Foodservice Marketing Insights

presented by Franklin Foodservice Solutions

YOUR FREE MONTHLY NEWSLETTER

Sent Monthly to Over 650 Subscribers Worldwide

Volume 7, Issue 3

March, 2009

IN THIS ISSUE:

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

Dave

"The U.S. needs very few additional calories, but our food industry has not yet come to grips with this reality." - Robert Ludwig and Kent Sisson, "Life After the Roller Coaster Ride"

"New Products Madness"

The above quote is from a paper released by The Hale Group, urging people in the agriculture and food industries to rethink their approach to the export business in a changing world.

But it also took me back to a recent meeting of several broker agencies, in which we discussed the role of new products in foodservice manufacturer strategy.

The general theme was:

"Operators and distributors are hunkered down, 100% focused on cutting costs and hanging on to every piece of business they have. But despite the slow economy, many of our manufacturers continue to run the new products machine at full speed, as if the marketplace can't wait to see another load of 'me-too' products!"

From the broker agency's point of view, the "new products market blitz" sucks up huge amounts of time and resources, critical assets that are in limited supply. Moreover, many brokers feel they have developed a keen ability to sniff out the losers before they even make the first presentation, saying "we pretty much know instantly which products will never give us a return on our time!"

When you add the often-overblown volume expectations of the manufacturer, you've got a recipe for wasted time, disappointment, and bad feelings for manufacturers, agencies, distributors, and operators.

Does anybody need more of that?

For the time being, wouldn't manufacturers be wise to get their Marketing and R&D staffs focused on making existing products better? If these folks spend some time in warehouses and kitchens and dining rooms, watching their products perform or fail in the real world, they should have no trouble imagining and developing true improvements. Better flavor, texture, appearance, packaging, lower cost, easier handling and preparation are but a few of the levers that can be pulled. Making the flagship products better is a great way to insulate them from competition, especially price competition.

And maybe it's time for broker agencies to remind manufacturers “I have a limited amount of time to spend on your line – how much do you want me to spend on these new items vs. defending and building your core business?”

Tough questions, but then, these are tough times!

"Measuring Sales and Marketing Effectiveness"

"We need to cut Sales and Marketing spending by 10%!" Those words, or words to that effect, are being spoken all over the foodservice world these days. And many companies are struggling to make those cuts.

But is there a right way to make these cuts? Brian Finn of Shamrock Group, LLC has developed a methodology for analyzing Sales and Marketing Spending Effectiveness. His process brings to light the return on Sales and Marketing costs, helping companies see where cuts will provide the highest impact with the lowest risk.

Brian's commentary:

Strategic Cost Reductions – Sales & Marketing

Inevitably most organizations go through restructures or reorganizations. The environment changes quickly, what made good economic sense a few years ago may not work anymore. Does your organization have a process to objectively assess the effectiveness of your sales and marketing spending? Specifically we measure the productivity of your sales, marketing and support personnel, as well as your trade, marketing and advertising programs.

In this process we establish metrics to measure the return on all sales and marketing expenditures. We identify the spending that actually generates a return, while also identifying the percent of your spending with an unknown return. The purpose is to link all of these expenses to specific sales activities in order to measure the respective expenditure against a revenue stream. For those expenditures that cannot be directly linked to a revenue stream (advertising, trade shows, support personnel), we would identify these expenditures as “not directly generating income”. It is important to understand the amount of your sales and marketing expenditures that generates income and even more important to understand those expenditures that are not directly generating income.

This analysis should be done against your sales and marketing personnel to measure your income producing people versus the staffing positions where the return cannot be directly linked. However, these are probably greater gains if you analyze your marketing, advertising and trade programs. In the case of marketing and advertising, you need to directly trace these expenditures to the income they produced. If you cannot, then they need to rightly be considered that they are not directly generating income. This does not mean they are not justified, however you need to understand that there exact value cannot be validated. The same process could be done in the analysis of trade spending. Specifically, how much of your trade is aligned towards “toll” fees (basically variable cost for each case sold, which essentially should be viewed as pricing) and how much of your trade is actually aligned to programs that are intended to build or incent more business?

Again, the goal here is hold all of your sales and marketing expenditures accountable by implanting a process that objectively measures all of your people and programs.

For more on Strategic Cost Reductions in Sales and Marketing, or to receive a sample analysis template, contact Brian Finn at 616/940-1678.

"Hugging or Husbandry?"

Hugger: One who holds on tightly to something.
Husbandry: The control or judicious use of resources.

In a time of flat economic growth like we have now, it seems to make sense to work hard to keep all the business we have. But as intuitive this may seem, now might be the best time to take serious stock of your book of business. You can divide your customer base many ways; I suggest the first is as follows:

Customers A = High Volume, High Profitability
Customers B = Low Volume, High Profitability
Customers C = High Volume, Low Profitability
Customers D = Low Volume, Low Profitability

If you really want to practice husbandry (instead of just hugging) you will not only look after your "A" customers; you will utilize best-in- class methods of customer retention. Remember, your best customers are your competitor's best prospects. Keep reviewing your performance based on your customer's matrix of expectations and standards. Please ensure that your whole organization is in tune with client orientation. Show innovations, be paranoid like Intel as a supplier, and think of every customer as being as powerful as Wal-mart. This customer should be getting the very best you can offer; so show how you are continually bringing new value to the relationship.

As for the "B" and "C" customers, talk to them about how you would like to make them your "A list" customers—and the additional value you could bring them by their doing so. Now for the "D"s. It is true that all business is important, but are they sapping energy you could give to the "A"s? After a serious conversation about the state of the volume and/or profitability, look to alternatives to servicing the account (such as third party distribution or phone sales) as opposed to your outstanding attention. Better yet, give yourself a treat by firing them, and then really get to work on the "A"s.

Feedback and more information on negotiating, as well as details of our "**How to Fire a Customer"** workshop can be attained by contacting Barry Wright at 310/645-9586 or **barrytwright@hotmail.com.**

My Website: **Franklin FS Solutions**