



SUPPLIER DIVERSITY HANDBOOK
For
DIVERSE SUPPLIERS

October 2008

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Introduction

History and Background

At SUPERVALU, our goal is to serve our customers better than anyone else can serve them. This goal requires our company to embrace a customer base with a wide range of backgrounds and increasingly diverse needs. Finding the right partners to help us deliver the products our customers want when they want them is critical to our success.

SUPERVALU is constantly evaluating vendors to find the industry experience, insight, and capability needed to deliver products that reflect the diversity of our customer base. A significant component of these efforts involves cultivating relationships with diverse-owned and operated businesses, and working to incorporate these companies into our network of vendors whenever possible. The SUPERVALU Supplier Diversity program helps to build these relationships so that our company can provide business opportunities to the most qualified and diverse suppliers to help us achieve our business goals.

The SUPERVALU

Supplier Diversity Program was formally established as a corporate-facilitated program within the Albertsons organization in 2000. Some Albertsons divisions had more individual business experience with diverse owned businesses, such as Jewel-Osco, which has 25 years of experience in this area. After the Albertsons acquisition in 2006, SUPERVALU continued this strong commitment to diverse suppliers.

No single purchasing/sourcing organization has the capacity to carry all available goods and services offered by every qualified diverse supplier. It is the intent of the SUPERVALU Supplier Diversity Program to review and consider business relations with qualified diverse suppliers that fulfill marketplace or supply chain needs, at an acceptable cost to our business. Proposals that receive top consideration or initiate a successful partnership will present offerings specific to the prioritized business goals of SUPERVALU.

No matter which segment of the business community they represent, our suppliers must share our passion for serving our customers better than anyone else can serve them. They must pass our stringent internal assessment in such areas as customer service, product quality, production capacity, target markets, and financial stability. In order to qualify for our Supplier Diversity Program, they must also meet generally accepted definitions of diverse-owned and operated business enterprises.

Business Case

Achieving our goal of being the best place to shop in the industry drives the need for diversity in our company and in our product assortment. Offering merchandise from diverse suppliers in SUPERVALU stores is



meaningful for both our customers and our company. A unique assortment of products offering regional or ethnic authenticity enables our retail banners and the independent retailers we serve to meet customers' diverse needs at one location.

The purchasing of goods and services that support our company's operations (e.g., trucking, construction, warehousing materials, information technology support, etc.) is another indirect way of supporting economic development of minority communities at large. Diverse suppliers typically hire more women and diverse suppliers than their non-diverse industry peers. In many cases, these companies are also located in communities served by SUPERVALU stores and Supply Chain operations. Many of our valued customers may be employed by companies supported in part through the efforts of the SUPERVALU Supplier Diversity Program.

SUPERVALU strives to have well-integrated efforts in promoting community outreach. This is not just in supplier diversity, but also working closely with our colleagues in corporate diversity, community and governmental affairs. Altogether, it is a business goal for SUPERVALU to be recognized in the marketplace as a retailer that values the loyalty and respect of its many diverse customers.

Register as a Diverse Supplier

Registering your company in the SUPERVALU Supplier Diversity database is important in pursuing business with any of the SUPERVALU family of banners, which include the Acme, Albertsons, Biggs's, Cub Foods, Farm Fresh, Hornbacher's, Jewel-Osco, Lucky, Save-a-Lot, Shaw's, Shop 'n Save, Shoppers and any of the SUPERVALU Pharmacies operations (e.g., Sav-on and Osco).

You can access the supplier diversity registration by going to <http://www.SUPERVALU.com> click on Supply Chain for the Supplier Diversity link. Review all of the necessary steps and complete all of the required information carefully. Failure to include any required information may delay our response to your registration request. Questions related to previous years sales and company financial history serve the purpose of providing SUPERVALU with insight as to your suitability as a local, regional, or nationally scaled vendor. It is important to both companies that any deals or contracts are beneficial to all concerned parties. Some opportunities may be either too large or small for a diverse company to practically and efficiently manage (*See joint ventures and strategic alliances for additional perspective*). These are important considerations for the sourcing group responsible for awarding contracts. Therefore, we ask that you provide complete and accurate information.

HARD COPY PROPOSALS SENT TO SUPERVALU CORPORATE OFFICE

A hard copy proposal/registration may be mailed to:
SUPERVALU Supplier Diversity Department



East View Innovation Center
7075 Flying Cloud Drive
Eden Prairie, MN 55344

There is no advantage in sending a hard copy introduction of your company. Certainly, more background and marketing information can be provided, but will not factor into the review process. The same information requested on the Web site should be provided when you send a hard copy registration.

Vendors can expect a response confirming receipt of registration electronically or via mail 30 to 60 business days after submitting all requested information.

