



Turnaround of an international player in the FMCG industry

The role: SVP, Global Market Development: Michael managed an internal domestic staff of five, five international offices and 25 manufacturers with exclusive contracts. He handled all aspects of global growth and key accounts including sales, alliances, partnerships, contracts, logistics, documentation, customer service and operations.

The company: United Natural Foods, Inc: UNFI is a \$2.2B manufacturer and the largest US distributor of natural and organic foods, health and beauty, and personal care products.

The mission: Michael was recruited to turn around and build the international division. He knew nothing about natural and organic products and it took him a few months to learn the 40,000 SKUs. In virtually every respect it was also a startup. The phrase "ugly stepchild" comes to mind. UNFI's international market consisted of selling cases or pallets to small "mom and pop" stores for the previous five years. One order taker in Customer Service handled all international inquiries. These inquiries were answered by sending a form letter explaining that if a purchase of over \$500 was made that a 10% discount would be given. Orders over \$1,000 received a 20% discount. It's no wonder that margins ranged from 8% to 10%.

Michael learned a hard lesson about the necessity to upgrade the organization after generating an order for a container load of products from one of his Korean contacts. While the process was an interesting "learning experience," it was quite painful. Michael promised one month delivery and due to inept or nonexistent international logistic procedures it took three months to ship it out. To compound the issue 41% of products were miss picks and/or out of code date. Replacements were sent but the damage was done, the customer was lost.

The strategy: The reorganization began in earnest. He hired a logistics manager, trained customer service and added an operations person to handle the required international documentation. He coordinated with the SVP Operations creating a plan for expediting international orders from designated warehouses for the Asian, European, and South American markets.

Additionally, all international inquiries were forwarded to Michael. No discounts were given and customers were notified that volume benchmarks had been established for them to retain exclusivity. He also created a UNFI international sales web site.

It was clear to Michael that small orders must be eliminated. He made presentations to major players in various global markets. The company with the most aggressive business plan was awarded exclusivity in premium brands. The second company received non premium brands and the third was given a private label brand.

As an example, Dairy Farm International (\$5B revenues) and A.S. Watson, the two largest food and retail companies in Hong Kong wanted exclusive rights to market UNFI products. Presentations were made with both companies and business plans were negotiated for their support and promotion of UNFI private label products.

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Dairy Farm with more than 1000 mini supermarkets and convenience stores, not to mention specialty stores such as Starbucks and 7/11's in Hong Kong was awarded exclusivity for specific brands. They ordered and promoted 3,000 SKUs.

Mr. Kahn also negotiated a \$750K contract with A.S. Watson, the largest drugstore chain in the world, for organic hair care products to be sold in Hong Kong, Taiwan and Singapore. Mitsubishi, with 80 CPG divisions signed a contract for forty foot containers of premier organic Pet food products annually. (Mitsubishi has a 25% market share of the pet food business in Japan and imports 1,400 forty foot containers per year).

One of the issues facing natural and organic manufacturers was how their products were sold in Asian countries. Michael found that there was no differentiation between premium priced natural and organic products and the local conventional product and they were placed side by side on the shelf. As a result, the consumer would buy the less expensive product.

Working with UNFI's marketing department, Michael developed a "store within a store" concept. Using a banner "Food 4 Life," this section was dedicated to "healthy living." His multinational customers accepted the idea and sales increased exponentially and quickly.

The outcome: As a direct result of his actions, sales in international markets rose from \$1.7M to \$10M within two years and are on track to reach \$50M. Just as importantly, margins rose from 8%-10% to 20%. Private Label profits grew to over 25%.

One of the greatest challenges facing marketers in global markets is protecting their interests. After opening the market and selling numerous containers of product in Japan, Korea, Taiwan and Hong Kong, UNFI was notified that their customer would be going direct in the future. Michael met with corporate attorneys and drafted a rock solid Exclusive Global Representation Agreement. Only companies who agreed and signed would be allowed to use the UNFI pavilion at global trade shows and be presented and protected in new markets.

Michael led the negotiations and signed over 30 exclusive contracts with major US companies. These contracts protected UNFI's markets and are key elements in future international growth.



About the author: Former CEO and President of companies in USA and UK, Mr. Michael Kahn's career is a testament to the pursuit of globalization. An accomplished multinational business development, turnaround, and operational leader, Michael is best known for his success in identifying and developing innovative, niche markets for the Consumer Packaged Goods, food, health, wellness, beauty, and personal care products industries.

Michael has also been active as an author, speaker and was a contributor to trade journals. For three years he wrote articles for Frozen Food Age magazine on the Asian business market and the opportunities it presented. He is the author of an adventure thriller, [The Screaming Eagles](#), which predicted one year prior to 9/11 the attack on the USA.

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