CENTER FOR GLOBAL SALES LEADERSHIP
INDIANA UNIVERSITY

Altria
Altria Sales & Distribution

Present the 4th Annual

CANTBEATTHEEXPERIENCE.COM™
ALTRIA FAMILY OF COMPANIES

October 8, 2010

Indiana University
Kelley School of Business

Participant Guide

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Altria
Altria Sales & Distribution

September 28, 2010

Welcome to the Fourth Annual "Can't Beat the Experience" Team Sales Case Competition! We are looking forward to meeting all of you when you arrive at the Indiana University campus on October 8th.

We hope everyone will find the case challenging and will learn from the experience. At the same time, we want everyone to have fun working with your teams, interacting with the Altria Sales & Distribution team, and meeting students from other universities.

As the corporate sponsor of the competition, we worked closely with the faculty and staff at the Center for Global Sales Leadership at the Indiana University Kelley School of Business to develop a case that would showcase your abilities. Our goal is to give you the opportunity to take your classroom knowledge and experience and apply those skills in a selling situation that is realistic and relevant in today's market.

The Altria Sales & Distribution employees judging the case competition have enjoyed long-term careers with the company. In addition to sales, our work experience crosses over multiple areas. During your visit, we hope you will take the opportunity to get to know us a little better.

On behalf of all of us at Altria Sales & Distribution, good luck and good selling!

Sincerely,

Danielle Keck | Sven Bergman | Dave Coode | Calise Cook | Barb Bratcher

Altria Sales & Distribution
Can't Beat the Experience- Case Writing Team

Case Overview

Note: The case is a fictional situation.

The following case situation was developed for the Indiana University National selling competition presented by Altria. Although it reflects real-life conditions, neither the company you are representing nor the account you are selling to is real. All similarities to actual companies are coincidental and unintended.

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In this case you will find the use of actual and fictional market data about the candy industry to develop the case scenario. The market and share data is not intended to reflect real life market share data for companies mentioned.

The selling situation depicts a fictitious national convenience store chain. The market share and pricing data for the account has been fabricated. Market information about the supplier you are representing was also fabricated.

K&W Candies has a rich history as a candy manufacturer. This family business started in the early 1800's in Philadelphia. Some of its competitive advantages were learned in early generations from the candle and tin smithing businesses. Today the company manufactures and sells 97 different candy bars.

You joined K&W after graduating from college and moved to Chicago to become a sales representative for the company. You were very successful in your role and within 2 years you were promoted to an account manager.

In your new job you have joined an account team at K&W to call on one of your company's biggest accounts, Crazy Al's. Crazy Al's is a convenience store chain that started in Florida and now has over 2400 stores all over the country. Crazy Al's tagline is "the one place to get it all". Calling on this account is really fun and the culture at Crazy Al's is seen at headquarters and in stores alike.

Every fall, K&W releases it annual promotions for the following year and all of the account managers begin planning their annual pitch to the top accounts. A formal presentation is put together with a business review and a promotion recommendation. The K&W team usually gets together as a group to prep for the Crazy Al meeting so it comes off without a hitch.

Crazy Al's business is so important to K&W Candies that there is an account team of 4 account managers to call on the account by division (North, South, East, and West). While you and your peers deal mostly with Alex Rubin, the Candy Buyer and Operation Team (the division managers and regional directors) when it comes to the Annual Meeting the whole marketing team is present.

Note: The case is a fictional situation.

The meeting will include Alex and his boss Drew Byers, the Sr. Director of Merchandising, and Tony Franklin, the VP of Marketing. Although the owner Alvin Morris isn't scheduled to attend, it would be just like him to pop in to see what is going on.

This year K&W will be offering a promotion of $2.00 off per case for 4-8 weeks with some display and advertising conditions. K&W wants to feature Eye Candy - a newer candy bar to the company that boasts less fat.

As your team prepares for the meeting you have a few resources to work into the presentation. Your account team has just received a custom industry report called an ACE report by Making Convenience Better (MCB-the most reputable research firm) for Crazy Al's that measures how Crazy Al stores are performing in the marketplace. Some of the findings are sure to help you with the business review and promotion offer.

The team has been very smart to schedule a pre-appointment with Alex the morning of the big meeting. Your team wants to give Alex a preview of the promotional offer and generate some ideas for the afternoon appointment. The goal is to review the business and set up the need for the Eye Candy promotion. Your team intends to get the promotion contract signed the day of the meeting.

Note: The case is a fictional situation.

A Rich History of Chocolate

Chocolate is made of many raw and processed foods produced from the seed of the tropical Theobroma Cacao tree. Cacao trees grow melon-like fruit, which is harvested by hand. Inside each pod are about 20-40 seeds, or cocoa beans. The beans give chocolate its special flavor. After the beans are removed from the pods, they are placed in large heaps or piles. This is called fermentation and the process takes about a week. During this time, the shells harden, the beans darken, and the rich cocoa flavor develops. After drying, the beans are ready for transport to the chocolate factory.

Cacao has been cultivated for at least three millennia in Central and South America.   The Mayan society's elite originally consumed chocolate as a drink. The chocolate drink was a favorite of Montezuma, Emperor of the Aztecs. Hernando Cortez, the Spanish conquistador, brought the drink back to Spain in 1529. It remained a favorite of Spanish royalty for many years before becoming consumed widely throughout Europe. Three centuries later in England, chocolate was first consumed in its solid form.

The actual inventor of "chocolate for eating" is unknown, however many people give this credit to Joseph Fry & Son. In 1847, they discovered a way to mix some of the melted cacao butter back into the dutched chocolate along with sugar. This created a paste that could be pressed into a mold. The result was such a hit, that people wanted to eat the chocolate as much as they enjoyed drinking it.

In 1849, John Cadbury introduced his chocolate bars. These bars would not measure up to today's standards as they were made of a bittersweet chocolate. Twenty six years later milk chocolate appeared on the scene by Henry Nestle. Nestle, a maker of evaporated milk and Daniel Peter, a chocolate maker, teamed up and invented milk chocolate.   In 1893, K&W Company (Katheryn & William) introduced their new Good Temper Bar which was especially known for the advancements the company made in melting temperature and their products' ability to stimulate human taste buds. Not long after, Milton S. Hershey who was inspired by chocolate-making machinery on display at a World's Fair in Chicago, installed chocolate machinery in his factory in Lancaster. He produced his first chocolate bar in 1900.

Through the early 1900's many other Americans began mixing other ingredients with chocolate to make up new candy bars. It was World War I that brought candy bars into the spotlight. The U.S. Army Quartermaster Corps appointed various American chocolate manufacturers to provide 20 to 40 pound blocks of chocolate to be shipped to quartermaster bases. By the time the war was over the returning doughboys had acquired a love for chocolate candy and wanted even more of this good thing. Throughout the 1920's, more and more candy bar manufacturers took off around the United States. Eventually there were over 40,000 different candy bars to choose from to satisfy those taste buds.

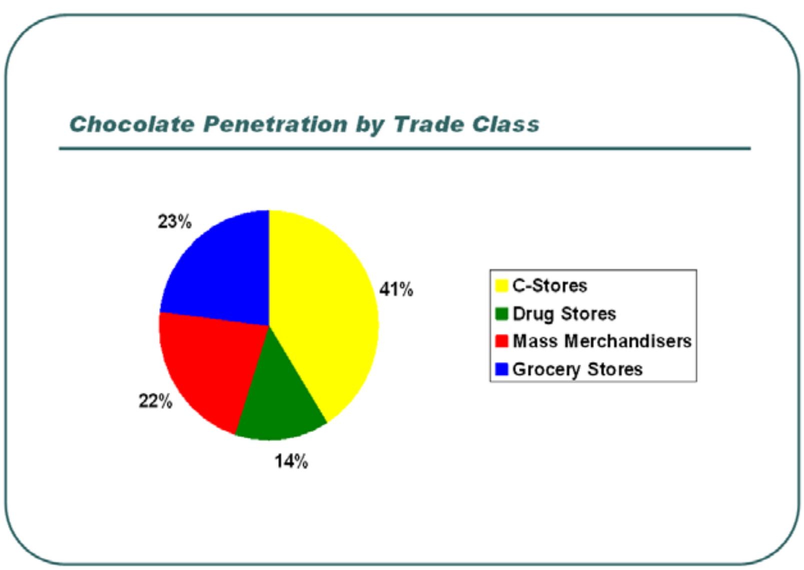
Note: The case is a fictional situation.

The Chocolate Timeline	
Year	**Event**
1529	A Chocolate drink is introduced into Spain from the Americas by conquistador Hernando Cortez
1847	Joseph Fry & Son, creates a paste that could be pressed into a mold, resulting in bar candy
1849	John Cadbury introduces a chocolate candy bar
1875	Milk Chocolate invented by Henry Nestle and Daniel Peter
1879	Rodolphe Lindt creates a bar that "snaps" when broken
1893	K&W introduced their new Good-Temper bar
1900	Hershey's Milk Chocolate Bar was introduced
1916	Clark bar emerges
1919	Joseph Fry & Sons of Bristol, merged with Cadbury Limited
1923	Reese's Peanut Butter Cups and Butterfinger were invented
1925	Kandy Kake (the original name of the Baby Ruth) arrives
1925	Oh Henry! introduced
1930	Mr. Goodbar created
1932	3 Musketeers emerges
1933	Kit Kat arrives
1938	Nestlé's Crunch was invented

Source: Wikipedia and Ideafinder.com

CURRENT INDUSTRY NEWS

U.S. convenience stores sell approximately 15 percent of all candy sold at the retail level – and an even greater percentage of chocolate. According to Nielsen data, convenience stores sell 41 percent of the unit volume of chocolate in the United States. Total convenience store sales for candy reached $4.5 billion in 2008.

