ASSOCIATED BUYERS / WHOLE FOODS VENDOR GUIDE

A Brief Overview

Associated Buyers currently distributes approximately 1,500 items to 2 regions of Whole Foods. We have been doing business with WF for more than 14 years developing a true partnering relationship with each region’s Grocery Department. We also have a few items in the Specialty & Prepared Foods departments as well, and look forward to growing these relationships.

North Atlantic Region – this currently consists of 27 stores covering Massachusetts, Maine, Rhode Island, & Eastern Connecticut. The regional headquarters is based in Cambridge, MA. We deliver to all these stores via our own Associated Buyers trucks once a week and if a second delivery is required we either do via our trucks or common carrier to those stores farther out. We are able to do frozen and refrigerated products to all the NA stores.

Northeast Region – this currently consists of 22 stores covering New York, northern New Jersey & western Connecticut. The regional headquarters is based in Englewood Cliffs, NJ. Our trucks do not deliver to any of these stores so we cross-dock these orders through the Whole Foods distribution warehouse and the Whole Foods truck picks up weekly at our warehouse. For those stores requiring a second delivery during the week, those orders are shipped from our warehouse via common carrier direct to the store.

Who’s Who at Associated

We have a dedicated staff that handles all the necessary requirements for managing our Whole Foods business.

Aurise Randall, Director of Marketing – Overseas all the corporate and regional interactions for the WF account. Aurise makes the regional monthly category presentations, holiday presentations & generally fields all issues that involve corporate & regional issues.

Paul Sasenbury, Key Account Manager – works with vendors to supply WF with all the necessary information to maintain product information, promotional schedules, pricing, product roll-outs and allocations. Paul also assists in preparing all the presentations for the category reviews. He is the primary contact for vendors regarding WF. Paul also attends resets in the NA region as a valuable member of the WF reset team.

Jack Kohn, WF NA Outside Sales – Jack works for Associated Buyers, 3 days a week, to maintain store relationships for the North Atlantic region. He helps make sure product tags are correctly placed & priced; promotions get passed along, checks store placements of newly authorized items, addresses inventory issues with the stores and many other things. His time is allocated by Associated primarily concentrating on those brands that do not have broker representation.
Michelle Williams & her team – Michelle works similarly to Jack, though she is not an Associated Buyers employee, but a contract sales force/broker representing Associated Buyers and our authorized products at store level to the NE region. Her tasks are those of Jack’s described above. She and her team also attend resets in this region representing Associated Buyers.

Our Purchasing Department – Our purchasing department is always an integral part of our inventory management, maintaining promotional calendars, communicating product & pricing changes. Though they don’t have any direct contact with Whole Foods it is vital that vendors keep a strong relationship with our purchasing department.

The Commitment

Associated Buyers & Whole Foods are committed to growing partnerships and mutual growth. The concept is “SHARED FATE” for all stakeholders – customers, vendors, brokers, distributors, WFM teams, AB employees.

We strive to maintain a high level of integrity in all our business dealings. Our suppliers and WFM partner with Associated Buyers to serve the interests of our customers to bring to market the safest highest quality products available and share a concern for social responsibility and the environment.

We are committed to honesty, timeliness and clarity in communicating with our suppliers and WFM and we expect the same in return.

Our Job

As your distributor, Associated Buyers’ primary job is to warehouse, manage inventory, take & consolidate orders with other products, deliver the orders, invoice the customers and manage the relationship with our customers such as Whole Foods. We will be responsible for submitting all the Whole Foods required paperwork involving pricing and as appropriate, the promotional calendar & presentations as well. Our secondary job is assist vendors with sales and marketing efforts to support the products to make for a successful. As part of our/your responsibility to Whole Foods we are required to attend a specific number of resets each month which is determined by our volume of sales of your products.

Your Job

As a supplier to Associated Buyers and via AB to Whole Foods we expect our vendor partners to provide us with complete & accurate product information with timeliness, clarity, with product and communication integrity. A reliable inventory supply as well as a continued involvement to support your brands placement using promotions, education, demos, sampling, marketing materials, etc. is also key to a successful and profitable relationship. It is essential to meet all the requirements and expectation of Whole Foods.
STEP 1 – So, you want your products submitted to Whole Foods - READ CAREFULLY

Category Review Process

Whole Foods has a category review process (spreadsheet enclosed with this packet) which clearly defines their process of new & existing item presentations monthly (10 rounds of reviews). The majority of items presented to Whole Foods MUST be presented according to this schedule in their proper category review. The purpose of this system allows them to review category performance with national, regional & store levels data. During this process they review current authorized products sales per point and ACV activity, revitalize categories and add new and exciting products into these sets. Some categories are reviewed twice a year; most others are only review once.

