



WhitePaper

Breaking New Ground and Transforming Pricing into a Competitive Advantage

SignalDemand's software enables us to combine the extensive knowledge of our team with a number of market forces, including customer demand for individual cuts, seasonal product flows, available cattle supplies, and quality characteristics to simplify price discovery with our customers.

Bill Rupp
President, Cargill Meat Solutions



Cargill Meat Solutions implemented SignalDemand's Price and Response software to transform a complex and time-consuming process into a streamlined competitive advantage. SignalDemand's robust software analyzes each and every pricing decision, enabling Cargill Meat Solutions to optimize pricing, product mix, and supply decisions to provide customer value and maximize financial performance.

SignalDemand Impact at Cargill Meat Solutions

- Institutionalized pricing process for improved consistency and margin.
- Improves margins by pricing a market basket of products more profitably.
- Balances mix of spot, mid-, and long-term business to optimize revenue and margins.
- Improves customer relationships by simplifying the price discovery process with customers.
- Provides executive-level visibility into pricing and its direct impact on margin.

The Need

In the competitive world of meat processing, price means everything. Margins depend on making the right pricing call—each and every time. And, when competitors offer virtually the same product and are a phone call away, long-term customer relationships rely on offering the most accurate and fair price, for all channels, customers, and products across thousands of situations.

Cargill Meat Solutions knew that its traditional means of pricing—a complex process that involved pricing experts working with internally developed tools—was not hitting the mark. Developing consistent price quotes was made more difficult because meat processors operate in a disassembly or reverse BOM (Bill of Materials) environment where determining costs for individual products is inherently complex. And, downward pricing pressure from customers further impacted margins on each and every deal.

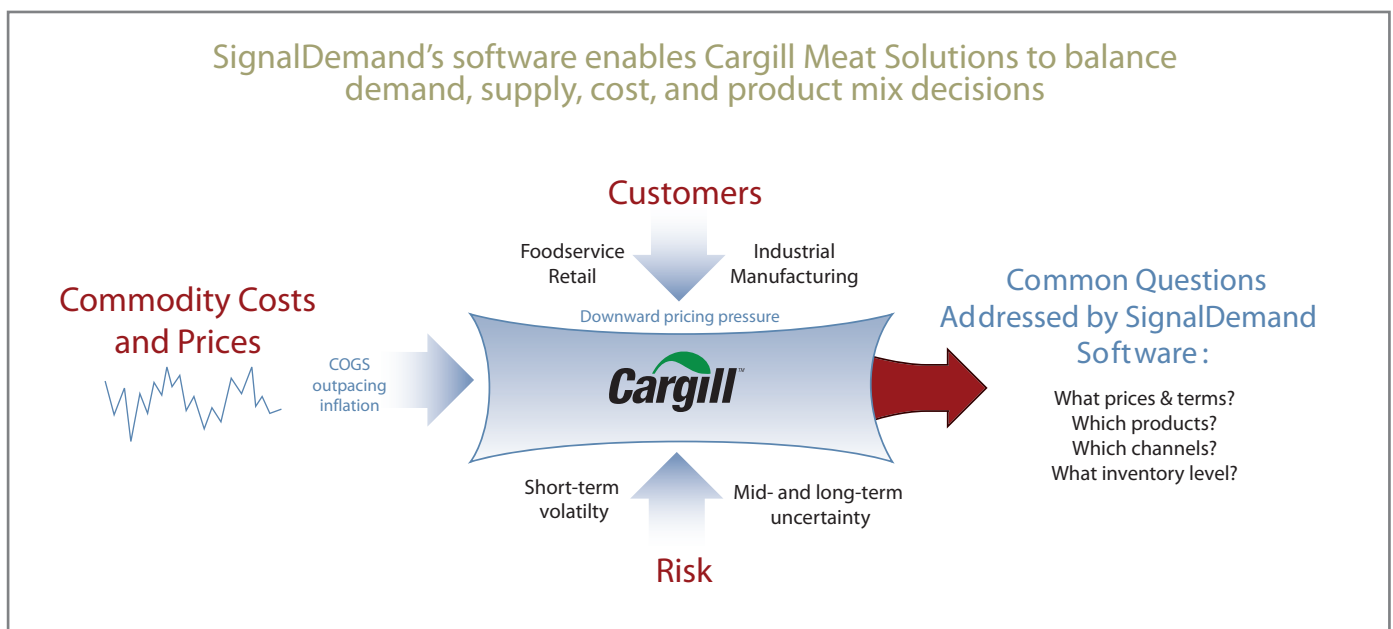
To generate a price list, the Cargill Meat Solutions pricing team had to digest and weigh a myriad of complex and changing variables, including the fluctuating price of the underlying commodity, current inventory positions, and historical sold

prices for each cut and customer. With thousands of possible pricing scenarios in this environment, Cargill Meat Solutions focused on pricing core products and used standard formulas for remaining ones—many times leaving money on the table in the process.

