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Happy new year, and may 2010 be a year of renewed growth for your business (and for you, too!)

This month, we're taking a hard look at some common language and commonly held beliefs in foodservice, to see if they stand the light of day.

We're offering a somewhat new way of thinking about foodservice marketing - admittedly oversimplified, but please consider it a "thought-starter" and drop me a line if you have anything to add.

I also urge you to consider attending the FSMA Top2Top Conference in Orlando next month, especially if you've never been. Unless you've got the whole manufacturer/agency relationship thing figured out, this conference will provide the opportunity for you to talk with agencies and manufacturers from around the foodservice world and better understand what's going on.

Finally, a news flash in which it was determined that foodservice distributors and contract feeders are not in direct competition with one another.

Thanks for reading, and as always, let me know what you think. [Tell Dave](#)

Dave

"Mythbusters"

A broker agency friend of mine called the other day, and said "if I hear the words '**low hanging fruit**' from one more Sales Manager, I'm going to close up shop! What do they think we've been doing for 25 years, staring at 'low hanging fruit' and waiting for them to come in and help us pick it?"

He had a point. Can there really be any "low hanging fruit" in an industry with too many people chasing too few sales opportunities?

How about "**LLO's**," or "Large-Leverage Operators?" I know the idea is to find the high-volume users of your product category, and focus your sales effort there in the hope that they will influence distributors to bring in (or at least ship) your products. But I'm betting that in any given market, the same "LLO's" are on the list of every distributor, broker agency, and manufacturer. And I'm told that many distributor contracts with major operators have language that strictly limits the number of new or special-order items the operator can demand.

If all of this is true, where is the "leverage?"

Then there's "**Price List**" (or if you prefer, "**List Price**."). Have you ever audited your invoices to understand, customer-by-customer, the relationship between List Price and Invoice Price? We've done enough work in this area to know that for many manufacturers, a small percentage of customers are actually billed at List Price. Whether these customers actually pay List Price is another matter altogether....

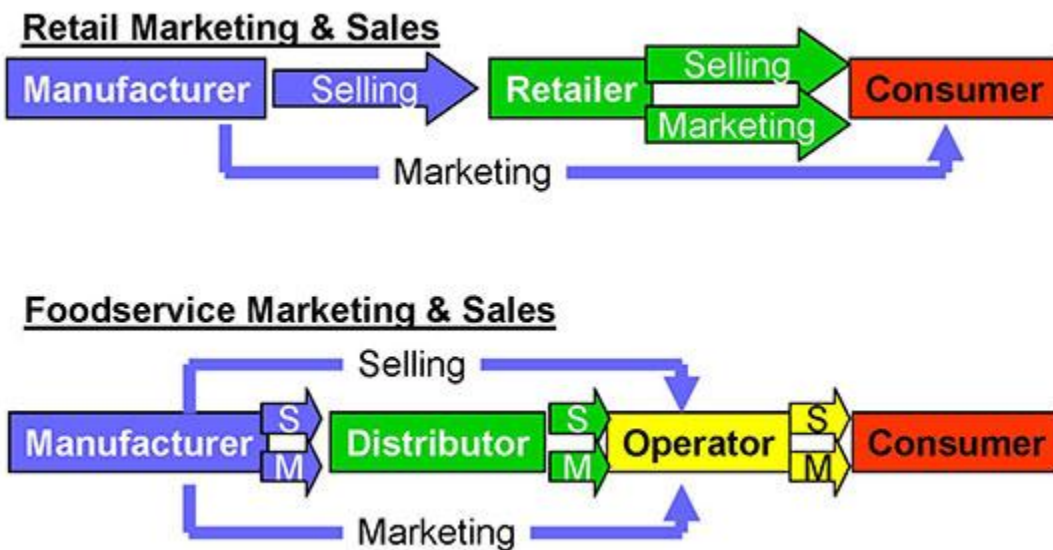
If this sounds like your business, perhaps you should ask if your "list prices" realistically reflect the market value of your products. Or are they more like "fantasy prices?"

