

Maximize Foodservice Margins with Smart Management

Foodservice is getting a good amount of attention recently, and rightfully so. It is no secret that some retailers are pulling in impressive profits in this category, while others are struggling. The question is, why are the results so different? Undoubtedly, foodservice can be a profitable venture, but, to do it right, you have to understand all the pieces that affect your margin, and you have to know how to measure success.

Foodservice is a unique category. NACS defines Foodservice as, “The practice of making, serving and dispensing prepared foods. In convenience stores, this category includes non-packaged consumables: food prepared on-site, commissary/packaged sandwiches, hot dispensed beverages, cold dispensed beverages and frozen dispensed beverages.” This includes things like, made-to-order (MTO) sandwiches, and commissary items made and assembled off-site by a central bakery, kitchen or grocer.

The foodservice category is part of inside sales and this past year’s performance indicators show that inside sales are worth your focus. According to the NACS State of the Industry report released in April, inside sales were up 3.2% in 2016, totaling \$233 billion in sales. What contributed to that growth? Lower fuels prices and an increase in the job market meant that the consumer had more money to spend inside the store.

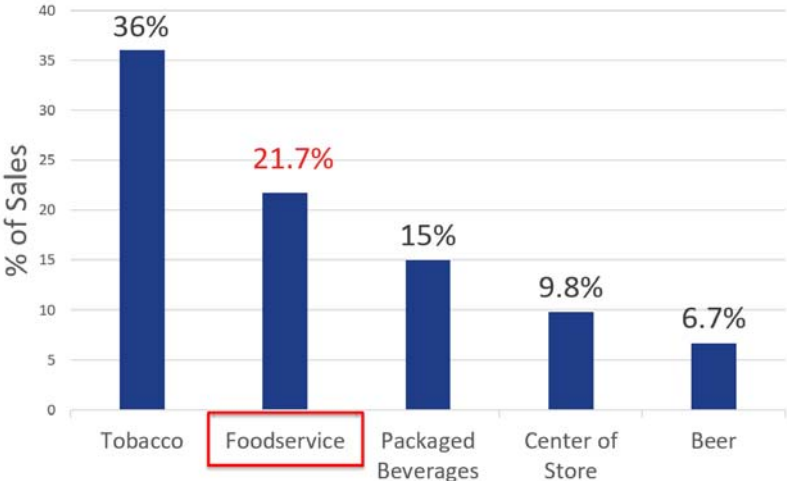


Exhibit A

Looking at the indicators from a category perspective, last year’s top 10 categories represented approximately 80% of the total inside sales. In the top 5 (Exhibit A), tobacco is still the top performer at 36%, but foodservice is running a strong second at 21.7%. These are followed up by packaged beverages at 15%, center of the store, including snacks and candy, at 9.8%, and beer in 5th place at 6.7%. While tobacco is still the top performer, it is consistently at risk with the regulations and taxes imposed on this category. With the uncertainty surrounding tobacco, over the past several years foodservice has emerged as a potential replacement, a replacement with much room for growth.

