

### Inflation / Supply Chain Risks

- what is inflation and how does it impact our business?
- where is inflation going?
- supply chain constraints
- risk mitigation strategies

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### WHAT IS INFLATION?

- key rates
- collection methodology
- impact on our business

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### INFLATION OVERVIEW

inflation is the change in costs over time, measured geographically and by industry

- data is collected & published by the **U.S. Bureau of Labor Statistics (BLS)**
- cost of living indicator: **Consumer Price Index (CPI)**
- labor cost indicator: **Employment Cost Index (ECI)**

#### FOODSERVICE INDUSTRY RATES:

	CPI – food away from home	ECI – foodservice
<b>% of total</b> <small>(subset of overall rate that applies to 100% of our business)</small>	7%	9%
<b>geographic detail available</b>	national, regional, and select cities	national
<b>publication frequency</b>	monthly	quarterly

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### INFLATION DATA COLLECTION METHODOLOGY

the U.S. Bureau of Labor Statistics (BLS) tracks changes at an **item level**

#### FOOD (CPI – Food Away from Home)

each month, BLS data collectors visit & call thousands of retail stores to track the price of 5,000 food items



**January 2021:** collects price for a **medium coffee** (\$2.50)

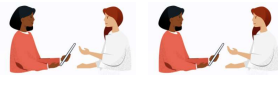
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**January 2022:** collects price for the **same coffee at the same store** and records **new price** (\$2.75)

*In this example, the price of a medium coffee rose 10% over one year*

#### LABOR (ECI – Foodservice)

each quarter, BLS data collectors visit & call businesses to track current compensation for a sample of employees



**January 2021:** collects current compensation amount for a sample of employees (**avg. wage \$14.00**)

→

**January 2022:** collects current compensation for the same sample of employees at the same business and records new data (**avg. wage \$15.00**)

*In this example, wages rose 7.1% over one year*

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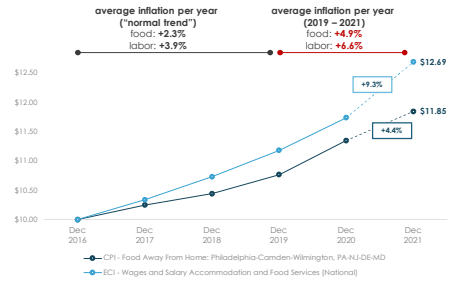
### CHANGING TRENDS

foodservice inflation is currently setting records

**FOOD INFLATION** is the highest it's been in **40 years**

AND

**FOODSERVICE LABOR INFLATION** is the highest it's been since the rate was first collected in 2000



Year	CPI - Food Away from Home (Philadelphia-Camden-Wilmington, PA-NJ-DE-MD)	ECI - Wages and Salary Accommodation and Food Services (National)
Dec 2016	\$10.00	\$10.00
Dec 2017	\$10.20	\$10.10
Dec 2018	\$10.50	\$10.30
Dec 2019	\$10.80	\$10.60
Dec 2020	\$11.20	\$10.90
Dec 2021	\$12.69	\$11.85

**average inflation per year ("normal trend")**  
 food: +2.3%  
 labor: +3.9%

**average inflation per year (2019 - 2021)**  
 food: +4.9%  
 labor: +6.6%

2021 increases: Food +9.3%, Labor +4.4%

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### COST PRESSURES ARE HITTING FOODSERVICE FROM EVERY ANGLE

below are some factors contributing to these rising costs

#### LABOR

- MINIMUM WAGE INCREASES**  
44 cities, 24 states, and D.C. raised minimum wage in 2022
- INDUSTRY COMPETITION**  
rising retail wages are forcing foodservice to react to meet staffing needs
- FEWER EMPLOYEES**  
rising costs, like childcare, are causing some to leave the workforce altogether

#### FOOD

- BEEF**  
western drought limiting size and supply of cattle
- CHICKEN**  
supply chain issues, rising feed cost, rising wages, and increased demand
- PORK**  
confinement restrictions, rising wages, and increased demand
- BAKED GOODS**  
hurricanes shut down sugar cane refineries; wheat inflation
- COFFEE**  
storms in coffee-producing countries & shipping difficulties
- FUEL**  
drought and rising cost of fertilizer