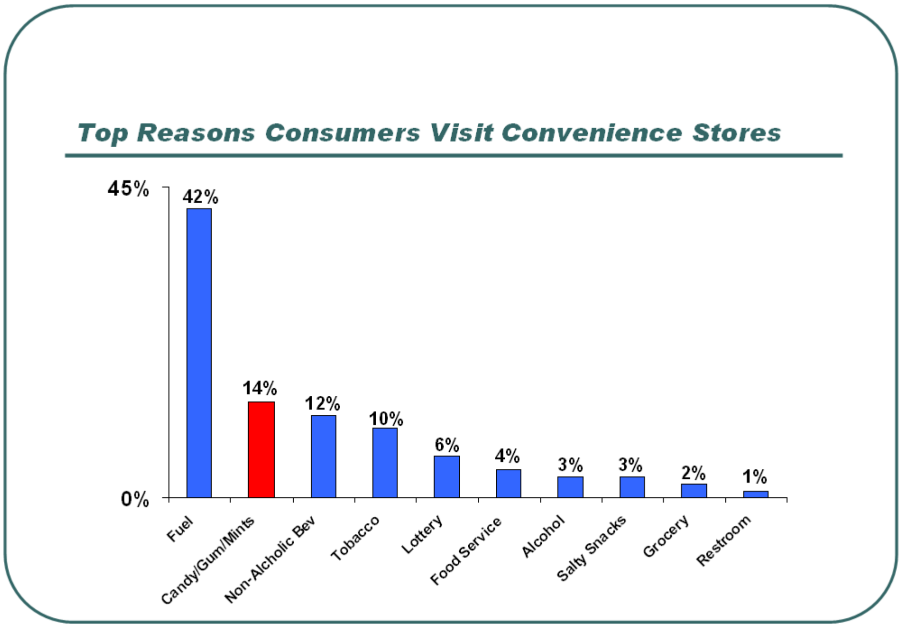


K & W- Booth consumer research as of 4/1/2010 certified by MCB.

Note: The case is a fictional situation.

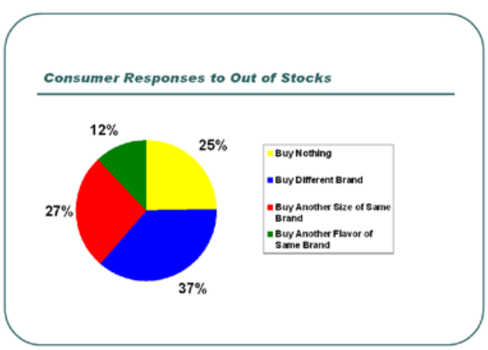
Chocolate bars lead all candy sales in convenience stores, followed by gum; bagged, repacked peg candy; candy rolls; mints and drops; non-chocolate bars; and novelties or seasonal.

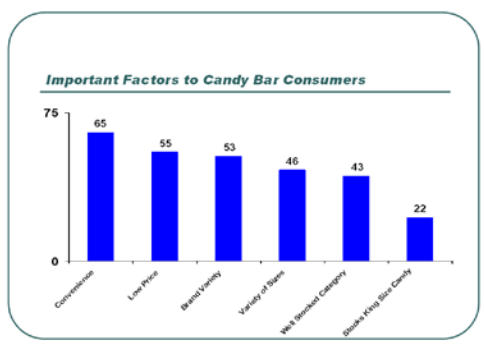
After fuel, candy/gum/mints are the most common reason for visiting a C-Store.



K & W- Booth consumer research as of 4/1/2010 certified by MCB

Candy is a high impulse item in convenience stores. Forty-nine percent of shoppers report that their candy purchases are unplanned, according to global research firm Envirosell. Brand availability and price are also both very important to consumers.





Recession Resistant?

According to an AC Nielsen recession vulnerability analysis, candy is one of the most recession-resistant categories. During the Great Depression, the unemployment rate exceeded 25 percent, yet the nation's candy companies thrived by introducing products that remain favorites today: Snickers, Tootsie Pops, Mars with almonds, and the Three Musketeers bar.

Almost 80 years later, candy remains a popular American indulgence. Envirosell founder and CEO Paco Underhill comments in an Associated Press article that “although consumers are cutting back on major purchases, like cars and other big-ticket items, they still want to treat themselves with small indulgences or small rewards, such as chocolate.”

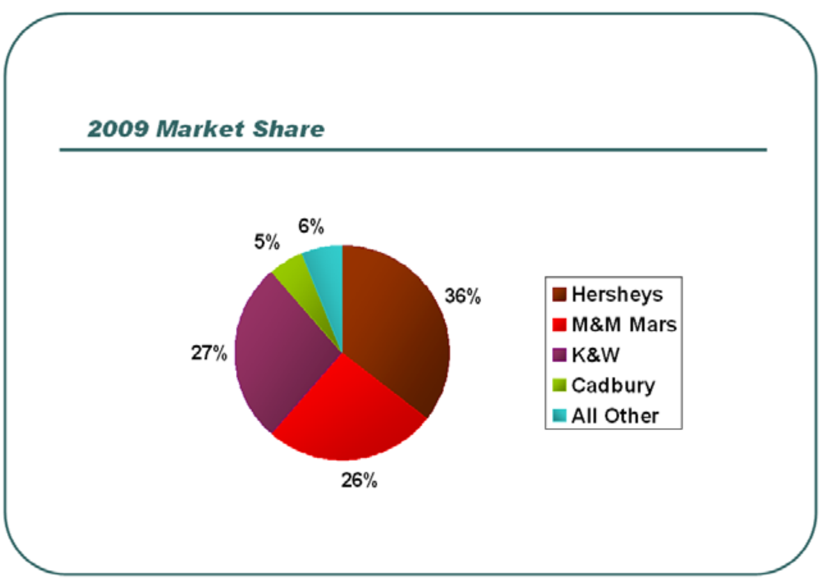
Candy Trends

Experts believe that the next “big” trend in confections will be healthier confectionery options, specifically a growing demand for health benefits and “better for you” ingredients.

- **Dark Chocolate:** Dark chocolate has been generating positive publicity ever since researchers discovered that it contains about eight times the number of antioxidants as found in strawberries.
    - Candy makers such as Hershey say that the antioxidant capacity of a single serving of Hershey’s Extra Dark Chocolate (37g) equals three cups of tea, two glasses of red wine or 1-1/3 cups of blueberries. Hershey also funded a study at Yale University’s Prevention Research Center, which found that eating dark chocolate could result in short-term improvements in arterial function and blood pressure.

- **Portion control:** According to the National Confectioners Association, candy manufacturers emphasize moderation and portion control through smaller candies and re-sealable packaging. Smaller-sized candies, many of which are individually wrapped, enable consumers to eat a little at a time, and re-sealable packaging helps promote moderation.

A look at a few of the top chocolate manufacturers in the US:



K & W- Booth consumer research as of 4/1/2010 certified by MCB

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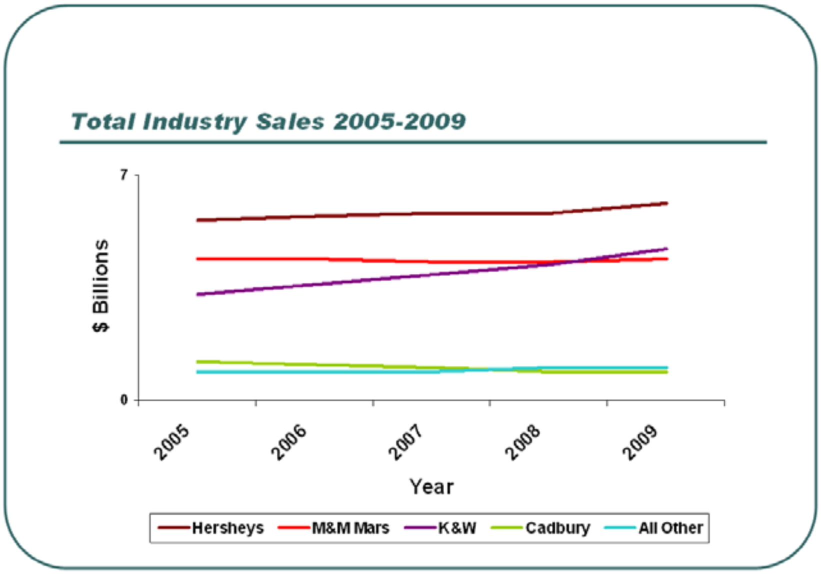


K & W- Booth consumer research as of 4/1/2010 certified by MCB

Mars, Inc.	The manufacturer of Snickers, M&Ms, Twix and Milky Way has been dominating the chocolate industry for several years now. With USD $21 billion in annual revenue in 2008, it has become the 6th largest privately owned U.S. corporation.
The Hershey Company	One of the oldest and the largest chocolate manufacturer in North America, Hershey is the company behind the famous Hershey's chocolate bar and kisses. It was founded in 1894. The company produced annual revenue of USD $5.3 billion in 2009.
K&W	The Number 3 US candy manufacturer with USD $3.9 billion in annual sales. Their candy line consists of 97 SKUS and they represent 27% of the candy category in US Convenience stores.
Ghirardelli Chocolate Company	The pioneer manufacturer of premium and gourmet chocolate products has established its position as the United States' premium chocolate company for more than 150 years. It controls its entire chocolate manufacturing process from the cocoa beans to the finished product. Ghirardelli is popular with its SQUARES chocolate and chocolate used for baking and cooking. Annual revenue is estimated at USD $35 million.
Nestlé	The Swiss-based company is among the largest consumer packaged goods companies in the world. Their chocolate business is known for its Baby Ruth, Butterfinger, Wonka and Nestle Crunch chocolate bars. Company Revenues in 2009 topped USD $100 billion with a reported 12% of total sales from its chocolate products.