FOODSERVICE PERFORMANCE 2015 VS 2016

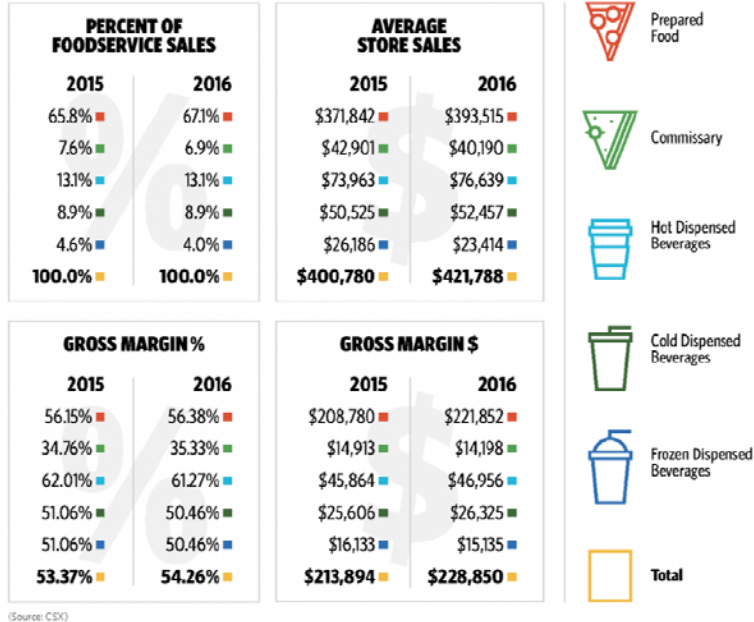


Exhibit B

Drilling into the foodservice category even more, we can compare 2015 to 2016 to further investigate the trends. CSX published a year over year (YoY) comparison of the different foodservice subcategories (Exhibit B). Prepared food percent of sales increased by 1.3%, commissary had a modest increase of 0.7%, hot and cold dispensed stayed the same, while frozen dispensed fell off a bit by -0.6%. Overall, retailers saw a slight bump in inside sales as a whole with a nearly 1% increase in gross margin percentage and a \$15k increase in gross margin dollars.

KEY ELEMENTS AFFECTING MARGIN

Clearly foodservice margins are improving overall, but how? Some key elements affect these margins:

1. Vendor Relationship - Ensure your foodservice goals align with your vendors' goals, and that you take full advantage of their expertise and resources.
2. Foodservice Production – Pay attention to all the production details to stay on top of your costs. Use of recipes and consistency in production all work together to give you better control of your margins.
3. Register Sales – Focus on how you are ringing up your foodservice items. Capturing the detailed sales data at the POS and charging for add-ons lets you recognize trends, see sales by time of day, and pinpoint margin problems fast.
4. Inventory Control – Confirm that you have a detailed view of your inventory. Make sure you know what items make up your shrink, and what and how much you are writing off.

It is the retailer's attention to these elements that makes the difference between a poor performing category and a winning one. To make your foodservice category a success, there are some concrete

ways to tighten up controls and benefit from technology.

1. VENDOR RELATIONSHIPS

One way to improve is by nurturing your vendor relationships. A true partnership with strong communication can improve your foodservice category margins. Communication, technology and automation work together to virtually eliminate common issues.

Smart Receiving

Now is the time to strengthen your vendor connection and come up with a foodservice program that is mutually beneficial. Make sure your goals are aligned - if your focus is on prepared Made to Order (MTO), or commissary fresh foods, you need to communicate that to your vendor to help guarantee they present the right products and adhere to your corporate policies on bringing in new items.

Leverage technology when and where you can. For example, handheld scanners not only allow your managers to easily receive merchandise, but they also act as a gate keeper if your vendor attempts to bring in unauthorized product substitutions. When you order something that is not available, any vendor substitutions should be approved by you to prevent stocking underperforming items. If you do allow a vendor to bring in new, comparable products, pay attention to the cost and set your price to guarantee your margin.

Another technology to make use of is Electronic Data Interchange (EDI) files. Most wholesale grocers provide this as an easy way to get their receivables into your accounting system. This means time savings for your staff, since the invoice does not have to be manually posted and there is less room for time-consuming mistakes.

Automatic Reorder

There is also plenty of room for additional control in the ordering process. Make sure ordering is in line with your sales so you get optimal deliveries – the right quantities at the right time. Implement Automatic Reordering with your vendors. This is also known as Build-to, Computer Assisted or Computer Aided ordering. Based on your sales and inventory data, you can automatically create an electronic order for your vendor. This is a great way to ensure that you only order what you need, when you need it.

