

# FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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### **GUEST COMMENTARY:**

“How to Sell a Price Increase Again and Again” - By Barry T. Wright

I had the pleasure a few weeks ago of working with Barry Wright. Barry is a Senior Partner with Grosvenor Training. Barry has worked on “the other side of the table,” teaching, coaching and motivating buyers and merchandisers at some of the largest distributors in the country. Barry has now crossed the line from poacher to gamekeeper, helping manufacturers and brokers face the onslaught of operator and distributor demands by training salespeople how to improve business outcomes.

Following a chat about selling price increases, Barry sent me this article, which I think you’ll enjoy:

An artist asked the gallery owner how his paintings were selling.

“I have some good news and some bad news,” said the gallery owner. “A guy was in here yesterday, and asked if your paintings will appreciate in value after your death. When I told him ‘yes,’ he bought all 15 of them!”

“That’s great!” said the artist. “But what could the bad news possibly be?”

“He was your doctor.”

Let's face it...nobody likes bad news. Not the bearer, nor the recipient. The delivery of bad news—such as a price increase—calls for tact, diplomacy, and concern for the well being of both yourself and the other person.

First and foremost, you need to set the stage continually—inflation and subsequent increases in prices and wages are nothing new. Start telling your customers as early as you can that price increases are coming, and will continue to come in the future.

Why? Not only because of rising energy/labor costs, but because of the desire for our raw materials and commodities by the half of the world population that previously never used any of that stuff. Point out that they could see price increases of 15-20%, having solid logic for your reasons. Then, if you have to present a 12% price increase, it won't look so bad—It's all relative.

How to do it:

1. Forgive yourself for being the bearer of bad news. You are not causing their distress—the news is.
2. Choose a time and place when there is minimum distraction or interruption, and talk face-to-face—no emails or phone calls.
3. Get right to the point. Announce up front that you have some unpleasant, unfortunate, disappointing, or disturbing news. The right words? Simple: “I have some unpleasant news.” Have room to make concessions in your proposal, so they can feel they're getting something in return.
4. Try not to let the news come as a total surprise, and be prepared for their emotional reaction. LET THEM vent, if they seem to need to. DO NOT try to get them to “calm down, be reasonable.”
5. After the customer has had a chance to vent his or her negative feelings, you can genuinely sympathize with those feelings. Then, after a pause, explain that the price increase is a fact of life, which you, your competitors, and their clients will need to live with.
6. Explain the factors that made the increase necessary—higher energy costs, increased labor costs, greater worldwide demand, etc. Use collateral materials (newspaper articles and other background information) to help the customer thoroughly understand the need for this increase so that their team can sell it on.
7. If the customer still refuses to accept the increase, see what other negotiables can be put on the table. For example, the customer may be more willing to accept the higher price if you can stagger the increase, letting them buy some at the old price. And try offering additional services, such as assistance with the customer's own marketing efforts, or improvements in logistics and delivery schedule.

8. If they propose shopping the competition—probably our greatest fear—let them tell you why. Learn what you might not be doing that you should be doing, but also point to the benefits of your service, like that time you bent over backward with a Saturday delivery. Probably they no more want to change than you do. But if they insist on doing so, remind them of your desire to be always here with an open door when they discover that the grass is no greener with the other suppliers.
9. And next time you have to sell a price increase, you can use time to soften the blow by announcing it as far ahead as possible.

If you would like to learn more improving your team's negotiated outcomes, and the capabilities of The Grosvenor Group contact Barry Wright directly at (310) 645-9586 or email [barrywright@hotmail.com](mailto:barrywright@hotmail.com)

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“Let no one be deluded that a knowledge of the path can substitute for putting one foot in front of the other.”

-Mary Caroline Richards

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### **THIS MONTH'S FEATURE ARTICLE:**

#### **“Substitutes”**

I've written in the past that in our business, “every product is a potential substitute for every other product.” The idea is that there are only so many people eating away from home each day, and they can only consume so many calories. So your breaded chicken breast for sandwiches is not only in competition with every other breaded chicken breast, but also with every other possible lunch choice. And you're also in competition with whatever that consumer had for breakfast, and even what he might have for dinner!

But what about those situations where you really need to identify the closest potential substitute? I've had many fascinating conversations with clients and colleagues about just how tricky this can be. Three typical scenarios come to mind:

-a manufacturer is discontinuing some products, and hoping to substitute similar items and hold on to as much volume as possible

-a contract account has provided a report showing non-compliant competitive products being purchased by his units, and asked you to sell in your substitute products

-a manufacturer provides displays or equipment to operators, with the understanding that competitive substitute products may not be offered using the manufacturer's assets

Let's look at the first case this month; I'll have more to say on the others in the future.

When discontinuing a product, a manufacturer is likely to look for the "next closest thing" in his line, based on size, weight, flavor, packaging, and other specifications. But this may not cut it with his operator customers. It is often the case that operators are buying a product for a specific use because the product does the job perfectly, and something close may not cut it. For instance, a product that is "given away" on a buffet or catered event might not be easily replaced by a similar product which must be sold as a menu item.

In fact, if we consider that a substitute product must be successfully sold to the distributor, operator, and consumer, we begin to see what a daunting task it is.

It seems to me that the critical point is the operator. Broadly speaking, his consumer customers will eat the muffin, shrimp, or hot dog that is put in front of them, without regard to portion weight, specifications, etc. In fact, I believe that most foodservice product specifications are meaningless to consumers, and often out of line with how they perceive products. But that's a topic for another newsletter.

As important as the operator is, we cannot overlook the distributor's role in helping you sell substitutes. Chances are the distributor will fill the slots you open with completely different items from other manufacturers, as opposed to bringing on more of your products that he doesn't already carry.

But the distributor MAY try to sub in something else you have that he carries already. So now the choice of substitutes is shaped by the operator's specific usage AND the unique mix of your products stocked by each distributor.

And because your Sales Managers and Agencies can't hope to contact every operator, you've got to rely on the DSR to inform them of the discontinuation and suggest what products will make feasible substitutes.

So to effectively sell in substitutes when discontinuing products, manufacturers need to work closely with each distributor to:

- identify potential in-stock substitutes
- communicate to DSR's what products are being discontinued and what they already have that will substitute
- ensure that all operators are contacted and offered the potential substitute products

Getting operators to switch from one of your products to another certainly isn't as simple as it would seem, is it?

**AND FINALLY, A WORD ABOUT “TOUGH SELLS”**

“If you want this to move, you’re going to have to get the price down.”

“You brokers don’t work hard enough to find the right kind of buyers.”

“You have an inflated view of the value.”

“No, you don’t understand the value and how to present it.”

“I think you guys should go for a particular market at the right price.”

“You’re just taking the easy way out.”

A Foodservice Sales Manager and his Agency?

Nah, just a homeowner and a realtor, trying to move property in a brutal market!

But the conversations are eerily similar, aren’t they? And in both cases, the seller and his agent usually waste time on tired arguments and talking past each other, when they should be asking questions, listening, and trying to fully understand the other guy’s perspective.

Sellers and agents have different pressures and different incentives, and always will. So instead of getting steamed about it, they should get all of the facts on the table, and figure out the best course of action together. And recognize that in a tough market, good things take time!

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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](mailto:dave@franklin-foodservice.com)