

## Purpose Built Software and Applications that Allow Consumer Packaged Goods Companies Greater Efficiencies in Trade Promotion, Retail Execution, Direct Store Delivery, Order and Warehouse Management, and Manufacturing Management



AFS Technologies

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- Joe Bellini

**CEOCFO: Mr. Bellini, would you tell us about AFS Technologies?**

**Mr. Bellini:** We are a software company and we build what we term as Purpose-built Applications; another term used for our class of software is the Last Mile. With many of the enterprise systems your configurability would be limited, thus forcing you to customize in order to gain the last mile advantage. This of course would be painful from a cost and support perspective as the strategy is to keep the enterprise system as standard out-of-the-box. From an application perspective we are what is called a bolt-on where we bolt-on to the enterprise system providing that Last Mile

as standard software. This then helps to drive competitive advantage for our customers from trade promotions to retail execution and all the way upstream through warehousing and manufacturing. For example, all the shelf specials you see when you walk through the stores, from the planning through the execution and all the way back through the delivery, storage, and manufacturing of the shelf items is done through our software.

**CEOCFO: How are you able to make it easy for companies to use and understand?**

**Mr. Bellini:** Consumer goods manufacturers and distributors are allocated a certain amount of shelf space at each retail location they serve, along with the potential for additional space through displays such as end caps or the potential to acquire shelf space from their competition. What each of these companies would like to do is maximize their returns based on the most effective and efficient use of their shelf space and thus drive increased revenue and margin per square ft. Now if you want to compare scenarios related to increased revenues, increased margin, or perhaps acquire shelf space or market share from one of your competitors, the analytics involved can become fairly detailed. We have simplified this interaction greatly providing easy to use dashboards for planning and predictive analytics. Of course this ease of use extends into Food Safety given our single scan traceability from retail upstream into warehousing and manufacturing. This then provides assurances to the consumers that everything is safe and if there is a problem that you can identify it immediately so that consumer impact is minimized and hopefully eliminated.

**CEOCFO: At what point might a company turn to you?**

**Mr. Bellini:** It is typically based on their ability to generate additional value by leveraging those last mile processes that we discussed earlier. Studies show that about 20% to 25% of product revenues are reinvested into the types of trade activity that we see every day on store shelves such as two-for-one's, various types of discounts, coupons, etc. The typical \$5 billion food and beverage manufacturer is spending a \$1 billion dollars to develop shelf demand for their products. Thus, they have a vested interest in understanding whether the billion dollars is well spent and whether they are getting the biggest bang for the buck. Through the use of our software they will compare various scenarios and outcomes

related to their investment. Analytics will provide insights and predict outcomes based on the relative prioritization of key variables such as market share, revenue and margin. Once planned, executing the plan involves a lot more than just getting the right product in the right place at the right time. There is also non product inventory that needs to be coordinated such as the signage you see in the store along with the end cap displays at the end of the aisles, the wing displays that stick out of the aisles and sometimes even new technology such as the holograms we see in the aisles these days. An example would be the US Women's Soccer Team perhaps promoting one of their sponsor's products. The big question is whether the dollars that have been committed in terms of all this promotional activity being properly managed by our distributors, sales agencies and retailers who all have a role in positioning and deploying our products. Given the amount of money in play, there is also a very important accounting back end related to settlements and discounts, which if improperly managed can impact the quarterly financials of any CPG company. Further on the execution side, we are constantly validating our promotional effectiveness and efficiency through an in-store audit process, which in itself also needs to be efficient. From time to time you will see people in the stores taking pictures of the aisles. This is related to a technology advancement we provide in our solutions called digital image recognition. We can process those pictures efficiently and close to real time thus providing insights to field sales reps and merchandisers about what can be adjusted during their store visit in order to better hit the planned targets. For example, we all know how many product options there are in a yogurt assortment which drives a fairly complex mix and inventory problem. You will want to validate that the planned assortment is properly laid out on the store shelf, in the right location, in the right mix, with the right promotional activities. Our software is designed specifically for this last mile with ease of use, advanced analytical insights, and the ability to execute in the field with all variants of mobile devices.

