



After the Perfect Day

When Difficult Markets Demand Bold Moves by
Trading Partners

Steve Riordan
Managing Director

April 21, 2008



Agenda

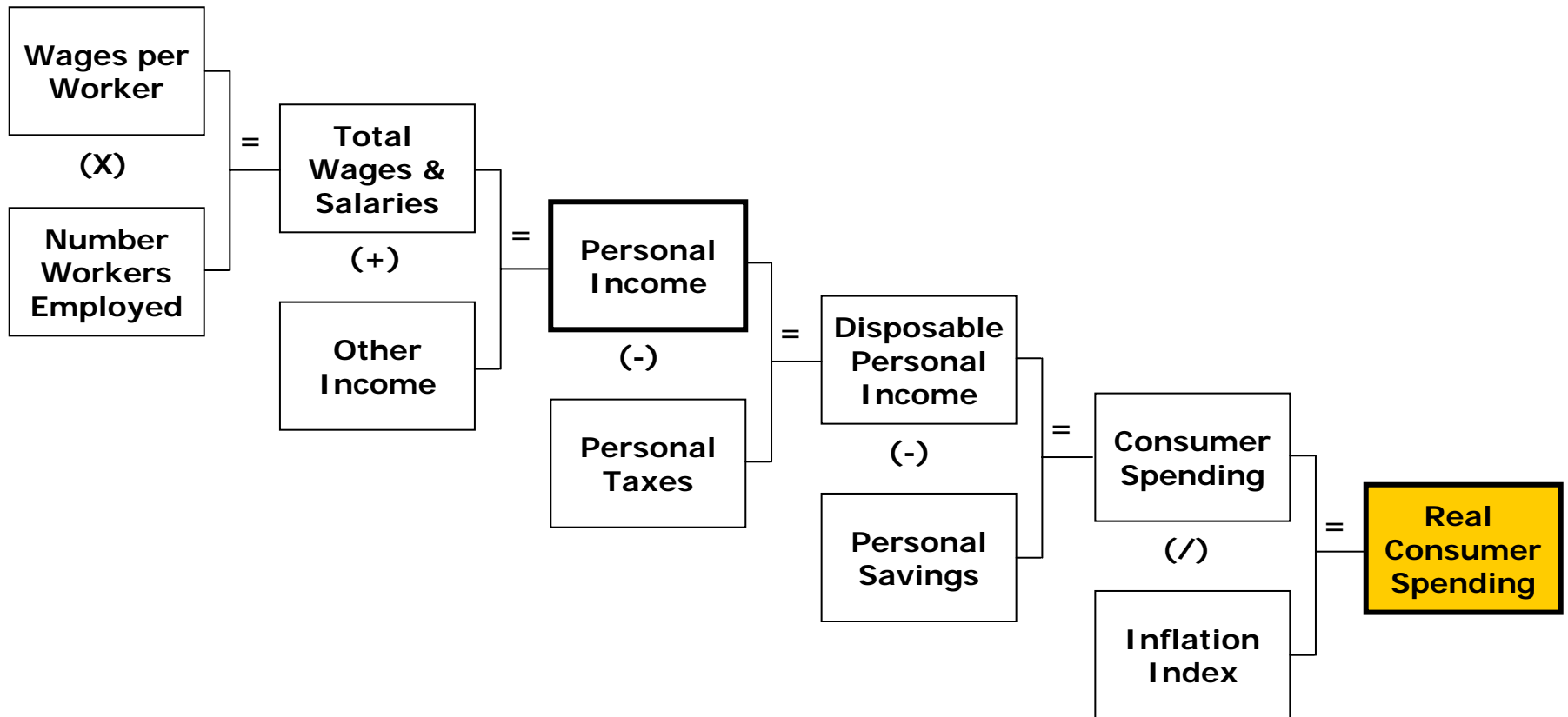
For Companies That Rely On Consumers...

1. Its never been better to do business than in the last 15 years
2. Going forward, it may never be that good again in our professional careers
3. There is something you can do about this change