Note: The case is a fictional situation.

K & W Candies

Coming to America

William Kapitz brought little with him to Philadelphia in 1792 except his dream of freedom and knowledge of tin smithing. William had grown up in Budapest under a very rigid social order. His father was a tin smith, and at age 12, William was apprenticed to Igor Bratchinger to learn the trade. After one year, he had equaled Igor's skill in hammering and tempering the tinplate household items they sold to working class families throughout the city. Igor took to his apprentice William, and in the evenings, Igor taught him to read. Before long, it was William's duty to collect discarded copies of daily newspapers from the financial district three blocks away. William would read aloud the news to Igor at the end of each day. These papers were filled with stories of a new concept taking hold in the British Colonies and of intriguing personalities named Franklin, Adams, Washington, Jefferson, and others. At age 14 in 1783, William knew his heart would some day take him to America. In April 1792, William stepped off the merchant ship Grentzel onto the Philadelphia docks and into his new life in America.

William found the city of Philadelphia bustling with spirit and opportunity beyond his dreams. He knocked on the Front Street door of the Silversmith shop of Joseph Richardson two days after arriving. Joseph tested William by giving him a block of pewter stock and showing him to the anvil and hearth. Three hours later Joseph was admiring the dinner plate and serving spoon that had been coaxed out of the raw pewter. Joseph offered a job and William excitedly accepted.

A Labor of Love

Four years later, Joseph offered to help William open his own shop across town.
William's new shop thrived due to the quality of his wares and the growing population's needs. William's life took an interesting twist when Katheryn Billips came to his shop with her mother in 1803. Katheryn had just turned 16 and her parents were introducing her to the Philadelphia courting scene. They visited William's shop to order spoons to be used for the coffee that would be served during the courting ritual. William was smitten as soon as he laid eyes on Katheryn. As soon as they left the shop, he contacted Joseph to inquire about Katheryn and the courting practice. Joseph knew Katheryn's family, while the age difference (18 years) was not that unusual for the day and social barriers were coming down, Charles Billips was not going to be that open-minded about his daughter's suitors. None of this discouragement swayed William.

Courting after the revolution took on a new look. A custom that arose was that of the Courting Candle. This device was a unique candle holder used solely during the courting ritual. It consisted of a spring like candle holder that a candle would be inserted into and adjusted to expose as much candle above the top of the coil as the parent would like. The custom was that the candle would be placed on a table beside the couple. It was lit when the couple was left alone to begin talking. When the exposed candle burned to the level of the top of the coil, it served as a signal to the gentleman that his time was up.

Ignoring this signal was a sign of disrespect and a sure reason the parents could refuse future visits. Many a suitor, upon entering the parlor and seeing only ½ to 1 inch of candle exposed above the top coil simply thanked the parents for their time and left before official introductions could begin.

Imagine William's predicament when he entered the Billip's parlor and noticed the candle with barely ¼ inch exposed. Katheryn's father hurriedly lit the candle and left the room with a terse look back. William turned on the charm, the twinkle in Katheryn's eye told him his feelings for her were warmly received but he had little time, as he glanced over Katheryn's shoulder at the candle, he couldn't help but notice the poor quality of the smith work on the candle holder. An idea flashed through his head, a way to gain further time and a return visit. He sprang to his feet and thanked Katheryn for agreeing to see him, while avoiding the disaster of extending their official visit past the time the candle allowed. He asked permission to discuss business with her father, unusual, but within the rules. William thanked him for the opportunity to visit then shifted his tactic to discuss how a woman as lovely as his daughter deserved only the best. He picked up the spoon that he had crafted from the coffee service next to the courting couch and pointed out the quality of the smithing and the importance of tempering to ensure long life and durability. He then suggested that the Courting Candle holder was of inferior quality and that he would be honored to provide Katheryn with one of the quality she deserved. Charles, somewhat offended began to put William in his place explaining that the holder in question was made by the most prestigious shop in New York. He had paid a fine sum for it on a business trip. Their conversation took their attention away from the candle. It had burned below the first two coils of the holder and the flame was lapping the exposed metal. The lack of tempering caused the metal to soften and the holder began to bend dripping wax onto the table exposing more of the wick and the flame to grow even higher. The moment both men turned to look at the candle, the wax on the table flashed into a flame, quick action from both extinguished the fire but the table was damaged and the bent candle holder was rolling awkwardly at their feet. William had made the sale.

With the chance for another visit, William wanted impress, not only with his candle holder, but he would also take on the candle issue. He tinkered and toyed and found that the tempering techniques he had learned in working with metal, also helped improve the hardness and increase the melting temperature of the candle wax. One week later he was knocking on the Billip's door delivering his candle and holder.

William's persistence paid off. Before long, William's passion for quality and pride in his workmanship had made a believer and an investor out of Mr. Billips. Eighteen months after their first meeting, he was proudly walking Katheryn down the aisle. William's marriage to Katheryn was celebrated as a triumph of Philadelphia's classless society.

Demand for William's Courting Candle holder's provided a nice additional source of income. However, the demand for candle holders was nothing compared to the buzz for the candles William had developed. Candle fires were the bane of the city. Many a night, the Philadelphia fire department Ben Franklin had started in 1736 were called out of their beds to respond to a fire ignited by poor quality candles. The tempered, even burning candles from "K&W" (Katheryn & William) could barely be made fast enough.

K&W Candles Thrive

Over the next three generations both the family and the company flourished. K&W candle makers continued to grow and change with the times. Their focus on providing high quality products for all people kept them in touch with their customers and ahead of the competition. In 1832, William's daughter, Lori, an amateur geologist, contacted Dr. Laurent to understand more about his discovery of distilling Paraffin from bituminous schist. She realized the benefit this cleaner, cheaper material offered in candle making and within 4 years K&W had converted 80% of their candles to a cleaner, safer, paraffin base. The smithing business continued until 1853 in William's original shop until it was sold. The candle company has maintained the "Courting Candle" on it's logo as reminder of both their roots and their commitment to values.

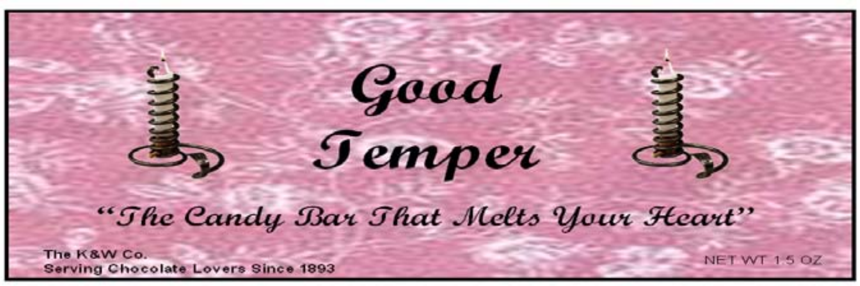
By 1890, K&W was one of the top 6 candle producers in the US and the future was looking bright. That is until Mr. Edison changed the game. The invention of the electric bulb would change the way the world lit the night. K&W was at a crossroads and needed to act quickly. The family and board members held several meetings. They started with the core values that had been the foundation of their success, "Know the customer, understand your strengths and your market". K&W's expertise lied in quality manufacturing, an unequaled understanding of the tempering process and its application to paraffin, wax and metals. External strengths included a retail customer base in General Stores across the country and a name associated with the highest quality. They visited over half of their retail partners to gather information on advantages of candles vs. electric lights and to see what consumers were buying. K&W was easily recognized as the highest quality candle available, however, the advantages of fire safety, brightness and increasing availability of electricity pointed to a dim future for candles. Their only hope lied with understanding consumers and finding a way to leverage their strengths to reach them.

From Candles to Candy

The 1890's were a booming time in the United States. Incomes were rising and people were spending their increased wealth to satisfy their sweet tooth. Candy shops were being opened on every block. Every general store featured jar after jar of hard candy and the rage was the new chocolate bar if you were lucky enough to find one. The impact of summer heat and lack of refrigerated shipping had limited most chocolate makers to their local region. Some had begun adding tasteless, odorless paraffin to their bars to extend their shelf life and help them fight the heat. While exploring ways to offer K&W's

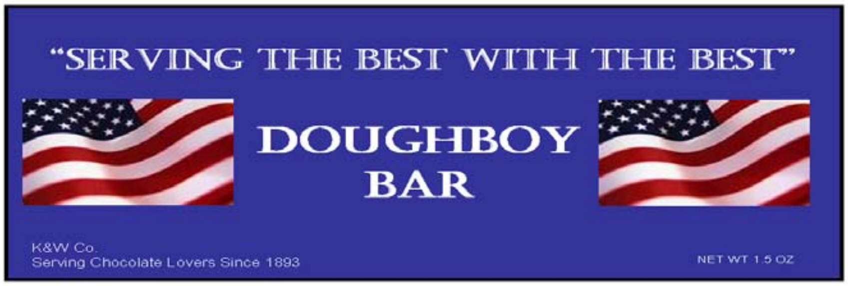
paraffin expertise to these companies, Ben Kapitz, great-great grandson of William, applied his understanding of paraffin and wax crystal formation to chocolate. Applying the techniques used to temper paraffin and wax, the same techniques learned by William as he hammered away on tin back in Budapest, they could manipulate the crystal formation on the chocolate and increase its melting point. The 10 degree difference in melting point attained through tempering provided enough of an advantage to increase their shipping distance and shelf life.

With candle futures looking dim, K&W introduced their new “Good Temper” bar in 1893. Not only did the product deliver on the improvement in melting temperature, but the reformulation of the chocolate crystal structure during tempering actually increased the products ability to stimulate human taste buds. The new product quickly became a best seller. The tempering, along with relations and the reputation built from years of supplying candles to general stores across the country, allowed K&W to expand beyond the local area. K&W geared up their factory utilizing their tempering expertise to create new machines and innovative chocolate manufacturing processes. By 1902 “Good-Temper” became the first “National” brand of chocolate candies. Chocolate sales surpassed candles in 1904. K&W was well positioned for the next big expansion in the candy business.



