

FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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REDISTRIBUTION UPDATE:

“Keep Your Mitts Off My Product!”

Over the years, we’ve addressed the issue of “special products through redistribution” several times in this forum (see FSMI October 03, October 04, and January 05 at http://www.franklin-foodservice.com/free_resources.html#pastnewsletters).

While I believe that most manufacturers “get” the value of redistribution for their regular product, I also see that most manufacturers get a little queasy when a redi wants to order their private label, custom, or special-priced products. There is a general sense that “we can’t afford to put that business through redistribution.”

And not only are manufacturers wary of this practice, but chain restaurants are too. They want to understand whether having “their product” move through a distributor is a good thing or a bad thing. And they want to understand how it impacts overall supply chain costs.

That’s why I’ll be serving on a panel and conducting a couple of workshops at The Purchasing Conference for Chain Restaurant Executives later this month (<http://www.mktvsn.com/conference.html>). It’s also why I’m developing a model that will take all of the variables into account, and allow users to make the right decision on a case-by-case basis.

Doing the algebra to understand the value of redistribution is tricky enough for a regular "street" program. But when you add in the impact of net pricing, billbacks, and guaranteed price regardless of order size, it becomes an EXTREMELY complex exercise.

While I've been swimming around in redi economics for a long time, I expect to take a "let's figure this out together" approach at the workshops. And I freely admit that I'll probably learn as much as I teach. But I plan to come away with a solid point of view that I will share with you in coming issues.

Two things I already know for sure:

- the cost-offset impact of redistribution is the same for private label, custom-packed, and special price products as it is for your branded, street business

- there is no hard and fast rule about whether putting this special business through redistribution is a good thing or a bad thing

And there are a lot of other things I strongly suspect, but will keep to myself until the conference.

Meanwhile, if you have any comments or questions you'd like to throw into the dialogue, send me an email or give me a call. And stay tuned for more.

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?"

Obviously, the highest type of efficiency is that which can utilize existing material to the best advantage"

-Jawaharlal Nehru

THIS MONTH'S FEATURE ARTICLE:
"Check It Out at the Library"

When I first saw my kids begin to use the internet to research their school assignments, I figured that the local library was doomed. But when I occasionally drop in at a library, I am always impressed by how sophisticated they've become, and how busy they are.

While you can't beat the web for sheer volume and variety, you can't beat the library for organization, a user-friendly environment, and people to help you quickly find exactly what you need. The library maintains and organizes an ever-changing supply of information, making it accessible to a wide variety of people for a wide range of purposes. And it probably offers free web access.

So it's impressive that the people at Food Service Enablers (<http://www.foodserviceenablers.com/>) have combined the best concepts of a traditional library with the best benefits of internet technology to create The Food Service Library. Manufacturers can use the Food Service Library to store, organize, and update all of your sales and marketing "stuff" in a secure environment. This means not only product and pricing info, but POS, nutritional statements, merchandising materials, and all of the information you need to operate a sales and marketing operation.

And it is all accessible to your sales people, broker agencies, and customers, using a permission system that is dictated by you. On a 24/7/365 basis. And every time you update, add, or delete anything, your entire network gets the same information. Instantly.

You're not going to find a lot of detail on the Food Service Enablers website just yet. But they have a large and fast-growing list of very satisfied users, and are worth a good look if you want to streamline and simplify the way you manage sales and marketing information. I suggest you "check it out!"

AND FINALLY, A WORD ABOUT "RULES OF THUMB"

When I was in Hotel and Restaurant school back in the 70's, we learned that as a general rule, an operator's food cost represented about 33% of his revenue. And when I worked for foodservice manufacturers, we often applied this rule to estimate the menu price of our products, or to help set prices for new products.

But last week, an article from myidaccess.com began "The full range of rising costs of doing business along the foodservice supply chain may have sounded the death knell for an industry standard." It told the story of a DSR who realized that the costs of labor, energy, and overhead had been rising faster than food costs for some time. When he analyzed his operator customers' costs, it told him that a food cost of 25% was in fact a more accurate benchmark than the decades-old 33% standard.

The article went on to describe how the DSR taught his operators to raise prices at the same time they increased quality or portion size, in order to capture more value. But it got me thinking about how many other rules of thumb are taken for granted, when they should be validated and updated on a regular basis.

For instance:

-do distributors really mark your items up 10-20%, or is the answer much more complex than that?

-is the majority of your product sold at list price, with special prices only for special customers, or is the truth scarier than that?

-does the 80/20 rule apply to your sku/volume mix, or are you closer to 90/10? Or 95/5?

-do operators really follow your handling and serving instructions, or are they doing things with your products that defy the imagination?

The answers to these and countless other questions are not hard to find, if you're willing to set aside your rules of thumb and get your fingers on the real pulse of your business.

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