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Thank you again for giving me the month of January off. *To clarify, I took a month off from writing Foodservice Marketing Insights, certainly not from work in general!*

This month, I'm offering some fairly casual observations about Order Policies and customer service - no hard answers here, but something for you to think about. Then I'll provide thoughts on FOB vs. Bracketed delivered pricing, and offer you a look at a complete summary of my view on the benefits and risks of each. Finally, a thoughtful look at the role of Marketing in foodservice, a topic we've touched on several times in the past.

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

*Dave*

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*"Quality in a product or service is not what the suppliers puts in. It is what the customer gets out and is willing to pay for."- Peter F. Drucker*

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### **"Be Less Flexible for Better Service"**

*"We're customer oriented."*

*"We want to be easy to do business with."*

*"We want to serve our customers however they want to be served."*

Who can argue with these attitudes? After all, isn't the essence of great service "bending over backwards" and "running through a brick wall" to take care of your customer's every need, every quirk, and every demand?

Not so fast...

Unless you've only got one customer, there's a very good chance that taking flexibility and responsiveness to the extreme is hurting your customer service record.

In the early days of my foodservice career (we're talking the days of carbon paper and dialing the operator to get a long-distance line) I worked with a crusty Traffic Manager.

Every time I notified him of a late change in a McDonald's order, Bill responded the same way. The printable version is *"if we bail them out this time, they'll never learn to give us proper lead time or learn to avoid mistakes in the future!"*

Of course, we ended up doing whatever it took to take care of the customer. And while "getting your customers trained" doesn't sound very customer-oriented, in hindsight I think Bill might have been onto something.

I've observed that some foodservice manufacturers and distributors have learned that one of the keys to providing great service is NOT being so flexible. Some of the companies with the best service records have established fairly rigid ordering requirements (lead times, order minimums, ship-from/CPU locations, order changes, order days/sailing schedules) and enforce them. Like it or not, their customers learn that they must adhere to the rules.

You Customer Service and Supply Chain people know full well that making the exception to help one customer can often lead to service problems for everyone else. By allocating production time, inventory, or transportation resources "out of time" to satisfy one customer, you usually have to take them away from another customer (who has followed the rules).

It seems that this relationship among your customers is a bit like driving on the expressway. It's not exactly every person for himself out there - a certain amount of cooperative behavior is expected from all participants, or chaos will result.

So if you're trying to work toward better customer service by becoming more flexible, you might want to rethink that approach and help all of your customers by being a little less flexible.

A few parting thoughts:

- It works if you have rigid enforcement AND have great service
- It doesn't work if you have rigid enforcement AND have poor service!
- And for certain customers, (like those with Golden Arches) you will probably want to maintain your "whatever it takes" attitude, because the truth is not all customers are equal in importance.

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*"As a general rule, the most successful man in life is the man who has the best information."*

- Benjamin Disraeli

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### **"To FOB or Not to FOB?"**

The notion of FOB pricing is getting a lot of attention these days, and I think I know why.

First, major distributors (led by Sysco) are pushing suppliers to clarify their logistics costs. Several major distributors are working hard to understand the activities and costs associated with moving finished product from plants to the distributors' warehouses, with a goal of taking over much of this activity. These distributors and their suppliers are exploring whether "FOB plus Freight" pricing is the best way to separate product costs from logistics costs.

Second, most distributors are seeking opportunities to pick up product at manufacturers' plants and Distribution Centers. Manufacturers with bracketed delivered price lists (the vast majority) generally offer pickup allowances to these customers. And debates over the fairness of CPU Allowances and pricing policies for pickups have been around since the invention of the #10 can. Again, manufacturers wonder if there might be a better way.

Finally, last year's runup in fuel prices left manufacturers scrambling to recover their freight costs. What was the best way? Fuel surcharges? A general price increase? A change to "FOB plus Freight" price structure?

Thinking through all of the ramifications of the manufacturer's price structure decision is enough to make your head spin. But I sat down and organized my understanding on a big table, which addresses all of the combinations of:

-National Bracketed Delivered Pricing, both "fixed bracket" and "floating bracket"

-Zone Bracketed Delivered Pricing, both "fixed bracket" and "floating bracket"

-FOB Pricing

....and their impacts on:

-Price Basis

-Distance

-Order Size

-Price Consistency

-Administrative Burden

...for both deliveries and pickups!

I don't know that it points to a single answer, but I do know it will provide you with a strong framework for analyzing your options. And I think it will help support a healthy discussion of pricing options among your Sales, Marketing, Customer Service, Supply Chain, and Finance people. You can think of it as "Dave's Manifesto on Foodservice Price Structure," and it's yours for the asking!

I'm offering this Foodservice Price Structure Overview to my readers (including all of you distributors, brokers, and chain operators) with the hope that you'll give it some thought and let me know where you might see things differently. That way, we'll all get smarter together.

