

# FOODSERVICE MARKETING INSIGHTS

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From Franklin Foodservice Solutions and Dave DeWalt

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

Historically speaking, the concept of which customers to serve via redistribution was pretty simple. As a manufacturer, you counted on redistributors to get your product into “small distributors.” This included customers who could not reach your minimum, as well as those whose small order size drove high cost-to-serve.

As a distributor, you relied on redistributors to supply “slow movers.” Even if you were a large broadliner, there was a subset of your product line which was better purchased in small quantities on a weekly basis, albeit at a higher price than if you purchased directly and tolerated slower turns.

So manufacturers generally segmented their distributors into “large-order/direct” customers and “small-order/redi” customers. Small-order distributors could source the manufacturer’s entire line from the redistributor. And while a distributor might occasionally switch between direct-sourcing and redi-sourcing, this was more the exception than the rule.

But the winds of change are blowing. The Sysco RDC network is being established not to handle slow-movers, but to handle the highest-volume product lines in the most efficient manner. As they become acquainted with the benefits of redistribution from the Front Royal RDC, the Northeast OpCo’s are showing new interest in outside redistribution as a source for non-RDC lines.

There are also manufacturers reconsidering the large order/small order segmentation of their business. Some are exploring the economics of putting all of their slowest-moving products into redistribution, and encouraging ALL of their distributors to buy them there. Large-order distributors would get fast-movers directly from the manufacturer, while small-order distributors would continue to get everything from the redi.

It's too early to draw conclusions, but it seems likely that the landscape of redistribution will change in the coming years. The many permutations of customer size, order size, product lines, SKU's and volumes offer many possibilities as manufacturers and distributors seek to optimize their supply chains via redistribution.

Franklin Foodservice Solutions has been helping manufacturers get more out of their redistribution programs since 1996. Visit our website ([www.franklin-foodservice.com](http://www.franklin-foodservice.com)) to read and download any of our newsletters, white papers, and articles about redistribution.

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"Fairness is not an attitude. It's a professional skill that must be developed and exercised." - Brit Hume

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### **THIS MONTH'S FEATURE ARTICLE: "Fairness"**

There was a day when manufacturers hired broker agencies to be their territory experts. It was understood, or at least hoped, that the people at the agency had broad and deep knowledge of their local marketplace. The agency was entrusted with the responsibility to convert this knowledge into sales volume.

Nobody else could possibly know the structure and segmentation of the operators in an entire state, including the personalities and preferences of the decision makers. So the manufacturer would present overall strategies and new product plans, which the broker would convert into localized tactics and action plans. Manufacturers adopted the old golfer's axiom: "Don't ask how, just ask how many!"

But as growth has slowed and margins have shrunk, many manufacturers have wanted to better understand the value they receive from their broker agencies. They've demanded more information about the sales calls being made on their behalf, including how many, with which operators, and what results were achieved. Providing sales call data to all of the major principals adds significant non-selling time to the agency's workload; an agency executive would be well within his rights to question whether and how this data is used on the other end.

On top of this, many manufacturers are now in the business of specifying target accounts within an agency's territory. Billback data, operator buying groups, and purchased directories are just a few of the sources of "prospect lists" which may be presented to the local agency. Again, an agency executive could be excused for seeing this practice as an affront to his market knowledge.

But from the manufacturer's perspective one hears, "I'm paying the bill, so I'm entitled to have some say in how my money is being spent!" Also an understandable point of view.

As long as manufacturers and agencies are going down this road together, it seems there ought to be a shared understanding about the process. Allow me to suggest a few rules:

#### **MANUFACTURERS:**

- Figure out up front what you will do with agency call reports, communicate it to your agencies, and stick with it. If they're not being analyzed and used to build your business, have the decency to excuse your agency from providing them.

- If you're providing target operator lists, solicit and listen to input from your agency. Accept that in some cases, what looks like a hot prospect to you is already known as a non-starter to your agency. Work together to pare down the target list to qualified prospects and a few cold calls.

- Be realistic about the number of targets and calls. Recognize that your agency has other principals to serve, as well as his own business objectives.

#### **AGENCIES:**

- Be open to discussing operator targets. Get used to using a data-driven approach to managing your sales efforts. Explain patiently where you know you'd be wasting your time, but acknowledge that even an old dog can learn new tricks from time to time.

- Be thorough in providing and discussing call results. Only by providing complete information can you hope to foster a shared understanding of your market's opportunities and risks with your manufacturers.

- Practice saying "no" when appropriate. It's a difficult conversation, but a wise manufacturer will prefer knowing what will and won't be done, vs. a halfhearted commitment followed by a lukewarm effort.

There is nothing inherently wrong with manufacturers taking these initiatives, as long as it's done intelligently. And there's nothing wrong with agencies insisting on having input, as long as it's not perceived as an inability to take direction.

Using a fair-minded approach, all parties should be able to agree on target operators, amount of call activity, and how shared call data will be used to help build the business. After all, that's the whole point of this, right?

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### AND FINALLY, A WORD ABOUT "SPECS"

In the world of contract management, a lot is riding on a manufacturer's ability to "match specs." The contract feeders, buying groups, and government agencies spend countless hours developing detailed product specifications before requesting price bids. Then people at each bidding supplier need to interpret the specs and determine which of their products fit the bill, then hope that the buying committee sees it the same way. All of this is set up to ensure consistency as buyers move from supplier to supplier over time.

But is it really important that "SAUSAGE BREAKFAST LINKS SKINLESS 16/1 12# PP" from one manufacturer be compared to an exact match from another? For the Buyer, yes. For the Unit Manager, maybe.

But what about the schmo who wanders into the breakfast buffet?

For him, the substitute for breakfast sausage links might be breakfast sausage patties, or maybe ham or bacon. Or the substitute might be an extra scoop of scrambled eggs, a donut, or maybe some yogurt or fresh fruit. Or even last night's cheeseburger, fries, and three beers, making breakfast optional.

At some level, in the food business "everything is a potential substitute for everything else." And I think the typical consumer would be shocked at the amount of effort and maneuvering that goes into determining what choices appear on his menu, or what he is served at a banquet. And I'm sure that most of the specifications used by R&D, Marketing, and Purchasing people to describe products bear little resemblance to the way consumers perceive them.

What does it all mean? I don't know. But I'm betting that smart operators and manufacturers will someday figure out a better way to interpret how consumers make food choices, and develop a new way of specifying the products that meet their needs.

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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)