufacturer.
 - UNFI marketing programs (i.e. speed to shelf) have been suspended. Once the desire from retail returns, so will the programs.
 - UNFI will be interested in promoting things that brand can assure supply on.
 - UNFI will be looking to brands on quick turnaround promos as the environment changes primarily digital.
- Pricing and Promos
 - Price changes are becoming more complex than he expected.
 - Suggesting that brands do anything they can to put off price increases.
 - Retailers don't have time or interest for price increases, new items or new marketing programs right now.
 - Price increase that had been submitted prior to this will likely go through.
 - The various state laws can be difficult to navigate. One state's position is that any price increase on any food item will constitute price gouging.
 - California's threshold for review is 10%. You'd have to be able to defend that increase. This stays in effect through September 2020.
- Orders and fulfillment
 - Some have concern that UNFI is overordering. UNFI is ordering what they think they need and not excess.
 - UNFI recognizes that the orders coming in from stores are inflated because stores will order the same item tomorrow for the item that didn't come in on today's load.
 - The vast majority of UNFI's 20,000 workers are working and working extra hours to make sure the product keeps flowing.
 - UNFI has hired Food Service Distributor employees and obtained usage of their equipment to increase capacity.
 - [Priority Order Selection](#)
 - In the worst days of the spike, DC's were experiencing 400% over their total capacity.

- Order caps had been placed by customer. The retailer decides what is most important to them. UNFI does not prioritize.
 - Those caps have been reduced dramatically to the case where there are only a handful of DC's that still have caps.
 - UNFI has had to do some rationing on some orders, but that has abated
 - The amount of shortages from suppliers is significant and has actually made it easier for UNFI to not have to ration and cap orders.
- Forecasting
 - 300,000 items 8,000 suppliers, 40,000 retailers, 60 DCs
 - System driven purchasing.
 - System is designed to kick out exceptions. They are trying to review those kick outs, but can't get to them all.
 - If brands think that the numbers do not make sense, they should reach out.
 - If brands push back on a high number directly with UNFI and UNFI still requests the quantity, the brand will not be held responsible for inventory above with the supplier guided UNFI to order
- Accounts Payable
 - UNFI has no intention of slowing down payments to suppliers.
 - Their cash is good.
 - Biggest challenge for them is the productivity of people working from home and the sheer volume of payables to handle.
- Is there drop of in demand for premium items (organic, luxury).
 - There was a drop off in demand through the end of March. Other countries that are further along the curve than we are seeing them come back. We should expect the same.
 - Service level from gourmet suppliers appears to be very bad.
- Turnover orders now require 72 hour notice
 - Resets- don't expect them in June. Perhaps not until September, but no one knows.
 - UNFI Fees
 - No shortage fees
 - Late or missed appointment fees waived for 30 days.
 - Freight shortage fees will continue (if you had 10 pallets pick up planned and you only have 5 pallets and didn't give notice, freight fees will be charged), but if you give UNFI advance notice will do all possible to avoid fees
 - UNFI is extremely interested in hearing from smaller suppliers (i.e. UNFI Next team). The bad news is that retailers don't have an appetite right now to take on new items.
 - Private Label v. Brands- initial uptake in private label at the earlier stages, primarily because of higher UNFI inventory levels. That has dissipated.
 - Gary Hirshberg advocates sku rationalization as a way to improve your business and also suggests prioritizing larger sizes right now.
 - Unexpected information
 - Cereal and Soup had been way down over the past years, but now they are booming.
 - Ramen is now out of stock for the next 45 days.