DecisionNext

Case Studies: Our Tools in Action

Are my out-of-date Grind Pricing Formulas costing me millions of dollars?

Boost Your Negotiating Power with Forecasted Least Cost Formulation

Value

Negotiating the best price for Ground Beef blends can be a tricky proposition. There's a lot of nuance and the numbers are always in flux. But with the DecisionNext AI decision support and visualization tools, our customers are armed to work more efficiently and negotiate better with suppliers. On average, our customers have been able to consistently **decrease their ground beef cost by $0.02-$.20/lb, and reduce the time creating a make sheet by 30%**.

Problem

- The market index for the best price for trim lean points is unreliable, and there are simply no clear indicators to guide you
- Managing your trim formulas is time-consuming and tedious
- Missing out on incremental savings on ground beef formulas can heavily impact your margin
- There's often a massive disparity between the various USDA Blended Ground Beef index prices and the true cost of producing those lean point blends

Solution

- You're able to efficiently update, track, and forecast multiple ground beef formulas on a weekly basis
- You get accurate knowledge of the optimal lean point blends—rather than the simple market index—so you can negotiate better
- You get automatic updates to your blend options and forecasts up to 52 weeks into the future

About DecisionNext

DecisionNext is a best-in-class AI platform that empowers companies to buy or sell at the best times, with the best formulas, at the best prices. Built in collaboration with our customers, DecisionNext has revolutionized how price and supply forecasting can improve business decisions. And it is the only platform that incorporates users' wisdom in its algorithms!

Our case studies illustrate real world examples of how our platform has helped customers. Please reach out with questions or for a deeper dive into our solutions.

The Scenario

A retailer or distributor has been purchasing ground beef for years based upon a formula overage tied to the weekly closing price of USDA Blended Ground Beef 81% Lean.

It's now time for them to review and negotiate for next year's contract. But making a new formula evaluation sheet is time consuming and frustrating. Also, there's never been much context to the quotes, so taking into account the lean point alternatives in the process doesn't happen.

There has to be a better way to take control of the formula negotiations…

Grinding Out More Formula Savings

Getting to the lowest forecasted cost of 81% Lean Ground Beef requires a quick and easy way to evaluate a number of alternative combinations of inputs. For example:

- 90s/50s
- Knuckles/50s
- Cow Lean
- Import Lean
- So on…
- 85s/65s
- Bull Meat
- LFTB
- Frozen 50/50