The Perfect Day

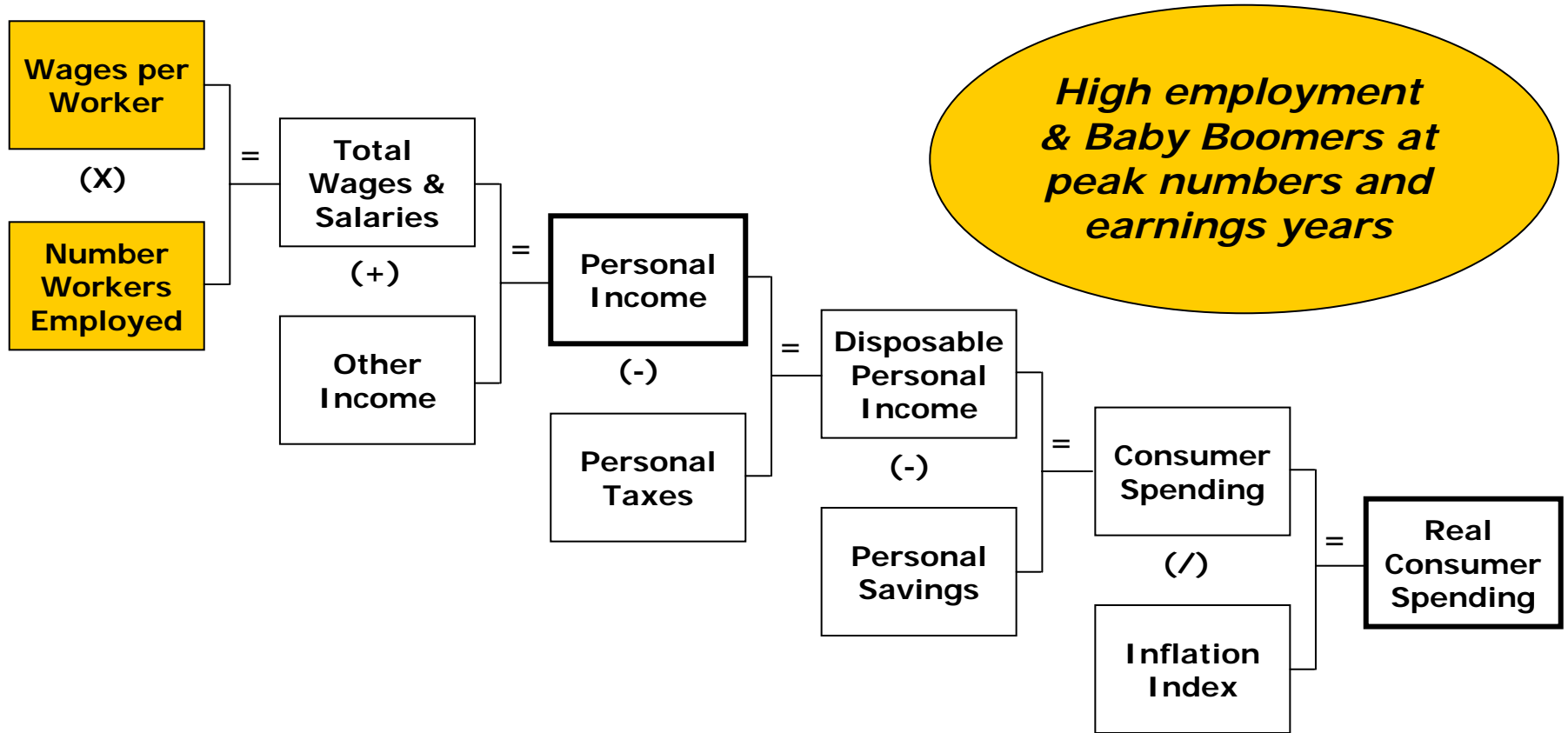


A Model for Real Consumer Spending



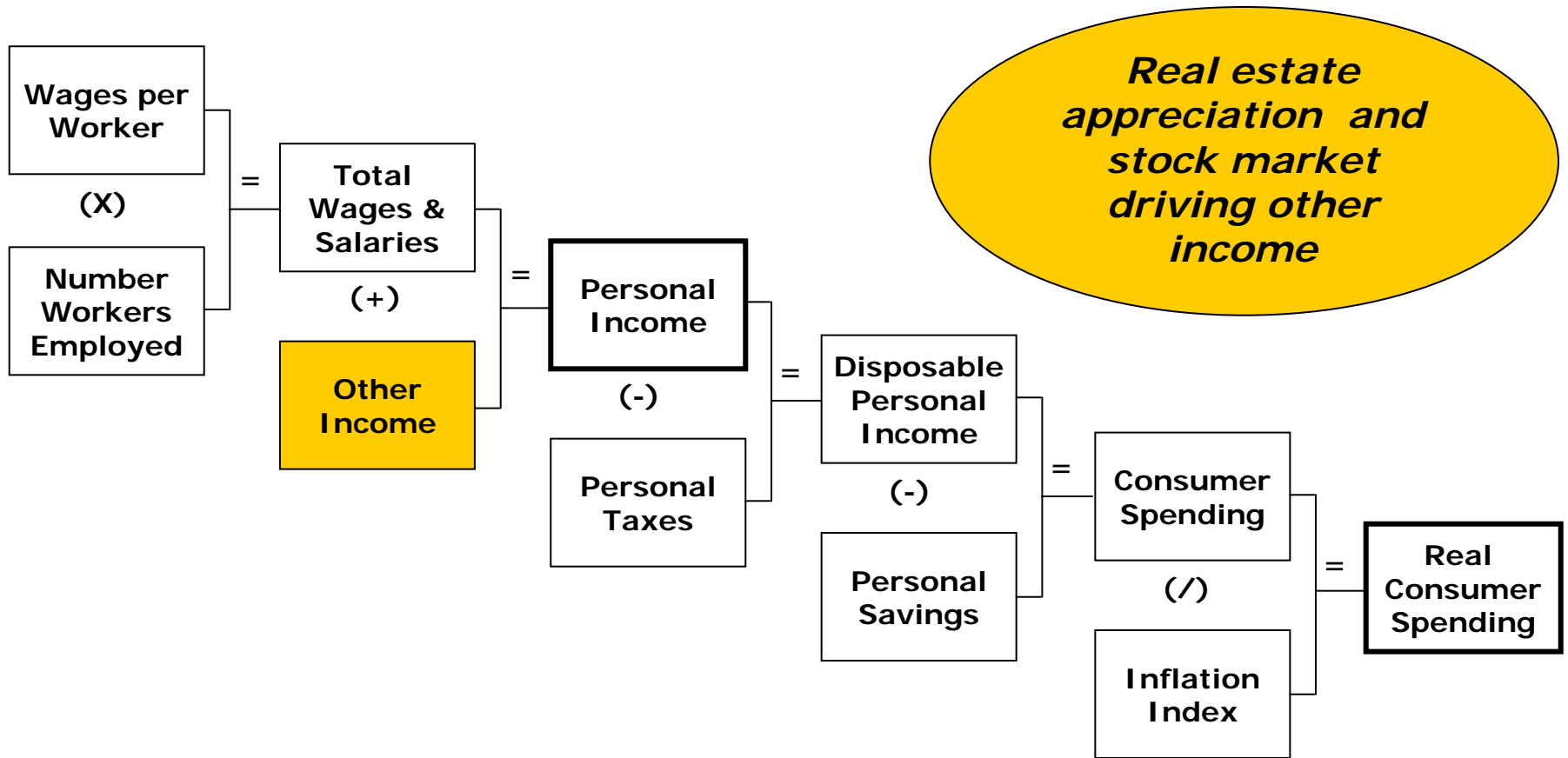
Sources: Adapted from 'Ahead of the Curve',
Joseph H. Ellis, 2005; Bureau of Labor Statistics,
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Total Wages & Salaries



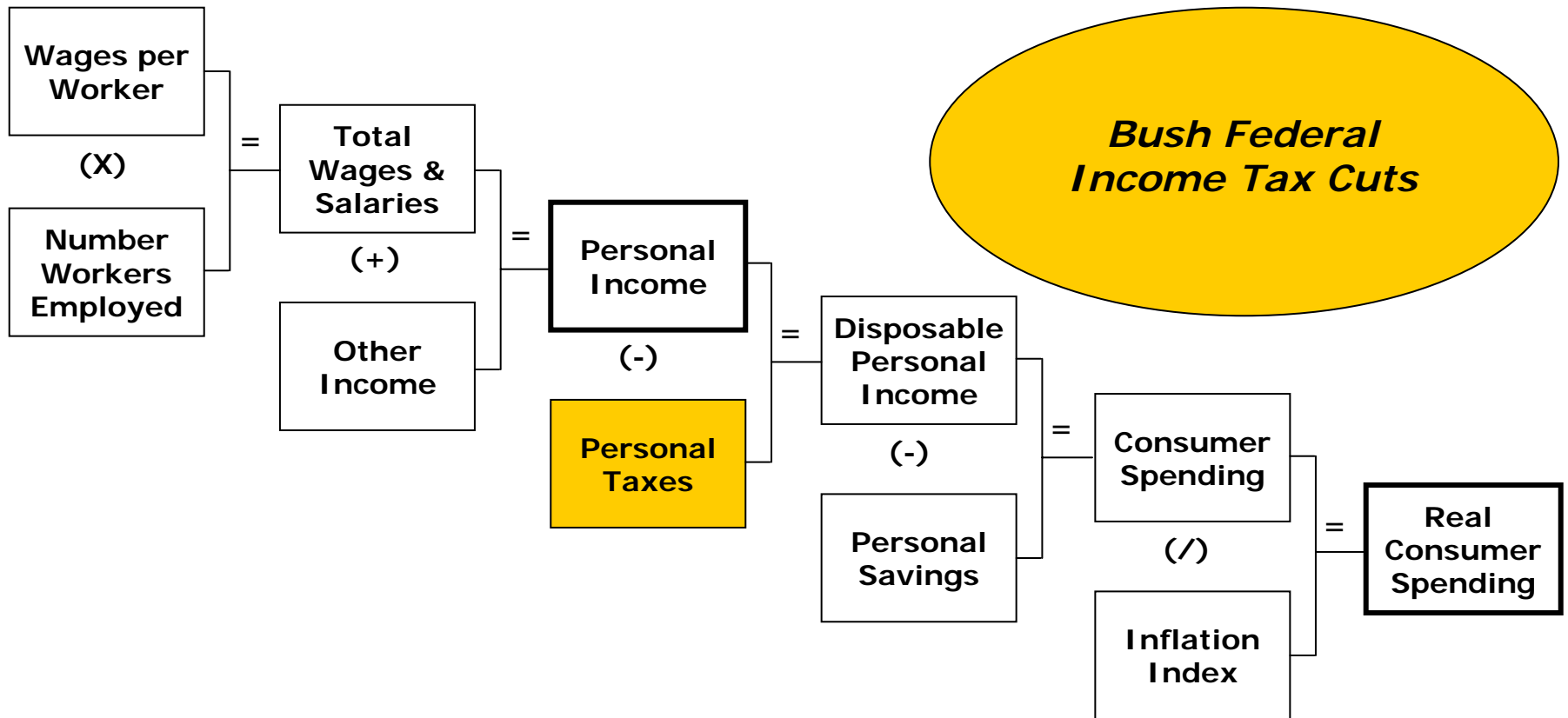
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Other Income



