FOODSERVICE MARKETING INSIGHTS

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

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REDISTRIBUTION UPDATE:
"Guerilla Redistribution"

It usually starts when you offer a special price to a special set of distributors on special items. The deal is intended to be confined to a certain geographic market (often a large metro area) and/or to distributors and jobbers who serve a niche channel (such as mobile caterers or ethnic restaurants). It's a strategic decision to gain or hold onto a chunk of volume that is heavily dependent on low prices.

Your special price (plus any sheltered income or allowance programs) provides a low net cost to these customers; often significantly lower than your published prices. And while the deal enables you to reap the niche-market volume, it can get these distributors thinking about other "opportunities" which may not be in line with your overall strategy. You may well learn that your special-priced products are being sold not only to operators outside the niche channel, but also to smaller distributors who do not qualify for your deal. Your "special customer" has become a "guerilla redistributor!"

So what's the problem?

First, this behavior upsets your price structure in the marketplace. When your "niche market distributor" starts knocking on street operators' doors with a hot price on your branded product, you're going to hear about it from your broadliners. And good luck getting them to accept your next price increase.

Second, this behavior upsets your legitimate redistributors. Ideally, your redistributor should be offering your highest two or three published bracket prices. But when they continually lose orders to the guerilla redistributor, they may well be motivated to offer special prices of their own. And because they agreed to your allowance based on an assumed gross margin, their profit picture goes out the window.

And third, this behavior will ultimately upset you. Because once a redistributor deviates significantly from your highest published prices, he may attract orders from large distributors who should be buying direct from you. And if your cost to serve these existing customers goes up when they buy from your redi, it's going to hurt your bottom line.

So what's the answer?

You could stop making special price arrangements for specialized businesses, but that's not realistic. When they work properly, these arrangements make good business sense.

You can blame the special-market distributor for trying to make a quick buck (or dime or penny) on your product by straying from his core market. But as we've written before, a lot of these guys are highly opportunistic business people, and when you give them the chance, they'll make a deal. There is no law against it.

So you need to enter into these agreements with a great deal of care. You need to make clear to your special-priced distributor that at the first sign of guerilla redistribution, the deal will end. And you need to make your redistributor aware of these deals up front, so together you can discuss the ramifications and how you will deal with any problems. It may not be necessary to get into the actual prices, but it's healthy to acknowledge where special price activity is taking place.

Any time you begin to tinker with prices, it's important to consider the impact on your redistribution program. A little up-front conversation with your redistributors can prevent a lot of cleaning up after the fact.

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.

"Any thing half done, or half known, is in my mind, neither done nor known at all. Nay, worse for it often misleads."
– Lord Chesterfield

THIS MONTH'S FEATURE ARTICLE:
"Notes from the Roundtable"

In June, I had the opportunity to help moderate a Foodservice Manufacturer Roundtable hosted by Instill Corporation (www.instill.com). This session brought together Marketing and Trade Management professionals from about a dozen companies, to discuss the challenges of managing trade spending.

We had many excellent discussions and shared perspectives about the current state of affairs, and opportunities to do a better job. As always, there was a lot of talk about the promise of technology, and how software and the internet have made tons of data accessible to those who need it. And we were realistic about the challenge of turning this data into meaningful information that can guide decision-making.

But to me, the most interesting and sobering conversations were about the expectations attached to trade spending programs. Check out these quotes:

"The lack of upfront program measurement criteria is a huge red-flag. We need agreed-upon metrics so that post-mortem analysis can be performed towards some end."

"Unfortunately, a positive effect of program dollars spent against distributors is usually defined as the absence of a negative effect (e.g., you keep the business)"

"The Roundtable Survey results indicate that we think our programs are effective in so far as they are helping us KEEP the business, but they're not doing much in terms of helping us grow the business."

"We need to define the meaning of "effective" trade spend. Define good vs. bad spend. Force ourselves to ask tough questions regarding the rationale for spending against each program."

Put simply, a lot of manufacturers seem to be well on the path to requiring their sales people to document some expected level of performance in return for their trade spending. And the idea is that once the program has ended, they will measure results against these metrics to determine which programs are successful and which are not. This information should then be used to guide future spending decisions.

But traveling down this path brings us face-to-face with the reality that "keeping the business" is the best measure of success for an awful lot of our spending programs.

And it makes me wonder whether anyone is actually using this as a performance metric – what do you hear?

AND FINALLY, A WORD ABOUT "DAVE'S TOP 10"

This month marks 10 years since I started Franklin Foodservice Solutions. To celebrate, I'm sharing the Top 10 Memorable Lines from my foodservice career.

A few have been sanitized, hopefully enough to avoid offending anyone – enjoy!

#10: At one of my first sales calls:

> Me: "Hi, I'm Dave from (Brand X) Foodservice."
>
> Customer: "You mean you're from (Brand X) Food. You people have no service!"

#9: At a food show, as a customer examines an unusual product:

> Customer: "What is this for?"
>
> Sales Manager: "It's for SALE!"

#8: After an unpleasant meeting with a distributor buyer, we were waiting in the lobby to see someone else when the buyer passed through on his way to lunch:

Buyer: "You guys still here?"

Sales Manager: "We're not leaving until we get an order!"

Buyer: "Better pitch yourselves a $&*> tent!"

#7: After pitching the high quality standards for Vlasic pickles:

Operator: "I've never had a customer bring back his sandwich because he didn't like the pickle!"

#6: Sorting out service issues one January:

Production Planner: "Well, we oversold the forecast in December, and of course we had the Christmas shutdown so we couldn't catch up…"

My Boss: "Christmas has been on my calendar all year long- did it come as a surprise to you?"

#5: Buyer: "What's the difference between Sweet Gherkins and Sweet Midgets?"

Sales Manager: "About $4.00 per case!"

#4: Pitching a sliced, pouch-pack pineapple to a cruise line, convinced that they would love the labor and waste reduction vs. cutting fresh pineapples:

Buyer: "We pay our labor very little and need to keep them busy or they get into trouble. All of our food waste is ground and dewatered; the treated wastewater goes over the side and the dried waste is picked up in port. We'd have more trouble disposing of your plastic pouches!"

#3: While reviewing the declining sales volume of a recently-introduced new product line:

My Boss: "Have we lost any distribution yet? If we lose distribution, it's time to fold up the tent, call in the dogs, and pee on the campfire because the party's over!"

#2: When we rolled out flexible pouch packaging for pickle chips, we quickly learned how much everyone loved to reuse the 5 gallon pails for mop buckets, car washes, duck decoys or ice fishing gear. At a Conco Food show in New Orleans, a young guy told me:

"Best thing about them pails – you can take one camping and take you a #*@$^ in it!"

#1: A Sales Manager explaining the different quality levels of hams in his product line, as he pointed to the lowest-cost commodity product:

"That ham's not for eatin,' it's for sellin'!"

And if this inspires you to recall some of your own memorable foodservice sales and marketing lines, send them along and I'll publish them in a future issue!

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 **mailto:dave@franklin-foodservice.com.**