Got any other "Foodservice Myths" to add to the discussion? If so, let me know by [clicking here](#), and we'll publish the best of them in a future issue.

"5 P's in FS"

Back in October, 2008, we wrote about the differences between the Foodservice Channel and the Retail Channel, and their impact on Marketing. ([Click Here](#) to refresh your memory.) The upshot of that commentary was that for Foodservice Manufacturers, both the Marketing and Sales efforts usually stop short of the ultimate consumer.

We used this diagram to illustrate the point:



The nature of our business is that with few exceptions, the manufacturer's brand is invisible to the consumer. Indeed, operators often go out of their way to obscure the fact that a lot of what they serve is produced by Consumer Packaged Goods companies. Further, many distributors have a vested interest in undermining manufacturer efforts to establish their brands, leaving open the opportunity to sell their own private label brands instead.

Recently, I got to thinking about the "5 P's of Marketing," as they apply to the Foodservice world. And I came up with the following Framework:

To Whom Is It MOST Important?

<u>The 5 P's</u>	<u>Distributor</u>	<u>Operator</u>	<u>Consumer</u>
Product			X
Packaging		X	
Price		X	
Promotion	X		
Physical Distribution	X		

I'm the first to admit that it's simplified, but think about it:

- the CONSUMER is the only one who eats your product
- the OPERATOR is most concerned about the ease of handling (and disposing of) your packaging
- the OPERATOR needs a food cost that works within his menu
- the DISTRIBUTOR is most reliant on your trade promotion funds, and the quality of your service

If you buy into the basic premise, you might consider adjusting the focus of your marketing efforts to acknowledge these truths.

Market to your **Distributors** based on the income they'll make on your line, and provide great customer service.

Market to your **Operators** based on how your product allows them to hit a profitable price point on their menus, and your easy-opening, portion-control, multi-lingual, earth-friendly packaging.

And help your Operators market to **Consumers** about how good your product tastes.

Make sense to you?

"The difficulty lies, not in the new ideas, but in escaping the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds."

- John Maynard Keynes

"Bite Off Some New Ideas"

Have you ever attended the FSMA Top2Top Conference? I attended my first in 2006, and was immediately struck by not only the number of brokers in attendance, but the number and quality of manufacturers as well. More importantly, there was a very high degree of interaction between the manufacturers and broker agencies in the general sessions, the breakout workshops, and of course the cocktail receptions. I haven't missed at Top2Top since.

The FSMA bills Top2Top as "the only conference in the Foodservice industry that focuses on the agency/manufacturer relationship." And indeed it is.

With unprecedented changes in the structure of the agency industry, and the resultant pressures on manufacturers, this is the year to attend Top2Top, especially if it's your first time.

At my last count, there were over 120 agency people (ranging from the largest to the smallest organizations) and over 60 manufacturer people registered. Your brokers will be there - shouldn't you?

For more information, you can [click here](#).

"Upon Further Review....."

Remember the lawsuit brought last year by Feeser's over Michael Foods' pricing practices? It was apparently based on a distributor's concern over how a Manufacturer could offer favorable prices to a Contract Feeder.

The courts originally ruled that Feeser's competes with Sodexo for an operator's business, and therefore Michael Foods (and presumably every other manufacturer) was bound to offer the same prices. It was a ruling that had a lot of us scratching our heads.

Last week, an Appeals Court reversed that ruling, holding that Feeser's and Sodexo are NOT competing purchasers. You can read more at [PR Newswire](#).

I don't have a horse in this race, and don't know if Michaels' practices were right or wrong. But it's good to know that this latest decision was at least based on a sound understanding of how our industry is structured.

Comments? Questions? Further Thoughts? Criticism? All are welcome at [Tell Dave](#)

My Website: [Franklin FS Solutions](#)