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Very sorry to be so late with this monthly newsletter. A combination of a heavy travel schedule, some computer issues, and a technical screw-up on my part have pushed us to the end of the month. Thanks for your patience, and your October issue will be back on schedule around the 15th.

Thanks for reading, and as always, let me know what you think. **Tell Dave**

Dave

"We learn the rope of life by untying its knots." - Jean Toomer

"A Gordian Knot"

Gordon Food Service (Grand Rapids, MI) recently went very public with plans for their new warehouse in Kenosha, WI. They asked the Michigan-based agencies (with whom they have a long history) to provide sales support in Wisconsin and the Chicago market. Then they suggested to their suppliers that once they begin making shipments into the new warehouse, they should pay broker commissions to the Michigan agencies, rather than their traditional Wisconsin agencies. All of this was summarized in a carefully-worded letter to the agencies and suppliers.

Not surprisingly, this letter is a source of consternation among broker agencies in the upper midwest, as well as the manufacturers who must decide how to respond.

While the use of a formal letter to make their wishes known may be unprecedented, the attitudes and practices behind it most certainly are not. To wit:

-large distributors typically expect local agencies to provide one or more "dedicated" sales people; many agencies comply with these wishes

-some large distributors attempt to influence their suppliers' agency representation decisions, based on the distributor's perceived level of support from the various local agencies. Indeed, many manufacturers seek input from their distributors when considering an agency change

-over the years, many distributors have enlarged their geographic footprint, making shipments to operators in neighboring states and spilling into adjacent broker agency markets

-despite traditional definitions of broker agency territories based on zip codes or county names, most manufacturer/agency agreements are based on which distributors are assigned to each agency

-Gordon successfully pursued a similar strategy a few years ago, when they opened a DC in Ohio to better serve the operators who had been taking delivery from Grand Rapids

So one can argue that GFS is merely formalizing an arrangement that had been in place for years, whereby Michigan agencies get paid for volume shipped into a neighboring market. Or one can argue that this is a heavy-handed attempt to force suppliers to make representation decisions that are favorable to GFS, giving GFS a competitive advantage in building share in the Wisconsin market.

I've heard opinions ranging from "what Gordon did is just plain wrong," to "they're driving a wedge between manufacturers and their agencies," to "it's a bold move, and you can bet every other distributor is watching."

The Foodservice Sales and Marketing Association has issued a legal opinion, asserting the manufacturers' right to choose their own agency representatives without undue influence from any customers.

Who is right?

a. Everyone

b. It doesn't matter

After thinking and talking about this for the past few weeks, I've concluded that this is no more or less than another move in a series of decisions that are reshaping the foodservice agency's world. Some manufacturers have encouraged adjacent independent agencies to merge. Some agencies have taken it upon themselves to join forces to offer regional (and perhaps someday national) representation. And some distributors work, either invisibly or openly, to influence decisions to their own advantage.

At this point, it's a Gordian Knot that can't be untied, or a Rubik's Cube of moving parts and endless permutations, with no simple explanation or clear outcome.

But it's becoming easier to imagine a day when the traditional manufacturer-distributor-broker agency relationships no longer make sense. I'll have more to say about that in the coming months.

Until then, fasten your seatbelts - we're all in for a bumpy ride.

"If I Had $10,000"

Last month, I posed the question, "If you had $10,000 to spend in a local market to build short-term volume, how would you spend it?" I provided a link to a quick survey, and 21 of you responded.

Here's a summary your responses:

-5 said "let the agency decide"

-4 said "spend it with an LLO"

-3 said "use it for a DSR spiff"

-2 votes were cast for "BSR Spiff;" 2 for "Other Distributor Promotion;" 2 for "Focus Operator Segment Promotion;" and 2 for "Other Operator Program"

-1 voted for "Distributor Marketing Program"

What can we conclude from all of this?

Obviously there is no clear winner, there is lots of uncertainty, and as always manufacturers feel the need to cover all of the bases. And despite the widespread complaint that "product quality and relationships don't matter anymore - it's all about the money," there's apparently no surefire way to goose volume with money.

Or maybe, those who know the secret just aren't talking!

"Purchasing Pain Points"

Next month, I'll be attending IFDA's Distribution Solutions Conference for the first time. While the Conference is put on by the Distributor Association, I understand it is well-attended by manufacturers as well. It looks like a great opportunity for all parties to get together to discuss Supply Chain issues and opportunities, absent the usual supplier-customer tensions.

In fact, I've been asked to conduct a workshop on "Top Purchasing Pain Points." Distributors are identifying the major problems they encounter with inbound logistics, and "roundtable teams" of manufacturers and distributors will work on potential solutions together.

If you've never attended this conference, I suggest you check it out at **IFDA Distribution Conference**.

And if you're coming, please let me know and we'll set up time for a cup of coffee - I hope to see you there!