FOODSERVICE MARKETING INSIGHTS

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

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REDISTRIBUTION UPDATE:
"About IPAP"

I've had the pleasure recently of working with the good people at IPAP in Appleton, Wisconsin. Those of you in the Dairy or other refrigerated products businesses are probably well aware of IPAP; the rest of you might never have heard of them.

Briefly, IPAP is a redistributor owned and operated by 5 Foodservice Buying Groups. They focus on dairy products, but also handle other refrigerated (not frozen) products. IPAP stands for "Independent Procurement Alliance Program."

Like other leading distributors and redistributors, IPAP thrives because they have mastered the blend of technology and old-fashioned hustle. IPAP has standardized and automated virtually every step of the order-to-cash process, and continually encourages their suppliers and customers to utilize the proprietary IPAP technology to manage their business. But IPAP is also intensely service-driven, with a staff of hard-working individuals who do what it takes every day to make great service happen.

Unlike many distributors and redistributors, however, IPAP works on a 100% cross-dock basis. This is to say that everything that arrives at the IPAP warehouse has already been ordered by a distributor customer. As products come in from suppliers, the pallets are immediately broken down and the cases earmarked for a specific outbound shipment.

Another unique aspect of IPAP is their ability to facilitate market pricing, contract pricing, and shelter programs on all of the orders they handle. With this capability, IPAP not only makes these functions seamless for their suppliers and customers, but they relieve their administrative workload. In fact, customers and suppliers often route their "straight truckload" orders through IPAP to take advantage of their order management expertise, even if the product never flows through the IPAP warehouse!

Quietly, IPAP has developed and is executing state-of-the-art foodservice distribution. Those of you who still doubt the value of redistribution would do well to learn more about IPAP (www.IPAP.com) And those of you who are in the Dairy business and are not using IPAP should give them a good look at your earliest convenience.

Franklin Foodservice Solutions has been helping manufacturers get more out of their redistribution programs since 1996. Visit our website **(www.franklin-foodservice.com)** to read and download any of our newsletters, white papers, and articles about redistribution.

"The fight is won or lost far away from witnesses – behind the lines, in the gym and out there on the road, long before I dance under those lights."
- Muhammad Ali

THIS MONTH'S FEATURE ARTICLE:
"Anatomy of a Sales Call"

A few years ago, some major foodservice manufacturers began asking their broker agencies to report their operator sales call activity. This touched off a series of debates and controversies, including:

-whose software would be used to report the information

-what, if anything, the manufacturers would do with it

-who owned the data

For better or worse, the controversies have died down, and many agencies routinely provide sales call information from their own systems to their larger manufacturer principals. And the manufacturers presumably use the information to reward the agencies who provide the most support for their lines (although I'm not aware of any "pay per call" programs at this time).

The topic that DOESN'T get much play is exactly what constitutes a "sales call."

A manufacturer could be excused for thinking that the only true sales call is one where his product is physically presented to an operator. After all, this is generally the only way to get a "sale" or "no sale" decision, right?

But the agency is likewise justified in counting "prospecting calls" in which they research the operator's current product usage, volume, prices, and interest in entertaining a change. Without these crucial first steps, agencies would never be able to qualify prospects and would waste precious time and money showing products to people who have no need for them.

All of this tracking and reporting smacks of trying to turn the art of selling into a science, which I suppose is a worthwhile goal for those who need to manage by the numbers (i.e., all of corporate America). But it is doubtful that anyone will ever define what is and isn't a sales call to the complete satisfaction of all agencies, manufacturers, and their customers.

So as long as manufacturers and their agencies continue to emphasize the importance of operator sales calls, it seems like a good idea for them to have a healthy discussion about the definition. And it seems that manufacturers ought to accept a fairly broad definition, in recognition of all of the background work that goes into creating a sale.

After all, agency reps kiss a lot of toads every day to find those princes who reward them with an order!

AND FINALLY, A WORD ABOUT "FORCED DISTRIBUTION"

As long as I'm raising questions without providing answers, let's take a look at the concept of "forced distribution." For those who just joined the industry this week, forced distribution is the strategy whereby a manufacturer sells his product to a large end-user (preferably a chain or contract feeder), which then "pulls" the product into the distributor or distributors.

The idea is that it doesn't matter whether the distributor Buyer wants the product or not, he is "forced" to bring it in. If it's a branded product, the manufacturer hopes to parlay his slot into new street business via that distributor. And the hope is that this will ultimately lead to additional "street" products riding into the distributor with the "forced" product.

It's a great concept, but how often does it really work?

I'll never forget meeting with a Contract Feeder Headquarters executive, and discussing their purchasing model. Typically, it required manufacturers to artificially inflate their prices to the distributor, who charged an artificially high price to the Contract Feeder's operating unit. At the end of each Quarter, the manufacturer would cut a large check to the Compass Headquarters. When I asked why they did things this way, the executive said "we want our Unit Managers worrying about keeping the soup hot and the lines short; we'll worry about profits here at headquarters!"

It's a model that serves this company well, and is in use by a lot of contract operators and other LLO's these days.

But it also forces the manufacturer to price his products so high that they are uncompetitive on the street, negating any potential benefit from so-called "forced distribution."

On top of that, distributors can be so resentful of "forced distribution" that they take action to prevent expansion of street sales, by keeping the product in the "back of the book" or worse. One broker agency told me that "operators don't even try to help us force distribution any more, because they don't want to anger their distributor suppliers."

So while forcing distribution might work in some cases, in others it probably does more harm than good for the manufacturer. If it's a matter of trying to get started with a new distributor, it may well pay off to get a foot in the door. But in dealing with long-standing distributor customers, "forced distribution" is a strategy which should be used judiciously.

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