Expectations IMPORTANT!! - Before you even consider presenting your product to WF for consideration you must be aware of the following expectations:

- Free Fill – Whole Foods expects that when product is accepted and allocated out that 1 case per sku per store will be FREE, only occasionally does WF allow exceptions to this; usually involving small regional manufacturers, though some sort of introductory discount is still expected.
- Promotions - schedule promotions for the year with no less than 15% offered with each promotion (promotional opportunities are varied and we can discuss this with you as we move through this process).

Presentation Process

Associated Buyers is given a monthly meeting with each region’s buyer for each round of the review process. During these presentations we are generally given between a 45-60 minute time slot. Associated Buyers reserves the right to present only products which we find appropriate for this review based on a combination of AB and WF standards and our 14+ years of experience with successful products launches with WF. Generally, given this time allotment, we do not allow vendors to join us for these meetings as time prohibits this type of communication. If you feel strongly about making your own presentation, we suggest that you contact the WF buyer and try to secure your own meeting or discuss this with us and we will reconsider.

Presentation requirements

- Samples - 3 Full sets of samples submitted to Associated Buyers at least 1 month prior to the presentation. (We will need a set for each region we work with and a full set for us.) If there is an exception made to this and the samples are being sent direct to Whole Foods prior to our meeting, the box must be clearly marked stating the category round # on the box and sticker all products with our name and/or your broker’s name. Do not cover the UPC with this sticker! REMEMBER – WF is a green company and they recycle, please use sustainable/recyclable packing material, if using popcorn make sure it is biodegradable and does not stick to the product. Perishable and frozen samples must be sent to arrive Monday to Thursday and the outside of the box must be CLEARLY marked perishable or frozen.
• Powerpoint Presentation - A ONE PAGE powerpoint presentation following the template that we will provide to you from WF – no exceptions to the 1 page rule except when there are multiple categories being presented (example: you have 5 mustards, 5 ketchups during the same review, you could do a slide for each category). This template includes the following components: product shots, logo, bullet points of key selling points, bullet point of promotional program/marketing support, cost (PLEASE confirm what our pricing will be to WF before you submit!!), and SRP (again, please discuss this with us before submitting or leave these sections blank and we will complete) and target margin for WF (again, this needs to be discussed with us prior to completing powerpoint).

• PIE form - (WF lingo for Product Information....something) with all the ACCURATE product information & pricing. Generally we will be completing this for you but it is important that you supply ACCURATE product information. We can’t stress the importance of this enough, especially when it comes to the UPC code, and they must have UPC codes. WF national imposes a hefty fine if incorrect UPC codes are submitted on these forms!!! Any misprints, incorrect UPCs jeopardize the future of your line, even if they approved placement, they could and would pull it at the last minute if errors are made in these forms! The vendor must take full responsibility to supply accurate information prior to presentation.

• FYI - All presentations materials are now digital, we don’t bring print-outs of these forms or of the powerpoint, and we are all trying to reduce paper. We will download these presentations onto travel drive to transfer to the buyer.

Final Decisions

After our presentation to the buyer, they will collect the samples and within the next week or so they will have a “tasting review” comprised of a selected group of WF regional and store Team Members that will make the final product selections. The buyer is just the first step of the decision process; they weed out what there is no interest in. Each category has a regional and a national review – national items are decided at regional level as well. The region conducts its review and decides on all their new item launches. The selection is completed the week before the National Call. Items that are selected at regional level and presented in the national review are confirmed on the National call as “National”.

Let’s Talk Pricing & Margins!

Pricing Basics 101

Associated Buyers works off Distributor Pricing – generally distributor pricing is 25% less than Wholesale Pricing then we must add all freight costs. Our margin to Whole Foods depends on several factors, but generally our margins to WF are somewhat less than our other customers as the volume we will do with WF.

Whole Foods takes a full 40% margin (calculated by dividing our WF cost by .6) no exceptions!
Work it backwards – sometimes it is necessary when deciding how to understand the pricing structure you may need to evaluate the optimal retail price that you want your product to hit the shelf with. How other products are similarly priced in your category? Then figure the WF 40% margin, the distributor margin (including freight) and see what you are left with. Can you afford to make your product for this price? No one wants anyone to squeeze your company so thin that you can’t make a profit and stay afloat. Do the math. In this consideration, you must also factor the additional lowering of the profit during the promotional periods, the cost of free fills and the demo fees.