Item	Pk	Vendor Item #	VP	Current Qty on Hand	Sales	Average Daily Sales	Estimated Days Covered	Estimated Out Of Stock Date	Projected Qty Prior to Delivery	Desired Qty After Delivery	Suggested Build To Qty (VP)	Suggested Order Qty (VP)
Store: 123												
Vendor: EBY BROWN												
FOOD SERVICE												
SAUSAGE EGG CHEESE CROISSANT	1	583567	12	12.000	73.000	2.355		5 09/11/2017	4.935	16.485	2	1
SAUSAGE EGG CHEESE WRAP	1	583559	12	2.000	53.000	1.710		1 09/07/2017	-3.130	11.970	1	1
SAUSAGE EGG CHEESE MUFFIN	1	728980	12	10.000	68.000	2.194		4 09/10/2017	3.418	15.358	2	1
SAUSAGE EGG CHEESE BISCUIT	1	521021	12	36.000	59.000	1.903		18 09/24/2017	30.291	13.321	2	0
CHICKEN SANDWICH	1	390336	12	10.000	8.000	0.258		38 10/14/2017	9.226	1.806	1	0
SPICY CHICKEN SANDWICH	1	390369	12	7.000	15.000	0.484		14 09/20/2017	5.548	3.388	1	0
CDN BACON EGG CHEESE MUFFIN	1	729004	12	13.000	54.000	1.742		7 09/13/2017	7.774	12.194	2	1
MAPLE PANCAKE SAUSAGE SANDWICH	1	779793	12	13.000	47.000	1.516		8 09/14/2017	8.452	10.612	1	1



Sales Basis: Saturday, 7/1/2017 To Monday, 7/31/2017
 Delivery Date: Friday, 9/8/2017

Selection Criteria: Desired Days on Hand: 7 • Prime Vendors: All • Companies: All • Regions: All • Districts: All • Stores: Categories: FOOD SERVICE • Item Pack: • Item Tag Selection: N/A • Item Tags: All • Item Classes: WARMER • Include Inactive Items: No
 • Sort By: Store/Vendor/Category

Exhibit C

As an example, Exhibit C highlights the Sausage Egg and Cheese Wrap. There are two in stock and 1.71 are sold each day. The report estimates that the wrap will be out of stock on 9/7. With the delivery date of 9/8, the report shows that we will have lost the opportunity to sell 3.13 wraps. It is time to increase the order amount or pull in the delivery date. Leveraging tools like this will help eliminate costly out-of-stocks.

Also consider partnering up on promotions with your vendors. Leverage their insights and marketing resources. An ideal vendor will approach you with ideas and be willing to invest some capital in your programs. For example, if you want to run a sandwich, chip and drink promotion, your vendor should be willing to help fund that special. You should also feel comfortable approaching your vendor with your own promotion ideas and soliciting their help.

For example, one retailer with a coffee bar recognized the added cost of related items, like cups and stirrers. The retailer was able to negotiate a deal with the vendor where the vendor covered those additional items and the retailer guaranteed an increased minimum sales figure. Both were happy with the deal and, ultimately, both saw an increase in sales.

2. FOOD PRODUCTION

Vendors are one piece of the puzzle, but there is also plenty of margin control to be gained from looking at your food production. Production is all that goes into creating your finished product, including all of the ingredients. Retailers often find that moving into foodservice comes with some real changes in store policies and procedures, so taking stock of these and being willing to make adjustments as you move forward is essential. Mary Lyden of truenorthern shared that “Foodservice changes the dynamics of a store by almost 100%.”

Implement Recipes

Recipe Item: PIZZA SLICE Pack: 1 Category: Food Service

Process as Recipe Effective Date & Shift: 1/ 1/2017 1 Subcategory: Food Service

Comment:

Ingredients							Total 3
Ingredient	Pack	# Portions	Portion Size	Portion Size Description	Category	Subcategory	
▶ INGREDIENT SHREDDED CHEESE	1	2.000000	1.000000	Ounce	Food Service	Food Service	
PIZZA DOUGH	1	0.125000	1.000000	Each	Food Service	Food Service	
PIZZA SAUCE	1	1.000000	1.000000	Ounce	Food Service	Food Service	

Add Delete

Expense Add-ons							Total 1
Expense Add-on	Pack	# Portions	Portion Size	Portion Size Description	Category	Subcategory	
▶ PIZZA SLICE BAG	1	1.000000	1.000000	Each	Deli Supplies	Deli Supplies	

Add Delete

Exhibit D

Recipe Management is a crucial topic in the production process. Include all the costs in a foodservice item recipe and pay close attention to portion size. Exhibit D shows a pizza slice with the ingredients, including portion size information, and the add-on expense of a pizza bag. Let your technology work for you to calculate the costs based on your portion sizes and controls. Even if you only use a roller grill and sell fountain drinks, you can more accurately manage your costs by including add-on expenses to gain important margin control. Using recipes will ensure that you account for all these costs.

