

Grain Milling Solution Overview

Do you sell flour into multiple regions and channels with differing levels of margin expectations? How do you forecast your available milling and pack line capacity over the mid- to long-term for each of these regions? Do you have visibility into overall industry demand and capacity?

Can you quickly determine the appropriate prices and margins as capacity is consumed? Can you quickly communicate these changes to your sales team? Does your sales team negotiate long term contracts with confidence?

Are you able to translate your mill locations into a competitive advantage? What is the best way to manage prices and margins as conditions move between carry and inverse markets?

The grain milling industry continually faces a complex set of questions and decisions, all of which must be coordinated to optimize the sales execution process and to ensure optimal product margins. Raw material inputs, production capacity constraints and demand forecasts need to be considered if companies are to find ways to maintain or grow profitability and effectively serve their customers as market conditions change around them.



“We recognized an opportunity to improve alignment with the large number of variables present in the flour milling industry. ConAgra Mills will customize and engage SignalDemand’s systems to coordinate our raw material inputs, production capacity and demand forecast to improve sales execution with our customers.”

Paul Maass,

President of ConAgra Mills

SignalDemand Grain Milling Solution Overview

Margin within the grain milling industry is driven by commodity volatility, plant and industry capacity, and regional competitor and customer influences. With SignalDemand, margins can be improved through faster visibility to more accurate forecasting as well as math-based capacity optimization. SignalDemand provides a software platform that millers can use to standardize their pricing processes, enabling them to realize the benefits that mathematical modeling and rich, real-time analytics can deliver.

SignalDemand’s software solutions distill the complex interdependencies between supply and demand into mathematical models, which incorporate milling market conditions, capacity, bills-of-material and transportation logistics. These sophisticated mathematical models power an intuitive user-interface, providing

management teams, sales executives and sales representatives with the information they need to proactively manage their business and serve their customers more effectively.

SignalDemand’s Grain Milling solution enables organizations in the grain milling industry to:

Improve Margin Decisions

- Reduce margin inconsistency and establish optimal margin targets by region and customer segment
- Analyze forecasted margins and demand for every product and customer segment in every region
- Improve insight into customer buying patterns, incorporating costs to establish an accurate view of net margin

Optimize Capacity Utilization

- Improve insight into capacity utilization and sold positions to bring margins inline with volume commitments
- Incorporate capacity and sold position forecasts into price and margin decisions to achieve business goals
- Provide supply alerts as capacity is met to allow a margin response to be considered

Improve Sales Operations

- Respond quickly, accurately and consistently to customer inquiries improving customer service
- Identify areas for additional margin improvement through customer and product margin waterfalls and profitability analysis
- Increase confidence and build “pricing courage” through real-time access to the information needed to negotiate a sale

Benefit #1: Improve Margin Decisions

The grain milling industry has long recognized that not every customer and not every region can sustain the same margin. To meet this challenge SignalDemand uses mathematical models that enable grain millers to segment their business by region, customer type and size (a micro market). After this initial segmentation, SignalDemand then produces baseline margin and volume forecasts for each of these micro-markets: for every product, every day. The sales and/ or operations teams can apply their market and customer knowledge to these baseline margin and volume forecasts through an easy to use, web based application.

SignalDemand provides the information your sales team needs to ensure that they are the pricing experts, prepared to negotiate with confidence. Data, such as five years of historical margins, as well as two and five year highs and lows, provide confidence and context for

negotiations. SignalDemand’s rich analytics allow millers to analyze their historical margins for each micro market, understand the forecasted margins and volumes and determine and exploit the differences across markets to maximize overall operating margins.

The optimization models of SignalDemand take the analysis one step further by predicting each segment’s “willingness to pay,” the maximum amount a buyer is prepared to pay, as well as the trade-off in total revenue between a higher margin and volume sold. SignalDemand models this trade-off by developing elasticity models for each product in each micro market. These models help millers to understand the impact that an increase or decrease in margin will have on the volume sold, taking advantage of the fact that each region and customer has a different willingness to pay for each product.

Understanding the sell-side of the business and the demand factors that drive it are critical to maximizing revenue; however, to determine the optimal product margin, supply-side factors must also be considered. SignalDemand incorporates the full set of actual costs to provide an accurate view of the true net margin. Some of the critical actual costs that SignalDemand’s Grain Milling Solution considers are basis, mill feed credits and treatment costs. The software also considers inter-company shipment costs in order to make efficient use of available capacity and reflect operational reality.

Another area of cost that SignalDemand considers is the working capital required to operate a grain milling organization. As grain prices fluctuate, there is a corresponding increase or decrease in working capital costs that must also be included in margin calculations. Through its ability to consider the full set of costs SignalDemand’s pricing models enable a miller to shift demand to the most profitable products.

While some organizations have attempted to incorporate these variables into their price decision making process, the number

Use Cases

A sales representative negotiating and preparing a quote

A sales operations executive who needs to understand current industry utilization, their plant utilization in order to determine the optimal margin to charge

Sales executives evaluating sales performance across regions and representatives

A pricing expert who needs to know optimized prices down to the product, mill and market segment

Key Questions

Can you anticipate demand by geography, customer and product, compare it to your available capacity and price accordingly?

Can you determine the correct margin for every customer while facing volatile grain markets and changing industry capacity?

Is your sales team empowered with the information they need to sell the right product, to the right customer, at the right price, at the right time, with confidence?