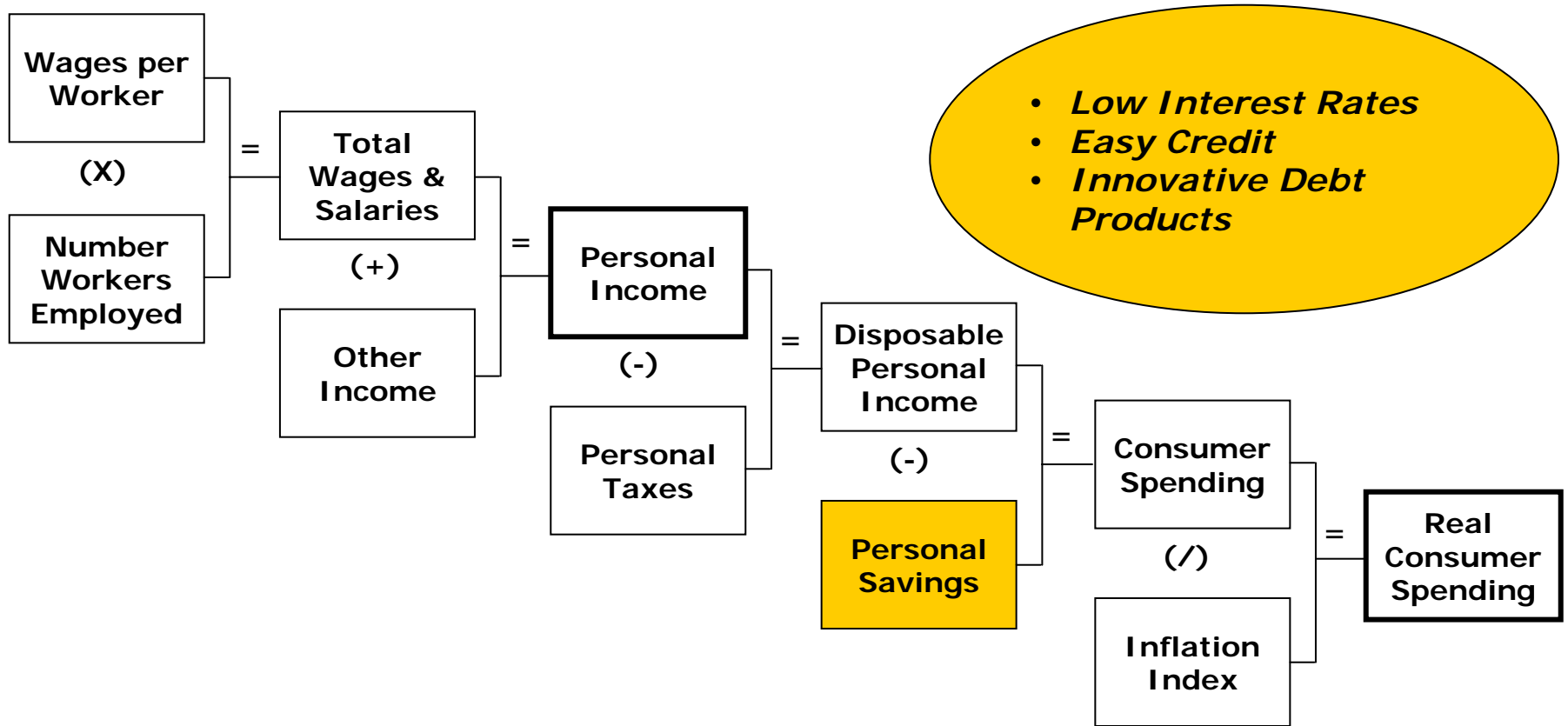
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Personal Taxes



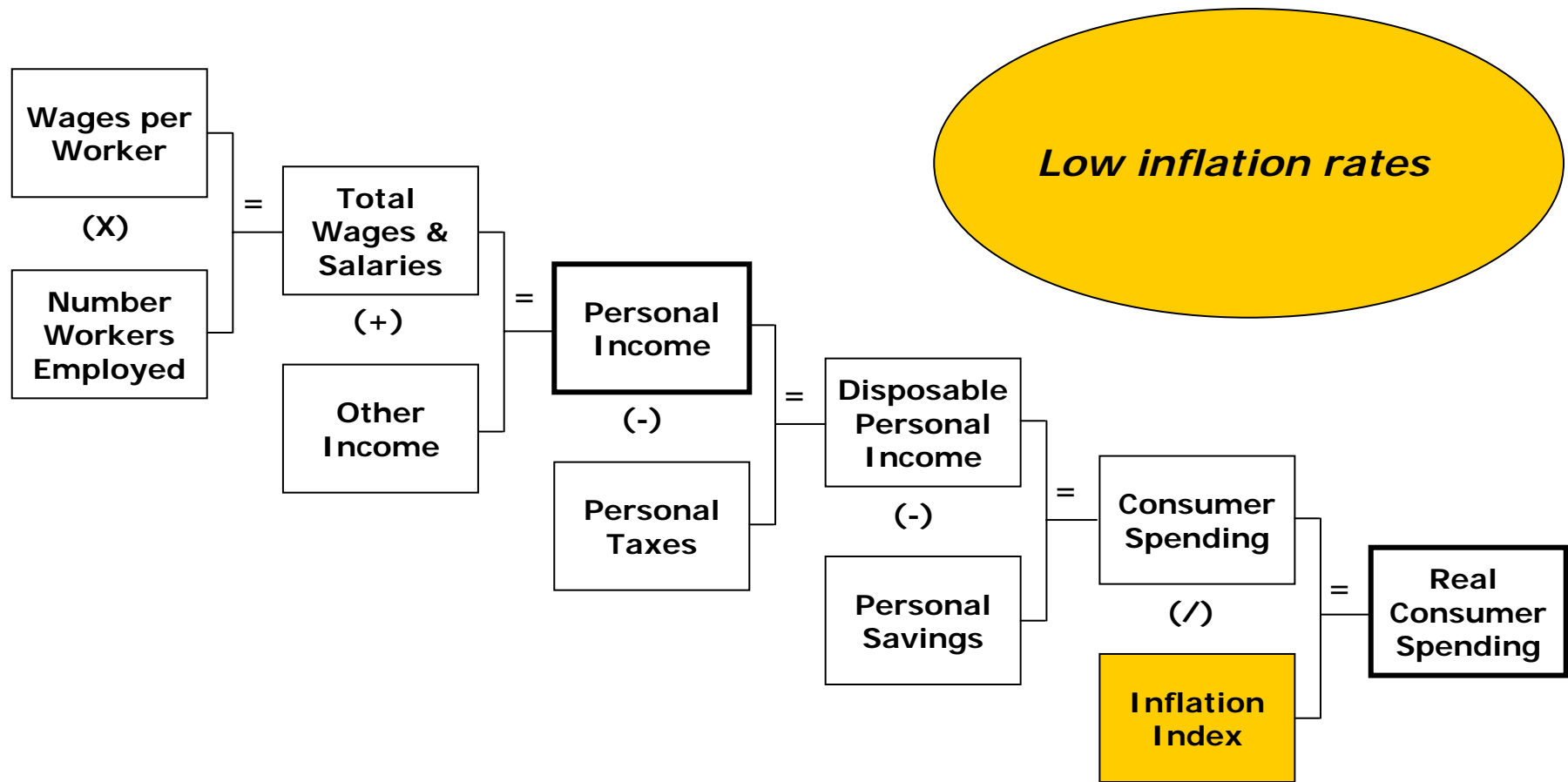
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Personal Savings



