

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:

“What is Sysco Up To Now?”

FEATURE ARTICLE:

Distributors: “Partners” or “Drayage?”

A WORD ABOUT “THE NUMBERS”

NOTICE: BACK ISSUES OF FOODSERVICE MARKETING INSIGHTS, ALONG WITH OTHER ARTICLES AND REPORTS, ARE NOW AVAILABLE FOR DOWNLOADING IN .PDF FORMAT FROM OUR WEBSITE (http://www.franklin-foodservice.com/free_resources.html)

REDISTRIBUTION UPDATE:

“What is Sysco Up To Now?”

When Sysco announced their initiative to build and operate up to 8 Regional Distribution Centers, I have to admit I was skeptical.

First, Sysco Headquarters has sometimes been critical of redistribution, although most if not all of their Operating Companies take advantage of it on a regular basis. Second, the move smacked of the old Alliant attempt, wherein manufacturers were essentially forced to put all of their volume through Alliant’s Regional DC’s (and pay a hefty fee), regardless of the impact on the manufacturer’s cost. Finally, I expected Sysco to take a heavy-handed approach with their suppliers, demanding instant compliance and dictating the cost, with an implied “sign up or else” message.

So far, it looks like I was wrong.

With the size and scope of their operation, Sysco clearly has the opportunity to streamline order management and reduce logistics costs throughout the supply chain via redistribution. They also recognize and communicate all of the intangible benefits that can flow from improved inventory management and shorter response time to changes in demand.

What I have seen and heard from many of you suggests that Sysco is attempting to provide benefits for their suppliers as well as their customers and themselves. "Everyone in the Supply Chain Must Benefit" is one of the key messages. They are working one-on-one with manufacturers to help them understand the cost-reduction opportunity, as a means of establishing prices into the RDC's.

And they are definitely taking a "slow but steady" approach, already delaying the planned opening of their first DC, rather than rushing ahead and risking a black eye before they have a chance to prove the concept.

Yes, there will be demands placed on manufacturers, including use of the EFS network, case UPC labeling and pallet license plating, and standardized pricing. But as we've pointed out before, these are "legitimate" demands which will ultimately benefit all parties, and should be addressed as such. This is the type of customer-driven initiative that will likely drive more change in the next few months than the EFR initiative has since its inception.

So I believe Sysco is on the right track, and is very likely to achieve excellent results given their past performance and pragmatic approach to this initiative. And Sysco's suppliers stand to gain as well, provided they take the time to understand all of the costs and savings potential inherent in their Sysco business, and reflect it in their pricing and programs.

If you would like to discuss your company's approach to the Sysco RDC program, or any other redistribution topics, please feel free to call me - there is never any charge for kicking around ideas!

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?"

"Even if you're on the right track, you'll get run over if you just sit there."
- Will Rogers

THIS MONTH'S FEATURE ARTICLE:

Distributors: "Partners" or "Drayage?"

In 25 years of working for and with foodservice manufacturers, I have seen a wide range of attitudes toward distributors. My first company was one of the first to push their national brand, while refusing to pack distributor-label products. They were deliberate about fighting distributors every step of the way in negotiating programs, and were not particularly concerned that their reputation was rather poor in the distributor community.

Later, I spent a few years with a company that would pack virtually any distributor's or buying group's label, participate in most distributor marketing programs, and send Region Managers and Headquarters people to work every food show. They enjoyed very favorable relationships and an excellent reputation among distributors.

You won't be surprised to hear that both companies were successful, and continue to be today. And I think you'll agree that today, there is still no clear-cut "right or wrong" approach to distributor relationships. In fact, this uncertainty over the distributor's value to the manufacturer clouds many of your day-to-day marketing decisions, and is behind a lot of the ill will and acrimony that exists between the manufacturer and distributor communities.

So I'd like to use this newsletter as a forum to share points of view about this issue over the next several months. Here are three questions which I encourage you to think about, and respond via email (respondents will never be identified in this publication):

1. What, if any, distributor marketing program(s) have provided tangible growth for your company? We're not talking about "defensive spending" or "keeping them off your back," but examples of distributor activity driving new business. If the answer is "none," we'd like to hear that as well.
2. When you have disappointed a distributor by refusing to participate in a program (or spending at a lower level than they demand), how has their response hurt your business? In other words, short of throwing out your line, how do actions such as "moving you to the back of the book" or "de-emphasizing" impact your volume?
3. What are three requirements that a distributor absolutely has the right to expect a manufacturer to meet, and what are three typical demands that are completely unfair?

This is not intended to be a "Foodservice Rumors"-type chat room to swap war stories. Rather, I intend to develop a framework you can use to evaluate your distributor relationships, and a tool for deciding how (and how much) to invest in distributor support. Your taking a few minutes to chime in is the first step - thank you.

"Dave DeWalt has been a tremendous asset to me and my company. His problem solving ability has helped me to complete my projects on time and under budget. He has produced high impact results for me on more than one occasion"

-VP Sales, Major Foodservice Manufacturer

AND FINALLY, A WORD ABOUT "THE NUMBERS"

At the very real risk of sounding like a broken record, I continue to be amazed at the amount of time and energy that companies spend "working on the numbers."

Whether it's the big long-range plan, the annual budget, the endless updating and adjusting of the annual budget, or the monthly explanation of why reality didn't match the numbers, it is too much! All of the Marketing and Sales people I work with get sucked into this activity far more than they like. What's worse, getting higher on the corporate ladder just means less time for marketing and sales activities, and more time crunching and re-crunching the numbers.

Every business needs sales projections to drive purchasing, production planning, and myriad other resource-allocation decisions. But when being an expert on the numbers becomes more important than being an expert on the marketplace, the customers, and the products, something is wrong. And if working the numbers means people do not have the time to work with customers and products, there is an ever-increasing chance of MISSING the numbers.

Scott Adams wrote that "any activity that is one level removed from your people or your product will ultimately fail or have little benefit. It won't seem like that when you're doing it, but it's a consistent pattern." I would substitute "customers" for "people" and say that Scott is right on the money. Oh, by the way, Scott Adams is the creator of "Dilbert;" maybe not a business guru, but certainly a shrewd observer of the way companies work.

My solution? Do what you need to do at “numbers time,” but insulate as many of your best people as possible from the process, so they can do something that will really make a difference in your business results.

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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