

FOODSERVICE MARKETING INSIGHTS

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

Volume 5, Issue 2
February, 2007

IN THIS ISSUE:

REDISTRIBUTION UPDATE:

“The ABC’s of Cost Avoidance”

FEATURE ARTICLE:

“So THAT’s Foodservice Marketing!”

A WORD ABOUT “IGNORANCE”

REDISTRIBUTION UPDATE:

“The ABC’s of Cost Avoidance”

(Reprinted from October 2005)

A couple of weeks ago, I was discussing redistribution programs with an executive from a mid-sized food company. He had an excellent grasp of the value of redistribution, as well as a healthy respect for the need to fully understand his cost avoidance opportunity before committing to a program.

As typically happens, this company was able to quantify their freight costs, even to the point of understanding how costs can be driven up by small shipments. So far, so good. But when it came to Order Management costs, the conversation took an interesting turn.

We kicked around estimates of the number of orders currently being processed, and how far that number might be reduced with an effective redistribution program. Then we got into how a reduction in Order Management activity would translate into actual cost savings. Because he had a very small but effective Customer Service and Billing department, it was unlikely that there would be any kind of headcount reduction, even if the number of orders handled were cut in half.

Some people would leave it at that, declaring that “without a headcount reduction, redistribution does not offer a cost-avoidance opportunity for us!” Others would wish for a sophisticated Activity-Based Costing analysis to determine the total cost for managing an order, so that they could have the comfort of dealing with a “real number” before making a decision.

But my friend was perceptive enough to recognize that all activity drives cost, and that elimination of activity must mean elimination of the cost associated with that activity. This holds true even in the absence of a headcount reduction, but more importantly it holds true even in the absence of a sophisticated ABC system to prove it!

My point is that too often, we rely solely on “the numbers” to make decisions. And if our accounting systems are not capable of producing the numbers we want to see, in the manner we want to see them, it can be easier to dismiss an idea than to trust our common sense as a guide.

We’ve written before that a wise company will figure out how to redeploy the resources that are freed up when a redistribution program is launched. But even without a formal change in job descriptions, there is no denying that a shift in activity will bring about a shift in costs. Recognizing this and reflecting it in your redistribution program calculations should be easier than ABC.

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

“I never get the accountants in before I start up a business. It’s done on gut feeling, especially if I can see that they are taking the mickey out of the consumer.

-Richard Branson

THIS MONTH’S FEATURE ARTICLE: **“So THAT’S Foodservice Marketing!”**

Last month I posed the question, What IS Foodservice Marketing, Anyway? Among the responses, I’ve chosen three that provide different perspectives, with my comments below:

1. “I feel strongly that foodservice marketers have to be supporting the sales team to sell their product. To do so requires marketing people to get out in the field and understand the objections first-hand. The value proposition must be simple and meaningful. I would always put the marketer to the same test as sales. When a customer pushes back, what do they say? Good old-fashioned role-playing will flush this out.”

Dave's Comment: When I look back at 15 years as a foodservice marketer, I'm ashamed at the lack of time spent in the field. In hindsight, setting an objective of getting out once per quarter was a joke. It's a safe bet that the majority of foodservice marketers rarely if ever see "their" products being sold, delivered, stored, handled, prepared, served, and cleaned up, in a variety of foodservice operations. A steady dose of that would surely result in more and better product innovation than we see today.

2. "Webster defines marketing as 'the total of activities by which transfer of title or possession of goods from seller to buyer is effected, including advertising, shipping, storing, and selling.' Most if not all foodservice companies do not regard their sales representatives, method of distribution and customer service as part of their marketing initiative. They mistakenly look at trade spending and advertising in their own little marketing world. New wave companies will look at the total experience of producing and getting products to market."

Dave's Comment: Right on. Invariably, the work I do with foodservice manufacturers serves to build links between Marketing decisions and Supply Chain realities. It's tough enough to keep Sales and Marketing on the same page; to get them thinking about physical distribution is a real challenge. But what was true when Webster was writing definitions remains true today - they are tightly linked and should be treated as such.

3. "The most important function of foodservice marketing, in our view, is to help management to think of their company not as a group of products or services or functions or territories, but rather as a portfolio of customers. This requires a fresh mindset that:

- Recognizes that customers are the only source of profits
- Understands that each customer's profitability or unprofitability - and the reasons for it - are critically important to creating winning value propositions
- Realizes that obtaining and analyzing this information (which used to be overwhelmingly difficult) is now practical
- Champions a marketing and sales approach that organizes around customers and customer segments

We believe the coming revolution in foodservice marketing will occur as technology empowers manufacturers to transform into customer centric organizations delivering anticipated, relevant and personal benefits to their most valuable customers/customer segments."

Dave's Comment: Tiger Beaudoin of Foodservice Rewards weighed in with that last one. I like his advice to stop thinking in terms of product categories and geography, and to start measuring results by customers and customer types. This is the way distributors think about their business, and it would probably do us all a world of good to get better aligned in this area. You can read more on this topic at the Foodservice Rewards blog, www.rewardlicious.com.

AND FINALLY, A WORD ABOUT "IGNORANCE"

When you're immersed in the foodservice industry, it can be shocking to see the ignorance that many people have about our business.

At dinner tonight with two other couples, I was explaining the kind of work I do on behalf of foodservice manufacturers. Somebody asked, "isn't organic food really better for you?" To which I replied, "what does 'organic' mean?"

The answer was something like "you know, it was raised without chemical fertilizer, isn't pumped full of hormones, doesn't use artificial ingredients, and stuff like that!" We went on to talk about the lack of a standard of identity for words like "organic," and "natural," but how this uncertainty didn't seem to slow down the public's demand for foods with these labels.

Then I read an on-line article about independent restaurants in Naples, Florida banding together in the face of increasing penetration by national chains. They are working together to promote the importance of supporting local restaurants, citing among other reasons the fact that much more of the dining-out dollar remains in the local economy.

No argument here, but what caught my eye was the responses posted by other readers, for instance:

"Foodie" said "I eat at both types of places, with a definite preference for the Mom and Pop places. Difference is many folks, after the first visit to a chain, keep coming back, because the chain can viciously undercut a local restaurant, just by incredible volume buying, and access to frozen Sysco type corporate foods loaded with all sorts of stabilizers, preservatives, and scary sounding chemicals, whose names and identities never make it to the menu."

“Factsnotfictionplease” chimed in with “This is the time for these people to do this. Before the chains get set. It will be pretty expensive for the chains to get supplies compared to other locations. The Sysco truck likes to be full. And doesn’t anybody notice that Sysco food isn’t all that great, and definitely overpriced. That’s why they call it institutional food.”

Huh?

If nothing else, this is a sobering reminder that operators, distributors, agencies, and manufacturers face an uphill battle in maintaining a positive perception of our business. It’s not that consumers need to be well-versed on the intricacies of product development or the foodservice supply chain. But if self-styled experts can be so misinformed, we’d better not take for granted that our new products and marketing messages will be well-received.

Maybe we need to find a better way to tell the foodservice story!

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

© 2007 David A. DeWalt. All rights reserved.