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## **Foodservice Marketing Insights**

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It's been a busy month around here, with coast-to-coast travel, a broker agency share group meeting, and a visit to the ISSA Show in Las Vegas. And of course, lots of project work with our client friends. It feels like most people have shaken off (or adjusted to) the economic reality of our times and once again we're feeling a good, positive buzz when we're out on the streets. We like it!

Thanks for reading, and as always, let me know what you think. [Tell Dave](#)

***Dave***

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## "Cleaning Up"

We just got back from the International Sanitary Supply Association (ISSA) InterClean Show in Las Vegas. It's the "NRA Show" of the cleaning industry, featuring manufacturers of chemicals, supplies, and disposables, and attended by distributors, wholesalers, and operators.

We've had the opportunity to work with manufacturers and wholesalers in this channel for the past 10 years, and are struck by the similarities, differences, and "overlap" with the traditional foodservice channel.

Like Foodservice, this is mostly a "Business to Business" marketing and selling environment, which stops short of the consumer. So while the household brands such as Lysol, Clorox, and Rubbermaid are prominent, there are hundreds of successful competitors selling brands which are familiar only to distributors and operators.

And like Foodservice, products flow from Manufacturers through Distributors to Operators (often called "Contractors" in the Jan-San world). Redistributors (usually called "Wholesalers") play an important role in consolidating supply and demand to improve the efficiency of the supply chain. And many of the products are consumable if not edible (think chemicals, trash can liners and paper goods), adding a high-velocity component in addition to the more durable supplies such as floor pads and mop buckets.

Yes, there are Buying Groups, Private Labels, and many levels of Sales and Marketing required to navigate the channel. Most manufacturers go to market via "rep firms," the equivalent of Foodservice broker agencies which are paid on a commission basis.

Unlike Foodservice, there are several Wholesaler Redistributors who have national coverage capability to offer manufacturers. And there are several dozen local and regional Wholesaler Redistributors who do a great job of serving the Jan-San distributors in their markets. I sense that this difference contributes to a somewhat more chaotic redistribution environment than we see in foodservice. While the more sophisticated Jan-San manufacturers have a coherent redistribution strategy, there are many whose strategy seems to be "put our products out there in as many wholesalers as possible, and see what happens!"

And the Jan-San Distributor community is much more fragmented than the Foodservice Distributor community, with no dominant national companies like Sysco and US Foods. Perhaps it's no coincidence that the Rep Firms are not yet consolidating the way many Foodservice agencies have.

The Jan-San industry is very seriously focused on environmental issues, including reducing toxicity of cleaners, eliminating landfill waste, and ensuring sustainable forestry practices for paper suppliers.

But we're most fascinated with the opportunities represented by the "overlap" in the Jan-San and Foodservice channels. Many Jan-San manufacturers sell their products to both Jan-San and Foodservice distributors (and many more want to). Some Foodservice broker agencies have formed separate divisions to specialize in Non-Foods, and many more are taking a hard look at the opportunity to clean up by adding these product lines to their portfolios.

One thing is for sure - selling jan-san products is NOT just a matter of throwing a few spray bottles in the sample bag and banging on doors. There is a huge product-knowledge learning curve involving technical specifications, proper usages and amounts, safety issues, and much more. So the successful jan-san salesperson must have at least as much product expertise as a foodservice salesperson, if not more.

We're working with people in all areas of both businesses, and plan to put together a framework for understanding how and where the two channels intersect.

So it will be interesting to see:

- whether Jan-San rep firms can be successful calling on Foodservice Distributors
- whether Foodservice Broker Agencies can be successful calling on Jan-San Distributors
- who will work with Foodservice Operators....and Jan-San Contractors
- if Manufacturers will have separate Sales and Marketing organizations for the two channels
- if this industry will follow Retail and Foodservice, and go through consolidation in the coming years

If you've got an opinion on any of this, or if you want us to keep in touch as we develop our framework, [click here](#) to let us know and we'll keep the discussion going. And don't forget to wash your hands before lunch!

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## **"The Beat Goes On"**

We also had a great Broker Agency Share Group meeting last month on Sanibel. Along with enjoying some island seafood and fishing, we had a very spirited and productive discussion about the outlook for the Foodservice Agency industry.

As always, there are those who feel the consolidation and regionalization movement will inevitably lead to creation of one or more national foodservice agencies, probably in the near future. And there are others who feel it cannot and will not happen in Foodservice as it has in Retail.

But there is general agreement that whether or not the national model becomes reality, many manufacturers have looked at the "fewer, larger brokers" concept and have decided to take a pass. In reality, it seems that there are two dozen or so manufacturers who have wholeheartedly embraced the regional agency model, leaving hundreds if not thousands of others who have rejected it, adopted a "wait and see" attitude, or have not been invited by the regional agencies to play along.

Now many, but not all, of the manufacturers who have adopted the regional agency model are the large principals who have historically been coveted by broker agencies. Their brands, high volume, and significant commission dollars made them the cornerstones of many agencies' portfolios.

But their move to regional agencies does not mean there are only table scraps left for the agencies who choose to remain independent, and focused on their traditional local markets.

Rather, the traditional agencies can benefit from:

- reorganizing to suit their internal needs, not just those of their giant principals
- offering improved focus on what used to be "B and C" manufacturers
- amping up the marketing of their OWN company's brand, not just manufacturer brands, to the Operator, Distributor, and Manufacturer communities

No matter how the dust settles on the "National Foodservice Agency" question, our Group is more bullish than ever on the future of the independent foodservice agency.

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## **"Small Orders, Big Problems"**

***"We used to have a lot of Less-than-Minimum orders, but we don't accept them any more."***

That's a common refrain from Customer Service Managers whenever we talk about Total Cost to Serve for various order sizes. And it's also fairly common that once we dig into a year's worth of shipment data, we find hundreds of thousands (or even millions) of pounds of orders shipped in Less-than-Minimum (LTM) quantities.

Other manufacturers openly admit that they either do not have a Minimum Order policy, or that it exists "on paper only," and is never enforced.

But whether your smallest orders are intentional or are sneaking through the system, there is no doubt that they are costing you a lot of money. In fact, our work routinely shows that the cost of a manufacturer's smallest orders is over 4 times as much per pound as their Truckload orders. This is driven by the high cost of expedited or LTL transportation, as well as additional warehouse labor and the fixed cost of Order Management spread over very few pounds.

Once they are aware of the issue, many manufacturers are challenged to identify which customers are submitting the LTM orders, and whether they represent an occasional exception or an ongoing abuse of the system. We've developed a process which quickly helps companies categorize the types of LTM orders they receive, and recommends action steps to reduce the frequency and cost of these orders without volume risk.

If you're interested in learning more, block out **2:00 pm Eastern time on Wednesday, November 16th**. We'll be presenting a Webinar hosted by Answers Systems which explains our approach. You can register to attend by [clicking here](#). If you can't attend the webinar but are interested in learning more, [click over HERE](#) and we'll get in touch.

There are certainly times when it makes all the sense in the world to accept an LTM order from a good customer. But just as certainly, there are many LTM orders which are probably costing far more than you know. We can help you understand the difference, and put more dollars on your bottom line.

Thanks for reading!

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