During World War One, the US quartermaster corps began using chocolate as a food supplement as well as a treat. K&W was one of the 39 suppliers of the 20 pound blocks requested by the Army. Before the end of the war, the Army had realized the problems with each soldier carving their portion of chocolate from the big blocks and the chocolate supplied took the form of bars as we know them today. One of the favorites was the Good Temper bar. When the doughboys returned home, they brought their craving for chocolate and candy with them. The US market exploded. By the mid 20’s, there were over 40,000 different candy bars offered my numerous manufacturers in the US. K&W’s commitment to quality, their tempering advantage and their focus on the consumer allowed them to emerge from this crowded field.

Note: The case is a fictional situation.



Today, K&W is the Number 3 US candy manufacturer with 3.9 Billion in annual sales. Their candy line has grown to 97 SKU's and they represent 27% of the candy category in US Convenience stores.

Throughout their history from smithing to candles to candies, K&W has been first to innovate. They introduced nuts to chocolate bars in 1924, dried fruit in 1931, low calorie "Eye Candy" in 1996 and exotics like Bacon and Pomegranate in 2004. Their motto "Know the customer, understand your strengths and the market" has guided them on their journey.

K&W Candies Today

K&W manufactures its products in Mayfield, Ohio. The candy bar line consists of regular and king size bars. Regular bars make up 87% of sales and 84% of profits.

Keeping with the company's motto, K&W invests twice the industry average in its Booth Research Facility (BRF). K&W uses this research facility to gain current data on consumer purchasing habits. Researchers keep a close watch on the consumer pulse, a requirement for all employees is to spend a minimum of 20 days per year in stores sampling and gathering feedback from consumers. This information has also helped K&W recognize trends in purchasing behavior long before their competition, who, wait for shipment data and industry reports. For example, every field report in 2005 contained a comment about the growing popularity of "Energy" products. K&W acted first and had an Energy chocolate bar on the market 8 months ahead of any other manufacturer.

Note: The case is a fictional situation.

K&W PRODUCT LINE			
Name	**Description**	**Regular Size Bar**	**King Size Bar**
Good Temper	Solid Milk Chocolate	1.5 oz.	2.5 oz
	Sold Dark Chocolate	1.5 oz.	2.5 oz
	Solid White Chocolate	1.5 oz.	2.5 oz
	Milk Chocolate and Peanuts	1.4 oz	2.4 oz
	Milk Chocolate and Almonds	1.3 oz	2.2 oz
Cocobar	Coconut dipped in Chocolate	1.4 oz	2.4 oz
Big Al	Chocolate and Almonds	1.3 oz.	2.2 oz
Chocolot	Milk Chocolate, Caramel and Peanuts	1.35 oz	2.2 oz
Philly	Cookies n Crème	1.4 oz	
Sweeeet	Strawberries & Crème	1.45 oz	
Campfire	Chocolate & Marshmallow, Graham Cracker	1.6 oz	
Mr. Kapitz Bar	Chocolate, Pretzels, Caramel	1.45 oz	
Surfin Bar	Milk Chocolate & Crispy Crunchies	1.45 oz	
Doughboy	Milk Chocolate Chewy Bits	1.45 oz	
California Raisin	Milk Chocolate & California Raisin	1.35 oz	
Mr. Johnny	Milk Chocolate Crispy Wafers	1.4 oz.	2.4 oz
	Milk Chocolate & Caramel Cookie Bars	1.5 oz.	2.5 oz
	Dark Chocolate & Peanuts	1.5 oz.	2.5 oz
	Dark Chocolate & Almonds	1.4 oz.	2.2 oz
Babe Bar	High Protein Chocolate Bacon Bar	1.35 oz	
Eye Candy	50% less fat lighter Whipped Chocolate Bar	1.35 oz	
	30% less fat, Chewy Caramel	1.35 oz	
B&Ms	Peanuts Bits covered in Chocolate	1.6 oz	
	Pretzel Bits covered in Chocolate	1.6 oz	
	Milk Chocolate Bits	1.6 oz	
Busy Bee Energy Bar	Milk Chocolate, Honey and Flax Germ	1.6 oz	
613	Dark Chocolate & Pomegranate	1.4 oz.	

Despite the varying costs of raw material in each bar, K&W is able to offer all SKUs at the same wholesale price through the industry practice of “Barring”. This process adjusts the size of the bars based on commodity costs. A 1.55 oz. bar this month may be a 1.38 oz. bar next month in the same package at the same price. This practice leads to consumer and trade price stability and the consuming public pays little attention to the fractional ounce changes on the package as long as the taste remains the same.

Note: The case is a fictional situation.

Deals are offered to customers by K&W for up to an 8 week period each year. Accounts are paid on their actual bar sales during the promotion period. Most customers scan their sales. These annual deal presentations are accompanied by a discussion about the accounts past year performance and recommendations for the coming year.

An important element of any sales promotion is to ensure that each account build's their inventory in order to have enough products to sell when the promotion begins. High out of stock rates have caused missed sales and profit opportunities for accounts that have not increased their inventory at the start of these promotions. K&W has learned that a promotion without increased inventory is like no promotion at all.

The K&W sales team prides itself on understanding their retail partners and offering ways to use these annual meetings to help them improve their business. All deals offered are consistent for all customers. K&W has a strict policy that prohibits any special offers to any customers.

Note: The case is a fictional situation.

K & W Candies

The Highest Quality …The Happiest Customers

Annual Promotional Offer – All Regular size Bars

Regular Case Price: $ 11.66 (20 bars per case)

<u>Promotional Display Discount: $ 1.00 off per case – All Regular Size K&W Bars</u>
Conditions for promotional display discount: Account must authorize a free standing display in a prominent location (sample included) for entire promotional period as agreed upon in promotional contract. The signage on the display will feature our rapidly growing Eye Candy Bar; the display will accommodate up to five additional styles or flavors of K&W regular size bars.

<u>Promotional Advertising Discount: $ 1.00 off per case– All Regular Size K&W Bars</u>
Conditions for promotional advertising discount: Account must advertise in method agreed upon in promotional contract for time contracted.

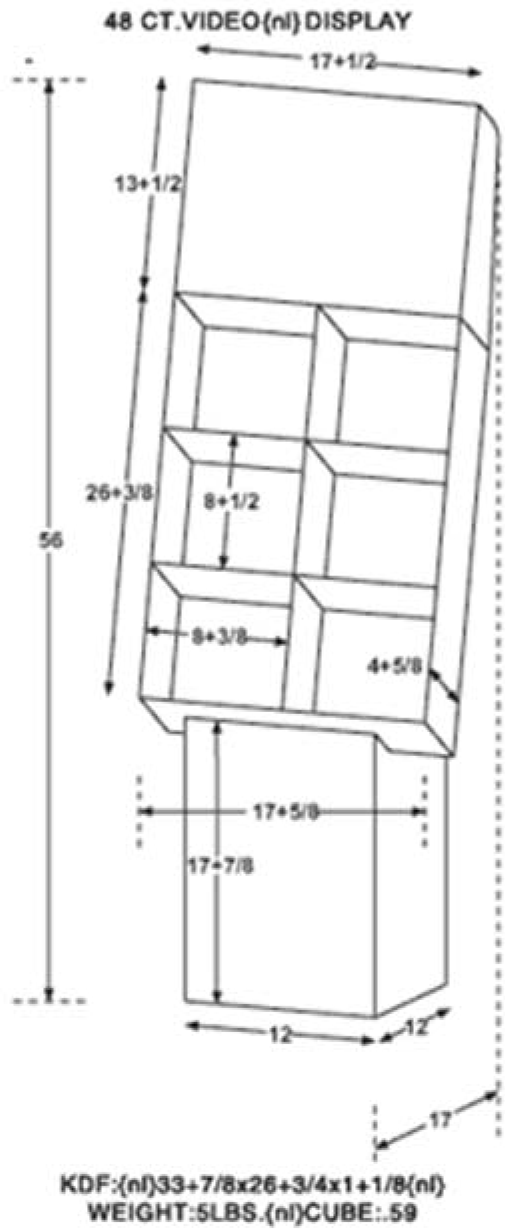
<u>Price Reduction Requirement:</u>
To be eligible for the full promotional discounts, the account must reduce selling price by at least the amount of the discount per bar for the entire promotional period.

<u>Promotional Period and Payments</u>
Promotion Period must run a minimum of 4 weeks and may not exceed 8 weeks.
Promotional discount will be paid on all cases sold in the promotion period. Scanning data will be used to determine account sales and payments when available.

<u>Promotion Eligibility and Equity</u>
All elements must be included on a signed authorized promotion contract. Only contracted elements will be honored.

K&W makes this offer available to all customers on an equal basis. K&W does not authorize any deviation from this offer by any of its agents.

Note: The case is a fictional situation.



Each cell size: 8-1/2" high x 8-3/8" wide x 4-5/8" deep.

Note: The case is a fictional situation.

Crazy Al's History

The first Crazy Al's store was opened in 1971 in Ft. Lauderdale, FL. The owner of the original store, Alvin Morris, opened the A1A location after graduating from Cornell in the spring of 1970.

Alvin and his friends spent Spring Break week in Ft. Lauderdale and it was then that Alvin's idea for his convenience store was hatched. You see Al, as he is called by his friends, was going on a day long adventure on a cypress air boat ride on a Sunday with his friends. Al and his friends searched "the strip" high and low to find the necessary provisions for their boating trip. After spending two hours and multiple trips to different stores, Al and his friends still couldn't find the basics: beverages, snacks, ice, sunscreen, sandwiches, etc. Al, who was a business major, said: "This is crazy! Why isn't there one place that has it all?"