View Recipe Margins

Recipe	Pack	Effective Date	Effective Shift	Store	Store Name	Retail	Promo Retail	Ingredient Price	Expense Add-on	Gross Margin	Gross Margin %
PIZZA SLICE	1	1/1/2017	1	103	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	106	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	107	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	108	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	115	Customer Demo	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	118	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	119	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	130	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	135	Training Store #	.99		0.478625	0.024050	0.492247	49%
PIZZA SLICE	1	1/1/2017	1	149	Training Store #	.99		0.478625	0.024050	0.492247	49%

OK

Exhibit E

As you create and manage recipes like the pizza recipe, you need to have good visibility into ingredient pricing and margin information. Tools like a recipe report (Exhibit E) allow you to set the desired margins. Then you can compare these to actual activity.

Keep in mind, however, that consistency is important. Once a recipe is set up and rolled out to multiple stores, it is essential that each of the stores follow the recipe in order to have accurate margins. Portion sizes will affect the margin, so have a clear policy. If extra cheese is added to a sandwich, then that add-on cost and price needs to be acknowledged, otherwise, your margin may erode without a clear understanding of why.

Equipment Costs

Foodservice equipment and maintenance is, as Mary Lyden of **truenorth** put it, “critical to a good, consistent product.” You have to be cognizant of this important and substantial expense and be sure that your margins can support it. Tight control and accurate numbers are more important than ever. Of course, equipment maintenance is part of your store general expenses whether or not you implement foodservice, but with foodservice it becomes that much more critical.

3. REGISTER SALES

Once recipes have been set up and the production process has taken place, the next thing to focus on is register sales. With POS devices you can take advantage of detailed sales data. Valuable analysis can uncover things like trends and popular items, so you can quickly react.

Top Selling Items

Rank	Description	Units Sold	Dollars Sold	Total Cost	Gross Profit	Margin
Store: 19						
1	PLAIN DONUT	662	\$655.38	\$395.54	\$259.84	39.65%
2	FANCY DONUT	96	\$95.04	\$59.88	\$35.16	36.99%
3	SAUSAGE EGG CHEESE CROISSANT	64	\$169.76	\$78.17	\$91.59	53.95%
4	12" CLUB SUB	62	\$309.38	\$202.02	\$107.36	34.70%
5	SAUSAGE EGG CHEESE MUFFIN	59	\$157.81	\$73.52	\$84.29	53.41%
6	EGG SALAD ON WHEAT	55	\$183.95	\$118.21	\$65.74	35.74%
7	SAUSAGE EGG CHEESE WRAP	55	\$147.25	\$68.14	\$79.11	53.72%
8	BURRITO EGG BACON HASHBROWN	46	\$141.64	\$58.92	\$82.72	58.40%
9	ITALIAN SUB	43	\$197.37	\$127.86	\$69.51	35.22%
10	HOT DOG	42	\$60.42	\$35.99	\$24.43	40.43%
11	CDN BACON EGG CHEESE MUFFIN	41	\$109.59	\$50.28	\$59.31	54.12%
12	SAUSAGE EGG CHEESE BISCUIT	41	\$109.59	\$49.94	\$59.65	54.43%
13	MEAT SUB	39	\$191.61	\$122.76	\$68.85	35.93%
14	BURRITO EGG BACON HASHBROWN	36	\$113.44	\$58.84	\$54.60	48.13%
15	PB & J SANDWICH	32	\$37.08	\$21.54	\$15.54	41.91%
16	SALAMI SANDWICH	31	\$61.69	\$36.46	\$25.23	40.90%
17	CALZONE PEPPERONI	30	\$62.50	\$28.14	\$34.36	54.98%
18	CHIPOTLE CHICKEN BURRITO BOMB	29	\$33.31	\$18.76	\$14.55	43.68%
19	CHICKEN SANDWICH	28	\$85.82	\$36.60	\$49.22	57.35%
20	CALZONE SAUSAGE & PEPPERONI	28	\$93.22	\$49.96	\$43.26	46.41%

Exhibit F

Exhibit F lists the 20 top selling items and their margins. Because they have been rung up using a UPC or item-specific PLU, rather than as an open department, this kind of accurate margin reporting is available. If possible, take advantage of a pricebook that is designed to automatically create UPCs.

