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Good morning! This month, I've been doing a lot of work on the topic of Customer Pickups. Several clients are re-thinking their strategies and policies in this area, and we're going to be addressing it in the Purchasing Pain Points roundtable at the IFDA Distribution Solutions Conference next week. It's a hot topic for distributors, so it needs to be a hot topic for manufacturers as well.

Speaking of hot topics, there continues to be a lot of activity in the broker agency community, and ongoing changes in manufacturer/agency relationships. While there are dozens of "strategies" being considered and implemented, there is one mistake to be avoided in all cases.

And finally, if you feel that your organization has become overwhelmed by emails, and that technology is wasting time rather than saving time, I gotta guy who will help.

Thanks for reading, and as always, let me know what you think. *Dave*

"Once you put it down, you simply can't pick it up." - Mark Twain

"Pickup Lines"

"Do you want to encourage more or fewer Customer Pickups?"

I ask that question pretty much whenever I'm with a manufacturer. In response, I usually get either a blank stare, or "we're not sure," or "it depends who you ask!"

But when I ask distributors how they feel about Customer Pickups, they invariably say "we like them and we're aggressively seeking more pickup opportunities." Distributors are driven by three main motivations:

1. The opportunity to get more use from, and return on, their assets (tractors and trailers)

2. The desire to control more of the operational transactions with suppliers

3. The financial benefit when the net pickup price plus the distributor's transportation cost is lower than the delivered price

Some Customer Pickups are at manufacturing plants; others are at forward Distribution Centers. Some are backhauls on the distributor's equipment; others are by 3rd party carriers who are hired by the distributor. But all of them have the potential to free manufacturers of the administrative burden associated with maintaining carrier contracts, booking loads, and chasing down late shipments.

So why aren't all manufacturers embracing the opportunity to outsource transportation to their customers?

It turns out that the "pickup vs. delivery" decision is a complex one for both manufacturers AND distributors. On the surface, we might expect distributors to always pick up if the FOB Plant price (or CPU Allowance) is financially attractive. But manufacturers with plants in remote locations far from main shipping lanes often struggle to attract pickups. Distributors like to pick up from locations where they can consolidate several suppliers' orders into one truckload. In addition, carriers must charge high rates to bring freight from the boonies, in part because backhaul opportunities are so limited. So while the manufacturer can get decent freight rates based on his total tonnage shipped from a remote plant, an individual customer has no such leverage.

And while distributors want greater control over logistics, many manufacturers are hesitant to give up that control. A large increase in CPU volume means a lot of new carriers and drivers on the premises. A manufacturer can go from a few trusted carriers to dealing with strangers. As a <u>buyer</u> of transportation, the manufacturer can enforce standards around trailer cleanliness, other freight on the trailers, timely arrival for appointments, etc. When it's a <u>customer</u> providing the transportation, manufacturers give up most of that power. And every Warehouse Manager has stories about tying up dock space with staged orders for CPU customers that never show up.

For many manufacturers, Foodservice orders ride with Retail orders, providing high trailer utilization and attractive rates. Losing that tonnage to pickups can drive up costs elsewhere in the organization. And if customers flip back and forth between pickups and deliveries, it becomes more difficult to predict volume and plan transportation.

Finally, many manufacturing plants were designed for product to be produced, palletized, and shipped very quickly to forward warehouses. They lack the dock space and other infrastructure required to pick and stage customer orders.

All of that said, I believe many manufacturers are missing the boat by ignoring the opportunity to support more Customer Pickups. So what does it take?

<u>1. Get serious about your CPU prices and allowances</u>

Invariably, manufacturers say "we don't want to make money on freight; we're indifferent regarding pickups or deliveries." And invariably, distributors say "manufacturer pickup programs are out of touch with reality." The disconnect is often due to broad-brush allowance programs that fail to recognize the true cost of moving specific order sizes to specific geographies.

<u>2. Establish and enforce policies that minimize disruption</u>

Make it clear that pickup customers must meet strict order minimums, order full pallets if appropriate, and adhere to appointment windows and equipment standards.

