

TURNING MARKET VOLATILITY INTO PROFIT IN THE MEAT INDUSTRY



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Our Point of View

While some meat processors believe their product's selling price is dictated by following variable market pricing (as determined by the USDA in the USA), SignalDemand has proven that this market volatility represents an opportunity to improve profitability. By applying advanced analytics to link demand with the current pre-sold positions, available inventory and all fabrication options, meat processors can provide consistent and accurate pricing for their customers and meet corporate objectives while significantly improving their profits.

Your Challenges

When determining a price for a cut of meat, meat processors must intuitively consider a variety of information from over 15 different sources, such as pricing history and predictions, customer type and history, requested delivery date and vol-

ume, current inventory, future sold positions, competitive bids, cost-to-serve ratios, specific margin goals and other company goals. And even if all of these factors are accurately gathered, at least half can change by the minute or hour. So good pricing decisions can be as perishable as the meat itself. If one scales this individual pricing process over every pricing request, over the course of a day or a week, one can easily see how margin and pricing consistency can be lost with current practices—leaving profit on the table.

How Our Customers Use Our Solution

Accurately price every product, every day
SignalDemand uses a patent-pending combination of all pertinent data, a rigorous rules-based approach and purpose-built science to recommend price ranges for cuts of meat. The data



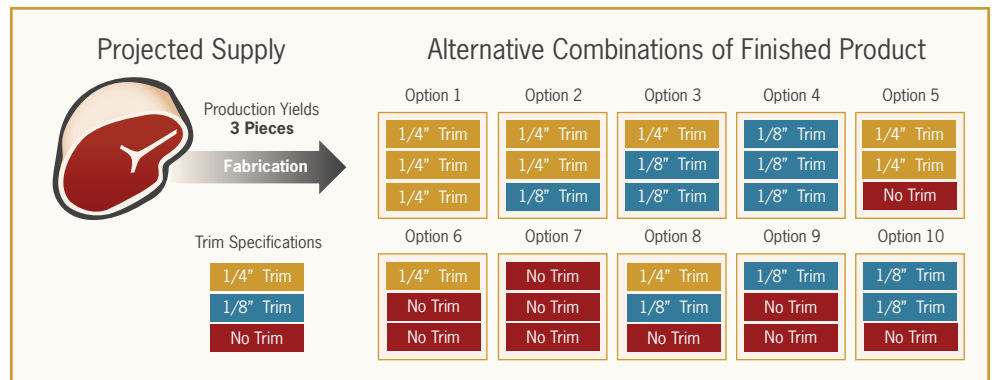
includes past and forecasted market prices (based on USDA data in the US), demand, documented buying patterns, seasonality, pre-sold positions, available inventory, costs, margin goals and other corporate objectives. The result is Price Forecasting—the customer knows the best and fairest price range to charge for this product before quoting.

Optimize cutout margin

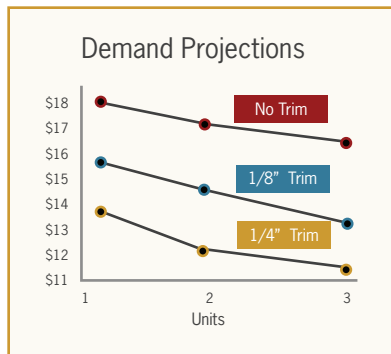
Margin pressures are raising the importance for meat companies of maximizing cutout margins while balancing existing pre-sold commitments and the requirements of existing customer relationships. SignalDemand customers can evaluate every fabrication alternative and then see the corresponding margin and revenue implications so that their inventory can be kept in balance and sold on schedule.

So How Does It Really Work?

1 First, SignalDemand evaluates all the possible fabrication alternatives



2 Next, SignalDemand measures demand for each cut at different prices using your history and available market data



3 Then SignalDemand instantly calculates margin and revenue for thousands of potential scenarios

Performance Projections

Option	Revenue	Margin
1	\$34.50	\$3.00
2	\$39.50	\$7.00
3	\$42.50	\$9.00
4	\$40.50	\$6.00
5	\$42.00	\$9.00
6	\$47.50	\$13.00
7	\$49.65	\$13.65
8	\$47.00	\$13.00
9	\$49.50	\$14.00
10	\$47.00	\$12.00

Which combination best meets your goals?

← **Max Revenue** (Option 7)

← **Max Margin** (Option 9)

4 Last, SignalDemand recommends prices that are driven by your corporate objectives and business rules

"Demand Shaping" Price Sheet

Trim	\$/Pc	Avg. Wt	\$/Lb	Units
1/4" Trim	\$14.00	10	\$1.30	0
1/8" Trim	\$15.50	9	\$1.88	1
No Trim	\$17.00	8	\$2.83	2

How SignalDemand Adds Financial Value

SignalDemand's capabilities convert to improved profits:

- Every pricing decision is systematically aligned with corporate goals—no “bad deals”
- Each price quote is based on a mathematically calculated higher probability of acceptance
- Products are directed to the most profitable customer type or channel
- Changes in inventory are immediately reflected in new pricing recommendations
- Inventory imbalances are caught earlier than humans can usually detect them, so they can be corrected without having a “fire sale”

Margin increase of
\$10–30MM
is possible for every
\$1B under management

product and by time frame—to calculate promotions that maximize profit for both you and your customer (and that

solve inventory imbalance problems)

- Quotes customized pricing for every cut so you can be confident that each product price is reasonable and fair.
- Changes pricing from an intuition-based process to a reputable, science-based one, with robust

software that incorporates pricing expertise, numerous pricing rules and corporate objectives

How SignalDemand Adds Strategic Value

SignalDemand's application ensures that your pricing reflects your corporate objectives:

- Strengthens your partnership with your customers by sharing valuable market demand information
- Allows a more proactive relationship with your customer by recommending ad features—by customer, by

How can I know if SignalDemand can help me?

SignalDemand offers a condensed analytical process for meat manufacturers to investigate possible areas for margin improvement including:

- 1 **Visibility** – Are we losing margin? Is there price dispersion?
- 2 **Execution** – Do we have full control of our price execution? and
- 3 **Price Forecasting** – Can we earn higher margin by better predicting the market price?



About SignalDemand

SignalDemand's solutions help manufacturers fine-tune demand and supply, leading to dramatic improvement in their financial performance. Commodity food processors and consumer goods manufacturers use SignalDemand to optimize a wide range of pricing and promotion decisions while understanding the impact on supply costs and inventory. SignalDemand uses patent-pending econometric models, optimization algorithms and activity-based costing techniques. Customers include Cargill Meat Solutions, National

Frozen Foods, Rich Products, and Ventura Foods. To learn more or to request information, please visit www.signaldemand.com.

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