After returning from their Spring Break trip to the Venice of America, Al thought about his experience and came up with a perfect plan. Al began to research the convenience store idea and what his store would be like and the items it would offer. Al even solicited help from his friends and professors. Most of his friends thought he was just plain crazy, but one of Al's professors thought he could be on to something. Professor McCoy helped Al in creating his business plan and incorporating Al's ideas for his stores to be a fun place to shop. Al wanted to open a store that would have all the basics that people need 24/7. It would be one-stop shopping, and people wouldn't go crazy running all over town to get the basics.

So, after graduation Al left snowy New York and headed south to Ft. Lauderdale to follow his dream. This is how Crazy Al's was born.

Al's first Crazy Al's was located on A1A in the heart of the strip and it was a huge success. In just 5 years, Al opened and operated over 65 stores throughout the state of Florida. All the stores followed the same motto,

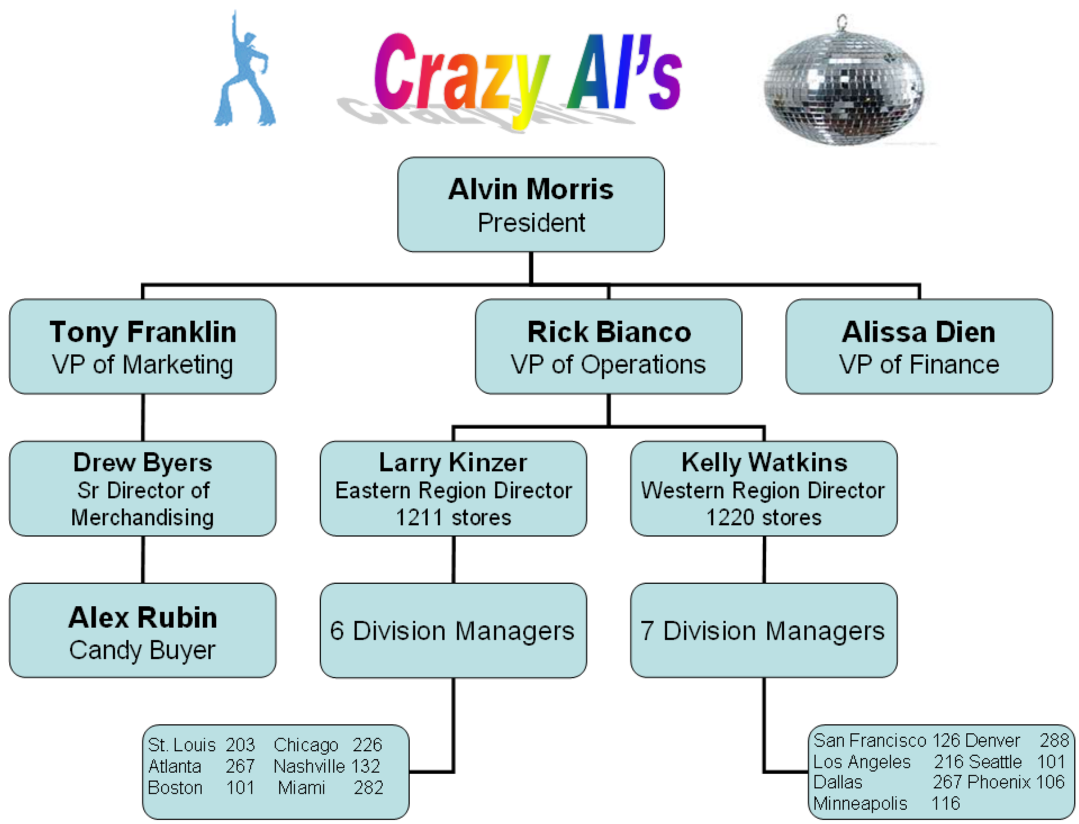
"Crazy Al's, the one place to get it all."

Note: The case is a fictional situation.

Having built his reputation, Al decided is was time to expand even further. Over the next 25 years through a series of mergers and acquisitions and building ground-up new stores, Crazy Al's grew to be the third largest convenience store operator in North America with 2,431 stores. Today, Crazy Al's operates 13 divisions, and has stores in 36 states. The company has always been privately held. Alvin Morris and six of the original 1971 investors own 65% of the company.

Crazy Al's stores still subscribe to the element of fun and convenience that Al Morris created in 1971. Every store still features a disco ball in the center of the store and every day at 10:00, 2:00, and 6:00 every Crazy Al's turns on the disco ball and its employees dance to Disco Inferno. This spectacle creates a "buzz" that brings in many loyal local customers daily.

Crazy Al's Organization



Alvin Morris

-Any changes in store operations must have his approval
-He expects all employees to bring an element of fun to their work and to always be able to deliver upon the motto
-He is remarkably well versed on what's happening in the stores
-He's known for showing up at stores without notice and working the register so he can continue to connect with his store managers and customers

Note: The case is a fictional situation.

Tony Franklin

-He is responsible for everything except financing, real estate, and store personnel management-virtually everything else falls into his lap
-He aggressively pursues new categories and profit centers
-He establishes firm profit objectives for each department
-He requires a contract or “No Deal”
-He challenges buyers to “make money, don’t spend it”

Drew Byers

-She oversees all purchasing for the company, all Purchasing Directors report directly to her
-She is known for pushing for the best deal from vendors
-She oversees all decisions related to floor space allocation and in-store signage
-She prides herself in maintaining a clear and uncluttered store appearance

Alex Rubin

-He regularly attends trade shows and reads trade journals to stay in tune with customers’ changing preferences
-He likes to bring in new and exciting products as long as they align with the chain’s goals
-He is responsible for allocating space for new products by eliminating poor performers
-He likes for his department to deliver maximum profits

Crazy Al’s Candy Marketing Strategy

Presence

- All 2,431 stores have a 12’ foot candy dept located in the main aisle
- No candy is displayed on the counter
- Currently they use a rotational promotional sign at the point of purchase to call out the monthly features

Product

- All stores carry 193 SKU’s
- Crazy Al’s utilizes an auto replenishment system that updates every 4 weeks
- Candy is delivered on a weekly basis

Promotion

- The buyers stay on top of trends and like to offer their customers specials
- Candy is an impulse purchase; Special deals on candy drive sales in this category
- Crazy Al’s utilizes their reader boards at all stores to call out specials and deals
- Crazy Al’s embraces technology to reach out to its customers via email blasts, text messaging, Twitter and Facebook

Note: The case is a fictional situation.

Price

- Crazy Al's currently prices Regular sized bars at $1.02
- Currently candy bars are sold utilizing a blended margin strategy
- Crazy Al prices everything in his stores so they end in 2's or 7's

Crazy Al's Pricing Strategy

Crazy Al's often utilizes a Blended Margin based on sales pricing strategy across many categories. This allows Crazy Al's to be competitive when they need to be, but still be profitable as well. Crazy Al's also tries to simplify their pricing for both the stores and their customers by pricing all the items in their store by ending in 2 cents or 7 cents.

<u>Blended Margin Profit Calculation.</u>
Note: Blended Margin measures the actual profitability of what is sold.

6 Months at 20% generated 1400 cases in sales
6 Months at 30% generated 600 cases in sales
Total cases sold = 2,000

1400 cases / 2,000 = 70% with a 20% margin, 600 / 2000 = 30% with a 30% margin

The Blended Margin calculation is: 70% sales x 20% Margin + 30% sales x 30% Margin
70%x 20% = 14% + 30% x 30% = 9%

Add these together to get the Blended Margin on Volume: 14% + 9% =

23% Blended Margin on Volume

The actual Margin that was returned for this product was 23%. This sales based measure has helped Crazy Al's remain profitable while others have faltered.

Note: The case is a fictional situation.

Booth (K&W) Contracts with MCB for Prize Data

For the past 6 years, researchers at the Booth facility at K&W have been passing along a consistent request. Retailers were asking them for help in understanding and managing their customer needs. Candy, like most categories, had grown to hundreds of possible SKU's. Manufacturers were constantly bombarding retailers with data, but the numbers didn't always line up; national data was OK but a store in Moab, Utah had a very different customer base than a store in White Plains, New York. True to its motto, K&W set out to meet this need and thought partnering up with a top industry research company would add to its cache.

There were thousands of research firms in the United States but only one with the reputation that aligned with K&W was Making Convenience Better (MCB). This research company has the largest database in the US on retail consumer purchases. Combined with their exhaustive research on demographics, they have created a process that enables them to identify "like" stores. This enables them to search their database to find stores with similar dollar sales, similar demographics, and similar competitive factors so that they can compare the store in Moab, Utah with several hundred like it across the US. The data generated by this system is the industry gold standard. It has been recognized by every convenience store trade publication as superior to every other database available. Every major manufacturer in every category fights for the ability to have access to MCB's data. It is prized by retailers as the best information available.

Last October, K&W made its pitch to MCB and was awarded an exclusive contract based on their track record of helping their accounts grow their business as well as their commitment to quality products. The most prized piece of analysis available at MCB is the ACE report (Achieve Category Excellence). This is a consolidated recap of factors the analysis finds having the biggest impact on an account's business.

Since gaining the contract to supply this information, K&W has been contacted by many of their major retailers requesting this analysis for their stores. Crazy Al's made a request to K&W four weeks ago.

The ACE report follows for Crazy Al's comparing them to like stores across the US.

Note: The case is a fictional situation.
The following information is the exclusive property of K&W Candy.

