



Treasury & Risk Management's
Alexander Hamilton Awards

Middle Market Treasury

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Recreational Equipment, Inc. (REI)

- Established in 1938
- Largest Consumer Cooperative in the U.S. – owned by Members & Employees
- Over 3.4 Million Active Members
- \$1.3 Billion in Sales for 2007
- 104 Retail Locations, 27 States
- REI.com, REI-Outlet.com
- REI Adventure Travel Company



REI Overview

- Sustainable, Controlled Growth of 10% per year
 - Debt Free
- 10,000+ Employees
- Fortune Magazine's "100 Best Companies to Work for" every year since the rankings began in 1998.
- **Grants** - \$3.5 million distributed in 2007 to Local Non-Profits and National Partnerships
- **Volunteer Hours** - In 2007, REI hosted 688 volunteer projects, and recruited 32 thousand volunteers and 124 thousand volunteer hours



Bringing Treasury to the Table in Vendor Relationships

- MVP – Merchandise Vendor Partnership Project
 - REI senior leadership requested that Treasury research payment terms & discounts for Merchandising vendors
 - Much more than a Treasury & Finance – or even a Merchandising initiative
 - Involving Logistics & Supply Chain, Distribution Centers, Retail Operations, IT
 - Strong, long-term vendor partnerships are critical to our success
 - Potential changes to payment programs need to consider impact to our vendor partners



The Discovery Process

- Treasury began with approx 25 comprehensive interviews with Subject Matter Experts
 - Merchandising Product Managers, Inventory Analysts, Merchandise Assistants
 - Vendor Development, Accounts Payable & Distribution Center
 - Directors, Managers & Staff all had a unique perspective
- Learnings:
 - More than just a Days-to-Pay or Trade Allowance issue
 - Vendors also consider Returns Allowance policies, Direct Sourcing of Product & Marketing Co-Op Dollars when evaluating their REI relationship – topics typically outside of Treasury's view
- Two initial opportunities presented
 - Benchmarking various aspects of vendor relationships specific to retailers
 - Increase visibility through enhanced Information Reporting



Treasury Value-Adds

- Leveraged our retail contacts through AFP Discussion Lists and retail Treasury colleagues for a benchmarking study
- Helped increase visibility of vendor relationships & payments structures
 - Limited IT resources
 - Combining and analyzing vendor payment information in new ways provided more visibility, accuracy & accountability
- “Knowledge Level Setting” sessions for Merchandising staff
 - Time Value of Money
 - Payment method options
 - Using Treasury as a resource
- Liaison between Merchandising & Accounts Payable
 - Individual Vendor Issues – using Treasury’s expertise to provide options & solutions



Outcomes

- MVP Steering Committee – Led by Director of Merchandising Management
 - Includes representatives from Merchandising, Finance, Legal
- Core Working Team
 - Meets weekly to ensure project stays on track
- New tools & policies have resulted in re-structuring of our vendor payments standards
- Significant cost savings & revenue enhancements
 - Will free up \$25 to \$40 million in cash flow and add from \$1M to \$5M to the bottom line, from additional investment income & COGS reductions
- Tremendous increase in degree of collaboration between Finance & Merch
 - Treasury brings expertise and outside perspective of best practices in payment systems & financial analysis
 - Finance & Treasury benefit from “inside view” of Merchandising & Vendor Partnerships
- Will continue work with REI’s Gear & Apparel Division & Expense vendors