

FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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REDISTRIBUTION UPDATE:

“Time for a Checkup”

“We think we’re probably paying a little too much for redistribution...”

“I know we have a lot of customers buying direct who should be switched to redi, and a few buying from redi that should be direct...”

“Someone put together our redi allowance program 4 or 5 years ago; I’m not sure what basis they used...”

These are all comments made to me by foodservice manufacturers over the past few weeks. I’ve been hearing similar statements for the past 10 years.

There’s something about redistribution that can foster an “out of sight, out of mind” attitude among foodservice manufacturers. Because the best redis do an outstanding job of relieving you of the hassles of serving small-order customers, perhaps it is easy to get complacent and put everything on autopilot. And because the people who are responsible for “managing redistribution” usually also have 27 other jobs, it’s natural to ignore things that appear to be going smoothly, and focus instead on putting out the fires of the day.

But with growth so hard to achieve today, and costs so hard to keep under control, it is a serious mistake to ignore what’s going on with your redistribution program.

We have found that a thorough audit of a manufacturer's redi business usually turns up many opportunities for improved results. And we find that good redistributors are always open to a fact-based discussion about the business and cooperative action plans to drive it forward. But we also see manufacturers sitting down for redistributor meetings, with far less knowledge about what's going on with their business than the redistributor has.

So it is that we recommend a regular "checkup" to diagnose the state of your redistribution business, and develop action plans to improve it. In a matter of a few weeks, we provide clear information and recommendations about:

- number of distributors served, and trends in this area
- volume trends by distributor
- key category penetration
- comparison to direct-buying distributors
- redi customer mix vs. target customer definition
- direct customers that would be better served by redi
- financial comparison of redi program vs. cost-to-serve direct
- any other areas of concern for the manufacturer

Further, we recommend a regular follow-up several times throughout the year, to make sure issues are being addressed and results are being achieved. Manufacturers who follow this prescription are sure to find business improvement opportunities that can make a difference this year.

If this situation sounds familiar, call or email me and I'll send you more information about the Redi Program Audit. Better yet, if you'll be in Chicago for the NRA, let's talk about it over a cup of coffee.

What have you got to gain?

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?"

"Don't worry about people stealing your ideas. If your ideas are any good, you'll have to ram them down people's throats." -Howard Aiken

THIS MONTH'S FEATURE ARTICLE:**"What Do You Do?"**

We all hear the question whenever we meet someone new: "What do you do?" If you're a foodservice marketing, sales, or finance professional you've probably tried to explain your responsibilities to the uninitiated on many occasions. And the misconceptions about our business often run the range from comical to disheartening.

Try telling someone you're a foodservice marketing consultant! I often get "so you tell companies what to put in their products?" Or "you give them ideas about what to sell to restaurants?"

Not even close. But the fact is, in nearly 30 years of working for and with foodservice manufacturers, I have been called on to carry out a very wide range of projects. So the "what do you do" question can leave me tongue-tied and stammering generalities. And while this is probably OK at a neighborhood cocktail party, it doesn't do much to help people in our industry who may benefit from my services!

So as the Foodservice Marketing Insights subscriber list approaches 300 readers, this seems like a good time to make plain just "what I do."

I work with foodservice manufacturers who are trying to increase sales and profits in a slow-growth environment. These manufacturers put a lot of effort into developing and marketing new products, trying to enter new channels, and trying to take someone else's customers; all of which are vitally important.

But no matter how successful these initiatives are, the "center of gravity" of their business is still the existing customers, products, and programs. And if they are forfeiting even a few points in these core businesses, it will offset all of their gains in other areas and they'll still fall short of making their numbers.

The good news is that squeezing a few more points out of the core business will almost always guarantee a successful year, even if the new business initiatives don't achieve their targets.

So I offer help in four key areas:

- "tuning up" the redistribution program so it reflects cost avoidance and value, helps get customers "buying right," and drives growth via hard-to-reach customers

-providing a process that helps the company make the right product line rationalization decisions and gets them communicated in 30 days, eliminating waste and sharpening the Sales and Marketing focus

-diagnosing price management practices, helping to shorten the “pocket price waterfall” and putting more revenue dollars in the manufacturer’s pocket

-supporting a compliance management tool which puts all of the necessary information at the fingertips of Sales and brokers so they can maximize volume from contract business

Each of these programs has been proven to “move the needle,” providing not only near-term results, but long-lasting benefits. And by calling on Franklin Foodservice Solutions, my clients can maintain their focus on their new-business initiatives, while I roll up my sleeves and get the other work done.

Again, the NRA might be a great opportunity to learn a little more. If nothing else, I relish the chance to meet my readers and get your feedback on Foodservice Marketing Insights...and you can tell me “what you do!”

AND FINALLY, A WORD ABOUT “WHAT REALLY MATTERS”

The semi-organized resistance to ever-growing distributor demands for manufacturer money is reaching a critical mass. It seems that in the last year or so, manufacturers have begun to move beyond complaining and wringing their hands and into more productive actions.

The current foodservice trade management software offerings promise to provide manufacturers with new insights into the effectiveness and profitability of various distributor and operator programs. And manufacturers are steeling themselves for difficult conversations with customers, bolstered by data which shows once and for all which programs truly drive business growth, and which programs do not.

But as one plays out the likely chain of events to follow, it is easy to wonder “will it really matter?”

Suppose you can show your distributor irrefutable evidence that 65% of all of your spending with him did absolutely nothing to create growth. Further, imagine you could show him that the other 35%, which was spent against specific categories and target operators, did in fact result in profitable new volume for you both. You would be perfectly justified in suggesting that next year, you want to switch all of your spending to the targeted programs, and eliminate the "entitlement" programs.

But will it really matter to the distributor? Will he be moved by your evidence that sheltered income programs do not achieve the original purpose of trade spending, to drive sales? Or is the unspoken response more likely to be "I don't really care if the program works for you, it works for me and if you want to continue to do business here, you'll continue to pay it!"

And if this is the case, then hasn't it become paramount for manufacturers to develop and execute strategies which will minimize the business risk posed by unhappy distributors?

I believe in the power of analyzing trade programs to truly understand their impact, or lack thereof. Enlightened manufacturers are overcoming their inertia (and fear?) and beginning to ask themselves the tough questions about their spending. But these answers alone won't be enough to give them new control of their spending. Unless they're also thinking through the "so what?" issues, I'm afraid most manufacturers will fall short of making true strides in this area.

Next month, a small group of non-competing manufacturers will be taking part in a roundtable discussion of this and other important trade spending issues. There may still be room at the table for you; if you're interested in learning more, please drop me a line.

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