**Accurate Data is a MUST!**

We can’t stress the importance of this enough! Make sure all the information you give us is going to match the product when it comes through our loading dock as well as the price list, and product data sheets you provide us with. That means the **UPC and ITEM SIZE MUST BE CORRECT!!!!** Whole Foods National actually has a fine so that if you do not provide them with the correct UPC on the forms it could cost you up to $10,000. On the local level, they have clearly stated that if the UPC does not match with the product and causes scanning issues at the store they will consider discontinuing the items or it could jeopardize the approval process and no matter if they have authorized the items they could decide to never put the items on the shelf. UPC discrepancies cost them time and dollars to fix. If product UPC’s, pack size, or case size should change at any time it is essential that we be notified IMMEDIATELY! Data integrity is the total responsibility of the vendor.

**Any Certifications?**

Please make sure all certificates are submitted to Associated Buyers: organic, kosher, fair trade, gluten-free, etc.

**The real TIME LINE of authorization**

The category review process is a lengthy one, please be **patient!** It starts with the category review distributor/broker/vendor presentations at the beginning of the month or end of previous month, then a week later they have a selection committee meeting, then the week after that the Nation Buyer’s conference call, then planograming work, disco & add lists compiled, reset schedules configured, store audits, allocations going out….all this is over the period of 5 months, yes MONTHS.

Example: Round 5 review meetings happen in the beginning of DECEMBER but the products that eventually chosen won’t even hit the shelves until MAY! (And all that to say if the region is behind….your guess is as good as mine!)

We really appreciate it if you don’t hear right back from us on the status of the review…hang tight; it most likely is that we have not heard yet as well. We will contact you as soon as we get the yeah or nay list.
Understanding the SHARED FATE PROGRAM!

IMPORTANT TO READ THIS SECTION!!!

Whole Foods requires all vendors, distributors & brokers to participate in their SHARED FATE program. “Whole Foods Market is committed to growing partnerships and mutual growth. The concept is shared fate for all stakeholders – customers, vendors, brokers, distributors, WFM teams.”

Whole Foods Expectations - As a part of the shared fate philosophy, Whole Foods expects that companies that provide products on their shelves contribute promotional money, store & demo support as well as manpower for new store sets and existing store resets. Generally this is the expectation and duty that brokers fulfill as part of their fee to the manufacturers representing the brands sold at WF. However, for those brands that don’t have broker representation or brokers that aren’t recognized by WF as a part of the shared fate team, this expectation for manpower participation falls on the distributor supplying those products. There are a minimum number of days of support requested of each broker and distributor. Generally the expectation for new store or reset manpower is about 3-4 working days per month per region for Associated Buyers non-brokered brands. On top of this, there is the additional expectation that someone maintain the relationship at store level with each buyer to keep the store informed of product changes, new items authorized each month, and checking tags, placements, sales – generally, keeping an eye on things at store level.

Associated Buyers Responsibility – In order to meet the expectations of WF in this “shared fate philosophy” we have dedicated people who attend our required resets for each region, as well as all new store sets and visit each store at least once a month or more often as time allows.

- In the NA region Paul Sasenbury steps out of the office and attends a minimum of 3-4 resets each month as a valued part of the NA team. Jack Kohn, previous owner of Eclipse Sales & Marketing, works for Associated 3 days a week exclusively calling on WF NA stores maintaining a valuable relationship with each store buyer.
- In the NE region we have hired Michelle Williams and her crew which will attend resets on behalf of brands distributed by Associated Buyers and also is in every WF NE store every week maintaining the store relationship.

Vendor Responsibility – there is a cost of time, travel expenses, manpower hours to meet the WF expectations for brands not represented by paid brokers that are recognized by WF as a part of the shared fate team. For the last 3 years Associated Buyers has committed resources & covered expenses to comply with the Shared Fate Program. Associated Buyers does not build these costs into our pricing structure to Whole Foods, therefore as of January 1, 2011 we will need to SHARE part of the cost of these services that we provide to WF on to those brands that do not have brokers.

Shared Fate FEE – The cost of this service is 1.5% of your sales to WF ONLY based on monthly Whole Foods sales of each sku authorized calculated on Whole Foods cost (our price to WF). It will be charged back against your invoice on a monthly basis. There is no exception to this program, as there is no exception made to us by WF for participation. This is one of the costs of doing business with Whole Foods and must be considered when determining if your brands and pricing are ready for the WF market.
STEP 2 – So, your product was accepted by Whole Foods! (Stop jumping for joy and get to work!)