**CEOCFO: *What is the competitive landscape?***

**Mr. Bellini:** The larger companies like SAP who are the enterprise providers at the Tier 1 level, have some functionality in the trade promotion and retail execution areas given their customers have business needs and requirements for this last mile of functionality. However, what they can provide is limited based on what can be configured and deployed without getting into heavy customization which ends up being very expensive. We also have niche competitors, but for the most part they aren't able to provide capability across the last mile spectrum from trade promotion to retail execution to direct store delivery to distribution, to warehouse management to manufacturing, and do it on a global basis like we can provide at AFS. Many of our highly differentiated features and functions such as indirect planning, perfect shelf optimization, single scan traceability, electronic proof of delivery, and automated cycle counting drive significant value for our customers. For example, we are unique in our ability to combine the direct volume planning of the manufacturers with the indirect volume planning from the distributors and make it all part of a single scenario, so manufacturers can better manage their trade dollars. In addition, our partnership with companies like Microsoft, Nielsen, Honeywell and Zebra has greatly extended our solution capabilities both in terms of features and functions as well as platform, devices, security, analytics and technology.

**CEOCFO: *What recognitions stand out for you?***

**Mr. Bellini:** I am an outdoors enthusiast and conservationist myself so when we were recognized for environmental contributions that lead to a green award, that certainly was special to us. We have also gone through certifications related to our ability to track and trace for food safety which is near and dear to our hearts as well. The way this software capability works is we can provide single-scan traceability, so if there is a problem with a product at retail, we can, within a couple of hours, tell the warehouse which cases are involved and for the manufacturers which batch the issue came from. In addition, all the mentions and highlights we have gotten from the industry analysts are rewarding given these folks survey our installed customer base and their reports reflect the increased value we have generated as well as the high level of service we have provided. The analysts gauge our ability to incorporate advanced technologies in a value added way to our future releases. Thus scoring high marks shows AFS is driving innovation for our current and future customers.

**CEOCFO: *What services do you offer that do not get the attention they should?***

**Mr. Bellini:** Many of the Tier 1 customers, because they tend to have larger staffs, use the product to its full capability. Many of our Tier 2 and Tier 3 customers are stretched so may not have the time or ability to fully deploy all the capabilities that our products can provide. Thus as part of our customer support team we conduct frequent health checks across our customer base to gauge both their satisfaction as users as well as whether they are generating full value from our products. If there is a value gap we provide a consulting service that quickly analyzes processes, metrics, and outcomes and delivers a plan along with additional training and go live planning that implements the additional features and functions that will drive increased value and ROI. We also host forums on LinkedIn on behalf of our installed customer base allowing our customers to share best practice where appropriate and also provide requirements for future product releases.

**CEO/COO: Why choose AFS Technology?**

**Mr. Bellini:** There is tremendous potential value just waiting to be generated in the consumer goods sector. Considering the amount of trade dollars being spent, the effectiveness and efficiency of those trade dollars at retail, the ability to track and process those trade dollars, and the ability to maximize the revenue and margin per square foot from trade planning upstream through delivery, distribution, warehousing and manufacturing, the potential is almost overwhelming. At AFS, we have over 30 years of deep CPG experience which gives us the knowledge and ability to design best in class business processes into our software. This experience is then mixed with advanced data science to drive actionable insights around predictive analytics so our clients can make better decisions and therefore drive improved outcomes. What I constantly hear from CPG companies is that many of the Tier 2 and Tier 3 companies, and even some of the Tier 1's, are still making significant decisions based on spreadsheets given that their enterprise systems don't configure well for the last mile. I encourage them to investigate our solutions to determine the future value potential to both their own companies as well as their customers and the consumers they serve.

