

FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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REDISTRIBUTION UPDATE:

“Who Cares about Redistribution?””

It should be obvious to you by now that I’m a “redistribution geek.” Over the past two years, I’ve published a couple of articles, led several seminars and workshops, and written these monthly commentaries about a subject that leaves a lot of people glassy-eyed. The truth is, I enjoy the opportunity to make clear what often seems complex, counterintuitive, and confusing, and in the process help manufacturers improve their business results.

Lately it seems that a lot of other people are showing a renewed interest in the topic. At a recent Instill conference, I was intrigued by the amount of attention given to redistribution by the national operator chains. Perhaps spurred by record fuel costs and Sysco’s RDC initiative, the chain people are eager to understand the cost and service ramifications when “their products” move through a redistributor. It’s a smart move on their part, and yet another sign of the growing importance of redistribution.

Similarly, Foodservice Sales and Marketing Agencies are looking into the effect of redistribution on their business operations. Whether it’s how Sysco will report shipments to local OpCo’s (and thus how agencies will get paid), or how billback paperwork will flow when contract-priced products go through a redistributor, the agency business is going to feel the impact. We’re working to help them understand what’s coming, and how to respond.

If you're not thinking about these issues, chances are there's a lot going on in your business that will surprise you. Not everyone needs to become a redistribution geek, but now is a good time to take another look at how redistribution will impact your business in the coming years.

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?"

"If you don't think too good, don't think too much!"
- Ted Williams

THIS MONTH'S FEATURE ARTICLE:
"CAW 101"

At a conference earlier this week, I was drawn into a side conversation about the merits of "CAW," or "Cube-Adjusted Weight." This is a concept that pops up from time to time in foodservice distribution, but for the most part gets pushed aside because it's a little tricky to grasp. Here's an attempt to simplify and clarify:

CAW is a calculated unit of measure which has the ability to help determine trailer utilization across a wide range of product cubes and weights. Legend has it that CAW was introduced by Kraft's Retail business years ago, but its spread to other manufacturers and channels has been slow. As manufacturers buy into new product categories or consolidate shipments from their various divisions, they deal with a new level of complexity in determining price brackets and building shipments. Using CAW can help.

It's the old "truckload of bowling balls vs. a truckload of ping-pong balls" equation. You can fill a trailer with roughly 40,000 lb of goods, or 2,000 cubic feet of goods. Dense products like meat, canned goods, and liquids will "break weight" first, so price bracket definitions are generally based on pounds ordered. Low-density products like finished baked goods will "cube out" first, so bracket definitions are often based on total cubic feet ordered.

So what happens to the bakery who wants to ship dense frozen dough along with lightweight finished breads? If a customer orders 20,000 lb of dough (small, heavy cases) plus 20,000 lb of finished bread (big, lights, cases) it will not all fit on the truck. If he orders 1,000 cube of dough and 1,000 cube of finished bread, the truck may not be filled to capacity.

The solution is to assign a Cube Adjusted Weight to the lighter items. This CAW would take a large, 12 lb case and assign it a weight of perhaps 20 lb, thus accounting for the extra space required. The 20 lb CAW counts toward determining bracket price, and also helps the Supply Chain guys build efficient truckloads.

CAW is one of those topics that gets bogged down in the disconnect between the tangible world of transportation and the intangible world of marketing and selling. With fuel prices and product lines being what they are, it's a good time to find out if CAW makes sense for your business - just call or send me an email if you'd like to find out more.

"I have hired Dave to consult or work on specific business problems at my last two companies, and in both cases Dave delivered results on time and on budget. I expect to continue to work with Dave in the future."

- President, \$2B FS manufacturer

AND FINALLY, A WORD ABOUT "GROWING UP"

When you start your foodservice career fresh out of college, you're pretty impressionable. When you spend your entire career working for foodservice manufacturers, you learn to see the world in a certain way. Only with time, experience, and a concerted effort do you begin to understand and appreciate the perspectives of other participants in the foodservice industry.

Thus it is that I'm embarking on a quest to learn and value the view from the Foodservice Sales and Marketing Agency (the artists formerly known as brokers) angle. And even making an effort to comprehend the thinkings and workings of foodservice distributors(!)

You see, as long as members of the industry cling to the notion that our trading partners are to blame for the issues that plague us, we have little chance of bringing about real change. Manufacturers who blame the distributors for the sorry state of trade relations and sheltered income are like baseball owners who blame the players for high salaries. Unless we are willing to “walk a mile in the other guy’s moccasins,” we will continue to miss opportunities to improve our own results by helping the other guy improve his.

So I’m pleased to have made connections with both IFDA and the FSMA, and to learn of these organizations’ efforts to involve manufacturers in their highest-level meetings. I’m excited about the opportunity to play a role in helping foodservice people throughout the supply chain come to grips with difficult issues. And I’m willing to risk tweaking the outdated attitudes that hold us all back by sticking up for the other guy’s viewpoint when it’s called for.

Whether I’m growing up or just growing old, it feels like the right thing to do.

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