

FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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IN THIS ISSUE:

REDISTRIBUTION UPDATE:

“Are You Asking The Right Question?”

FEATURE ARTICLE:

“Working at Cross Purposes”

A WORD ABOUT “EVERYDAY PEOPLE”

REDISTRIBUTION UPDATE:

“Are You Asking The Right Question?”

Last month, I had the opportunity to present Redistribution Workshops to manufacturers and chain buyers at the Chain Purchasing Conference. The discussions were lively, fueled by a healthy desire to understand the economic impact on chains and their suppliers when proprietary or deviated-price products flow through redistribution.

I used several illustrations to demonstrate the importance of separating the “cost to serve” comparison from the “net revenue” comparison, only to find that these concepts continue to challenge even the most experienced buyers and suppliers in the room! And I heard three reasons why:

1. Most manufacturers don't think enough about how their products will be distributed, and what that will cost, when they work up deviated prices
2. Many manufacturers don't have a good handle on their total cost to serve through their direct and redi channels
3. Some manufacturers do think of their redistribution allowance as an incremental cost

Probably the most illuminating moment came when I posed this question:

If you've established that redi is a great value for handling orders under 5,000 lb, and now one of those distributors wants to add 20 cases of special-priced product to his redi order, what do you propose as an option?

- let the redi handle everything else, and we'll ship the 20 cases direct?
- move all of that distributor's orders back to direct service, even though we know it will cost us more?
- let's understand the total picture and work with the redistributor to ensure that the total program makes sense?

Looked at this way, people began to see that this is not a black and white issue, but one that requires careful scrutiny. And with both redistribution and chain-driven business continuing to grow, we all need to get better at asking the right questions.

If you'd like a copy of the PowerPoint presentation from the workshop, drop me a line and I'll send it along.

Franklin Foodservice Solutions has been helping manufacturers get more from their redistribution programs since 1996. E-Mail us (dave@franklin-foodservice.com) to receive a copy of our article "Does Your Redistribution Program Address These Realities?"

"We all have a common goal, and we know it's all for our future good." - Marta Kristen

THIS MONTH'S FEATURE ARTICLE:
"Working at Cross Purposes"

I recently came across an excerpt from a book titled Working at Cross Purposes: How Distributors and Manufacturers Can Manage Conflict Successfully.

Written by Mike Marks, Tim Horan, and Mike Emerson of the Indian River Consulting Group, the book is based on a study of manufacturers and distributors across several industries. And while it is not specifically about foodservice, this book appears to get to the heart of the conflicts that afflict our business.

The main premise is that supplier reps need to “learn a thing or two” about distribution in order to be effective. Horan writes:

“More often than not, this ineffective behavior stems from a lack of training and knowledge. Supplier reps, for the most part, do not understand distribution. They are taught about their company’s business and then are sent out into the field to make “calls” on distributors without any significant relationship management skills.”

“Understanding the distributor’s business will help the supplier rep create a relationship that can overcome cross-purposes and MBA’s (Minor But Aggravating) - issues that come up in any business relationship and are typically associated with the supplier/distributor relationship.”

Lest you think this is another mealy-mouthed call for “partnerships,” read on:

“Hard to imagine, perhaps, but win-win is dead. To the extent they ever existed, the days of shared prosperity are over. Distribution businesses and manufacturing businesses work at legitimate cross-purposes because their paths to profit and growth are very different.”

“To be successful, however, companies must recognize and manage these differences. Failure to do so is one of the root causes of many of the destructive relationships explored in this study.”

The truth is, for all the carping manufacture Sales and Marketing people do about distributors, the majority prefer to remain blissfully ignorant about the distributor’s business. We certainly have notions about the importance of sheltered income, distributor private label, and willingness to substitute for our brands. In the back of our minds, we know that failure to ship a complete order or produce an accurate invoice creates a problem for our distributor customers.

But how many of us can articulate the process by which a distributor analyzes the profitability of our product line? How well do we understand how our line fits into the distributor’s overall strategy? How many think about and launch initiatives that will provide clear business benefits for the distributor?

No, it's far easier to blame the distributor for what's ailing our business, to contemplate schemes and loopholes that harm his profitability, to curse the darkness rather than light a candle.

I'm ordering the book for holiday reading, and will provide further comments in future issues. If you're also intrigued, you can check it out at www.naw.org/cross.

Friction between suppliers and distributors will always be with us. But if you can eliminate some of the friction which is borne of ignorance, aren't you likely to reap some rewards?

AND FINALLY, A WORD ABOUT "EVERYDAY PEOPLE"

Most of you Foodservice Sales, Marketing, and Customer Service professionals put in 8-10 hours of solid work in an average day, right? You're out there on the street, or in your office or cubicle, doing your best to pull on the oars of the mighty ship that is your company. And you're working against objectives that are assumed to ensure the long-term success of your business.

In that 8-10 hours, you're bound to have direct contact with customers, either in person, on the phone, or via email. An Agency Sales Rep lives in the world of customer interactions, while most Manufacturer Region Managers lament that they do not have time for more. Customer Service Reps probably have the most customer contact, while many Marketing Managers can go days, weeks, or even months (alas) without actually dealing with a customer.

But I'm becoming convinced that the net results of these everyday interactions have more to do with your company's successes and failures than anything else you do.

Your attitude and tone of voice register immediately and constantly with your customers, sending accurate messages about your company. Your decisions about whether to pick up the phone, send an email, or wait until tomorrow to address a customer's problem send constant signals about your true level of concern. Your willingness to establish and nurture relationships with the people who work for distributors and operators probably means more at the "moment of truth" than your \$1/case program or latest ad campaign.

There are companies out there that "get it," who have established a culture of everyday customer care. And there are many others who don't get it and never will. Which kind of company are you?

At this time of Thanksgiving, we who work in the food business should remember to be thankful for both our work and our food. Have a peaceful holiday and I'll be back in touch in December!

Foodservice Marketing Insights is intended to share ideas and stimulate your thinking about current topics affecting your business. Your comments, criticisms, ideas and questions are all welcome, addressed to dave@franklin-foodservice.com

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