



King Food Service



EXPERT IN SEAFOOD, POULTRY & MEAT

Better Solutions, Service, & Prices Since 1945

Distributor, Broker, Importer, & Processor

309-787-4488, kingfoodservice.com



CUSTOMER INFORMATION:

Who is King Food Service?

KFS is a licensed food distributor, broker, importer and USDA inspected meat-processing facility that services wholesale distributors, restaurants, grocers, and other food buyers. Our USDA plant number is P-2525.

KFS is a specialist in Seafood, Poultry, and Meat . These food categories represent the largest portion of most food budgets and probably include 20-30 of your highest cost items.

Our purpose is to help you source and receive the highest quality Seafood, Poultry and Meat direct from leading domestic and foreign processing companies at the least cost possible. We source the product YOU want, not push the product that the distributor wants to sell.

KFS is recognized nationally as a source of information as well as products due to the depth of our knowledge and over 60 years experience in the industry. We believe our ability to succeed in business since 1945 testifies to our integrity and credibility in servicing our customers.

KFS Mission Statement:

Our Mission is to help our customers be successful by being their Expert and Best Source for Seafood, Poultry, and Meat. This is the largest and most important part of our Customers' food operations and budgets.

Our Customers' success determines our success in reaching our goals.

We achieve our Mission by putting our Customers' needs first and providing "Better Solutions, Service, Prices & Quality" than others. As a specialist, we are better because we leverage the following competitive advantages:

Better Solutions- Specialists provide better solutions to your needs in product quality, product options, and product buying advice due to specialized knowledge and an exclusive focus on proteins.

Better Service- Specialists are faster and more flexible in responding to you, especially as a local, medium sized organization that is passionate about your needs.

Better Prices- Specialists will save you significant money by buying and working on lower margins for these reasons:

1. Superior knowledge of protein market price cycles to stay ahead of the cost curve
2. Attention to detail on "where" and "when" to buy the best values by shopping the global protein market
3. Concentrated purchasing power in proteins
4. Savings as an importer, broker and/or USDA inspected processor on many items
5. Lower overhead structure that permits lower margins

KFS Goals:

- Strong Values of Trust, Professionalism, Competence & Confidence with Customers and Others
- Strong Customer Relationships & Flexibility that puts Customer Needs First
- Positive Customer Perceptions that KFS is the Best Source for Seafood, Poultry and Meat
- Engaged Employees that Care and are Trained and Motivated to Satisfy Customer Needs
- Effective & Efficient Systems to Consistently Perform at a Higher Level with a Lower Overhead Cost

Why you need a protein specialist

Financial Reasons:

- Protein purchases are the largest category of purchases in terms of dollars spent. Our product list of 1,000 items probably includes at least 2 dozen of your highest cost items.
- Using a protein specialist to minimize your center of the plate cost will produce a better return on investment compared to purchasing strictly from a broad line distributor (BLD), for these reasons:
- Protein market prices are very volatile with many peaks and valleys compared to other food groups. Protein prices routinely change by 10% or more in relatively short periods of time.
- Specialist's in protein markets stay ahead of the cost curve through vigorous research and many industry contacts. Specialists know more about WHERE and WHEN to buy, and pass these cost savings on to you in a lower price. BLD managing 10,000 items do not have the focus needed to keep up with daily market conditions.
- KFS purchases at full container load prices and all purchasing power is concentrated in proteins. In seafood, we go direct to the source overseas & leverage our nationwide volume to minimize your cost.
- KFS passes on every discount & rebate that we source to you in a lower net invoice price.
- KFS is an efficient family owned business, operating for over 60 years. We operate on a lower gross margin compared to BLD because all of our fixed assets are paid for and we control overhead costs.
- BLD realize the advantages of specialists and often devise prime vendor agreement marketing schemes to try to shelter them from this competition. But buyers end up funding their own rebate at a higher long term cost.

Quality Reasons:

- Proteins are a high risk category for food borne illness. Protein specialists provide added peace of mind because management is focused on reducing this risk. Specialists know more about buying quality and proper storage compared to BLD that have a broader focus.
- KFS is a USDA inspected processing facility operating under daily USDA inspection, giving you peace of mind that your product is under strict Quality Control.
- We perform QC checks and actually open boxes to inspect wholesomeness.
- Specialists also turn inventory faster on fresh products for longer shelf life compared to BLD.