Your Job

Submission of samples to POG (planogram)

(POG measures each sku to design the shelf configuration for the store placement) - For all new items that are approved it is imperative that samples of accepted products be sent to the Spaceman Planograming team in Austin by the given deadlines for each category review (we will tell you what that is if you don’t have the schedule). On this matter they implement another ZERO tolerance policy...they will be forwarding the list of new items for each round (national and regional) to the POG team in Austin so that they can let WF know what they’ve received and when. If there are items on the list that they haven’t received by the time they circulate their final compiled add/disco list for a given round (which is 3 weeks after the initial list of new items is circulated), then WF reserves the right to remove those items from their add list and not include them in POGs! Yikes, so you MUST get live samples (don’t need to have product inside, especially in the case of frozen or refrigerated products, they need the packaging as it will sit on the shelf). Samples should be sent to:

Heather Santana, Space Planning Team
Round X for NE or NA region (depending upon which region you were authorized for)
Whole Foods Market
550 Bowie St.
Austin, TX 78703

Fill Discounts & Promotional Grid

Whole Foods does expect a free fill initially of all POG new authorized items...meaning 1 case per sku per store FREE. Please confirm this free fill or discount rate with Paul Sasenbury via email as soon as possible. Also, please submit the upcoming year promotional calendar to your buyer at Associated (not to Paul) so we can start to plug in all your promotions into the WF promotional grid (remember no less than 15% is accepted).

UPC Chart

To help our sales folks on the road it is very convenient for them to have a sheet (preferably laminated) that has a scanable UPC barcode, product number, description, pack size & pricing on it. We would need at least 6 of these sheets to hand out to our reps. We will be happy to provide you with a template for this if needed.

Our Job

We will be completing and submitting all the final PIE forms to WF with the fill discount rates. Then we will be communicating with our purchasing staff the recent authorization for these products so that they can start to prepare to adjust our inventory. It is important to work with your buyer here to make sure this goes smoothly. If there are ANY inventory issues, we need to know about it NOW!
STEP 3 - Roll-out

Region wide planograming VS store by store optional authorization – BIG difference!

Approved regional and national new items will be auto-shipped to the stores. Sometimes a region will decide to roll-out the items to the entire region therefore being planogramed into the sets or if they are feeling a bit more cautious with the decision and wanting to just test the items in a few stores they will choose certain stores which to allocate out initially and NOT planogram the items at this point.

Region Wide Allocations

As stated previously, region wide allocations are expected to come with a Free Fill. What a Free Fill “gets” you: WF will commit to keeping the items planogramed for a minimum of 6 months; they will commit to “void” reports (reports that show which stores show if the product is or is NOT moving via actual sales to customers); they will add the products to the New Items Audit (reset captains in each store have lists of these items and make sure that placement on the shelves for these items is clearly marked); and all new items are allocated that include free-fill which insures that the product is set up in their computer system (IRMA) and reduces the amount of scan errors at store level.

Note: even with a “region wide allocation” there might be a few stores that the regional headquarters may choose to not allocate out to...some stores are very small and it will be decided on the size of the set within each store.

Partial Store Authorization

When new products are allocated out only to a select number of stores it basically means that we have to make sure that each store buyer is supportive of finding room on their shelves for these items as they will not be part of the reset planogram. This point is critical in making sure that someone visit each of these stores and educate them to the benefits of this product, a bit more of a hand-holding experience. These items are on “trial” and will probably only be given the 6 month window to show their worth on the store shelf….so support of these items is extremely important for the future longevity in a WF store.

Store Resets

Once the product has been allocated out the reset teams are scheduled to head out and reset the areas of each store which are affected by this category review. Tags are placed, planogram followed, products set and shelves redesigned. Most WF resets occur at the wee hours of the morning before the store is ready to open. Every month many sections of each store are reset. As a valued member of the reset team, Associated Buyers is able to participate in discussions during the resets regarding which non-planogramed items (generally regional products fall into this category) are essential to keeping their space on the stores’ shelves, thus keeping a watchful eye over our products.
STEP 4 - It’s not over just because your products are on the shelf!!!

Store Audits & New Item Void Reports

A month after the new products hit the shelf, if the products have been planogrammed, the store reset teams will be given a list and they will make sure that those items are still showing tags and placement on the shelves then report back to WF regional headquarters with their findings. If the product is no longer showing up, the store will be contacted and directed to order immediately. Then about 6-8 weeks after new item placement a “voids” report will be run as well also trying to flag stores that have no movement of the items and appropriate action will be taken to get the product on the shelf or understand why it is not moving.