Store Traffic by Day Part

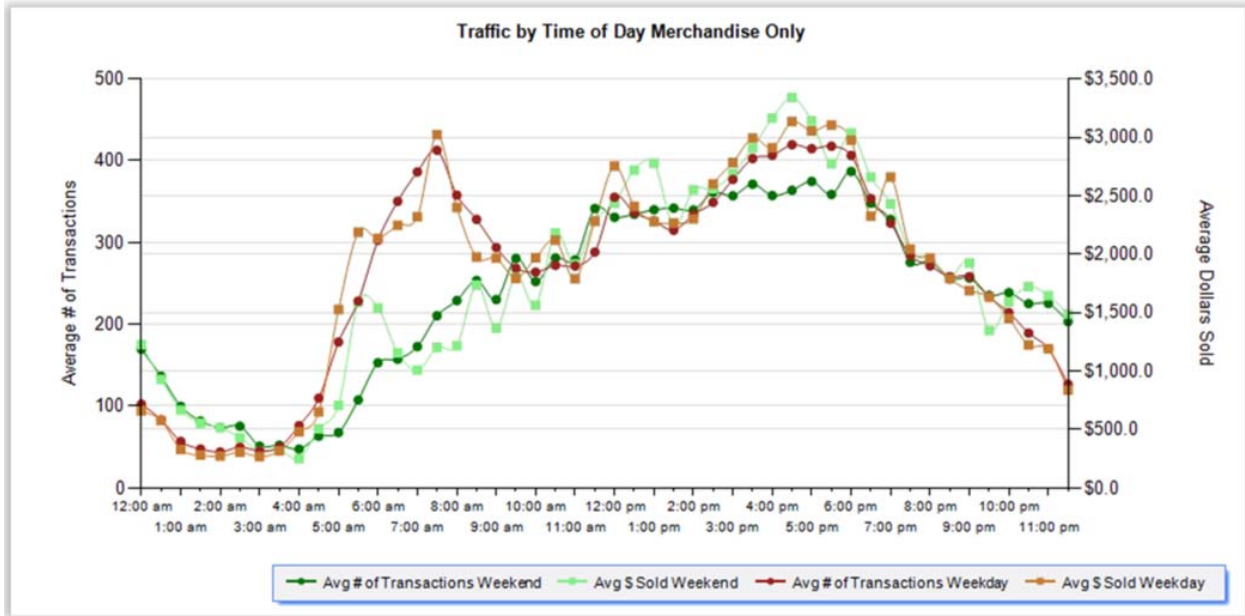


Exhibit G

Profitable foodservice management is also about timing. What is the optimal time to set out foodservice items and to add or remove staff in order to maximize sales and minimize waste? Exhibit G is a Day Part report that shows a sales comparison of weekday versus weekend. During the weekend, sales slowly climbed and peaked around 6:00pm, but, during the weekdays, sales were at their peak at 7:00am and again at 5:00pm. Based on that data you can begin to cater your food offering to those peak sales times and perhaps run a little leaner on staff and food production during the day.

Lastly, you want to be able to definitively answer whether the sales volume supports your labor investment. Are you making enough sales to justify three employees on your morning shift, or do you need even more employees during your peak sales hours? Some retailers believe that in order to successfully implement foodservice, you need to have extra staff during busy hours. And don't forget, clean facilities help sell products, minimizing waste. Keeping counters clean, fountain bars wiped down and cases well-stocked, is important and expected by customers.

4. INVENTORY


The last key element to foodservice success is inventory control - knowing what, how much and when to stock items. Access to item-level detail, synchronization with sales, and automated processes make it

easier to track item costs and maximize margins. Exception reporting and alerts simplify the process by focusing on things that fall outside your tolerance window. No need to sift through pages of reports and data.

Manage Write-Offs

Create an ALERT!

