

VENDOR CONSOLIDATION INITIATIVE (VCI)



*Core-Mark leads the way
in logistic solutions*



*Core-Mark has an
opportunity to
improve your profits*

Since 1888, Core-Mark has been a proven leader of logistic solutions geared towards the Convenience Retail Industry. By pioneering and re-engineering a new distribution model, Vendor Consolidation Initiative (VCI), we optimize the Retailer/Supplier relationship which generates sales increases with better gross profits while reducing costs via improved operating efficiencies.

- Lower Cost of Goods and Reduced Operating Costs
- Reduced Transactional Costs
- Improved Capital Investments
- Increased Cash Flow
- Reduced Out-Of-Stocks
- Form a Strategic Partnership Between the Retailer and Core-Mark



Lower Cost of Goods and Reduced Operating Costs

Including all cost allocations from manufacturers, the average cost to handle a Direct-Store-Delivery (DSD) product is \$0.54 compared to a Core-Mark cost to handle of \$0.41*. There are embedded DSD costs: storage, transportation, refrigeration, idle truck time, sales reps visits, etc. In order for a DSD to be effective and profitable, they must sell their total portfolio regardless of how items sell in the retail store. Whereas, Core-Mark can offer you the top selling items, across all categories, regardless of the manufacturer. Our focus is on making you more money, not selling you everything we carry.

** Willard Bishop Super-Study, 2013.*

Reduced Transactional Costs

It becomes expensive for Retailers to meet with, order from, pay invoices to, keep track of promotions, manage credits, accept deliveries, and reconcile with multiple DSD suppliers. A study performed by Bishop Consulting indicated a saving per transaction of \$25 when figuring invoices, payments, credits, and other handling.

Solution

Envision multiple trucks with multiple deliveries streamlined into one Core-Mark truck for one delivery.

Our tri-temp trailers allow us to deliver product from three temperature zones: ambient, refrigerated, frozen.



Improved Capital Investments

Core-Mark's VCI program is built on "just in time" delivery service. "Just in time" allows the Retailer to reduce the total inventory on hand with the confidence that the stock will replenish as needed.

Lowering the inventory on hand with the same frequency of sales creates a higher turnover rate on the retail inventory yielding a better return on their capital investment.

Increased Cash Flow

Through SKU rationalization and having the top selling items with the highest velocity of turns, Retailers are recognizing the most sales and profits from the inventory. When products sit on the shelf, their value is diminished. Inventory Turnover is measured as the sum of cost of goods sold divided by inventory investment. Current Industry inventory turns are 12 which is mid-range between the best at 15 and worst at 9. This is important because the carrying cost of inventory may range between 6% – 24% of assets.

Reduced Out-Of-Stocks – Increase Sales

The average in store out-of-stock rate is 8%. When items are out-of-stock, 55% of consumers will walk away without buying anything, including 31% who will buy something elsewhere, resulting in a lost sale from your store.* Improving your out-of-stock condition will help prevent consumers from doing a variety of things that might harm your bottom line.

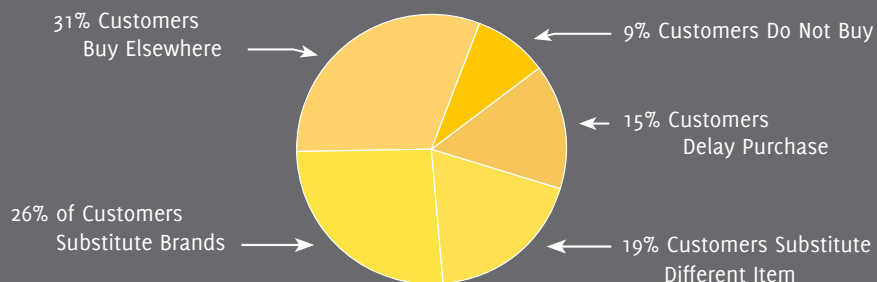
** GMA Study, a comprehensive guide to retail out-of-stocks.*

Strategic Partnership Between Retailer and Core-Mark

DSD companies are limited in their knowledge of the store with their focus only being on some select, specific categories. As Business Consultants, Core-Mark has expertise that encompasses the total store. We can help make you more money by getting the product assortment right. The top 48% of all SKUs drive 95% of sales.* That means that the bottom half of SKUs only deliver 5% in additional sales. We can optimize the assortment and rationalize the lower performing items, with fact-based information and details, eliminating the emotional connection to DSD suppliers. This full service, total store business perspective will profitably grow your business, making you viable for long-term success.

** Willard Bishop Super-Study, 2013.*

When You're Out-of-Stock, Consumers Do...

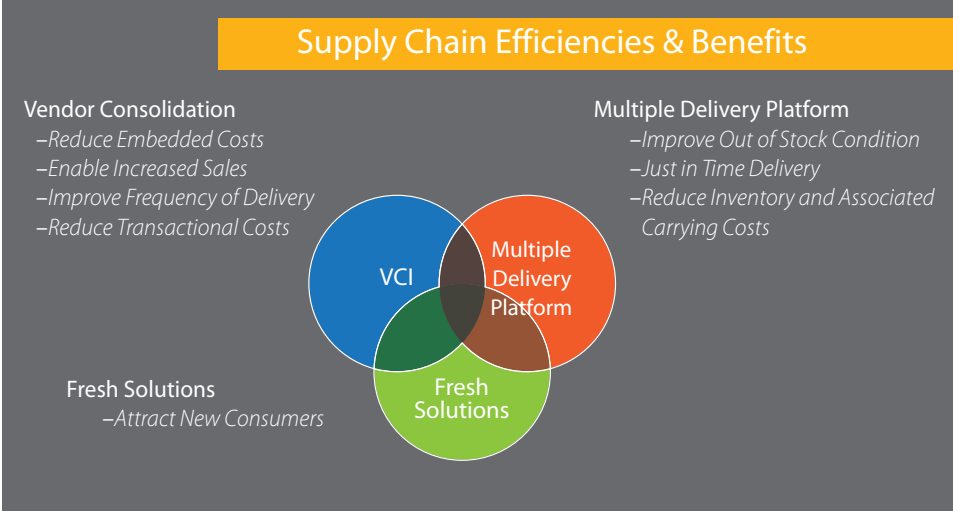


Source: A comprehensive guide to retail out-of-stocks

Sponsor: P&G/Food Marketing Institute/Grocery Manufacture Association/NACS

Vendor Consolidation Initiative (VCI)

The objective is to build a supply chain that focuses on maximizing value to our Retail Partners and ultimately the consumer. VCI will help save time and money. It also creates a platform for new concepts, such as Fresh (fruit, fresh sandwiches and salads, dairy, and meat), that will enhance the Retailer's offering to consumers, separate them from competition, and increase sales with higher basket rings.



Next Steps

Discuss VCI with your Core-Mark representative to identify how our Vendor Consolidation Initiative can work for you and your store. We are ready and eager to assist in growing your bottom line sales and profits.

Multiple Delivery Platform

Multiple weekly deliveries can be achieved by consolidating orders through Core-Mark. Qualifying for multiple weekly delivery allows Retailers to participate in programs, like Fresh, that will positively grow store sales, improve consumer perception of the store, and keep the store relevant in the minds of consumers.





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