

FOODSERVICE MARKETING INSIGHTS

The Online Newsletter for Foodservice Marketing Professionals
From Franklin Foodservice Solutions and Dave DeWalt

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REDISTRIBUTION UPDATE:

“How Ya Doin’?”

How is your redi program doing?

When I ask that question, I usually hear “it’s growing pretty good,” or “it’s fine, no problems.”

But many manufacturers seem to turn their backs on the opportunity to understand what’s really going on with their distributors who buy through redistribution. Maybe it’s because a lot of these distributors are smaller businesses, and the prospect of impacting the overall business seems remote. Possibly it’s because the sales data comes in from the redistributor, and is not as easy to gather and analyze as that of direct customers. Conversely, the redi sales data could be so well-integrated that the manufacturer doesn’t think in terms of “redi customers” vs. “direct customers.”

Whatever the case, you probably have a lot of business being served by your redistributors, and it is a mistake to ignore it in your search for volume growth and cost-reduction opportunities.

Hopefully, when you developed your redi program, you based it on some expectation of lower costs, higher volume, and marketing value. You probably defined the types of customers you would like your redistributors to serve, and the types you prefer to handle directly. And you projected how your revenues and costs would be impacted when a distributor elects to buy from redistribution. Right? Good!

Now, how often do you check to see how reality matches your expectations? Do you know:

- whether your volume thru redi is going up, down, or staying flat?
- how about same-distributor volume?
- how does this compare to your direct volume?
- is the number of distributors buying your product through redi growing or shrinking?
- are the distributors being served consistent with your target set?
- are there small-order distributors buying direct that should be served via redi?
- how does key category penetration at distributors served by redi compare to those served direct?
- are billbacks being handled accurately so you're not double-paying?
- do your cost-to-serve assumptions still hold water?
- is your redistributor picking up everything possible at your plants, to minimize your costs?
- and are your Sales Managers and Sales & Marketing Agencies working with their redi counterparts to identify and exploit new customer and new product opportunities?

The information is there, and so are the opportunities - if only someone will make time to dig them out.

If you'd like to gain a fresh understanding of what is really going on with your redi program, give me a call or send me an email. Let's talk about an efficient way to identify the opportunities and take actions to make sure you're getting everything you can from your redistribution investment.

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?"

"All appears to change when we change."

- Henri-Frédéric Amiel

THIS MONTH'S FEATURE ARTICLE:
"Getting SKU Rationalization Right"

For a couple of years, I have been writing about the problems encountered when manufacturers decide to "rationalize the product line." (See July 05, February 05, and June 04 issues archived on the Franklin Foodservice Solutions website).

For the past several months, I have been talking with Marketing, Sales, Finance, and Supply Chain people, including some outside of the food business, about this topic. There is a lot of frustration out there! I've learned that the same problems crop up consistently among various industries, and certainly across the food manufacturer landscape. What's most troubling is that often the same old problems crop up every time a given foodservice manufacturer starts down the "SKU Rationalization" path!

Based on these discussions and my own experience, I have been developing a "Product Line Optimization" methodology that addresses the key issues head on.

Simultaneously, I've been working with a software developer to create a tool that will guide a manufacturer through the process. In addition to step-by-step instructions, it will help analyze the product line, provide information to support decision-making, and create communication documents for sales people, customers, and internal people.

If you would like a free preview and a chance to provide input, you can register for the Instill Insights web seminar "Getting SKU Rationalization Right," to be presented on Tuesday, December 6, at 2:00 EST.

We'll be covering:

- Why most foodservice SKU Rationalization projects fail to deliver
- Separating fact from myth and getting past the "fear factor"
- Aligning key stakeholders behind a strategy
- A methodical approach to getting it right
- Interactive Q&A

You can get more information and register right now by following this link:

<https://instillevents.webex.com/instillevents/mywebex/default.php?Rnd1681=0.7768053585783232>

I hope you can make it!

AND FINALLY, A WORD ABOUT "RESPONSIBILITY"

All of the major manufacturers and distributors know how important it is to attain supply contracts with the large contract feeders and purchasing organizations. The promise of huge volume and "guaranteed" operator penetration is an irresistible lure for most companies. They pull out all the stops and give, give, give in the hope of landing a deal that will make their year.

But as we know, winning the contract is just the beginning. There are many forces, some valid and some suspect, which stand in the way of realizing the full potential of these programs. With local operators refusing to give up their pet products, distributors insisting on substituting their own labels, and sales people unclear about who to call on, it's hard to say who should be responsible for ensuring compliance with approved programs.

But for better or worse, it is the manufacturer who has been handed the bill. We are even at the point where some of the groups are charging the manufacturers a "non-compliance" penalty for failing to achieve a given compliance level.

Is this fair? Probably not. But with so much invested in securing a contract, it makes sense that the manufacturer should not shirk the opportunity to maximize his volume potential.

Getting compliant and non-compliant data from your customer should be a given. Turning those files into useful information and taking action is the next step. The Comp-Trax system can help you do it all.

Drop me a line if you'd like to know more.

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p.s. If you subscribe to Foodservice Marketing Insights, chances are you work in the food business. This week, give thanks for your work and for your food, and remember those who have a hard time getting either (or both). Your local food bank or America's Second Harvest (<http://secondharvest.org/>) will always welcome the giving of your time, food, or funds. Have a safe and happy Thanksgiving!

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