

# FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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### **REDISTRIBUTION UPDATE: “RDC Revisited”**

Lately I’ve been reading reports from Sysco’s Annual Shareholder’s Meeting and related conference calls, as well as talking with people who participated in a special Analyst’s meeting and tour of the Front Royal, VA RDC. In case you’ve missed it, below are some choice pieces of information, along with my comments.

But before we talk about the RDC, I can’t ignore this quote from Richard Schnieders, Sysco’s Chairman, CEO and President: “Our vision is to become the global leader of the efficient, multi-temperature food product supply chain. We will be able to move a case, or multiple cases, of food and related products from points anywhere in the world more effectively than any other company.” Sysco went on to say they will be significantly expanding their international presence, including procurement, and has people in China (and no doubt elsewhere) establishing business relationships.

From my perch in the middle of what used to be the center of the world’s automotive manufacturing industry, these words signal the beginning of major change for the foodservice business. The next several years are going to bring unprecedented, excruciating, and much-needed change to North American auto manufacturers, their suppliers, and the millions of people whose livelihoods depend on them, as we finally adapt to the realities of a world economy.

How hard is it to envision a large share of our non-perishable foodservice products being sourced overseas in the coming years?

More on this in coming issues...

Sysco has acknowledged that the Front Royal RDC startup ran into some snags which compelled them to slow down the ramp-up schedule. The issues ranged from the need to standardize pallet patterns among the 14 OpCo's, to "internal and external cultural changes." The target throughput of 300-400,000 cases per day, which they had hoped to reach in early 2006, is now looking more like a June 2006 number.

BUT - a lot of the other numbers are looking very good indeed. Mr. Schnieders told the analysts "we continue to see better operational efficiencies than we expected. We feel very, very good about the long term prospects of the RDC and the national supply chain initiative." Sysco reports a reduction in inbound freight cost of 20%, a reduction in handling costs of 8%, and a reduction in truck unloading time from 2-3.5 hours down to 20 minutes.

Sysco's operator customers will soon have access to twice as many products, available within 48 hours, as ever before. The combination of better service and a lower cost-to-serve is sure to drive sales and share growth for Sysco.

And Sysco remains "on plan" for the rollout of the RDC program, having broken ground in Alachua, Florida and is in the final stages of choosing a third site in northern Indiana or southern Michigan.

So it is clear that this initiative will continue to pick up steam in the months and years ahead. And while there have been bumps in the road, I'm sure Sysco is learning and will apply their newfound knowledge to each succeeding RDC they open. For Sysco's suppliers, it's time to get on board or get left behind.

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If you'll be attending the FSMA Top2Top Conference in February ([www.top2toponline.com](http://www.top2toponline.com)), you can learn much more at "The Future of Redistribution" workshop. Mike Duggan of Dot Foods and I will be presenting facts and fielding questions in what promises to be a lively session. I hope to see you there.

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Franklin Foodservice Solutions has been helping manufacturers get more from their redistribution programs since 1996. E-Mail us ([dave@franklin-foodservice.com](mailto:dave@franklin-foodservice.com)) to receive a copy of our article "Does Your Redistribution Program Address These Realities?"

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"There is no growth without loss; there is no change without loss; and there is no loss without pain."

-Rick Warren, Author, "The Purpose Driven Life"

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**THIS MONTH'S FEATURE ARTICLE:** "Are You a Screen Manager?"

A colleague calls them "Screen Managers." They are the Manufacturer Regional Managers who are armed with more data at their fingertips than we could have dreamed of, even five years ago. With the ability to call up the smallest detail about sales by product and by distributor, this year vs. last year and plan, they have a whole new level of information to analyze and react to.

But this technology has also provided the ability to reduce communication between RM's and Sales Agencies to a series of emails.

"Why is Category A down 8% at Sysco?"

"Where do you stand on new product placement targets?"

"How many presentations did you make on Product X?"

It seems that "firing off an email" from the laptop or Blackberry has become the preferred method of "communicating" with the local market representatives.

Don't get me wrong, I think the surge in the amount of data available in foodservice, as well as MOST of our new technology, is a great thing. There is no doubt that all of this is allowing Sales Managers to work a lot smarter.

But the truth is, emails are a poor substitute for a good 5-10 minute telephone conversation. And pointed inquisitions based on the minutiae of the business are no substitute for spending time in the marketplace, seeing and hearing the world that your Sales and Marketing Agencies live in every day. It's what Tom Peters called "Management by Walking Around."

So if you think "you just might be a screen manager," think about a New Year's resolution that says once per day, you'll pick up the phone instead of emailing. Or once per month, you'll spend an extra day in the marketplace, just absorbing what is going on with your agencies, distributors, and operators. And when you do, chances are you'll gain a little bit deeper understanding of what's going on with your business, and become a more effective manager as a result.

**AND FINALLY, A WORD ABOUT "OPTIMIZATION"**

Earlier this month, I had the pleasure of presenting an on-line "Webinar" via Instill, called "Getting SKU Rationalization Right." The response from attendees shows that we're on the right track in identifying the recurring problems that surround these projects, and addressing them head-on. It's also encouraging to see the interest in a software tool which will guide the process and facilitate analysis, decision-making, and communication.

One point I like to make is that these projects should not be called "SKU Rationalization," but rather "Product Line Optimization" projects. A SKU, after all, is nothing but a numeric code; your PRODUCTS, on the other hand, are the very embodiment of what your company is all about. It's important to recognize and acknowledge that these "things" we're reviewing represent a significant investment in company dollars, and effort on the part of all departments. Even if some have reached the end of their useful lives, giving them the respect they deserve will help keep Marketing and Sales on the same page with Operations and Finance.

Speaking of which, we kicked off the presentation with a quick "cartoon" which illustrated some common themes around these projects. You can have a look, and download a copy if you like, at:

[http://www.franklin-foodservice.com/ProductLineOptimization\\_000.html](http://www.franklin-foodservice.com/ProductLineOptimization_000.html)

It could make a nice holiday gift from Marketing to your favorite Operations guy, or vice-versa!

And if you missed the webinar but would like to see and hear the presentation, you can do so at:

<https://instillevents.webex.com/instillevents/onstage/tool/record/viewrecording1.php?EventID=277408159&Rnd=0.21329990243291164>

Finally, you'll be hearing more from me in early 2006, as the initial version of the software becomes available. It's going to provide a turn-key approach to optimizing your product line, cutting loads of time out of the process and helping everyone deal with the same information to reach the best conclusion. Please think about whether you'd like to get a sneak preview and provide your feedback.

I hope the coming weeks will provide some time for you to relax, enjoy your family, and get recharged for the new year. Thank you for reading, and we'll be back in touch soon.

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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](mailto:dave@franklin-foodservice.com)

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