MAKING CONVENIENCE BETTER: ACE REPORT

ACE findings for Candy sales at Crazy Al's for a 12 month period, ending 7/1/2010

ACE Performance Summary

- Crazy Al's lags behind in sales volume for like stores studied by 15%
- Distribution of popular SKU's is consistent with the sample stores studied
- Crazy Al's focus on direct E-mail advertising is attaining the same impact as like stores use of more expensive air and print media
- Crazy Al's in-store execution of promotions matches like stores in timeliness and visibility in the aisle, but trails at the high traffic checkout areas
- Crazy Al's daily inventory replenishment system provides a lower average dollar investment in slower SKU's but occasionally leads to OOS on promotions when sales increase (as the system is slow to catch sudden increases in volume)

Marketing: Merchandising Variables Impacting Performance (M-VIP)

Price
Crazy Al's current price point of $1.02 per regular bar is delivering their competition an easily recognizable advantage on everyday prices to those priced below $1.00. Crazy Al's promotional prices, typically 10 cents off per bar, have not delivered the same increases as like stores featuring lower prices.

Visibility
Crazy Al's use of price call-outs on the shelves is consistent with industry performance and delivers similar increases in per item sales volume. Use of window signage is consistent with industry performance and delivers similar increases in per item volume. Crazy Al's E-mail advertising delivers consistent or better results than like stores using over air or print advertising. Due to the cost differential, this seems to represent a significant advantage to Crazy Al's in this area.

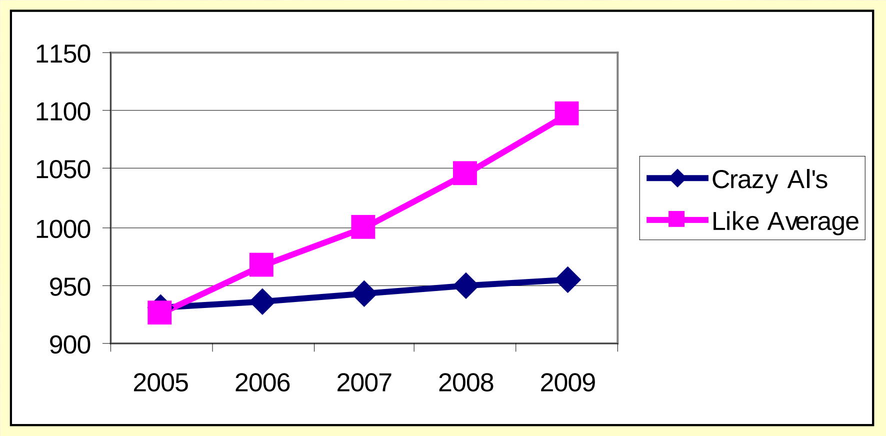
Inventory
Crazy Al's carries 193 SKU's in the candy category; the average for like stores is 187. There is no significant difference in this measure. Crazy Al's automatic re-order process creates an advantage in inventory carrying cost. Crazy Al's average weeks supply is 1.2, which is significantly lower than the industry average of 2.3. Crazy Al's out-of-stock rate of 3.2% is higher than the industry average of 2.4%.

Note: The case is a fictional situation.
The following information is the exclusive property of K&W Candy.

MAKING CONVENIENCE BETTER: ACE REPORT

ACE findings for Candy sales at Crazy Al's for a 12 month period, ending 7/1/2010

Volume Analysis - Bars Per Store / Per Week



Crazy Al's volume growth has not kept pace with like stores.

	2005	2006	2007	2008	2009
Crazy Al's	931	936	942	949	955
Like Average	925	966	999	1046	1097

Everyday Price Analysis

Account	**Bar Price**	**Bars PS/PW** *per store / per week*
A	1.09	888
Crazy Al's	**1.02**	**955**
C	0.99	1079
D	0.97	1089
E	0.95	1098
F	0.91	1156
G	0.89	1289
H	0.86	1347

Note: The case is a fictional situation.
The following information is the exclusive property of K&W Candy.

MAKING CONVENIENCE BETTER: ACE REPORT

ACE findings for Candy sales at Crazy Al's for a 12 month period, ending 7/1/2010

Sales Price Analysis

Account	Bar Sale Price	Bars PS/PW *per store / per week*
A	0.99	955
Crazy Al's	**0.92**	**1098**
C	0.89	1194
D	0.87	1242
E	0.82	1433
F	0.79	1624
G	0.77	1815
H	0.69	2101

Crazy Al's Manufacturer Market Share

	2005	2006	2007	2008	2009
Hershey	36.1%	36.8%	36.2%	35.7%	35.6%
Mars Inc	28.3%	27.9%	26.8%	26.4%	25.9%
K & W	21.7%	22.8%	24.3%	25.8%	27.2%
Cadbury	7.8%	7.0%	6.5%	5.7%	5.2%
All Other	6.1%	5.5%	6.2%	6.4%	6.1%

All data presented in this report is consolidated for like stores as validated by the consumer research firm of Keck Bergmann Whaley & McCoy. All material is purely fictional and has been certified by Spiro & Dingman as having no connection with reality.

Note: The case is a fictional situation.

Case Objectives

You will be representing K & W Candies and meeting with Crazy Al's Convenience. You have two appointments today and your time is limited for both appointments.

<u>Morning Appointment (15 minutes)</u>

Your primary objectives are to gather information from the buyer and test possible solutions. You need to gather information that will help you be better prepared for your afternoon presentation which includes a business review and a new promotional plan.

<u>Afternoon Appointment (20 minutes)</u>

This afternoon you will have the privilege of meeting with Crazy Al's Convenience senior team. Since time will be very limited, your objectives will be to deliver a short top line business review which should set up the discussion about your new promotional plan to ink the deal.

K & W Candies

The Highest Quality ...The Happiest Customers

Annual Promotional Offer

Display Discount $1.00 Off / Case.

Display Execution ____

Advertising Discount $1.00 Off / Case.

Advertising Execution ____

Promotion Dates ____

Potential Total Discount / Case Earned ________________________________

Current Selling Price / Bar ______________________________________

Promotional Selling Price / Bar____________________________________

Other Actions Agreed Upon _____________________________________

____

K & W Authorized Signature _____________________________

K & W Signature Title _________________________________

Account Name _______________________________________

Authorized Account Signature ___________________________

Authorized Account Signature Title_________________________

Complete 2 Contract Copies, one to remain with account, one with K & W for file

Company Logo's

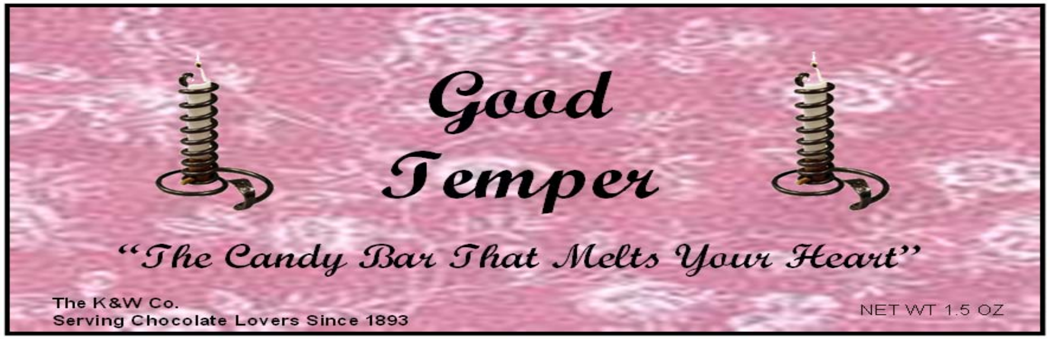
Crazy Al's

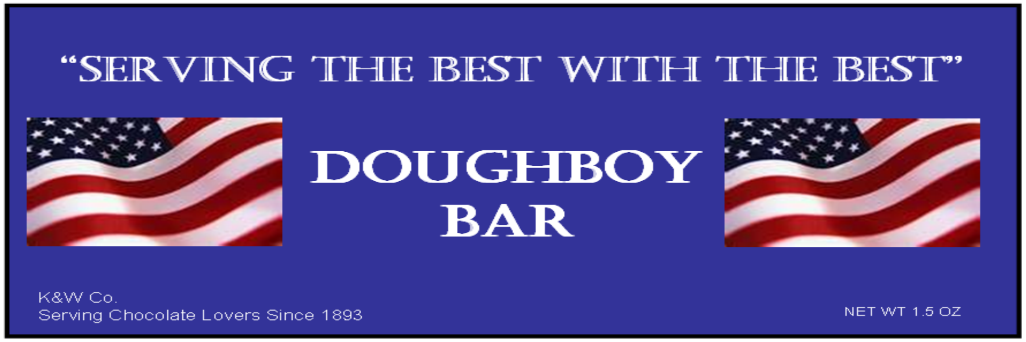
"the one place to get it all"

K & W Candies

The Highest Quality …The Happiest Customers

Candy Bar Label Images





Good Temper

"The Candy Bar That Melts Your Heart"

The K&W Co.
Serving Chocolate Lovers Since 1893

NET WT 1.5 OZ

"SERVING THE BEST WITH THE BEST"

