FOODSERVICE MARKETING INSIGHTS

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

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IN THIS ISSUE:

NOTICE TO MY READERS:

To each of you who subscribes to or reads Foodservice Marketing Insights, I send my sincere thanks and best wishes for your holiday season. I especially appreciate it when you take the time to call or write in response to something you've read here.

The subscription list continues to grow, and I'm shooting for 150 subscribers by early 2005. Word of mouth is the best way to build readership. If you've enjoyed these commentaries and you're in the giving mood, would you please tell a friend or two, either within or outside your company?

Feel free to copy and paste all or part of the following into an email if it helps:

"Foodservice Marketing Insights" is a free monthly newsletter for Foodservice Sales and Marketing Professionals – I've found it to be consistently interesting and thought you might want to check it out. Below is a link that will take you to the Franklin Foodservice Solutions webpage which has back issues, the subscription signup, articles and other free resources.

http://www.franklin-foodservice.com/free_resources.html

…Thanks again - Dave

p.s. When we hit 150 subscribers, I'll send everyone a paper describing a new methodology for assessing SKU Rationalization opportunities.

REDISTRIBUTION UPDATE:
"Redi Ain't for Everyone!"

A few weeks ago, I was asked if my redistribution projects always result in launch of a new program. The fact is, not all of them do!

I have had several experiences where despite the good faith efforts of a manufacturer and redistributor, the two parties could not come to agreement on a new program. It is sometimes the case that a manufacturer has a very low-cost network, and cannot rationalize increasing his cost by embarking on a redi program.

For instance, some manufacturers ship all of their customers from multiple producing plants, without putting product into regional mixing centers. This forces the distributor to place multiple orders, receive multiple shipments, and pay multiple invoices for a single supplier's line. In addition, the distributor is unable to take advantage of bracket pricing breaks or volume discounts because his shipments are fragmented.

There is no question that a redistribution program would be highly valued by the distributor, but it is hard for the manufacturer to justify increasing his cost to serve existing business. Unfortunately, the link between "doing something that impacts your customer" and "seeing the business result" is usually lost in time and the complexity of our business (see feature article below).

On other occasions, the nature of a manufacturer's business is that he just doesn't have a small-order problem. Whether the customers generally order full truckloads(as often happens in the Retail channel), or the company has a DSD arrangement, there are a few fortunate manufacturers who just don't have to cope with the workload, complexity, and cost of small-order customers.

For everyone else, the reasons to invest in redistribution are no different than any other business proposition. If redi offers the opportunity to reduce cost, build volume, or both, it is certainly worth a look.

The real risk is in jumping to a conclusion without doing the work to truly understand your costs and the upside opportunity represented by redistribution.

Franklin Foodservice Solutions has been helping manufacturers solve the redistribution puzzle since 1996.
Visit our website **(www.franklin-foodservice.com)** to download a copy of our article "Does Your Redistribution Program Address These Realities?"

"Success is the ability to go from one failure to another with no loss of enthusiasm."
 – Sir Winston Churchill

THIS MONTH'S FEATURE ARTICLE:
"Short-Term Gains Can Cause Long-Term Pains"

In the foodservice business, and perhaps most others, the cause-and-effect relationships triggered by a company's actions are often delayed and usually unclear. Worse, the actions taken by a manufacturer can produce a perceptible short-term gain, but a larger, imperceptible long-term pain. A few examples:

Action: Blunt cuts in distributor programs

Perceptible Gain: Reduced Marketing cost on P&L

Long-Term Pain: Angry distributors who will find a way to strike back

Action: Production and ingredient cost-savings which affect product quality (but not too much…)

Perceptible Gain: Reduced Cost of Goods Sold on P&L

Long-Term Pain: Unhappy consumers and operators who stop ordering your product

Action: Reductions in inventory levels which cut safety stock

Perceptible Gain: Reduced inventory carrying costs

Long-Term Pain: More out-of-stock cuts, leading to product substitutions and eventually lost slots

Notice how willing we are to take these and other actions which provide immediate gratification, all the while knowing that there will be a price to pay? The lack of a direct link between the action and the pain makes it easy. I wonder how much of today's tough business environment is a result of the cumulative immeasurable negative impact of these decisions, which are made year after year.

Further, I wonder why it's so hard to take the opposite type of action, for example:

Action: Invest in 100% invoice price accuracy

Perceptible Pain: The cost of learning to do it right

Long-Term Gain: Happy distributors, invoices paid on time, reduced management of deductions

Action: Do what it takes to truly improve service on the dimensions that your distributors measure

Perceptible Pain: Significant change in processes and attitudes, along with some cost

Long-Term Gain: Distributors who prefer to do business with you, putting up barriers to competition much stronger than your "marketing program"

Action: Learn to innovate by developing products which provide great value to distributors and operators, rather than just tasting good

Perceptible Pain: Need to learn new ways of understanding customers and developing products

Long-Term Gain: Loyal operators and distributors who are no longer interested in a penny per pound savings from your competitor

I know, it's easy for me to sit on the sideline and pontificate, while you've all got a number to make. But wouldn't your chances of making next year's number be greatly improved if you could base this year's decisions on long-term gain?

AND FINALLY, A FEW MORE WORDS ABOUT PRICING

As I reviewed my notes from last summer's PriceX Conference, several "nuggets" jumped out at me which bear repeating, so I'll close by offering them here:

"Deviated Pricing isn't wrong, it's a discipline which needs to be managed, starting with a firm understanding of the objectives"

"Deviated Price issues need to be separated into two buckets: Deliberate, negotiated business vs. Unintentional, due to improper system prices"

"The Sales Compensation Plan is often the determining factor in changing pricing behavior"

"If you're in a deal-by-deal environment, your brand is not very strong. Keep it up, and you'll end up with zero brand equity"

"Sometimes we make price decisions that are not financial decisions, but relationship decisions"

"The key is learning to distinguish between price-shopping and true competitive situations"

That's enough for now – have a safe and happy Thanksgiving and don't forget to tell your friends about Foodservice Marketing Insights!

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