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Inflation Index



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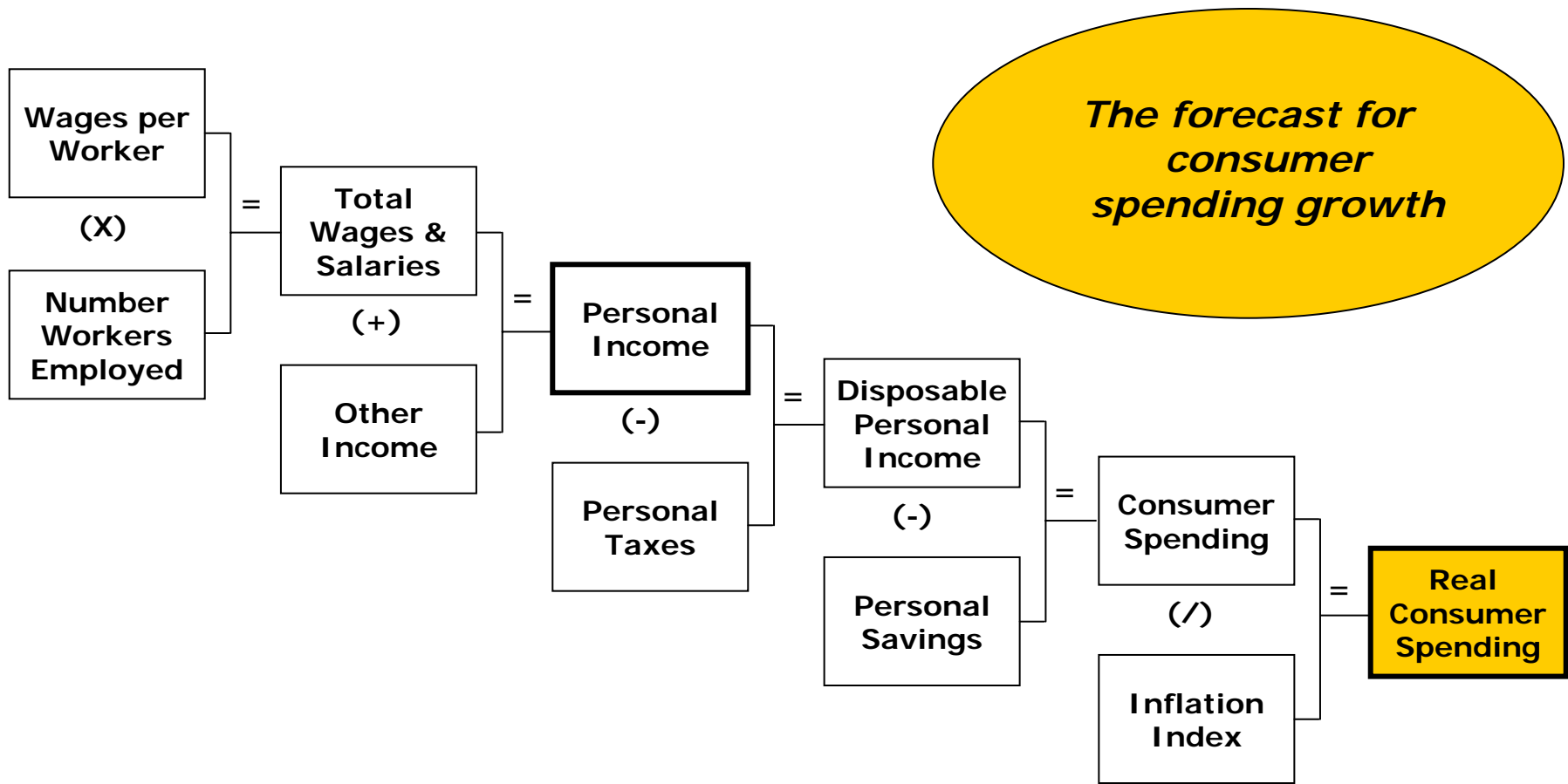
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The Perfect Day Ending...