DOUGHBOY BAR

K&W Co.
Serving Chocolate Lovers Since 1893

NET WT 1.5 OZ

Eye Candy

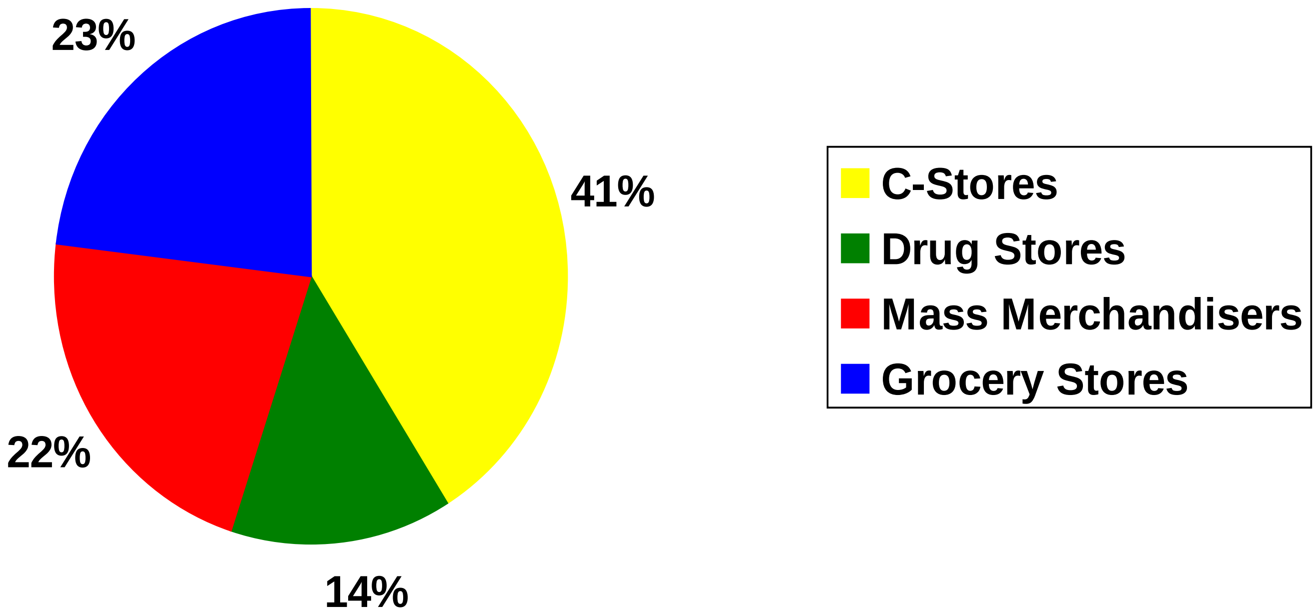
"Looking Good with Every Bite"

50% Less Fat

K&W Co.
Serving Chocolate Lovers Since 1893

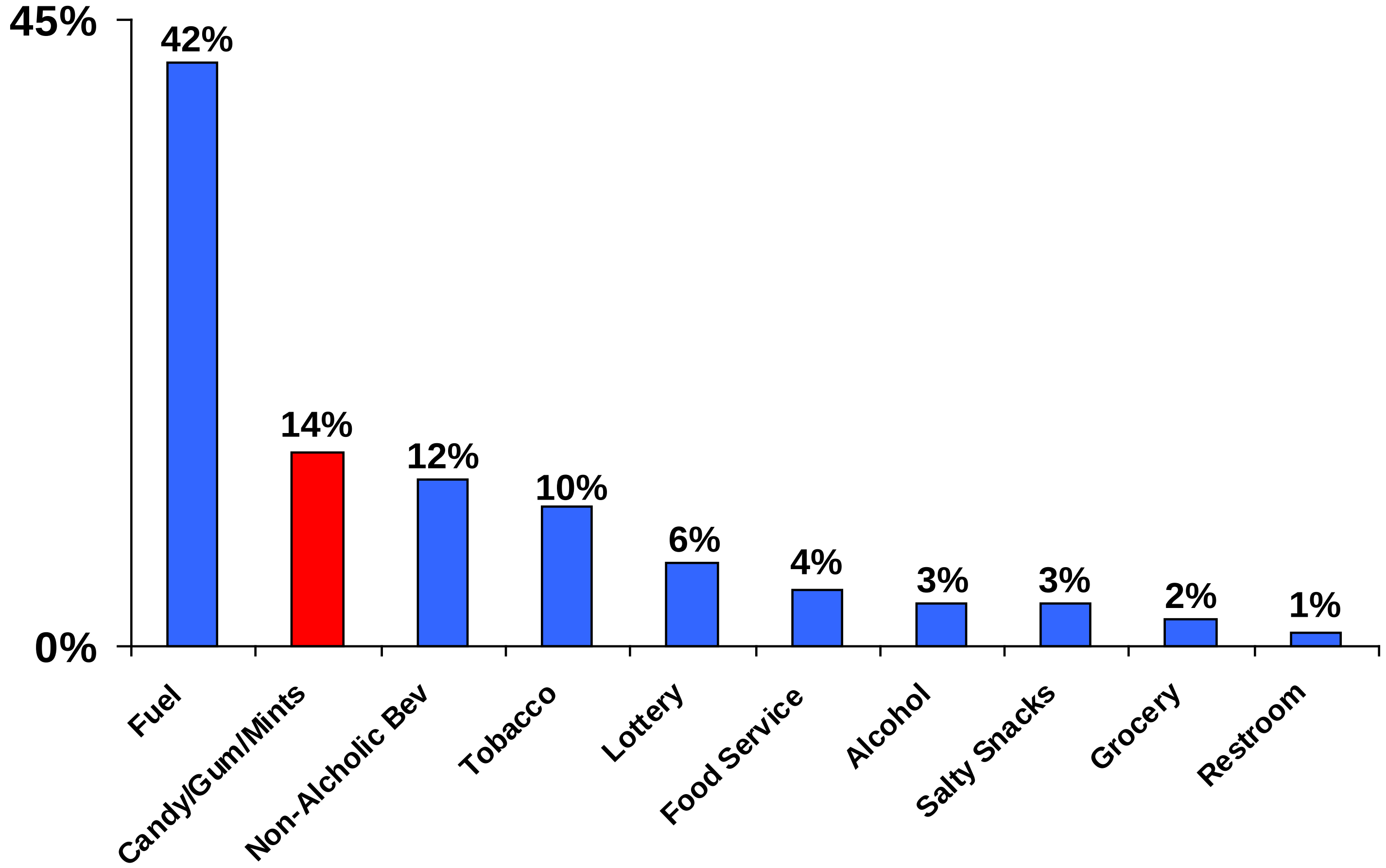
NET WT 1.5 OZ

Chocolate Penetration by Trade Class



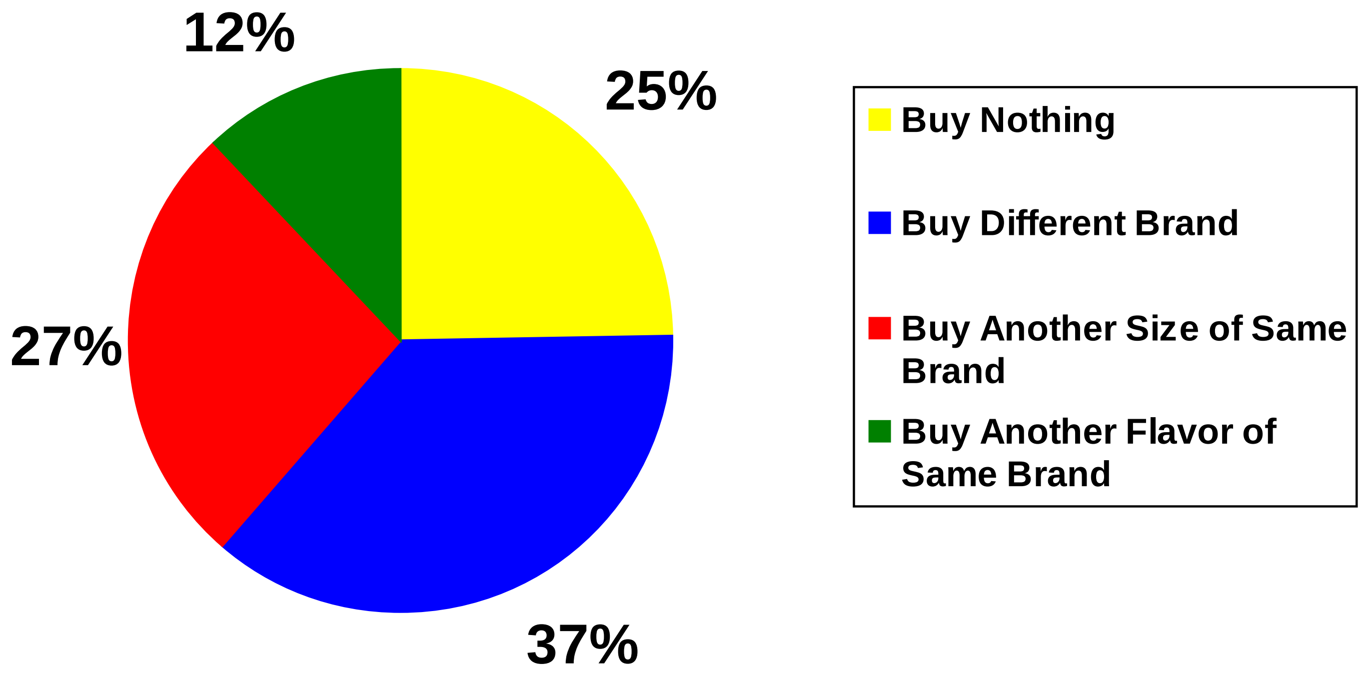
K & W- Booth consumer research as of 4/1/2010 certified by MCB.