**To receive your copy, [click here](#) and I'll send it right out.**

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## "More on Foodservice Marketing"

Over the past several years, we've used this space to discuss the question, "What is Foodservice Marketing?" on several occasions. The topic usually generates quite a few interesting responses from readers.

This month, we hear from my colleague Steve Davis of Davis Consulting Associates, LLC, with his article "Bringing Clarity to the Role of Marketing." Both Steve and I welcome your comments.

## **BRINGING CLARITY TO THE ROLE OF MARKETING**

By Steve Davis

Davis Consulting Associates, LLC

Having held marketing positions with several different foodservice manufactures and later consulting with many others, I have found the role of marketing being executed in a variety of ways. By experiencing these different executions, it is clear that the marketing function and the subsequent resources are not always being fully maximized or fully leveraged.

With respect to the difficulty the industry currently faces and the challenges in generating profitable growth, maximizing the use of marketing resources is more important now than ever before. As such, the purpose of this article is to offer considerations upon which the role of marketing could be executed within foodservice manufacturers.

### **OVERRIDING EMPHASIS**

In most general terms, marketing is responsible for the performance of a business. More specifically, this includes not only the profitability of the business, but also the sales volume in conjunction with the sales organization (linkage here is critical). To this end, the overriding marketing emphasis should be upon:

**1. Marketing must live the vision and maximize profitability on a sustainable basis.**

*This is achieved by leveraging the brand (or the company if not providing branded products), continually improving operating margins, and generating essential top line growth.*

**2. Marketing is the cornerstone of the business (i.e., the center of the wheel).** *This is achieved by providing the functional expertise to drive the business forward; thus, marketing should have total business responsibility. The key question is how this is manifested in practical application and with the different positions within the organization.*

### KEY ELEMENTS OF THE MARKETING ROLE IN FOODSERVICE

Clearly, there are many key components or elements that could be used to define the role of marketing within a foodservice manufacturer. Below are a few of the factors to consider:

FACTOR	CONSIDERATION
<b>Living the Vision</b>	<i>More than any other functional group, marketing is the "keeper" of the business vision and must be driven by the vision. While marketing must deliver the required short term results, marketing must also keep an eye on the long term and respect the vision in all corresponding actions.</i>
<b>Business Cornerstone</b>	<i>As the "center of the wheel," marketing must demonstrate a passion for the business and display an entrepreneurial spirit that encourages ownership in the results.</i>
<b>Functional Expertise</b>	<i>To drive the business forward, marketing is responsible for setting the business direction by integrating market forces and internal resources to build profitable customer franchises and drive incremental and profitable sales.</i>
<b>Creating Advantages</b>	<i>Another significant role is creating unique and sustainable competitive advantages. This is manifested by delivering unmatched value from the customer perspective. This requires marketing to stay close to the customers to understand their evolving definition of value. Importantly, all such action should tie to the business vision.</i>
<b>Customer Linkage</b>	<i>Marketing must know, anticipate, and then exceed the needs of customers, recognizing that they have both internal and external customers. The bottom line is how will the idea, product, program, or service play in the marketplace and whether the customer franchise will be enhanced to the point where higher sales and profits are delivered. Put another way, for maximum impact, marketing must stay close to customers and profitably exceed the customer's needs.</i>
<b>Keeper of the Brand</b>	<i>Another critical role is to be the primary advocate for the company's brands. Marketing must fully understand and respect the "essence" of the brand; understand what customers associate with the brand and what are the appropriate products, programs, and services that add value to the brand and drive the business forward. Further, marketing must establish the brand positioning and utilize all available leverage and communication methods to make the position resonate and come to life internally and externally.</i>
<b>Reach &amp; Influence</b>	<i>With a diverse customer base that contains approximately 1 million contact points (and multiple layers/trading partners that add complexity), another key role is to segment and prioritize the potential customer base and develop specific strategies and tactics to target, reach and influence as many decision makers as possible.</i>

### **A BROADER ROLE**

The bottom line to all of this: To reach a higher level of success, foodservice manufacturers must broaden the perceived narrowing definition of marketing's role and invest in marketing resources. At progress/contemporary organizations, the role of marketing is much broader than it has historically been. Within such organizations, marketing is truly the business cornerstone (or the center of the wheel) focused heavily on further developing a profitable and growing customer franchise.

*Formed in 2001, Davis Consulting Associates is a strategic management and marketing consulting firm focused on manufacturers serving the food industry on a B2B basis, particularly those with an emphasis on the foodservice channel. The firm has been built on valuable experience and knowledge gains while working within the foodservice manufacturing, consulting, and retailing sectors of the food industry. If you would like to discuss how Davis Consulting can assist your organization, please email [sdavis@davisconsultingllc.com](mailto:sdavis@davisconsultingllc.com), or call 630/784-9026.*