Once gathered, you weigh your alternatives. To then align on the optimal combination, you'll need a reliable forecast of these various inputs. The market is always changing, and oftentimes, the USDA 81% market (blue line in Fig. 1 below) doesn't reflect the true cost of the inputs.
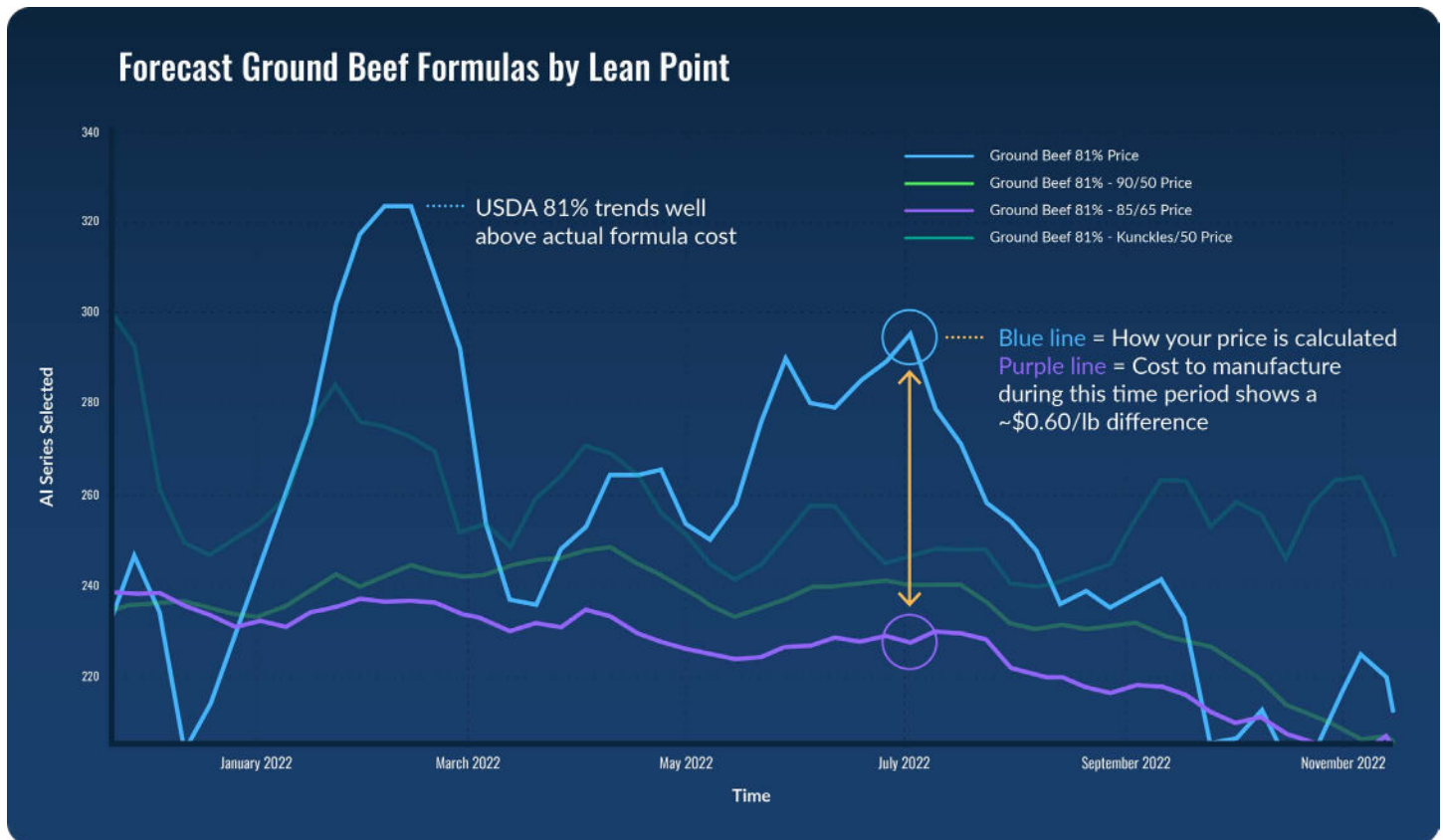
Track each blend option independently against the USDA 81% Market

Contract based on recommended formula cost vs market USDA 81%

Understand your overage vs. the cost of inputs allowing for a better negotiating position

Figure 1 - Comparing Four Different 81% Ground Beef Options

To help illustrate, let's say your formula is USDA 81% Lean Ground Beef PLUS an overage. In Figure 1, you see the majority of the time it would be more FAIR if the formula was based on USDA 81s MINUS some factor. But the packer would never do that. With DecisionNext forecasting and visualization tools at your side, you can readily forecast each of these different blend production options. It then becomes very clear that the gap between what you pay (BLUE LINE) and the manufacturer cost (PURPLE LINE) hits a certain spread. And that gives your team the leverage to negotiate more effectively—and with more confidence.

| Each Box at the top shows a different formula for 81% Ground Beef | Users can understand expected cost for the specified time frame, as well as risk exposure (box & whiskers) | For this case, running with 85s & 65s to get to an 81% lean point would be your lowest cost option and your optimal option |

Figure 2 - Comparing three different blend options against USDA Blended Ground Beef 81% Lean

Conclusion

The savings for your business can be significant over the course of the year. **While our customer saved $0.02/lb simply by changing the benchmark of the grinds in their formula, depending on timing and volume, we've seen customers save up to $0.20/lb**. What's more, this analysis is saved to their desktop and can be refreshed weekly (or more often) to see what the future holds for other options to get to their 81% Ground Beef needs.

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