While food processors are traditionally thought of as price-takers, Cargill Meat Solutions saw pricing in a different light—as a unique opportunity to engage with customers to achieve sales and margin goals. In order to most effectively use pricing, Cargill Meat Solutions turned to the science-based software solutions of SignalDemand.

Solution

Cargill Meat Solutions implemented SignalDemand Price and Response software. Price and Response analyzed Cargill Meat Solutions historical pricing, USDA Market activity, sold positions, inventory and supply constraints and developed detailed pricing and demand elasticity models for each of the markets in which Cargill Meat Solutions sells its products: spot, mid-, and long-term. The system enables insight into the trade-offs between each channel, providing the team with the confidence and visibility to answer questions like, “Should I



sign a long-term contract with a fast-food chain, or would I likely achieve a higher margin if I waited to sell the same product in the spot market?"

The engines within the Price and Response application are continuously updated to enable Cargill Meat Solutions' sales organization to work in concert with SignalDemand's software to make informed pricing decisions for every cut and every grade, everyday. Users are able to view system results—derived from advanced algorithms and demand modeling—but they have the flexibility to incorporate experience and relationships into final pricing decisions. Instead of reacting to markets, salespeople are now category managers—working together with customers to build the business for the right products at the right time.

Results

Since implementation, Cargill Meat Solutions has achieved a great deal more consistency in pricing as well as margins. With the help of SignalDemand, Cargill Meat Solutions is able to:

- Quote customized pricing solutions for every cut with confidence that each price is value-based and fair.

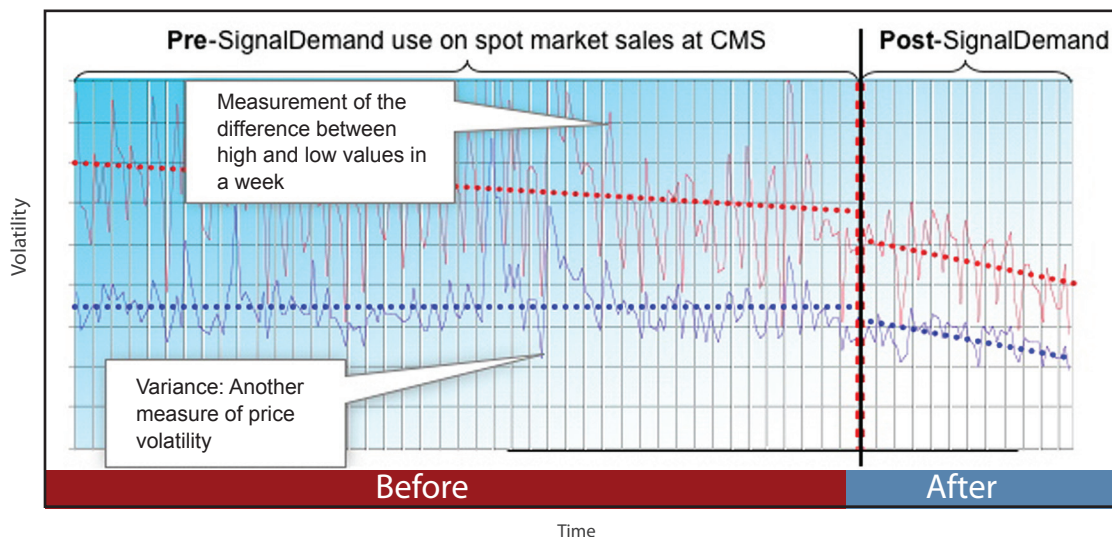
- Increase profit in the spot market by managing optimal percent sold for each cut and price in each forward time period.
- Run what-if scenarios to see the impact of changes in costs and other variables.
- Drive retail ad-feature sales more proactively through price and product recommendations.
- Report on variances in prices and recommend corrective action.
- Work with foodservice customers to develop menu pricing.

Cargill Meat Solutions at a Glance

Cargill Meat Solutions, a leading processor and distributor of fresh and prepared beef, pork and turkey, is committed to providing great-tasting meats to customers around the world.

- A wholly-owned subsidiary of Cargill, Inc.
- Products sold through retail, foodservice, further processing, international, and manufacturing channels

Price volatility before and after implementing SignalDemand *Price and Response*





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About SignalDemand

SignalDemand provides manufacturers with on-demand software and services to achieve maximum profit margins in the face of volatile markets and increasingly complex pricing decisions. Using patented, comprehensive mathematical models to process thousands of variables, SignalDemand's technology allows customers to adjust supply and pricing

on a continual basis. By recommending best price, supply utilization and product mix in moments, SignalDemand enables better day-to-day decision-making. Industry leaders rely on SignalDemand for immediate and ongoing improvement of financial performance. For more information, please visit www.signaldemand.com.