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Sorry to be a little late with the May issue; the NRA Show and heavy travel requirements over the past few weeks have kept me from getting this published - we should be back on schedule for the mid-June issue!

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

Dave

"Vision is the art of seeing what is invisible to others." - Johnathan Swift

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"Shedding Light on Cost Avoidance"

"I know redistribution saves us money, but I can't see it on the P&L so I don't care!"

This remark from a FS Finance Manager is unusually frank, and gets right to the heart of the issue that still confounds many food manufacturers.

While not everyone puts it that way, I know a lot of Finance people (and some folks from other departments) maintain a skeptical stance toward the benefits of redistribution. And why not? The redi allowance cost is as plain as day, while the lack of costs in warehousing, freight and order management is invisible.

But after dealing with this objection for over a decade, it has become clear to me why this type of thinking is wrong-minded and potentially dangerous.

If "visibility on the P&L" is the true measure of a program's value, then companies had better be prepared to look through this lens at a lot more than their redistribution program.

For instance:

- Can you point to the results of your Marketing programs on your P&L?
- How about the results of your R&D investment?
- Customer Service?
- How about the Finance Department itself?

My point is not to ridicule the gentleman's statement, only to caution against dismissing redistribution based on a questionable measure.

The good news is that with a little work, the cost-avoidance side of the redistribution equation CAN be quantified. And once the numbers have been developed to everyone's satisfaction, companies find that all departments can get behind a well-crafted redistribution program.

So it's absolutely appropriate to question the benefits vs. the costs of redistribution. Just don't jump to conclusions based on what's obvious, without also making the effort to understand the whole picture.

"Society cannot share a common communication system so long as it is split into warring factions."

- Bertolt Brecht

"Whose Data Is It, Anyway?"

It all started a few years ago, when a handful of manufacturers persuaded their agencies to report sales call activity.

This initiative probably was the result of two forces:

1. The growth of contract business with specific target operators and compliance goals
2. Manufacturer questions about the value they receive for their commission payments

Whatever their motivations, the early adapters of this practice each used their own proprietary software. This forced agencies to learn multiple systems, then log in and enter data which was essentially a restatement of data they had already entered into their own Sales Reporting systems.

Naturally, many agencies complained about the new administrative burden being placed on them without additional compensation. This practice also fostered debate about "who owns the data" and "how it will be used." Agencies seemed to be concerned that their operator call data was disappearing into a black hole, while at the same time fearing that the data could be used to help manufacturers go direct or change agencies more easily.

Fortunately, most of the manufacturers backed off of their proprietary systems, and some now have processes which draw the appropriate call data directly from the agencies' internal systems. This has removed most of the administrative burden from the agencies, but many of the "data ownership and usage" questions remain.

There are some agencies who flatly refuse to share operator data with principals, and are willing to give up some lines as a matter of principle. Others begrudgingly share the data, but resent having manufacturers looking over their shoulders as they make decisions which used to be the agency's exclusive province.

At the same time, there are manufacturers who are content to leave their agencies to their own devices. One recently told me "we focus on products and service, and we pay our agencies to know who the customers are and decide how to make calls. The only thing we care about is did they make their number or not." It smacks of the old golfer’s axiom: "Don't ask how, just ask how many!"

So obviously there is a range of opinions among both manufacturers and agencies regarding:

- Who should choose operator targets
- How much the manufacturer needs to know about operator call activity
- How that information should be provided
- How that information should be used

And just as obviously, it's a decision to be worked out by individual manufacturers and their agencies. But at the NRA show I saw some new thinking from a couple of software suppliers which struck me as right-minded. It goes something like this:

1. No one knows better than the local agency which operators hold the most potential for a new product, new contract, or new sales initiative

2. No one wants or needs to wade through a complete list of all operator sales calls, hunting for the results against a few specific operators

3. But manufacturers certainly are held accountable for compliance against their contract business, as well as achieving internal volume targets

4. And the operator information and reporting technology are available so (as the instant replay for baseball argument goes) "why not use it?"

These experts advocate a system whereby the manufacturer identifies specific initiatives to track; the agency identifies target operators to call on, and the only call data provided is against these initiatives and operators. One told me "manufacturers really don't want to mine all of the call reporting - but they need to get the nuggets." Best practices include limiting the number of initiatives from the manufacturer (one or two per Quarter), and where appropriate having the agency select target operators from a list provided by the manufacturer.

The beauty of this approach is that it respects the agency's time, knowledge and sensitivity to sharing data, while providing the manufacturer with the information needed to manage the business.

And while there will always be manufacturers who want to see it all, and agencies who want to keep it all, it feels like we're finally reaching a sensible conclusion to a sticky problem.

"An End to Food Show Foolishness?"

Some of the biggest news coming out of the NRA Show is what wasn't there.

Several companies who are traditionally major exhibitors either downsized or stayed home all together. At least one of the big private parties was cancelled shortly before the show, with the sponsor stating that the returns no longer justified the investment.

But one huge company's decision to eliminate sampling this year is what really got people talking.

I heard comments ranging from "there's hardly anyone in their booth!" to "they must not have any new products to show," to "what a great way to make a statement to the industry about the impact of commodity costs!"

And it set me to thinking about the whole purpose of sampling at food shows of all kinds.

If you're a new and/or small manufacturer, you had better bring samples to a show in order to build credibility and booth traffic. Your samples will pique the attendees' curiosity, giving you a chance to tell the foodservice world about your company and products. And it's unlikely that any operator will order a completely new product without tasting it first.

But for established, big-brand firms, sampling to prove that your product tastes good strikes me as extremely wasteful. Does anyone at the NRA Show really need to taste a cup of Coke, a slice of Sara Lee cheesecake, or a piece of Tyson chicken to determine whether or not these companies make great products? I don't think so!

As for building booth traffic, there is no denying that food show attendees will stand in line for almost any free sample. But hasn't every manufacturer complained that most food shows are more about "feeding the masses" than about getting products into the mouths of interested prospects?

Every time I passed the "no samples" company's booth, I had to agree that there was hardly anyone there. But the attendees and salespeople who were there appeared to be engaged in quiet, unhurried, businesslike conversations. And it struck me that for a company of this stature, this was an infinitely more productive approach to building business than participating in the feeding frenzy.

And I'm betting that any qualified prospect who wants to taste a sample of this company's products is still able to do so, when he's back in his operation and can evaluate it in the proper context.

Could it be that we saw a signal that the food show culture is changing?

Here's hoping!