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## **Foodservice Marketing Insights**

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This final newsletter of 2011 is a whopper. Along with our usual project work, we've been immersed in some really big opportunities and issues. And it all just sort of came spilling out when I sat down to write this morning!

If you've got a fair-to-middlin' business in Canada, you'll be interested in learning about MarketWest and their unique approach to sales and distribution in the Great White North. If you've got a Supply Chain, we call your attention to a good book and an interesting discussion in our Foodservice Supply Chain Share group. And if you've ever thought about the notion of a national foodservice broker agency, you're going to have a front-row seat to see how it all shakes out.

So grab a beverage, throw a log on the fire, and sit down with your favorite foodservice marketing newsletter! Then go enjoy your holidays and we'll start it all up again next year.

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

*Dave*

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# Oh, Canada?

If you've got a healthy but smallish foodservice business in Canada, it's possible that your sales and fulfillment costs are too high. With many distributors spread across a vast territory and more small orders than large ones, most U.S. manufacturers are forced to spend a lot of money to serve this market effectively.

In addition to transportation and warehousing, there are all of the administrative costs associated with processing orders, clearing customs and calculating foreign exchange rates, not to mention managing brokers.

Of course, there are U.S. manufacturers who have built large and robust businesses in Canada, with dedicated plants and people.

But there are other manufacturers who maintain a presence in the Canadian foodservice market, while treating this business almost as an afterthought. And occasionally they wonder:

- Is it worth investing to try to grow it?
- If it grows, will it just lead to more complexity and even higher costs?
- Can it possibly be as profitable as our U.S. business?
- ...or should we just leave well enough alone?

(Hint: the correct answers are Yes, No, Maybe, and No!)

There is a growing and proven solution emerging, and for the right type of U.S.-based manufacturer, it can provide new life, growth, and profitability from the Canadian market.

MarketWest is a sister company to a national foodservice broker agency (yep, it was already working in Canada) which functions like a full-service redistributor. They pick up products at U.S. manufacturing plants and pay in U.S. dollars. Then they take the product through customs and to one of their company-owned warehouses. From there, MarketWest takes responsibility for selling, taking orders, and shipping combined loads on a weekly basis to all Canadian foodservice distributors. And like any good redistributor, they provide full detailed reporting of all sales data back to the manufacturer.

MarketWest handles all of the billing and collecting, as well as payment of all programs and allowances. These costs are built into the MarketWest price to the customer, so they are "taken off the books" of the manufacturer.

**Unlike a pure redistributor, MarketWest also provides nationwide sales representation at the operator level. And because of this link between Sales and Distribution, there are no competing lines in their program.**

It is essentially a turn-key approach to the Canadian Foodservice Market, and for the right type of manufacturer, MarketWest opens up new growth and profit opportunities. The manufacturers in the MarketWest program get a streamlined business operation and a clear view of profits from their Canadian business.

Interested in learning more? [Click here](#) and I'll contact you to learn a little about your Canadian business. Then we can determine together whether it makes sense to arrange a conversation with MarketWest.

If you're worried about your profits going south, maybe it's time to look to the north!

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## **The New Supply Chain Agenda**

A few months back, a member of our Foodservice Supply Chain Share Group tipped me off to a book of the same name. The authors make a compelling case that Supply Chain excellence is not only a driver of improved profitability, but is in fact THE driver of shareholder value.

They then put forth Five Steps to achieving excellence, and illustrate their points with real-life case studies involving companies they have helped. And while the book is by no means focused on the food industry, you will find that most if not all of the concepts have direct application to our business.

For example:

On SKU Rationalization: "Most firms ignore slow-moving and obsolete SKU's, sometimes for years. (Our case study company) installed a monthly process to remove underperforming SKU's, writing off small amounts regularly versus large amounts under duress."

"Controlling SKU's is like eating liver. At some point, you have to stop moving it around on your plate and just dive in."

On linking Supply Chain with Sales and Marketing: "Sales had little regard for manufacturing or supplier capability, and the supply people often ignored sales forecasts, which they felt were essentially fictional."

"Sales managers need either to involve the supply chain group in the customer negotiations or to fully understand the cost impact of agreeing to specific methods of storage and delivery."

"Operations, supply chain, sales and marketing should be held equally accountable for customer service and inventory."

On "Speaking the Language of the CFO and Board:"

"If the supply chain organization wants the resources to make supply chain improvements, it needs to translate it into how it affects economic profit."

"The supply chain organization should look for simple forms of communication to make the work it does come alive for the CEO, the executive team, and the board. It needs to show the clear relationship between supply chain initiatives and shareholder returns."

We invited Dr. J. Paul Dittman, one of the authors, to "sit in" on a conference call of our Foodservice Supply Chain Share Group. The topic was "Downstream Collaboration," or the notion of sharing Supply Chain Strategies, forecast data, and ultimately cost savings between manufacturers and customers.

Paul acknowledged that while most companies recognize the inherent value in collaborating with trading partners, there are very real barriers which make it difficult to achieve. Our group shared their experiences in working with customers and suppliers, and the general consensus is that while some gains have been made, there is still a lot of opportunity for improvement in this area.

So I put the question to Foodservice Marketing Insights readers - have you tried supply chain collaboration with your trading partners? If you'd like to participate in a 5-minute survey about your experiences and results, [click here](#). Those who participate will receive a report of our findings.

And if you'd like to order The New Supply Chain Agenda, you can [click here](#) and get it in time to stuff in your favorite Supply Chain Manager's stocking.

Finally, if you'd like to learn more about our Foodservice Supply Chain Share Group, [click here](#) and we'll give you a call.

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*"We accept the verdict of the past until the need for change cries out loudly enough to force upon us a choice between the comforts of further inertia and the irksomeness of action."*

-Judge Learned Hand

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## **Now What?**

We in the foodservice industry have been speculating for years about whether a national foodservice broker agency could ever exist. As regionalization and consolidation became reality, the question for many became not "if," but "when?" And with Friday's announced formation of Advantage Waypoint LLC, the question becomes "Now What?"

Before we get ahead of ourselves, the press release says nothing about a "national agency." Thirty minutes of research suggests that the individual companies do not have 100% coverage of the US, and that there is in fact some geographic overlap. And nothing has been said about standardizing the principal lists to eliminate conflicts.

But even the most skeptical must admit that the entry of Advantage Marketing into the foodservice arena signals a groundbreaking change in our industry. ***It's the end of the world as we know it. But it certainly isn't the end of the world.***

*Will all of the major foodservice manufacturers flock en masse to be represented by Advantage Waypoint, leaving all of the independent agencies high and dry?*

I don't think so. We only need to look at the relatively small handful of manufacturers who embraced regionalization to understand that most rejected it, or at least tried to remain on the sideline.

*Will a national foodservice agency tell a compelling story about standardization, cost reduction, economies of scale, and best practices which can't be matched by independent agencies?*

Of course! I certainly would if I were in their shoes.

*Is this the end of the independent agency?*

If any independents keep their heads in the sand and pretend that they can continue to get by on a smile and their grandfather's business model, their days are numbered. But those who take this opportunity to rethink their business and play to their unique strengths will reap the opportunity of escaping the "commodity trap" which has characterized the industry for too long.

At long last, clear competitive lines have been drawn. We're no longer wallowing in uncertainty and speculation. May the best agencies win!