Service Reasons:

- Specialists can more easily tailor customer service to meet customer needs compared to large BLD.
- KFS cuts the big company red tape to get your needs addressed quickly. We provide fast response to all your service needs, including but not limited to specials orders, new items, and requests for information.
- KFS customer service systems are efficient and minimize you administrative time.

Disadvantages of certain prime vendor agreements

Food buyers should beware of prime vendor agreements (PVA) with broad line distributors (BLD) that:

- 1) Restrict their ability to buy what they want from whom they want, or
- 2) Require them to purchase a certain percentage of their products from the vendor

Customer audits show that this leads to higher total food cost due to less competition, as explained below. But these 2 restrictions on purchasing freedom are not necessary because buyers can still get the same net prices and rebates even without these clauses, if they demand it. It is a buyer's market, and there is a long line of other BLD that will offer the same net pricing or rebates regardless if purchases are 40% or 80% (all rebates are self funded anyway). There are many examples of this throughout the foodservice industry. There are also examples of buyers that have given in to the percentage requirement, and their food cost and quality have suffered due to a lack of competition by line item on higher cost items.

BLD often lose business in the protein category when there is competition by line item on customer POs. As a result, many BLD have developed creative prime vendor agreement schemes that are designed to restrict competition from specialists that have a competitive advantage. The concept is to tell customers that they will get a large rebate or lower price on other items if they buy all the items on the PO from them, or perhaps 80%. We think it is important for you to know the following about these types of PVAs:

Nothing lowers prices like free market line item competition, the foundation of our economy

-But there is no price competition in a high percentage PVA after the initial look. The BLD has no incentive to provide the best individual "line item" price on every invoice because there is no normal price competition.

-They get the sale whether their price is high or low. Line item price competition among more than one vendor, on a regular basis, is the ONLY way to achieve cost minimization. Most PVAs over 50% usually have a very short life because the buyer's total cost increases compared to when buyers are empowered to make vendors compete. The PVA may still exist, but there are no percentage restrictions.

Cost plus PVAs are impossible to verify and prime vendors do not use their true cost

-Some agreements are on a "cost plus" basis, where the vendor tells the customer they will work on a certain % over cost if the customer buys a certain % of their products from them.

-But BLD do not use their true net cost and the buyer never knows the vendors true cost. This can be attested by anyone in the distributor or manufacturer level of the foodservice industry. PVAs make their money on rebates from the manufacturers that are added to their invoice price for the purpose of sheltering it from customers. An item that is said to be 6% over cost may in fact be 16% over true net cost. This is especially true on meat, poultry and seafood products where vendor costs are determined by published market prices that change weekly.

-This is the same as the car dealer that says they will sell a car for \$100 over cost. The car distributor's invoice that shows their "cost" is meaningless; they are getting money back from the car manufacturer. "Audit privileges" are really meaningless too. PVA's often include the following language in small print: "Delivered cost has no association with the actual cost of goods".

Rebates and off invoice price deductions are funded by the customer

-Rebates are simply off invoice deductions that are paid later. They are available anyway if the customer negotiates, but are often used as smoke and mirrors to make it appear the buyer is getting a great deal.

-Getting the best NET price on each PO line item is most important, but with no solid competition this cannot be assured.

The best price is available from a broad line distributor without these restrictive agreements

-Many vendors say they can provide lower prices only under a high percentage PVA.

-This is not accurate. The foodservice industry is a buyer's market. There is a long line of vendors willing to provide the same cost structure without a high percentage requirement that handcuffs their customer and eliminates competition.

-BLS want these restrictive agreements to drive other vendors out of the account to lower competition.

Other disadvantages in a prime vendor agreement

-Service levels may suffer due to no competition.

-BLD may charge more on items not ordered in case quantities or special order items.

-Over time sales reps often become less attentive to buyers needs due to no competition.

-It is easy to hide price increases due to the number of items bought.

-The buyer is often asked to sign a long term agreement.

The only way to minimize cost and maximize quality is through free market line item competition.