

Glossary

Foodservice

The Language of Trade Spending

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Accrual	The term used for liabilities related to outstanding trade payables. They are liabilities owed for goods purchased by the manufacturers customers and are owed that occur outside the normal purchase/payment process.
Auto Pay	The TPM feature designed to support the processing of monthly, quarterly and annual reimbursement of corporate shelter, buying group rebates and local distributor rate-based offers.
Bids	Promotions offered in response to a request for proposal (or pricing) from institutions, generally thought of as 'non-profit' organizations such as public schools, correctional facilities and health care providers. In the purest sense, bids are opened for quotation, vendors respond with their pricing offers and the institution then awards categories and/or individual items based on price/quality. Bid awards are traditionally time-bound and associated with a volume commitment.
Blacksmith Enterprise	Everything in Essential plus premier functionality for the most complex businesses, enhanced services AI optimization.
Blacksmith Essential	All the fundamental elements required for trade management, data harmonization and event analysis.
Broadline	Distributors who focus on the general foodservice market, rather than specializing in chain business (aka, systems distributors) or specific channels (such as convenience stores, vending and office coffee).

Broker	An independent sales agent who represents manufacturers lines of business within a given geography and/or established set of customers.
Buying Group	An association or organization that negotiates promotional incentive packages on behalf of its members. Members generally join in order to gain the purchasing leverage of the broader group. Buying groups within foodservice that are commonly referenced include Unipro, Pocahontas and IMA. Also known as 'letter groups' based on the abbreviated acronyms for the association.
Catch Weight	Products sold with a variable net weight per package are commonly known as 'catch weight' items in that the published weights are estimates that will vary based on moisture migration that occurs during the supply chain flow.
CBOT	Chicago Board of Trade.
Chain Business	Common terminology for operator business that is discounted through the distributor. In addition to the presence of a discount, 'chain business' is a term used to identify purchases in the market that are influenced by the manufacturer (as opposed to 'street' business, which is generally thought of as volume occurring due to the efforts of the distributor and provides the basis for the term 'street vs. chain').



Chargebacks	Rebates calculated on the sales transaction.
Claim Processing	The process of validating and settling an invoice or a deduction from a distributor by using the associated back-up typically remitted by the distributor. Settlement can occur by payment via check (for an invoice) or by issuing an offsetting credit memo (for a deduction).
Claims	Requests made by a customer to the manufacturer or distributor for payment. Also known as a Billback.
CME	Chicago Mercantile Exchange.
Commercial	Segments of the operator universe generally known as commercial restaurants. Sub-segments include full service, mid scale and quick service, among others.
Corporate Accounts	Typically refers to large corporate distributors such as SYSCO, U.S. Foodservice and Performance Food Group.
CWT	A unit of economic measure 'per hundred weight', this term is often used when the associated economics of a given unit of output is valued at smaller increments for single nominal physical pounds.



Deals	A common description for promotions or incentives, 'deals' can refer to those incentives offered to both distributors and operators. Generally refers to discounts or allowances that are in addition to standard pricing mechanics.
Deductions	Distributors often "deduct" or short-pay their invoices for the monies they believe are owed from the manufacturer based on agreed upon trade promotion contracts. These deductions are typically captured by the manufacturer's Accounts Receivables team and entered into the ERP.
Delivered	Refers to pricing offers that include the freight and supply chain activities to move product from the manufacturer location (plant or distribution center) to the customers warehouse or dock. 'Delivered' pricing is often thought of as the alternative to 'FOB', or free on board pricing, which typically signifies that the rates offered do not include the cost of those supply chain activities.
Deviated Pricing	Common term for operator pricing where the distributor purchases the product at their normal price and then delivers to the operator net of an allowance from the manufacturer, with the distributor bearing the short-term cash flow burden of the incentive.
Distributor	General term for direct-buying customers who, in turn, distribute the product to the operator community.

Drop Shipping	A <i>supply chain</i> management method in which the retailer does not keep products in stock, but rather transfers customer orders to the producer to fulfill and ship directly to the customer.
DSR	Distributor Sales Representative.
Earned Income	A common term for distributor trade earnings that accrue against most all direct purchases and are reimbursed periodically.
Eligible Volume	Generally refers to volumes purchased by the customer that are eligible for certain promotional allowances.
End User	Typically refers to the operator, or indirect customer.
Fixed Fund	A fixed amount of dollars offered as an incentive (aka 'lump sums').
Fixed Price	A promotional offer promising a 'net' or guaranteed in-to-stock value for the distributor, relative to a specific operator, with deviated settlement mechanics.
FOB	Free on Board (pricing quoted is absent of freight and delivery charges).
Formula Price	An agreement where a buyer and seller agree in advance on the price for a product that will be delivered in the future, based upon a pre-determined calculation.