#### OTHER PRODUCTS

- PACKAGING**  
producers can't keep up with increased demand
- ALUMINUM**  
China's output has fallen significantly as the country reduces carbon emissions; tariffs are passed down
- PPE**  
increased demand is limiting supply

#### SUPPLY CHAIN

- FUEL**  
increased demand and supply interruptions
- SHIPPING / FREIGHT**  
increased demand and driver wages, also impacted by rising fuel costs

**while some factors impacting costs are COVID recovery related, others are likely here to stay (rising wages, climate change, fuel volatility)**

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### EXTENDED LEAD TIMES: HARD GOODS

**SMALLWARES:**

**HIGH RISK: 8+ WEEKS**

- Dispensers:
  - Capitol
  - Condiment
- Touchless products
- COVID related signage
- Ben Chef salad cranks
- Jars (Ball jar shortage in US resulting in all jar shortage)
- Crowd Control
- Non-Skid School Trays
- Merchandising baskets

**MEDIUM RISK: 6-8 WEEKS:**

- Buffet
- Display ware
- China, Glass, Flatware
- Janitorial
- Cast Iron
- Food and Personal safety
- Food Storage Containers
- Acrylic Barriers

**LOW RISK: 2-4 WEEKS:**

- BOH Kitchen supplies
- China, Glass, Flatware (Trinmark Premier Collection)
- Cast Iron (Trinmark Premier Collection)
- Sheet Pans
- Food and Personal Safety Products

**HIGH RISK Sub-Category**

**Commodity Flatware - US Shortage**

**EQUIPMENT:**

**HIGHEST RISK (ORDER ASAP) - MINIMUM LEAD TIMES 12-16 WEEKS:**

- Ice Machines
- Walk In coolers
- Reach in refrigeration and prep tables
- Convection Ovens
- Anything with touchless control
- Resin based products such as carts
- Blast chillers
- Fryers
- Flight type dishwashers

**MEDIUM-HIGH RISK: 6-8 WEEKS:**

- Cookline equipment
- Serving counters
- Speed ovens
- Hot Hold Cabinets
- Conveyor dishwashers
- Blenders

**HOT SO HIGH RISK: 3-4 WEEKS:**

- Hoods
- Dishwashers- undercounter and door type
- Mixers and slicers
- Coffee equipment- espresso can be a lot longer
- Ozji machine and containers

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### MARKET PRESSURES: SOME ARE HERE TO STAY

**SHORT-TERM INFLUENCERS**

- supply chain bottleneck
- large # of open positions as businesses reopen post-COVID
- COVID-related concerns reducing # of available workers
- world events driving up prices for gasoline, metals, fertilizer, etc.

**LONG-TERM INFLUENCERS**

- climate-related issues (drought, storms) limiting food supply
- large national retailers driving up starting/entry wages
- state and local minimum wages rising, bringing other hourly wages up with them (compression)

**Diagram:**

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### DEDICATED SUPPLY CHAIN: HOW IT HELPS

- the benefits of quality procurement
- holistic review of cost pressures
- substantial supporting resources
- effective vendor management
- interdepartmental collaboration

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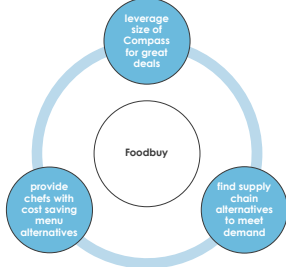
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### SUPPORTING CLIENTS THROUGH QUALITY PROCUREMENT

Inflation is unavoidable – but we can leverage our size & expertise to minimize the impact

We protect clients from the volatility of inflation through our procurement arm, **Foodbuy**, the largest food GPO



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### SECURE YOUR SUPPLY CHAIN

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#### Bottom Up Planning

- Menu engineering
- Narrow product needs
- Consistency across the business
- Inventory in house 3 – 5 days ahead
- Forecast smallwares and equipment needs



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#### Leverage partners

- Consolidate orders
- Share menus and volumes
- Leverage contracted products
- Highlight more "common" products

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# Q & A

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