
Performance Food Group Individual Appendix

We received a folder of information that includes qualitative information on driver-specific and warehouse-specific job roles, as well as documents on employee benefits, employee incentive plans, and annual turnover data for the driver and warehouse-selector roles. We reviewed this information provided in addition to our interview to develop several meaningful recruitment-related questions that would be interesting for Performance Food Group to research, if they were provided certain variables or metrics as their data. Below, we've transcribed the interview about the talent acquisition process at PFG.

Appendix A Interview Summary

1. **Our understanding is that there are recruiting challenges in getting qualified candidates to keep up with your workforce demands in warehouse and truck driving jobs. Can you tell me about your perspective on the challenge and how long it's been a concern?**

Answer: This is a general answer for across 50 different distribution centers and focuses on Performance Foodservice Group instead of other channels such as Vistar and PFG Customized. The challenges with selectors and drivers are the mostly varied across distribution locations, and PFG has a more customer-based strategy compared to other IFDA members.

For the last 5 years or longer, the labor market for these positions have become more difficult influenced by the millennial generation in the job market. Because the millennial generation often have higher education levels and value work-life balance more, the type of work in warehouse and transportation are not highly valued. Research conducted by the Bureau of Labor Statistics and trucking associations also shows that the enrollment in truck-driving schools is low. We can get around the problem by hiring more, but we find less people entering the recruitment pool. Therefore, we have high turnover and low number of applications.

We think there are five main reasons that drive people away from these jobs: (1) The job is physically intensive in the warehouse and transportation even with facilities and trailers. (2) There have been some barriers to entry for women because of repeated heavy-lifting. Workers are responsible for lifting 60-90 pounds for long hours. (3) Working at warehouses also has some environmental challenges such as the freezer area. (4) Warehouse workers have non-traditional work schedules and forced overtimes. (5) The reputation and perception of these types of work is often associated with "blue-collar." As for the benefits, we do not think

pay is necessarily a barrier. Because we have a lot of incentives, you can get high pay with these jobs.

2. We also understand that competition for qualified candidates has been increasing, including from eCommerce companies. Can you tell me about your perspective on the competition for workers?

Answer: Our pay is market-driven and can only be raised to a certain amount. We see that the pay is getting closer for easier jobs such as no-touch-freight work. We have a set start date but an unpredictable end time, which makes work-life balance for the jobs not ideal.

3. How do you think this problem has been affected by the pandemic? Do you see this problem continuing post-pandemic?

Answer: We hit our bottom during the pandemic and saw 55% decrease in volumes. Our mitigation strategy was to let go of employees who worked for less than 90 days. We let the employees work for other industries such as groceries at high rates to keep them employed, but we also want them to return to the company afterwards. Some employees did not want to work in the pandemic, but most appreciated the opportunity.

We had a shortage of labor in the summer for three main reasons: fear of pandemic, other jobs, and unemployment benefits from the government. We now have volumes close or equal to before, but we have worse overall shortage overall to meet current and future demands in the industry.

There are some positive and negative effects of the pandemic for our company. The positive aspect is that the foodservice distribution industry is identified as central work and central business, so we can keep people working and employed. However, the jobs are also considered high-risk and covered in news. Some people are also not ready to be employed because taking unemployment benefits amid the pandemic seems to be an easier decision than taking a physically demanding job at PFG. We also realized that state and federal governments did not necessarily understand the work and the importance of the food distribution industry. We know that IFDA is working to influence their decisions at a federal level.

4. Are you content with the candidates that you do accept into the jobs?

Answer: We have research by location to look at the average number of applications in 2019 compared to 2020. We found that the majority of locations have more job postings but fewer applicants per job posting in 2020. As the epicenter of the pandemic, some locations immediately outside New York City are the most impacted. In Maine, we have almost a 50% decline in the number of applicants. To attract more people to apply, we have the strongest social media presence in terms of recruitment than ever before. And this is costing a lot of money. We have deployed everything we can think of to reach out to the applicants – we build awareness on what the foodservice distribution

industry does in local communities, we post our openings on Facebook and Indeed, and we use sponsored advertisements, magazines, and even billboards to find candidates.

5. What are some growth opportunities for these jobs? What are their career paths forward?

Answer: There are two main career paths for both jobs: climbing up the ladder or moving to other segments of the company. For example, warehouse workers can move to warehouse management such as supervisors and managers. I think 50% of our management team were promoted from within. They can also be in different segments of the company. We have examples of truck drivers moving to sales, customer service, finance, etc. These opportunities mean more skills and income.

6. Are potential candidates and new employees made aware of career paths, for example in job descriptions?

Answer: This information is on the website, but it is not in the job postings in great details. It is difficult to put them in job postings because of word limits since no one really wants to read long texts. Maybe we can have a video clip to click on for this information?

7. What are some rewards & recognition programs for these jobs, if any?

Answer: We have many incentives, and we try to keep them creative. We give autonomy to divisions with local cultures and recognition programs. Some divisions create teams and competitions with prizes such as gift cards and iPad to make it more fun. We also select our number one selector of the year. We want to keep everyone involved. For benefits, we have safety and loyalty bonuses, benefit packages, medical, dental, vision and pet insurance, discounted stock purchase, 401k plan, and paid time off policies.

8. Has your company considered or implemented technology solutions to relieve job shortages, such as autonomous labor? If autonomous labor has been employed, what stage is it at?

Answer: We haven't found the right technology that can blend in the stock sequence we need, we only technology that makes their jobs easier. We now have hybrid technology such as voice-directed scanning to confirm the pick, which speeds up the training curve. We also have a quick pick assistant on the path truck drivers drive to improve stop order through remote control.

In terms of how automation affects our labor, we think lift operators might be replaceable, but most jobs are not replaceable. These technologies need huge investment and make ROIs difficult because they may take 12-15 years. We also do not think autonomous driving will replace the drivers.