



**SUPPLIER DIVERSITY HANDBOOK
For
W/MBE VENDORS**

January 2007



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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 (SVU) 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 minority- and women-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 (SVU) Supplier Diversity Program was formally established as a corporate-facilitated program within the Legacy Albertsons organization in 2000, although some Legacy Albertsons divisions have more individual business experience with minority and women-owned businesses (W/MBEs), such as Jewel-Osco, which has twenty-five years of experience in this area.

No single purchasing/sourcing organization has the capacity to carry all available goods and services offered by every qualified W/MBE. It is the intent of the SUPERVALU Supplier Diversity Program to review and consider business relations with qualified W/MBE companies 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 minority- and women-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 W/MBE vendors in SVU 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. W/MBE companies typically hire more women and ethnic minorities than their non-minority industry peers. In many cases, these companies are also located in communities served by SVU stores and supply chain operations. Many of our valued customers may be employed by companies supported in part through the efforts of the SVU 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 (internal) 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.

Registration as a Minority/ Woman-owned Vendor

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, bigg's, Cub Foods, Farm Fresh, Hornbacher's, Jewel-Osco, Lucky, Save-a-Lot, Scott's, Shaw's, Shop 'n Save, Shoppers and Sunflower Markets retail and pharmacy operations, as well as the Sav-on and Osco Drug pharmacy brands.

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 SVU 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 W/MBE company to practically and efficiently manage (*See joint ventures & 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
19011 Lake Drive East



Chanhasen, MN 55317

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 21 business days after submitting all requested information.

Certification of W/MBE Companies

It is the preference of SUPERVALU to do business with W/MBE 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 W/MBE companies that have been doing business with SUPERVALU for 10 consecutive years or more. Certification of your company helps to insure the integrity of SVU Supplier Diversity initiatives. Non-certified W/MBEs may submit proposals to do business with SVU 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 SVU stores and what type of distribution “bandwidth” you propose
- Preliminary, comprehensive market approach information - be aware this could factor in 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 W/MBE vendors have prepared a comprehensive marketing and promotional schedule for new products being introduced into SVU markets, SVU will grant up to six full months of sales opportunities before a product is reviewed for renewal. Category managers will engage the SVU Supplier Diversity team to ensure that a fair evaluation is undertaken when reviewing products that have been introduced through the SVU Supplier Diversity Program. It is expected that W/MBE vendors 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 SVU contract. W/MBE vendors will be eligible for extended coaching/counsel, if needed, to assist in managing the vendor/sourcing manager relationship.

Capitalization Considerations for Sustaining Business with SUPERVALU

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



Products For Resale

Advertising and Promotional Budget (6-12 months)
Distribution, Warehousing, Delivery Costs (regional vs. national)
Packaging/Label modifications
Broker fees/outside sales commissions (6 – 12 months)
On Site 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 W/MBEs and Non-W/MBEs

In an increasingly competitive industry it is important for W/MBEs 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. W/MBE vendors can pursue JV/SA opportunities independently by developing proposals to SVU 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 W/MBE engage the SVU supplier diversity team for coaching when pursuing these types of relationships in the interest of doing business with SUPERVALU.