Date / Shift	Item	Pack	GTIN	Quantity	Adjustment Extended Retail	Adjustment Extended Cost	Cost Override	Gross Margin	Adjustment Origin	Adjustment Type	Description / Comment
Store: 1											
Category: FOODSERVICE PREPARED ON SITE - MERCHANDISE (Open Category) Type: Cost											
9/8/2016	2 2PC DRK CHKN PB 6132	1	100000036198	-4.000		-\$3.44			Manual Adjustment	Write-Off	
9/8/2016	2 3 BUFFLO CHKN TNDRS PB 6108	1	300000608672	-2.000		-\$8.79			Manual Adjustment	Write-Off	
9/8/2016	2 8 PC CHKN PB 6504	1	100000901946	-1.000		-\$4.02			Manual Adjustment	Write-Off	
9/8/2016	2 CHIX BREAST EACH 5004	1	5004	-2.000		-\$2.26			Manual Adjustment	Write-Off	
9/8/2016	2 CHIX STRIP EACH 5008	1	5008	-4.000		-\$2.37			Manual Adjustment	Write-Off	
9/8/2016	2 CHIX THIGH EACH 5010	1	5010	-5.000		-\$4.20			Manual Adjustment	Write-Off	
9/8/2016	2 CHSTR SMLL SIDE 5040	1	5040	-2.000		-\$1.50			Manual Adjustment	Write-Off	
9/8/2016	2 CKN TNRD BSKT SNDWCH PB 6007	1	100000812778	-2.000		-\$1.79			Manual Adjustment	Write-Off	
9/8/2016	2 CORNDOG 6000	1	6000	-1.000		-\$0.68			Manual Adjustment	Write-Off	
9/8/2016	2 POTATO WEDGE SMALL CHESTERS	1	5030	-4.000		-\$1.90			Manual Adjustment	Write-Off	



Approval Process Optional

Exhibit H

Even with the best of management, write-offs will happen (Exhibit H). Mary Lyden of **truenorth** shared that the “hard thing about Foodservice is you are going to have waste; it’s the waste that will eat you alive.” The goal should be to closely monitor these write-offs, learn from them, and make constant adjustments to minimize future ones.

The first thing to consider is your company’s acceptance of write-offs. If staff is penalized for waste, they simply may not put out product. Empty display cases may mean lost sales. Instead, see write-offs as an opportunity to test demand and as a tool to hone in on the ideal inventory count.

Another thing to consider is how often your team does write-offs. The recommended practice is to do write-offs at least daily, but it is ideal to look at them at the shift level to help narrow down where issues exists. Let your technology assist you. Create thresholds and system alerts so that, as write-offs are scanned or entered into your system, the proper people get notified of problems. Send alerts to people like your Foodservice or Category manager so they can then take an active role in investigating and correcting issues as soon as possible.

Sometimes the issues can be an unanticipated result of another decision. For example, a retailer once told a story of one of his locations where there were a small amount of write-offs happening at the end of the day. Rather than waste the food, he told the staff to take it home after closing. Soon after this, he noticed that the evening shift write offs increased and remained steady. The staff had begun to put food out right before closing in order to take it home. Keeping a close eye on write offs made him recognize this change in behavior right away and adjust his policy before much damage was done.

Code Dating

Whether you have foodservice or not, you deal with code dating, but foodservice items are more challenging. Fresh foods have a shorter shelf life, so they have to be watched closely for removal when the dates pass. Even things like fountain bibs need to be monitored and written off once expired. Use your software to see trends in these types of write-offs, and react with changes to re-order quantities.

Frozen Food Timing

Not only do you have to think about expiration dates when it comes to controlling your write-offs, but you also have to think about timing with your frozen items. Much of your hot foodservice starts out as frozen ingredients, and you need to manage the thawing time. The ingredients come out of the freezer and into the cooler for thawing, before they get to the grill. Timing this correctly can mean the difference between minimal waste and unacceptable waste. Good timing decisions also mean ingredients are available when there is demand for that item. No thawed ingredients mean lost sales opportunities.

Again, use your software to monitor trends and recognize any timing issues. Too much write-off of ingredients may mean the amount of product thawed is not in line with demand. On the other hand, no inventory of a certain foodservice items may mean lost sales. Use your software to pinpoint any issues and refine your process.

