EXHIBIT TWO:

SUPPLEMENTAL THOUGHTS FOR HARD-NOSED CUSTOMERS

(CHERRY-PICKERS AND COST- INDIFFERENT BUREAUCRATS)

CONFIRMED CHERRY-PICKER? THEN WHAT:

Confirm by asking strategic-purchasing trend questions of all 5-5-5 accounts (core; gazelle; super-loser) at some best time in the interview. Those questions, which you might ask of your own company, are:

1. At the end of the year, how are you personally evaluated and measured as to whether you are doing an overall, continuously-improving job at improving total purchasing cost effectiveness and supply chain economics?
    a. How can we, ideally, help you to: grow your firm's bottom line and meet your personal, key performance indicators (KPI's)?
2. Asking the first question from a different angle, what is your company's longer-term, overall supplier management objectives and how are these objectives reflected in your current spend allocation amongst suppliers? What is the current percentage allocation to each supplier? Specifically any reasons for why?
3. Have those allocations shifted over time and if so for what specific reasons?
4. For more insights on how to be a better, one-stop-shop supplier to a customer that represents a niche of similar type customers, some sub-questions:
    a. What supplier category do you see us in along with what other competitors?
    b. Do you buy from other "categories" of suppliers? And what specific supplier companies are in that alternative category?

THE CUSTOMER IS A CHERRY-PICKER OF OUR UNUSUAL STOCKED ITEMS OR A RUSH-PICK-UP CUSTOMER AT OUR OCCASSIONALY, CONVENIENT LOCATIONS IF:

1. They have long-term, loyalty patterns that trump any concern about working towards ever-better, TPC systems with fewer, better, more integrated suppliers. And, this pattern won't change until key management turns over.
    a. The time until change could be years in a privately-held business.
    b. In public companies, key purchasing people including VP Supply Chain change ever more frequently which is an opportunity for would-be vendors and a threat for incumbents.
2. AND, they have no concern about the fact that we are losing money by servicing small orders for unusual item needs.

ACTION STEPS?

For confirmed cherry-pickers:

1. Dictate unilateral new terms to them which will make what business they continue to do with us profitable. For example:

a. Make them a house account. No rep will be assigned.
b. Strict new terms and prices: a minimum order size; appropriate no-discount pricing levels; delivery fees unbundled; either no special orders or done for an extra fee with payment upfront and no returns; and no-excuses trade credit treatment.

2. Expect that they will be outraged and refuse to do business with you. They may then go on strike for a few weeks, but will then be back, because they need your occasional cherry-value proposition to do whatever business they do.
3. The expected longer term result will be more volume than before, because they will have to buy more commodities along with the cherry in order to meet minimum order size and/or free freight. And, they will be profitable. Have faith in the value of your cherries.
4. If, they are able to source cherries from elsewhere, and their volume does drop, then you will be able to either lay off more variable activity/service cost slack than lost margin (for greater profits) or redeploy it to growing customers.

<u>INDIFFERENT AMINISTRATIVE BUREAUCRATS:</u>

What if you have won or are "enjoying" a big contract that turns out to be a loser? Three examples:

1. Big public school system bid for: foodservice items; janitorial/paper goods; school supplies; etc.. The structural problem is, however, that although the annual, total, volume of the contract is large, it fractures into many individual buyers who are substantially ordering small orders requiring free, separate deliveries. Even if 20% of the buyers/locations that are consuming 80% of the volume are profitable, the other 80% buying 20% cost more than the profitable portion for a net loss.
2. Variation of #1 in which a "buying group" representing many member (dealers, retailers, contractors) results in a similar pattern to #1.
3. The contract is with a local plant that is owned by a large global company. The highest-access, (local) buying influence, claims not to care that both his firm and yours are losing money. He can't be bothered with change or any admission that he has done anything flawed.

<u>DIFFERENT, REMEDIAL STRATEGIES?</u>

1. Illustrate how some of the buyers who are using the contract are doing so on a win-win effective basis, then focus on the specific, small-order buyers are creating a lose-lose, hidden-cost scenario (many by buying far too frequently suggesting downtime/stock outs). Suggest doing a deeper study of how the best are buying and using their practices to educate the inefficient participants to change their ways for their own uptime, TPC benefits.
   If, the bureaucrat doesn't care; won't cooperate; forbids it (Why? Because they will be exposed for designing an ineffective overall bid?) and, insists that nothing will change, then what?
2. If you enjoy a better logistical, service-cost footprint and special inventory needs capability than any other competitor, you may offer to do all of the work to essentially re-

bid the contract as soon as possible (before its original expiration date). In the new bid, you then make sure that all of the hidden costs of the current process are so visible and measurable that:

   a. Some past competitor bidders will be educated not to bother bidding; and,
   b. Others will have to bid at a higher price than you.
   c. If a competitor is dumb enough to bid it at an even bigger loss to them than you, you must let it go and either downsize for more profit or redeploy your service activity slack to more profitable opportunities.
   d. BUT, what if the bureaucrat insists this is not possible (for irrational reasons?).

3. To get the bureaucrat to agree to let you re-bid the contract in a new way, it is now, unilateral hardball time. You threaten to tell small buyers within the system that their orders will be delivered less often on a consolidated basis. This will turn those losing parts of the process into winners, but also create internal complaints back to the bureaucrat to force a change for which you will do the work (see point 2).
4. What isn't a viable strategy? Suffering losses by perfectly servicing the existing contract activity with the assumption that the next time the entrenched bureaucrat will bid out the contract differently allowing a win-win relationship to happen. This will only happen if a new, enlightened VP of Supply Chain person enters (probably from the outside) and changes internal dysfunctional practices.