Certification of Diverse Companies

It is the preference of SUPERVALU to do business with diverse suppliers companies that are currently certified with a recognizable certification agency (e.g., NMSDC, WBENC or affiliates, a public sector certifying division or municipal purchasing department). There are some exceptions that can be considered for diverse supplier companies that have been doing business with SUPERVALU for 10 consecutive years or more. Certification of your company helps to ensure the integrity of SUPERVALU Supplier Diversity initiatives. Non-certified diverse suppliers may submit proposals to do business with SUPERVALU but may be asked to pursue certification prior to awarding a contract.

Pre-Proposal Recommendations and Requirements

There are certain requirements and review points that will assist your company in pursuing business with SUPERVALU.

Required:

- Certification (previously mentioned) or certification “in process” documents
- Dun & Bradstreet number
- NAICS or SIC Code for the product/service you are proposing
- Understanding and compliance with all insurance, regulatory laws or conditions pertaining to your industry, specific product or service
- List of references that can support your performance in delivering products or services at the scale that you are proposing. Vendors doing business in the grocery retail industry for the first time can provide similar size project references.

Recommended:

- Proof of company’s ability to be “scalable” in the eyes of all reviewing parties. In other words, how much business can your company effectively handle? (*See Capitalization Considerations for additional insight*)
- Basic technology and EDI (electronic data interchange) capacity



- Annual promotional plan

Additional Insight About Your Product(s)

It is important that you demonstrate an understanding of how your product fits into the merchandising model for SUPERVALU. You should present an overview that includes the following:

- Preliminary pricing/differentiation strategy relative to the category in which your product will compete
- Your plan to deliver product to SUPERVALU stores and what type of distribution “bandwidth” you propose
- Preliminary, comprehensive market approach information; note that this could factor into our decision about new item setup and promotional fees, which are typically assigned to most product vendors. SUPERVALU will consider waiving certain fees for vendors that are investing in their own products via demos, coupons, advertising and TPRs.

Product Review Schedules and Vendor Scorecards

SUPERVALU is aware of the effort required to launch a new brand or product in a highly-competitive retail marketplace. Smaller companies may be at a disadvantage compared to their larger well-branded and highly-promoted competitors. To the extent in which diverse suppliers have prepared a comprehensive marketing and promotional schedule for new products being introduced into SUPERVALU markets, SUPERVALU will grant 9 to 12 months of sales performance before a product is reviewed for renewal. Business Development Managers will engage the SUPERVALU Supplier Diversity team to ensure that a fair evaluation is undertaken when reviewing products that have been introduced through the SUPERVALU Supplier Diversity Program. It is expected that diverse suppliers manage deal structure and promotional schedules exactly as presented during the formal proposal process. Significant deviation from the approved promotional schedule could result in forfeiting this extended period of review.

Vendors providing goods and services will be subject to quality and delivery schedules as determined in their SUPERVALU contract. Diverse suppliers will be eligible for extended coaching/counsel, if needed, to assist in managing the vendor/sourcing manager relationship.

Capitalization Considerations for Sustaining Business with

Delivering goods, services and products for resale in the retail industry involves significant opportunity costs. Listed below are line items that diverse suppliers should address in some form while exploring the opportunity to do business with SUPERVALU. The amounts of capital needed to ensure operational/sales success will vary by product and deal



Products For Resale

- Advertising and Promotional Budget
- Distribution, Warehousing, Delivery Costs (regional vs. national)
- Packaging/Label modifications
- Broker fees/outside sales commissions
- Onsite Demo charges
- Potential Reclamation Charges
- Co-Packer/Manufacturer Invoice payment schedules

Products for Operational Support

- Warehousing/Delivery/Shipping costs
- Defective material allowances
- Raw material scaled costs
- Throughput cost for increased product demand
- Held inventory financing

Joint Ventures and Strategic Alliances Between Diverse and Non-Diverse Suppliers

In an increasingly competitive industry it is important for diverse suppliers to form strategic alliances to remain competitive. Properly defined, a strategic alliance is when a large non-minority company strategically selects a W/MBE outsourcing partner to service a large, prime contractual agreement. This is typically done to be compliant with supplier diversity requirements introduced to the prime vendor in a certain service or commodity contract.

Facilitating joint ventures (JVs) and strategic alliances (SAs) can be best accomplished when the sourcing organization has a robust second tier supplier diversity effort. SUPERVALU engages select tier one vendors for second tier reporting. Tier two compliance scenarios are currently under consideration. Diverse suppliers can pursue JV/SA opportunities independently by developing proposals to SUPERVALU incumbents or strong tier bidding companies for such relationships during bid opportunity cycles. The purpose of establishing such alliances is to create a strong value proposition (e.g., regional cost savings, operational efficiencies and dual-brand market penetration opportunity) for the larger vendor. It is recommended that the diverse suppliers engage the SUPERVALU Supplier Diversity team for coaching when pursuing these types of relationships in the interest of doing business with SUPERVALU.



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