Daily Counts

		Book QoH			Book \$			Audit Count			Audit O/S			GM%					
Date / Shift	Sub category	Imported GTIN	Item	Pack	Track Inv By	Book Qty.	Retail	Extended Book Retail	Extended Book Cost	Imported Count	Audit Count	Weighted Average Cost	Audit Retail	Audit Cost	Over Short Qty.	Over Short Retail	Over Short Cost	GM	WAC Ovr. Exists
Store: 11																			
FOOD Retail																			
4/17/2017	2	THAW HEAT EAT	097488654214	FC-WRAP SW TRKY CHIPTLE	1	Item (Quantity)	6.000	\$4.99	\$29.94	\$20.94	6.000	6.000	3.490000	\$29.94	\$20.94	0.000	\$0.00	\$0.00	30.05%
4/17/2017	2	THAW HEAT EAT	097488000332	LS BBQ PORK RIB	1	Item (Quantity)	6.000	\$3.49	\$20.94	\$13.08	4.000	4.000	2.180000	\$13.96	\$8.72	-2.000	-\$6.98	-\$4.36	37.54%
4/17/2017	2	THAW HEAT EAT	097488000158	LS BIG DADDY CHBROIL CH	1	Item (Quantity)	5.000	\$4.49	\$22.45	\$15.18	5.000	5.000	3.036000	\$22.45	\$15.18	0.000	\$0.00	\$0.00	32.38%
4/17/2017	2	THAW HEAT EAT	097488000516	LS BIG DADDY HAM CH CLUB	1	Item (Quantity)	2.000	\$4.39	\$8.78	\$5.74	2.000	2.000	2.870000	\$8.78	\$5.74	0.000	\$0.00	\$0.00	34.62%
4/17/2017	2	THAW HEAT EAT	097488000523	LS BIG DADDY TKY SW CLUB	1	Item (Quantity)	4.000	\$4.39	\$17.56	\$11.48	4.000	4.000	2.870000	\$17.56	\$11.48	0.000	\$0.00	\$0.00	34.62%
4/17/2017	2	THAW HEAT EAT	097488000486	LS CHIKN SALAD WEDG	1	Item (Quantity)	5.000	\$3.39	\$16.95	\$10.55	5.000	5.000	2.110000	\$16.95	\$10.55	0.000	\$0.00	\$0.00	37.76%
4/17/2017	2	THAW HEAT EAT	097488000233	LS CHKNPEPPSAL-AMER CH	1	Item (Quantity)	2.000	\$3.99	\$7.98	\$5.22	2.000	2.000	2.610000	\$7.98	\$5.22	0.000	\$0.00	\$0.00	34.59%
4/17/2017	2	THAW HEAT EAT	097488000806	LS DOUBLE CHBROIL CHEE	1	Item (Quantity)	4.000	\$3.49	\$13.96	\$8.84	4.000	4.000	2.210000	\$13.96	\$8.84	0.000	\$0.00	\$0.00	36.68%
4/17/2017	2	THAW HEAT EAT	097488000400	LS HAM CHEE WEDG	1	Item (Quantity)	2.000	\$3.39	\$6.78	\$4.22	3.000	3.000	2.110000	\$10.17	\$6.33	1.000	\$3.39	\$2.11	37.76%
4/17/2017	2	THAW HEAT EAT	097488000257	LS HAM TKY AMER CH	1	Item (Quantity)	2.000	\$3.99	\$7.98	\$5.22	2.000	2.000	2.610000	\$7.98	\$5.22	0.000	\$0.00	\$0.00	34.59%
4/17/2017	2	THAW HEAT EAT	097488000219	LS RB TKY PEPFRJK CH	1	Item (Quantity)	2.000	\$3.99	\$7.98	\$5.22	2.000	2.000	2.610000	\$7.98	\$5.22	0.000	\$0.00	\$0.00	34.59%

Exhibit I

Foodservice inventory is not like any other category; it is another animal entirely. Foodservice products are dependent on the items from their recipes, so missing one ingredient may render the whole product inactive. Also, many foodservice products are perishable, so keeping inventory moving is essential.

