

CASE STUDY – FOB Price Requests

A large dairy cooperative used a national bracketed delivered price list. As freight costs increased, they began receiving many requests for “FOB Pricing” from large customers who wished to consider picking up products at plants or forward warehouses.

The client had been addressing these requests on an ad hoc basis, and wished to develop a consistent process for:

- Evaluating FOB Pricing Requests
- Determining which to pursue
- Calculating FOB prices
- Establishing appropriate Order Policies, and
- Communicating to Sales, Internal Departments, and Customers

They were rightfully concerned about the impact of converting delivered volume to pickup volume, especially around the issues of:

- Losing the freight subsidy from close-in customers who help fund deliveries to more distant customers
- Establishing a precedent which would encourage additional FOB Price/Pickup requests

Working with Sales, Marketing, and Supply Chain, Franklin Foodservice established a “Funnel” process which parsed requests based on Customer Type, Volume, New vs. Existing Business, Distribution Channel, and SKU’s and Locations. Acceptance Criteria were communicated with Sales so they would know which requests to reject themselves, and what conditions must be met for acceptance by Marketing and Supply Chain.

We then developed two processes for calculating FOB prices, depending on whether the request came from a new customer or existing customer.

Finally, we created templates for:

- FOB Price Requests
- Rejection communication
- Acceptance and Terms communication
- FOB Price List

The result is a consistent and defensible process for dealing with FOB price requests, a reduction in the number of requests handled by Marketing and Supply Chain, and an FOB Price/Customer Pickup policy which is financially sound.