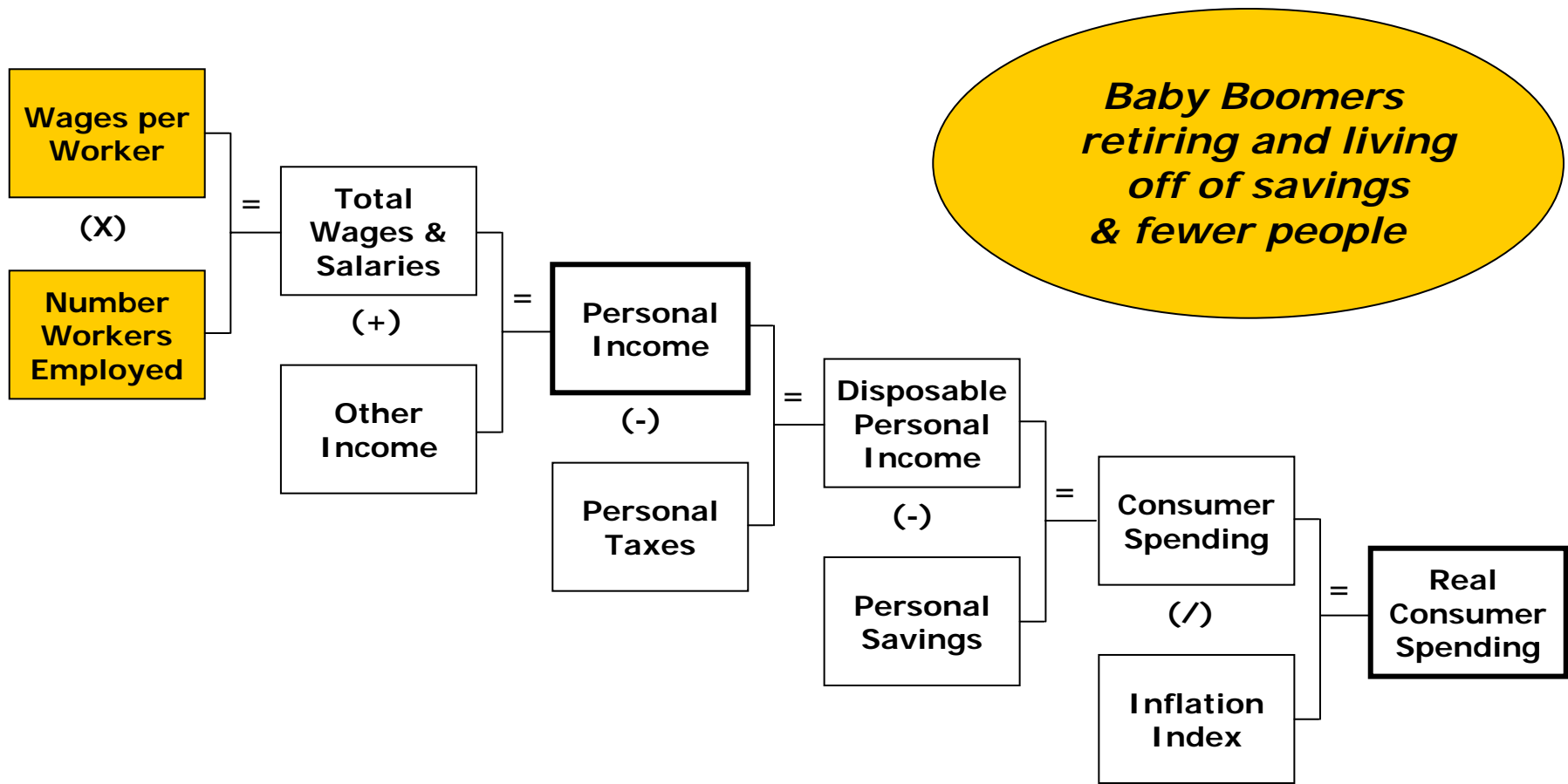


Real Consumer Spending is forecasted to decline



Sources: Adapted from 'Ahead of the Curve', Joseph H. Ellis, 2005; Bureau of Labor Statistics, Bureau of Economic Analysis