Franchisee(s)	Operator locations operated under franchise agreements with a brand provider. Popular in the Commercial operator segments. Franchisees are generally included in the franchisor incentive, although, some may be large enough as free standing enterprises as to negotiate their own procurement arrangements.
Futures Pricing	A variation of fixed price whereby the value is resolved from a formula, typically linked to an underlying proxy for cost such as the CME or NYBOT, that essentially results in a mechanic that offers both parties the ability to revise and update pricing based on the formula on a periodic schedule. The key differential for futures pricing, relative to formula pricing, is that futures price contracts are related to future volume commitments and the corresponding future raw material value.
GPO	Group Purchasing Organization - describes associations and organizations that negotiate for volume-based discounts on behalf of its members.
Independents	Generally describes customer locations (both distributor and operator) that are not aligned with large national organizations. Strategically, 'down the street' accounts represent the greatest profit opportunity for manufacturers as the depth of discount is typically more attractive.
Line Sheet	Also called sell sheet or price sheet. A PDF and/or sheet of paper that conveys the ordering details of your current <i>product line</i> to buyers, both prospective and returning.
Local House	Refers to local operating companies or warehouses of large national distribution groups (ex, SYSCO).
Lump Sum	A fixed amount of dollars offered as an incentive (aka 'fixed fund').

Minimum Order Quantity (MOQ):	The dollar amount or case quantity that you require orders to meet/exceed in order to qualify for wholesale pricing.
National Accounts	Common terminology for operator locations where purchasing activity is controlled, to an extent, by a headquarter point and with units that are generally spread across several geographic regions of the country. Many manufacturers pursue these customers with focused, specialized sales resources.
Non-Commercial	Segments of the operator universe generally known as non-traditional or 'contract feeding' locations. Sub-segments include lodging, convenience stores, healthcare, education, among others.
NYBOT	New York Board of Trade.
Operator	The 'end user' or 'consuming account', generally describes the direct customer for the distributor and the indirect customer for the manufacturer.
Programs	A common description for promotions or incentives, 'programs' can refer to those incentives offered to both distributors and operators. Generally refers to discounts or allowances that are in addition to standard pricing mechanics.
Rebate	Standard promotional rated offer, generally stated with a standard unit of measure such as cases, pounds and/or percentages (percentage of gross or net revenue). Also known as 'allowances', rebates are the most common spending mechanic in the industry.

Recapture	The practice of reducing the distributor gross eligible volume for trade earnings by the amount of volume shipped through chain operators. This practice is also known as pullbacks, clawbacks and eligible volume adjustments.
Re-distributor	A direct-buying customer of the manufacturer, redistributors in turn service broadline distributors, playing the role of scale in the supply chain. Given their business system, these operations purchase in large quantities from each manufacturer and service their customers with consolidated orders across manufacturer product lines.
Regional Accounts	Common terminology for operator locations where purchasing activity is controlled, to an extent, by a headquarter point and with locations that are geographically confined to specific regions. Many manufacturers pursue these customers with focused, specialized sales resources.
Shelter	A common term for distributor trade earnings that accrue against most all direct purchases and are reimbursed periodically. The term 'shelter' originates from the design of the reimbursement mechanism, which effectively hides or 'shelters' the earnings rates from operators who are seeking 'net' pricing arrangements (ex, operators would like to believe that their delivered in-to-stock pricing is based off of the distributors net price value, after allowances).
Trade Promotion Management	The management of all trade promotion activities and business processes, from managing promotions to administering pricing and rebate agreements.

Blacksmith Applications is a SaaS technology company offering **TPM software and consulting** to top tier CPG **retail and foodservice** organizations. Our application, Blacksmith TPM, enables program creation, claim settlement, and boasts powerful analytical capabilities. Our customer list includes organizations such as General Mills, Unilever Food Solutions, Conagra Brands, The KraftHeinz Company and more. The Blacksmith Applications team is comprised of **professionals with decades of foodservice experience** and we stand apart from ordinary solutions not only in the capabilities of our application but also in our industry knowledge.

Our commitment to helping the industry improve trade processes and strategy includes the creation and maintenance of a share-group: Smoke Jumpers. Learn more at blacksmithapplications.com



We look forward to continuing the conversation.
Reach out to your sales representative or
hello@blacksmithapplications.com to get started.