

FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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REDISTRIBUTION UPDATE:

“Parting Shots”

As 2004 winds down, there are some interesting goings-on in the world of redistribution. Here are three parting shots to carry you over to 2005:

1. Food Logistics magazine has published an article by yours truly entitled “The Redistribution Advantage” in their latest issue. It addresses a lot of the concepts we’ve carried in this newsletter for the past 16 months. I don’t know how widely-read that magazine is, so if you’d like to download a copy of the article for your Supply Chain or Finance people, please feel free to grab it from my website at:

<http://www.franklin-foodservice.com/documents/RediArticle-FoodLogisticsDec04.pdf>

2. FTN Midwest Securities Corp has sent me a couple of research documents regarding Sysco and their Regional Distribution Center initiative. I think they did a great job of identifying the benefits of redistribution for all parties in the supply chain (especially assuming that the analysts are not “foodservice people.”)

I didn’t spend a lot of time with their financial data, but it is clear that the analysts are VERY bullish on the RDC concept and the impact it will have on Sysco’s future results.

Following are three quotes from competitors of Sysco:

“Redistribution is a very important concept. Sysco could really take market share from the competition because they will cover a wider area and do it more efficiently.”

“I imagine that if we do not start to keep up with Sysco on the distribution networking, we will be lost.”

“If it works out how everyone thinks it will - WOW!”

...and three quotes from Sysco suppliers:

“This is the wave of the future. It will cut time on deliveries. Now, if you place an order, it will take a week; with the RDC, it will be a 1-2 day turnover.”

“There will be savings all around. Instead of shipping (a little here and there), we can ship loads right into their warehouse. That will save us money and them money.”

“Our turns will be up out of our warehouses and when we ship something to the RDC, they take ownership right away so we get our money right away. Product can sometimes sit for three months in our forward warehouse.”

3. Finally, I will be presenting an online “Webinar” regarding optimizing your redistribution program on February 10 at 2:00 Eastern time. This event is hosted by Instill Corporation; I have found their monthly Webinars to be an efficient way to keep current on Foodservice Industry issues. If you think you might be interested in attending, please send me an email at dave@franklin-foodservice.com, and I’ll make sure Instill adds you to the invite list.

I think 2005 is going to be another year of great growth for redistribution. Sysco’s RDC rollout, continued expansion by Dot Foods, Empire Beef and other redis, and recognition of redi’s value by other (non-foodservice) channels all point to the growing importance of this concept. Are you prepared to take full advantage in 2005?

Franklin Foodservice Solutions has been helping manufacturers solve the redistribution puzzle since 1996. E-Mail us (dave@franklin-foodservice.com) to receive a copy of our article “Does Your Redistribution Program Address These Realities?”

"Never mistake motion for action."

-- Ernest Hemingway

THIS MONTH'S FEATURE ARTICLE:

"What About Consumers?"

Way back in the 70's, when your correspondent was fresh out of college, the Foodservice channel was just beginning to find its feet. Sysco was an emerging powerhouse but had not yet gone on their buying spree, and companies like PYA Monarch, CFS Continental, and Pacific Gamble Robinson were establishing themselves in various geographic regions. They were days of double-digit growth (what one colleague refers to as our dot-com era), and we all focused our sales and marketing efforts on distributors.

Somebody introduced the concept of distributor marketing funds, "sheltered income" was born, and soon the spending on distributors was commensurate with the sales and marketing focus.

By the 90's, with chains taking a larger share of the market, the fashionable strategy was to focus resources on Operators, with the intention of pulling our products into the distributor via operator demand. Manufacturers of all sizes added National Account and Non-Commercial Sales and Marketing specialists, and ramped up their product development capabilities. And although this strategy has been somewhat successful, it has also required a substantial increase in spending at the Operator level. But because distributors still hold a lot of power over product placement decisions, the hoped-for reduction in distributor spending hasn't materialized.

So now we have sales and marketing efforts as well as dollars being lavished on both distributors and operators.

Following this trend to its logical conclusion, it's somewhat surprising that foodservice manufacturers for the most part haven't embraced the next big step - marketing to the Consumer.

I'm not suggesting that you start offering coupons and spending programs to individuals, but wouldn't it be great to really understand what motivates people to choose a particular restaurant, then order the menu items that include your product? Wouldn't this be the ultimate "pull" strategy?

Sadly, I'm pretty sure that even the chains and contract feeders don't know how to do this, much less the distributors and manufacturers. And I fear we're a long way from getting there.

Truth be told, it may be that all of the friction and roadblocks in the channel prevent manufacturers from investing in this area.

BUT - it's interesting that all of the work that goes into creating great products rarely translates directly into sales and marketing efforts. What I mean is that appearance, texture, aroma and flavor matter most to the person who is eating your product, and you really have no way of communicating your quality story to them.

So sales people and brokers spend countless hours conducting product cuttings and "selling quality" with distributor and chain buyers, who are never going to eat the product.

Last week, I came across a foodservice manufacturer who said "we teach our sales people to sell Profit, not Food!" And it struck me that many companies miss this point altogether.

Perhaps when calling on distributors, the focus should be strictly on service levels, invoice accuracy, the volume and gross margin potential of your new products, and yes, the sheltered income program.

Operator calls of course will involve more in the way of product attributes, but probably should have more about how the product fits in the operation and less about flavor. And there still should be a heavy dose of food cost/gross margin content for the operator to consider.

In the end, it is only by creating great economic value for your distributor and operator customers that you can hope to get your great products into the mouth of a consumer.

AND FINALLY, A WORD ABOUT "IMPROVEMENT"

First of all, my deepest thanks to all of you who subscribe to Foodservice Marketing Insights. The fact that you've stayed with me and that the number of subscribers continues to grow keeps me motivated.

We've been at it for a little over a year, so now is a good time to seek your honest input and ideas for improving the value of this newsletter in 2005. It should be more than an interesting diversion; Foodservice Marketing Insights should be a unique forum for sharing and providing ideas that will improve your business results now.

To that end, I welcome any and all comments and criticisms, and your ideas about what you want more of, as well as what you're getting tired of. If you'll take a minute to email your thoughts to me, I promise to do my best to incorporate them into the newsletter in 2005.

So please let me have it, and then go have a peaceful, safe and relaxing holiday. I look forward to hearing from you, and to providing more for you in the coming year. Thanks again!

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

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