

FOODSERVICE MARKETING INSIGHTS

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

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IN THIS ISSUE:

REDISTRIBUTION UPDATE:

“Special Prices? No Problems!”

FEATURE ARTICLE:

“The Nature of Demand”

A WORD ABOUT “INSIGHT”

REDISTRIBUTION UPDATE:

“Special Prices? No Problems!”

In the October 2004 issue, we discussed the concerns you may have when facing the prospect of putting special price business through redistribution. The point was made that contract prices managed by billbacks or net pricing add a level of complexity to the redi program calculation.

When your distributors bill you back, they start from the price they paid their redistributor, while your actual revenue basis is the price the redistributor paid you. This difference can appear to depress your margin on special price business, making redi look like a “bad deal” on all but your street business.

In the 3 months since that article appeared, I’ve had the chance to work on and think about this issue in depth. Here’s the bottom line:

If you’ve made the effort to build revenue impact into your redistributor allowance program (see November 2003 Foodservice Marketing Insights), you’re going to come out OK with special price business. In fact, depending on how special prices are managed, this business may even look better than street business when run through your redistributor!

If on the other hand your redistributor allowance does not account for revenue slippage on your street business, you will fare worse on special price business.

The calculations are beyond the scope of this newsletter, but the key points are:

1. You need not worry about the cost of redistribution on your special price business
2. You need to understand the revenue impact of redi for both your special price and your street business
3. Once you understand it, cook it into your redi allowance program and you can be comfortable with putting ALL of your small-order business through redistribution, regardless of the customer, label, or price

If you'd like to learn more about this topic, drop me a line and I'll be happy to discuss it further with you.

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?"

"Problems are the price you pay for progress" - Branch Rickey

THIS MONTH'S FEATURE ARTICLE:
"The Nature of Demand"

What do you think is the nature of demand in the food industry?

On the one hand, we're fortunate that our business is uniquely supported by the basic human need to eat (a need which remains slightly ahead of our need for cable TV and high-speed internet access!) On the other hand, every food product is essentially a potential substitute for every other food product, and a lot of you feel that your products are getting squeezed into "commodity status."

So to what extent are you as a food manufacturer able to influence demand for your products?

I started to wonder about this early in my career, when the Finance guys would say "sell more of Category A; it's got great margins" and the Sales guys would respond "the market wants Category B, and doesn't care about our margins!"

Later, I observed that some companies invest fortunes in R&D, Marketing, and brand building, while others “lay low” and focus on responding to customer-driven product development. It seems that both types of food manufacturer can be successful.

So to what extent does a food manufacturer create demand, vs. respond to the marketplace?

Today, activists accuse evil food companies of developing unhealthy goods, then coercing Americans into over-indulging via Marketing. And industry pundits such as Bob Messenger respond that the industry simply responds to what consumers want, and that we have a hard enough time figuring that out.

So who is right?

I know that some of you have given this a lot of thought over the years (Rick? Brian? Alan? Daryl?). So how about it? Are there some fundamental truths about demand that shape your actions? Send me some answers and other thoughts, and we’ll share them over the next few months. Not just for laughs, but to help each other gain new ways of thinking about these issues.

I look forward to hearing from you!

AND FINALLY, A WORD ABOUT INSIGHT

What if you could suddenly see a clear picture of your key account business?

- all operator accounts by chain/group and broker market
- what they’re buying from you and your competitors, including volume, price and distributor
- timing and results of broker sales calls
- percent of total volume and broker commissions represented by your key accounts

Could you use this insight to make decisions about how to direct your brokers’ efforts? Would you better understand which of your key account contracts are delivering for you? Would you benefit from being able to see who is making the calls and getting the results?

The Shamrock Group offers a management process that provides all of this insight and more. The Comp-Trax system takes tons of shipment data and turns it into actionable sales tools for your salespeople and brokers via an interactive format. The tool provides critical sales information such as operator data, competitor product information, match-up products and distribution detail.

Manufacturers who use Comp-Trax are understanding their key account business on a whole new level, and taking the guesswork out of strategic and tactical decisions. They're also doing a better job of maximizing compliance on their contract business, building new volume and improving the return on their contract investments.

Sound like something you can use? Give me a call or email, and we'll fill in the details for you.

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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