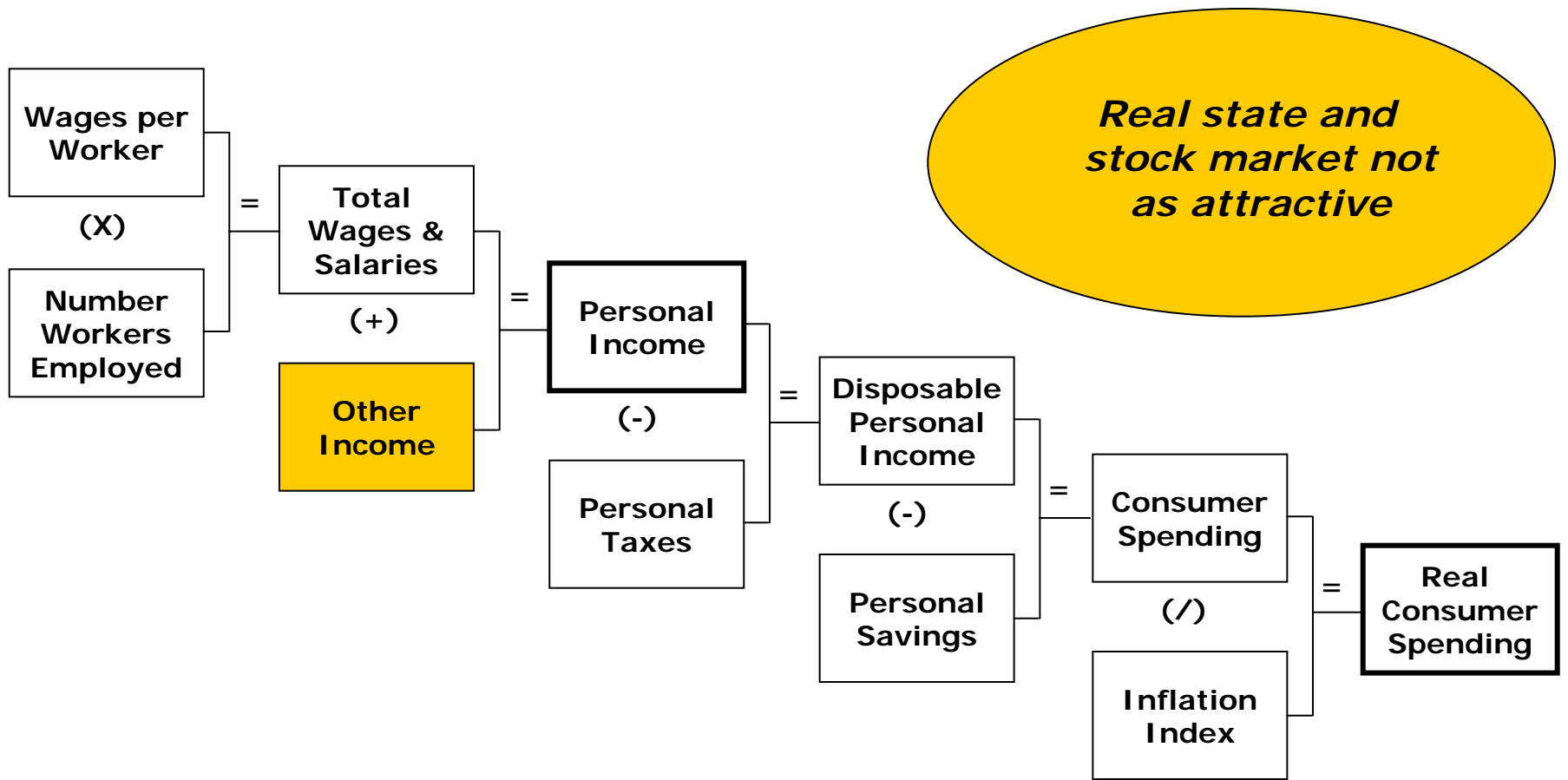
Total Wages & Salaries



Baby Boomers retiring and living off of savings & fewer people

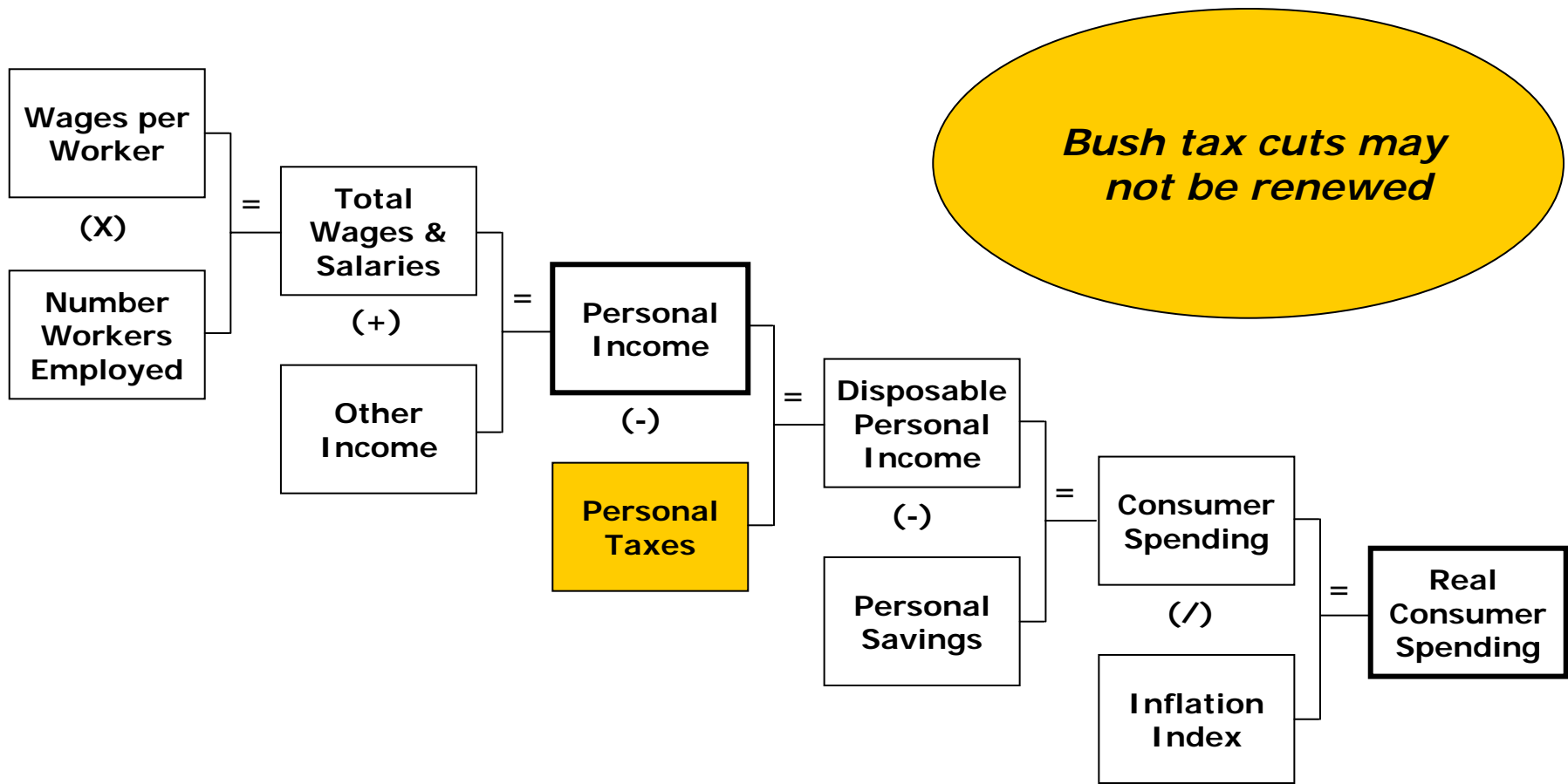
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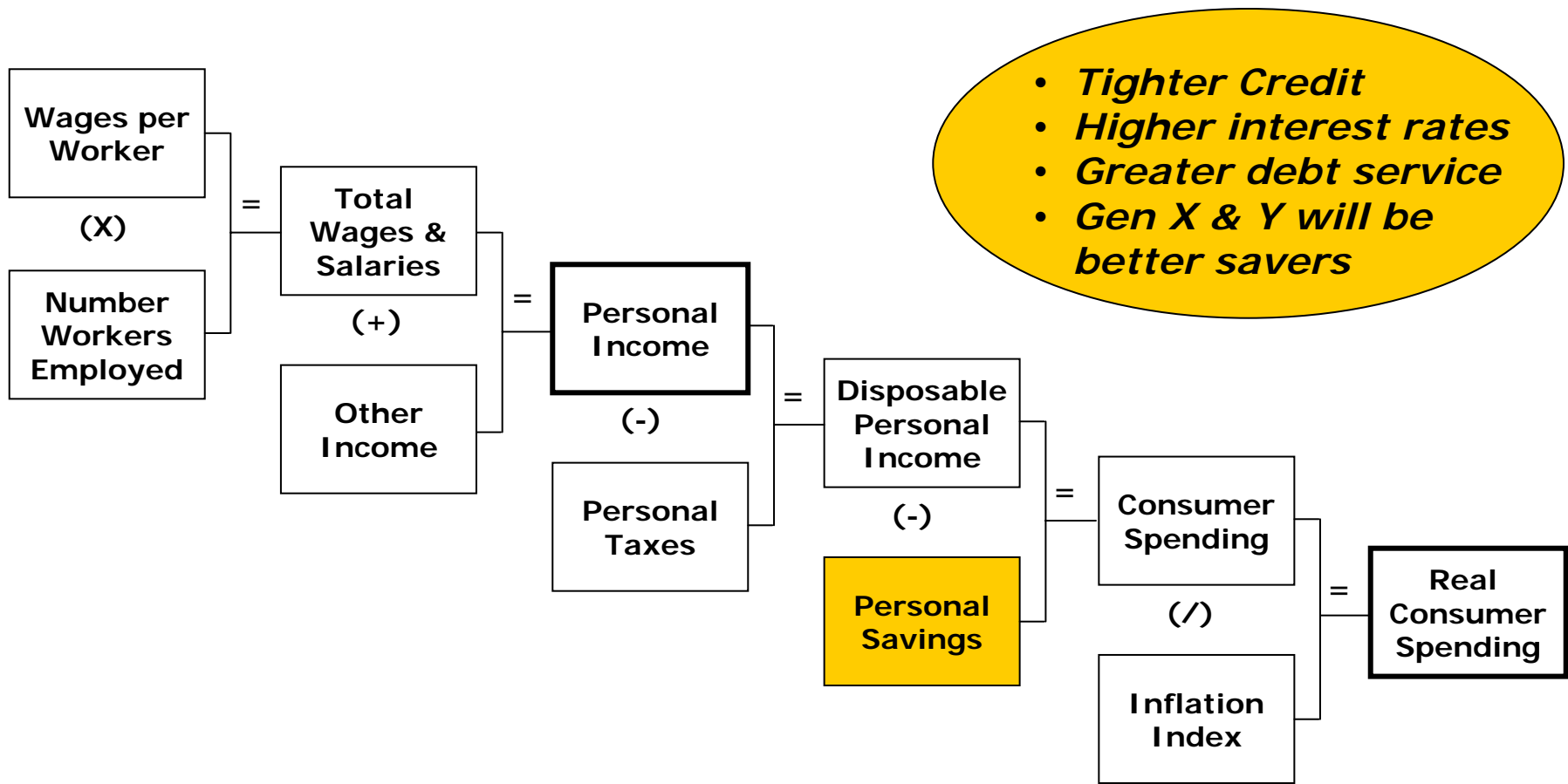