Consider taking a physical count at least weekly, or even daily (Exhibit I), and leverage handheld technologies. You have the ability to receive at the Item level and scan out and account for each item at the POS, so the detailed data exists to help you pinpoint shrink issues. Use technology to create some Inventory Alerts, including over/under quantity on hand (QoH), so you can see a problem when it happens and make fast decisions to rectify the issue.

Transfer Foodservice

It is important to keep the right inventory in your store to sell, but what about when you have foodservice products that are stagnant? For items that are not selling in one store, move them to another store where they are selling, and replace them with items that are selling well. As you make decisions to roll out new products, pay close attention to their performance and be ready to shuffle.

Category Transfers

Similar to store transfers, but often overlooked, are category transfers. For ease of tracking and margin visibility, it is important to account for all the ingredients that are going into making the sellable item. Consider a taco pizza. The ingredients are the regular pizza ingredients, plus a bag of Doritos to be crumbled on top. To really control your margins, that bag of Doritos needs to be accounted for by being transferred from the salty snacks category to the foodservice category, and then included in the recipe for the Taco Pizza. It may happen one time a day, but those bags will add up over a period of a month. Without accounting for the bag, you won't have a true picture of your margin.

Margin Analysis

Item Description	Pack	Vendor Code	Vendor Item	Vendor Pack	Vendor Pack Override	Zone	Cost	Promo Cost	Prorated Cost	Qty.	Retail	Promo Retail	Gross Margin
Store: 103 - Training Store #1													
LARGE COMBINATION PIZZA	1	*	*	*					\$5.270850	1	\$14.99		0.648376
LARGE PIZZA	1	*	*	*					\$4.174600	1	\$7.77		0.462728
MEDIUM PIZZA	1	*	*	*					\$4.299100	1	\$5.49		0.216922
PIZZA DOUGH	1	500		1	12		\$12.000000						
PIZZA SAUCE	1	500	6231898	1	32		\$5.100000						
PIZZA SLICE	1	*	*	*					\$0.502675	1	\$0.99		0.492247
PIZZA TOPPING EXTRA CHEESE	1	*	*	*					\$0.388500	1	\$1.50		0.741000

Exhibit J

Clearly, reporting is key in managing your foodservice margins, from a simple top selling items list (Exhibit F) to this Margin Analysis report focused on pizza (Exhibit J). Reports like this give you details on your cost as well as visibility into its calculation. Seek out reporting tools to help you pinpoint problems, make better decisions and measure success.

Category Analysis

Store	TOBACCO	FOOD SERVICE	BEVERAGES	CANDY	SALTY SNACKS	SWEET SNACKS	ALT SNACKS	BEER
11	47.3	25.0	35.6	43.3	35.2	36.9	45.9	41.1
13	46.8	20.8	34.1	47.0	35.1	37.4	48.3	38.5
14	48.6	23.2	36.3	45.4	36.0	38.2	43.2	42.1
15	41.6	23.4	36.1	46.6	29.0	38.4	46.6	37.2
16	44.3	23.9	38.6	48.9	33.5	37.6	49.3	40.3
17	48.2	26.6	37.8	50.7	37.2	39.7	48.3	42.1

Exhibit K

Other types of reports can help you hone in on issues that need attention. The Category Analysis report (Exhibit K) is a heat map where green means good, and red means attention is needed. This report comes full circle to our earlier review of the 2016 top performers - Tobacco, Foodservice, Packaged Beverages, Center of the Store (candy and snacks) and Beer. A focus on the Foodservice column alone shows that store 11 and 17 are doing well. Stores 14, 15 and 16 are about the same, while store 13 needs some assistance. A closer look at store 13 with some of the reporting tools mentioned above will help you further define the problem.

Keep in mind that many of your stores have dissimilar product mixes, so a store-to-store comparison can be difficult. The point here is that it is key to have tools in place that allow you to slice and dice your data as necessary to be able to do true comparisons, meaningful drilldowns and make impactful, targeted decisions.

SUMMARY

This paper provides a high-level overview of the foodservice category and some of the key items to focus on to successfully manage your program. While no one area can make your foodservice program a success, there are many areas that can strongly affect your margins. Develop a plan, go slow, measure, evaluate, and make corrections. Stronger profits and better sales are just around the corner.