ACV Gaps – what is this???

During the category review process the regional team will look at all products past & present on the shelves in this category and determine performance. If your products are not performing, during this process you will risk having your products put on the DISCO list. Also, they will be looking at products that seem to perform well in certain stores yet are not actively selling in others. If these products are not showing current register scans in certain stores they will ask us to reship an allocation out to these stores and case by case the expectation to free fill these stores will be negotiated.

Maintaining Sales

- **Demo – Demo – Demo** - It is very important to consider providing demo support especially with products that have lots of competitive brands on the shelves! Contact each store demo coordinator or the regional coordinator to set up demos at WF. Associated Buyers does not typically get involved with setting up demos for you, however, it is very important that you make sure that we are aware of upcoming demos so that our inventory levels will be adequate to support your efforts. It is also important to touch base with the store buyers for the same reason, don’t assume that they pass this information along between the demo coordinator, store buyer or us. Suggestion: You should call stores 1st thing on the Monday morning of the week of scheduled demos to make sure they order additional inventory for your demo.

- **Promote – Promote – Promote** - Quarterly promotions are another key sales tool to keep your brand recognized and selling well. Whole Foods considers a brands merit also based on if the company will promote on a regular basis. Please submit your annual promotion schedule to our purchasing department so that we can include all promotions in our monthly promotion submissions to WF. Remember WF is generally at least 4-5 months out ahead in this planning! Whole Foods does not accept promotions with a discount of less than 15%. Generally, Associated Buyers does not contribute any percentage to Whole Foods promotions as our margins are too slim.

- **Other Promotional Opportunities** - Often Whole Foods has events and other ways to help keep your brand out in front of them. We encourage you to contact Whole Foods and see what opportunities there are for your brand.
Making Changes

**ALL CHANGES** - we need to be notified immediately and all changes need to be worked out way ahead with our purchasing department to minimize issues and inventory out-of-stocks.

Pricing Changes

If you have price changes to pass along on your items, please remember that a minimum of 45 days’ notice are required by us and WF! We are only able to upload and process changes to their system every 30 days, so we need at least 45 days to process any changes!!!! Keep that SRP in mind when you are anticipating raising your prices, know your competition and understand what this will do to your sticker price at WF.

Other Product Changes

UPC, ingredient changes, pack size, case size, etc. are all major problems when dealing with WF. Some are easier to deal with than others. All changes require us to notify WF immediately.

- **Size change** - The Bureau of Weights and Measures makes regular rounds at the WF stores and if a product shows a different weight on the package than what they show on their store tag, they will levy a fine and that is always passed along to the manufacturer! If there is a weight change on your packaging, swapping out inventory is a must! This means you will be charged back for old inventory and need to replace with the new.
- **UPC** - changes are not easy, this often requires an additional SKU set up to be able to scan old inventory as well as new inventory and gets confusing and sometime will lead to discontinuation if not managed well. If there is a weight change on your packaging, swapping out inventory is a must! This means you will be charged back for old inventory and need to replace with the new.
- **Label change** - If there is a major change in the label or packaging of your product it may be necessary for us to swap out inventory cleanly with each store….this means you possibly might be charged back for old inventory and need to replace with the new.
- **Ingredient changes** – please make sure all ingredient changes still comply with WF and Associated Buyers acceptable ingredient profiles. Any changes to ingredients that will make the product no longer saleable for us or WF will result in return and/or credit for all unacceptable products and discontinuation of the SKU.

Holiday & Seasonal Promotions & Products

If you have products that you would like Whole Foods to consider as seasonal promotions and holiday items, please remember WF is way ahead of the curve on making these decisions. 4th Quarter holiday items must be submitted with 3 full sets of product to Associated Buyers by the end of APRIL!!!! We make presentations in early JUNE and for 2011 could be even earlier. Make sure your pricing will be guarantee to hold through December, no price changes allowed on holiday items once pricing has been submitted to WF. Please contact us for more information concerning these opportunities.
I acknowledge that I have thoroughly read, understand and accept the guidelines outlined in the contents of the Associated Buyers/Whole Foods Vendor Guide.

Name of Company Representative: Rey Longhurst

Date: December 30, 2010

Company: Sprouted Almonds, LLC

Our Broker for the brand is: Maximum Marketing

Return this page via fax or email to: 603-664-8840 or aurise@assocbuyers.com