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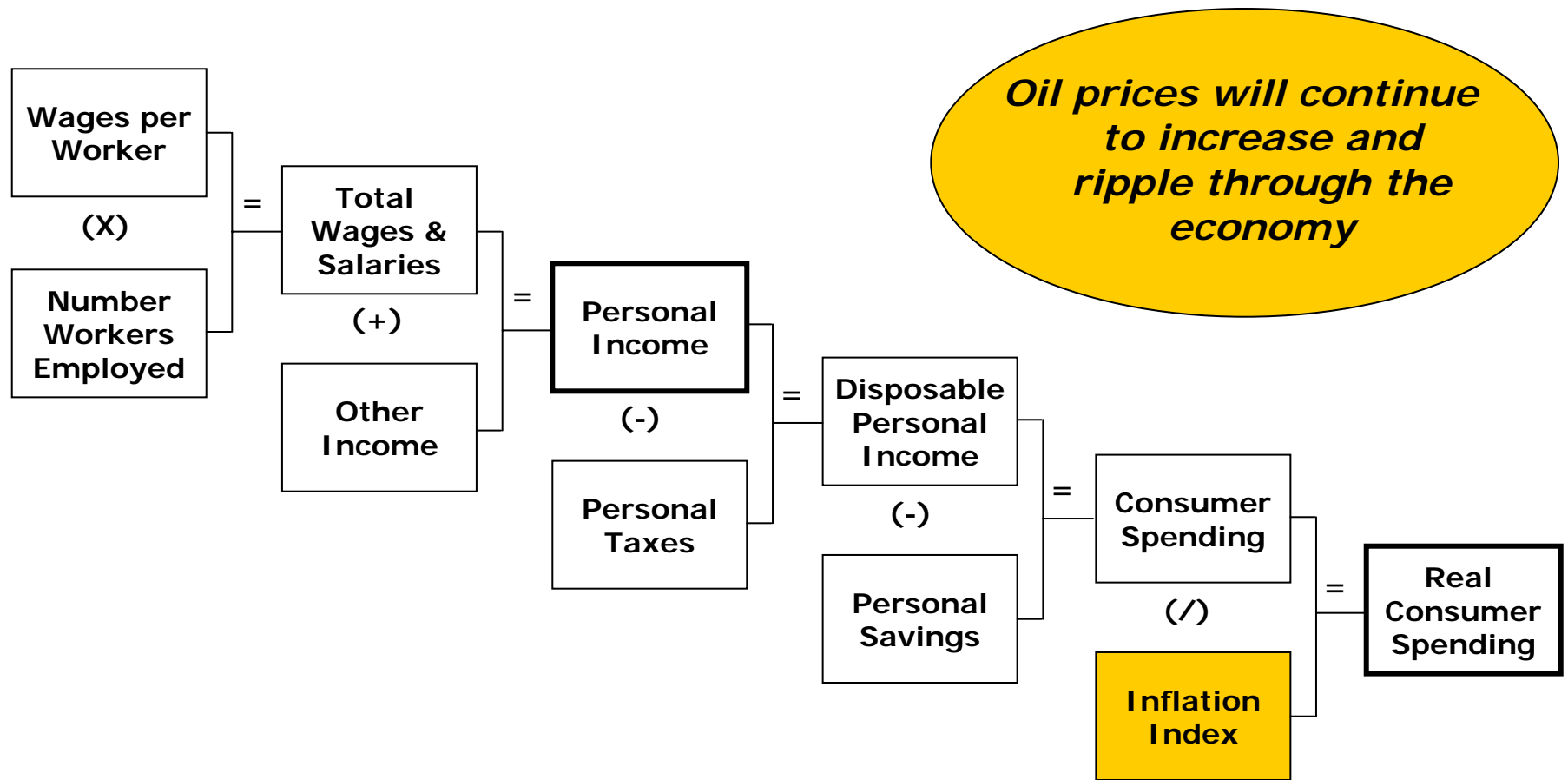
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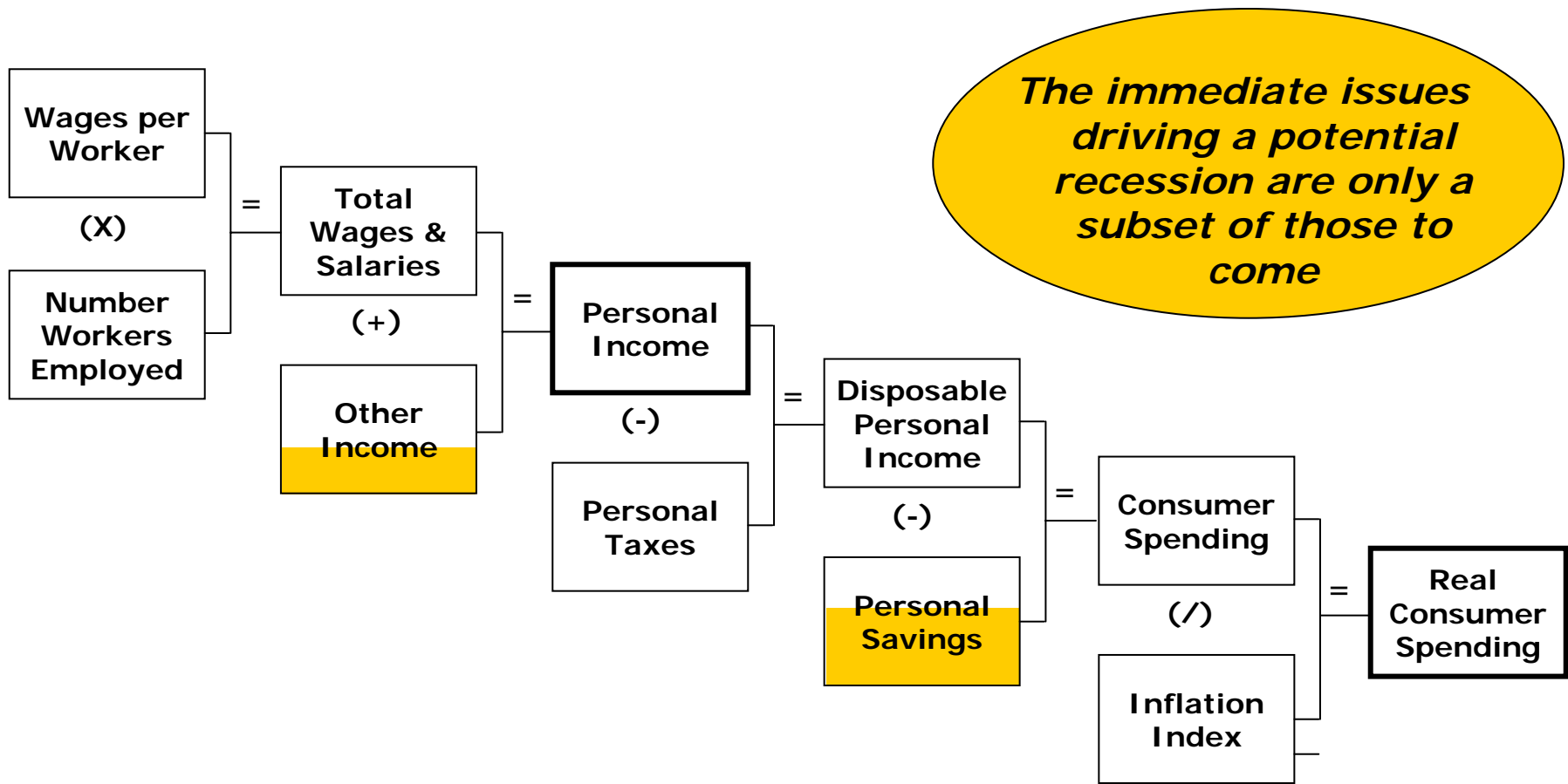
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Short Term vs. Long Term