Improve margin and identify opportunities by graphically representing outliers

of variables, amount of data and constant changes in the information have made it impossible for humans to respond to the market with an optimized margin in a timely and practical way. At SignalDemand we make it simple.

Benefit #2: Optimize Capacity Utilization

Another critical factor for profit maximization for the grain milling industry is ensuring that capacity utilization is optimized. SignalDemand helps grain millers establish an optimal “forward sold curve.” This curve, which defines the percentage of product that should be sold in advance, helps balance the trade off between capacity utilization and price. It guides the sales team, ensuring that they have product available for their most valuable customers while ensuring that excess capacity doesn’t place significant downward pressure on their margins. SignalDemand recommends a margin for each customer segment and time period that will place the miller on this optimized forward sold curve. The SignalDemand model also accounts for changes in forward buying patterns such as market switches from carry to inverse positions and seasonal differences.

Understanding alternative products and production options and their relative margins is a challenge for grain millers. Since grain can be broken down to produce different end products with different costs and margins as well as different by-product credits, SignalDemand’s grain milling models have a sophisticated understanding of a reverse bill-of-materials.

In addition to optimizing the sold position and supporting complex, reverse bills-of-materials, SignalDemand provides

visibility into capacity and capacity utilization. With SignalDemand sales and operations organizations are able to understand their forward sold position and capacity by location and mill. Available capacity is continually updated as new orders are placed. The team can analyze their capacity utilization through SignalDemand’s Grain Milling solution, which provides visibility into all mill resource future capacity utilization as well as utilization forecasts and the ability to view the utilization data by different variables, for example product type, shelf, customer segment, pack size, etc.

SignalDemand’s Grain Milling Solution enables millers to optimize the trade offs between margin improvement and capacity utilization by providing an optimized forward sold profile, the margin recommendations to meet that profile and the analytics to understand the company’s current position in relation to that profile each day.

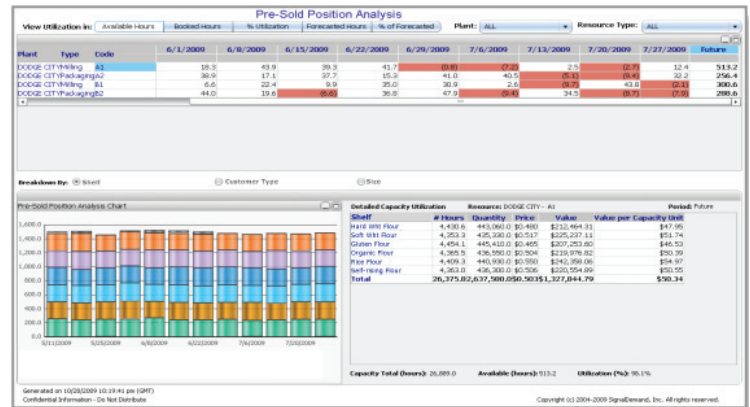
Benefit #3: Improve Sales Operations

SignalDemand drives bottom line results through improved sales operations, providing sales organizations with accurate margin guidance and tools for strategic margin analysis. With SignalDemand, millers are able to evaluate areas for additional margin improvement and execute forward pricing with confidence.

By providing tools that enable sales representatives to quickly create quotes, gain visibility into customer margin waterfall and perform profitability analysis, SignalDemand enables grain millers to standardize their pricing process. With SignalDemand’s quoting capabilities, sales representatives can quickly access all pricing information such as historical price, availability optimized price, etc in a single location. They can quickly generate a customer specific quote based on historical order patterns, recommend products and provide pricing based on optimized margins. Sales operations as well as front line sales personnel have full visibility into all historical customer behavior including a customer margin waterfall that displays all direct and indirect costs that drive the true net margin. A price consistency scatter plot enables sales representatives and managers to quickly identify and respond to opportunities and also provides insight into customer and product outliers

Summary

Millers are constantly challenged with the question of how to determine the optimal product margin. To arrive at that margin each day they must consider a myriad of complex factors that range from capacity constraints to demand forecasts. SignalDemand provides an easy-to-use software platform that enables millers to quickly and efficiently establish the optimal product mix for a specific customer at a specific point in time and to ensure that each product in the mix is sold at the optimal margin. With SignalDemand complex challenges become selling opportunities.



Quickly review pre-sold position by product/plant

SignalDemand in Action

ConAgra Mills selected SignalDemand to optimize sales operations, including demand forecasting. The company deployed the majority of SignalDemand's Grain Milling solution modules. "We recognized an opportunity to improve alignment with the large number of variables present in the flour milling industry," said Paul Maass, President of ConAgra Mills.

SignalDemand's solution automatically evaluates every product and plant on a daily basis, allocating demand to ConAgra Mills' products and customer channels. By decreasing the time required to analyze information and generate quotes, SignalDemand enabled ConAgra to make faster decisions and to enhance customer relationships. SignalDemand has allowed ConAgra Mills to focus on developing more winning contracting and delivery scenarios for their customers.

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 demand on a continual basis. By recommending best price, supply utilization and product mix in moments, SignalDemand enables better day-to-day decision making. Companies such as Cargill, Farmland Foods, Hormel, National Frozen Foods, Rich Products, Seaboard Foods and Ventura Foods rely on SignalDemand for immediate and ongoing improvement of financial performance. For more information, please visit www.signaldemand.com.



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