<u>3. Foster relationships with distributor Logistics and Operations people</u>

They'll appreciate your need to run a smooth operation, and your willingness to meet them halfway. It's a crime to put a Sales Manager or Broker rep in front of a customer's Operations Manager, and expect him to talk the same language. Get your Supply Chain experts talking with their Supply Chain experts, and good things can happen.

4. Be prepared to consider a smaller logistics network

If fear of reducing volume with your carriers and warehouse providers is the main barrier to providing your customers with an attractive pickup program, it may be time to re-think priorities.

None of this is easy, but it isn't brain surgery, either. Distributors have made it clear that pickups are strategically important to them. Smart manufacturers will embrace the opportunity to serve customers the way they want to be served.

"More appealing than knowledge itself is the feeling of knowledge." - Unknown

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"Broker Knows Best"

I was working with some agency friends last month, and we had an Operator Panel discussing the role of the broker rep. There was a consistent message regarding what they expected from their agencies. It was:

"Trust and information are the most important things in my relationship with brokers."

"The rep's integrity and my comfort level are the deal-maker when price and quality are equal."

"Having the same person call on me over time is huge; they're on my team."

"I need the broker to interact on my behalf with manufacturers who don't know me."

One operator cut to the chase when he said, "you know my operation and what's a good opportunity for me. Do not waste my time by bringing in a bag of stuff that you know is not for me, just so you can tell someone you made a call!"

At that moment, I wished the entire manufacturer community could have been in the back of the room.

No doubt, some manufacturer Sales and Marketing people would say, "Nonsense! I need the broker to present my bag of stuff everywhere - that's salesmanship!"

But others might ponder how their actions and the demands they place on their agencies work directly <u>against</u> the broker's ability to earn trust, build the comfort level, and maintain integrity.

How many times can a broker rep show irrelevant products, or even relevant "me-too" products with no price or quality advantage, before they are no longer welcome in the kitchen or buyer's office? And how will that impact your success when you <u>do</u> have the right product for that operator?

It seems to me that if you have decided to outsource local sales and marketing to a broker agency, then you need to <u>outsource it!</u> If you think you know best how to identify target operators, and market and sell your products on the local level, then <u>go direct!</u> But too many manufacturers are trying to hedge their bets by using an agency network, then dictating or second-guessing all of the decisions that are made at the local level. Others use an ever-changing collection of Segment Specialists who travel from market to market, using the agencies' time and resources without adding significant value. (Or worse, use the agencies' time and resources to pursue business on which the agency does not get paid.)

It's natural to try to cover all of the bases in the pursuit of business. But manufacturers need to check to see which of their actions are:

-a duplication of time and effort, and therefore a waste of money

-muddying the water in the marketplace, and creating confusion among operators and distributors

-undermining the very strengths for which you hired the agency in the first place

If you're a manufacturer in the process of reviewing your agency strategy, it's a great time to also think about the role of your Sales and Marketing Managers and how they interact with your agencies.

"Time (Is On Your Side)"

Yes it is. Everybody I talk to tells stories of coming back from a brief vacation to find (plug in your 3-digit number) e-mails in their in box. The addiction to mobile devices has become a worldwide punchline. Communication technology is an incredible tool, but it has brought the unintended consequence of too much information and it often hurts, rather than helps, productivity. But it doesn't have to be that way.

If you fear that your organization is not using their e-mail and laptop technology efficiently, you should talk to Steve Turner. Turner Time Management trains individuals and organizations on simple, but very effective ways to get control of time and technology. Steve presents the training in an engaging, even fun, manner, and participants see instant results. Best of all, Turner Time Management has significant experience with foodservice clients, so Steve has a good sense of the challenges particular to our industry.

A Turner Time Management training session is a great segment to add to a Sales Meeting or other company event. To learn more, visit **www.getturnertime.com.**

My Website: **www.franklin-foodservice.com**