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TPMA Conference Attendees' Perspective

- ❑ Weakness in the dollar and continued global demand for commodities will lead to significantly higher levels of inflation over the next ten years.
- ❑ Democrats will force more taxes at the middle class, which will slow spending.
- ❑ Consumers will trade down to less-premium brands or private label to offset increased costs in other areas of their lives.
- ❑ People are going to be smarter with their money because of fear of job downsizing and because of the poor economy.
- ❑ Consumers just won't have the money to buy discretionary items.
- ❑ There is usually a 6-18 month recession once every 9-10 years.

*Source: Primary research among C-level executives during Q1, 2008
Selected comments from respondents about the economy and their top business concerns.*

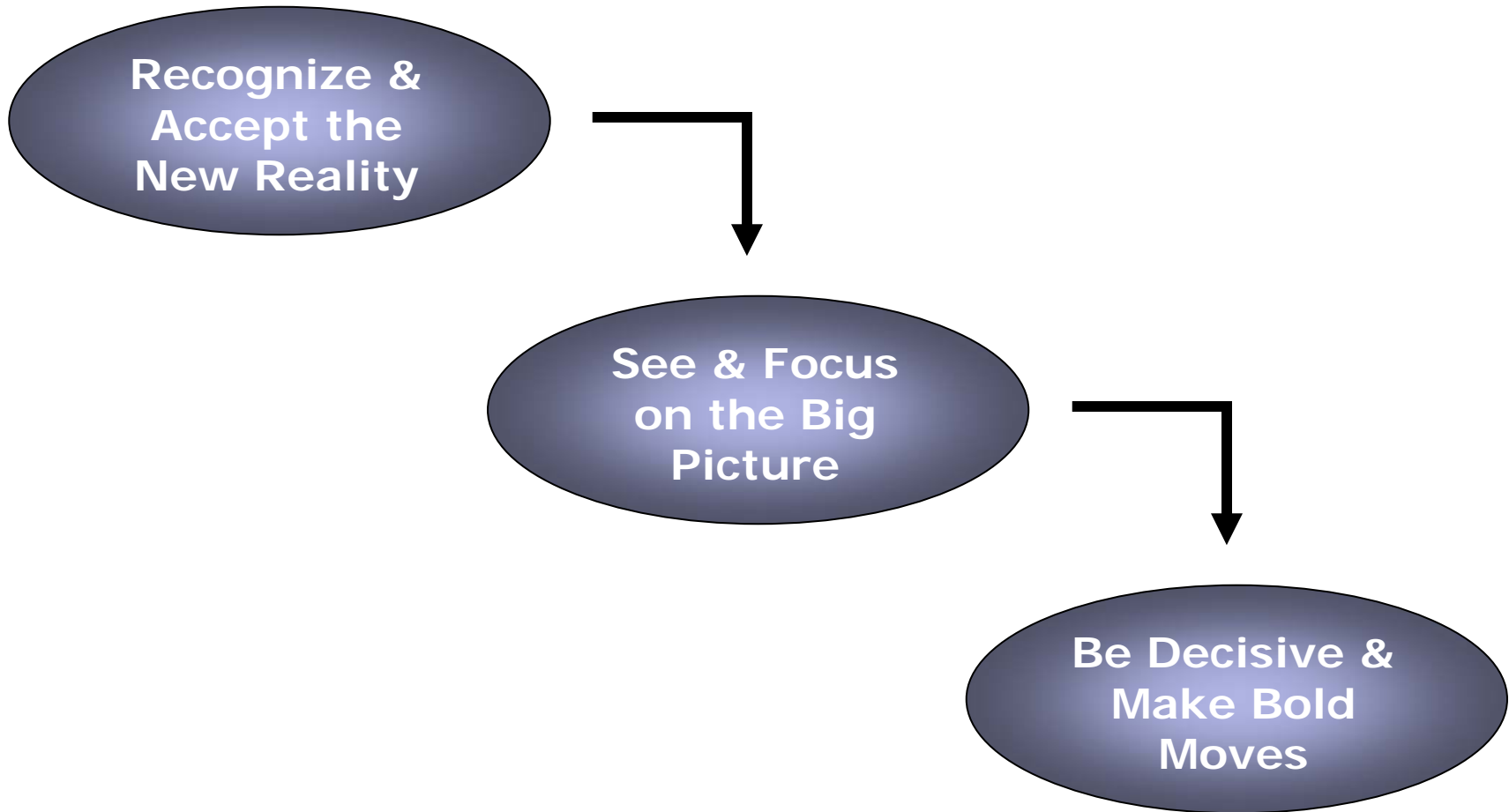
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Action Plan

Our research suggests that successful leaders focus on three things in changing times:



Action Plan

It all begins with accepting the new reality:

Recognize &
Accept the
New Reality

Re: the 5 stages of getting lost:

"In the final stage, as you run out of options and energy, you must become resigned to your plight. Like it or not, you must make a new mental map of where you are."

Deep Survival – Who Lives, Who Dies & Why, by Laurence Gonzales



Case Study: Recognize & Accept the New Reality

"Consumer confidence is at a multi-year low.

JC Penney counts half of American families as its customers, and they are feeling macro-economic pressures from many areas, including higher energy costs, deteriorating employment trends and significant issues in the housing and credit markets.

The sharp decline in sales is reflective of these trends. While the economic stimulus package may provide some temporary benefit, we expect the continuation of a difficult environment over the course of 2008.

As a result, our management team is focused on enhancing the customer experience and finding additional opportunities in both our merchandising and expense management to best position the Company to benefit when a recovery takes hold."

**Mike Ullman
CEO JC Penney
January 2008**

Case Study: See the Big Picture & Bold Moves

BIG PICTURE



BOLD MOVE

**Multi-channel integration
across stores, catalog and
internet**

- Consumers expect seamless experience across channels
- Overlap/redundancy of headcount and support costs
- Integration and synchronization operating challenges
- Inventory duplication and/or competition

**Merge merchandising resources
across stores, catalog and
internet**

- Create one buying team by category
- Reconcile support processes and activities as necessary
- Better align all decision making on behalf of the consumer

Implications for TPMA Attendees

- **New Reality:** Retail customers will be struggling
 - COGS reduction – better prices & programs from vendors
 - Trade funds, etc. – want more without doing more
 - Inventory reduction – faster turns/less inventory from vendors
 - Headcount reduction – your contacts may go away
 - Fewer stores – need less inventory
 - Bankruptcies – complete shutdown

- **Big Picture:** Retailers need and will value real help
 - Vendors as either product or service/solution providers
 - Retailers need your real insights to compete
 - Retail winners and losers are your winners and losers
 - Tap into trends – e.g. retail channel proliferation

- **Bold Moves:** Retailers want help now – What can you do next week?
 - Take over things you do better than them
 - Invest during bad times to get reward during good times (pick and choose)
 - Guarantee outcomes

Questions for Joe...

1. To what degree to you agree with our perspective on the last 15 years?
2. To what degree to you agree with our perspective about the tough environment going forward?
3. Are there examples where Dean Foods and/or you have had to accept a new reality?
4. Are there examples where Dean Foods and/or you have had to understand the bigger picture?
5. Are there examples where Dean Foods and/or you have had to be decisive and make bold moves?