Top Reasons Consumers Visit Convenience Stores



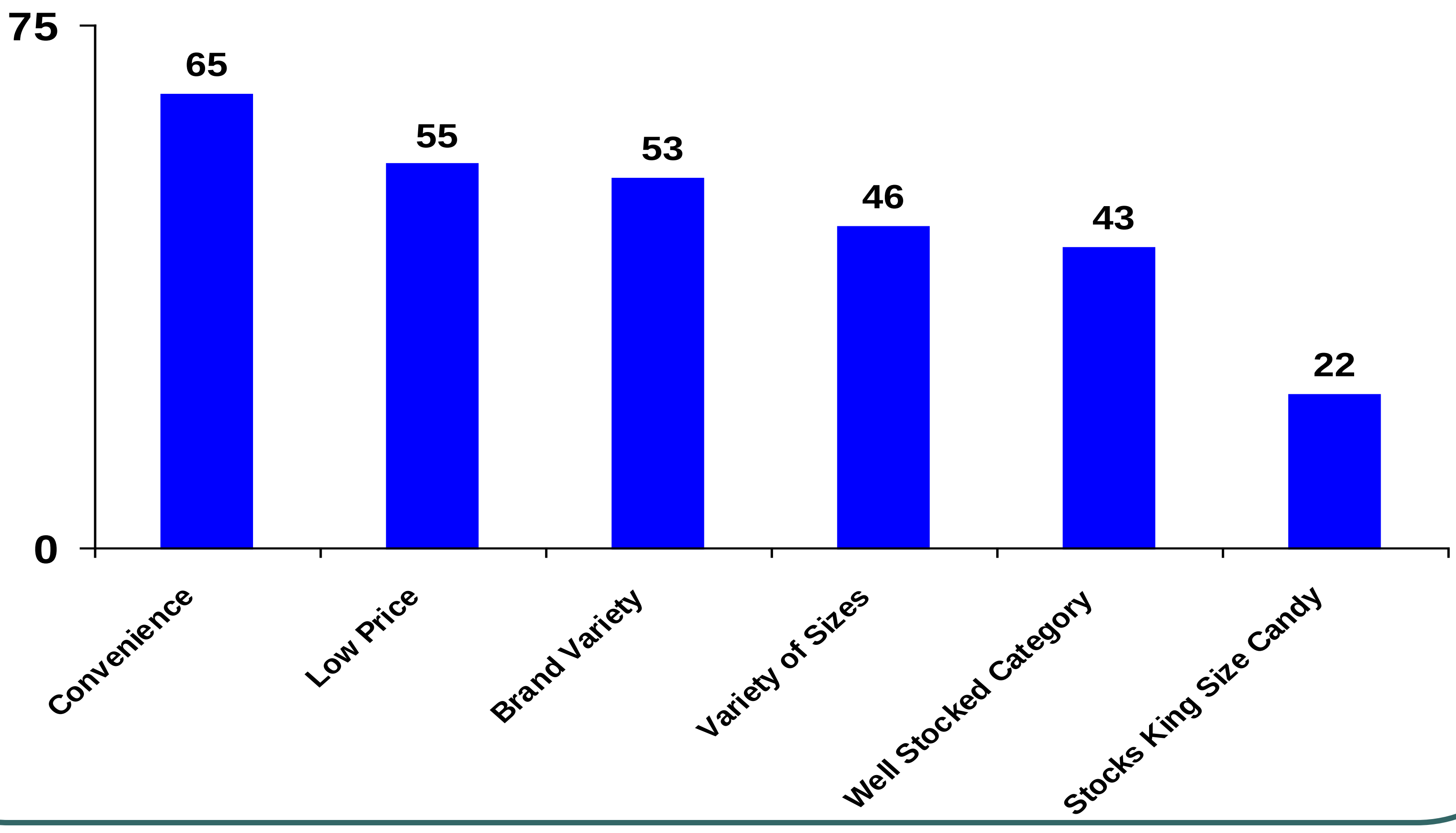
K & W- Booth consumer research as of 4/1/2010 certified by MCB

Consumer Responses to Out of Stocks



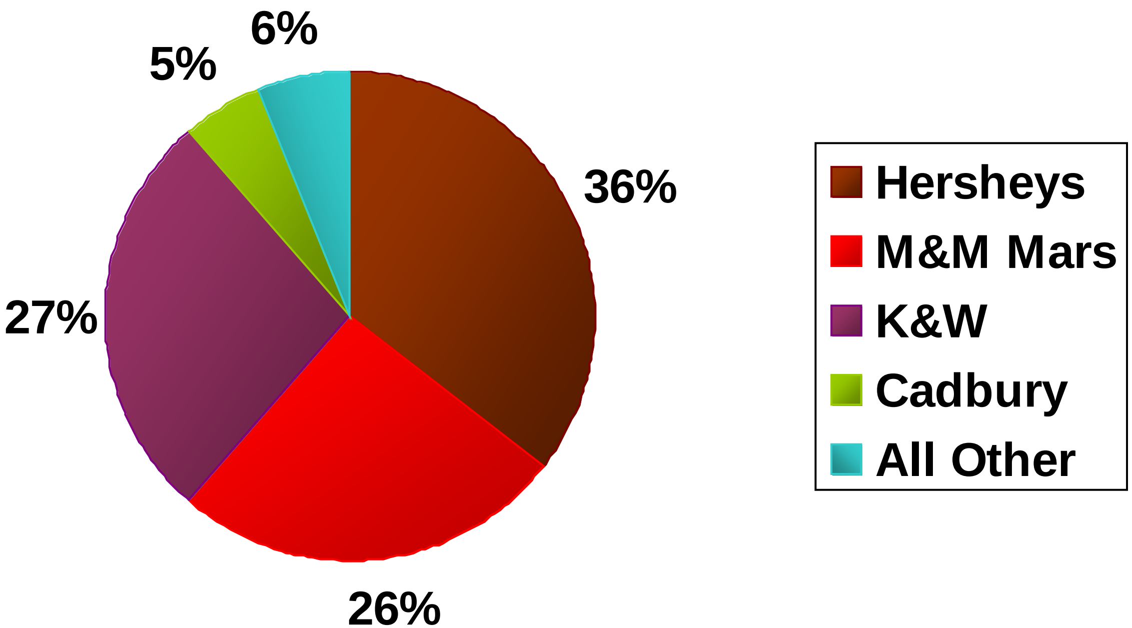
K & W- Booth consumer research as of 4/1/2010 certified by MCB

Important Factors to Candy Bar Consumers



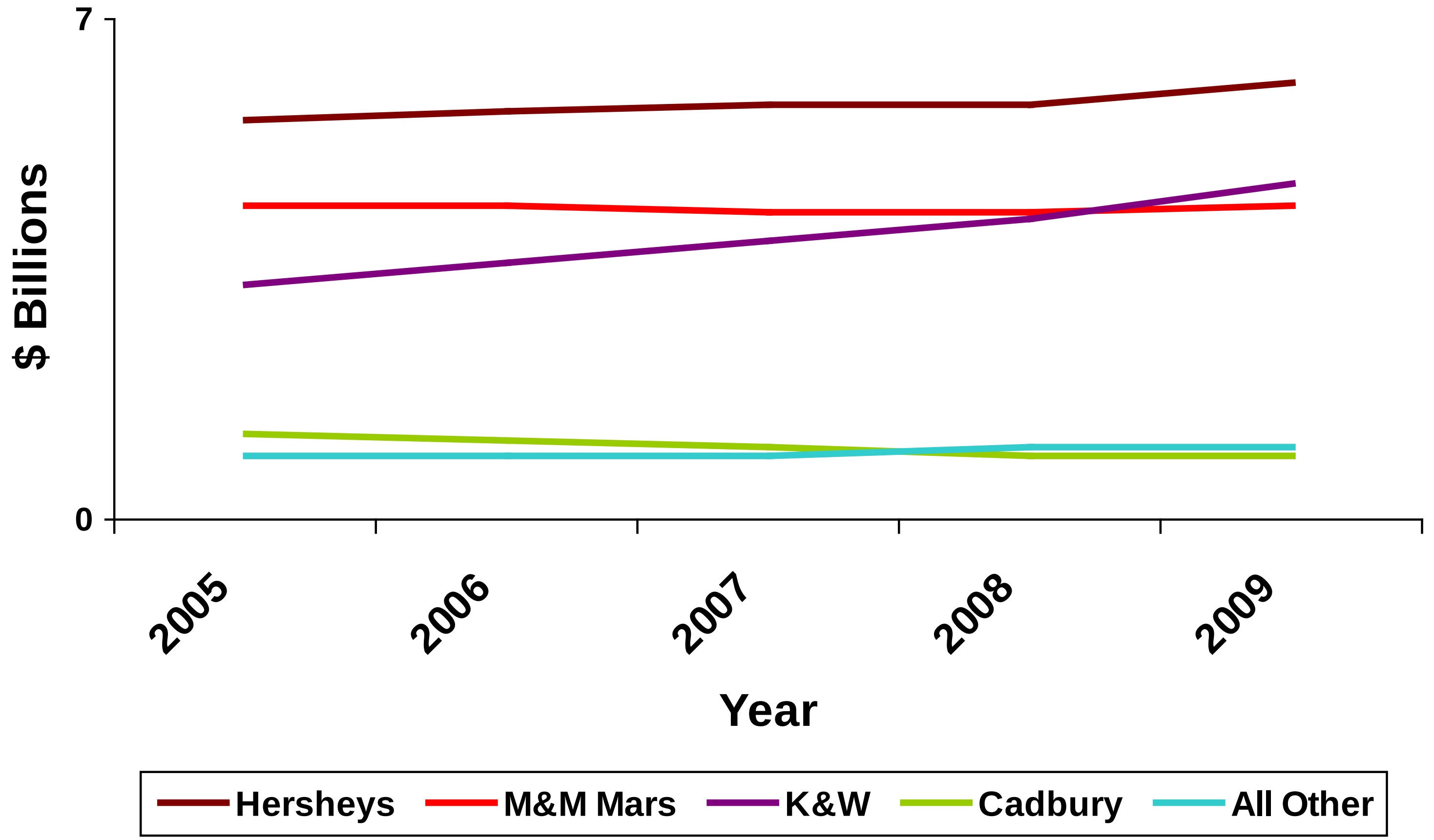
K & W- Booth consumer research as of 4/1/2010 certified by MCB

2009 Market Share



K & W- Booth consumer research as of 4/1/2010 certified by MCB

Total Industry Sales 2005-2009



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