

## CASE STUDY –Bracket Pricing and Redistribution Strategy

A mid-sized foodservice bread and bun bakery was considering entering a redistribution program. They were concerned that their current pricing practices would not support a successful redi program due to the complexity of their price structure, which included:

- FOB plus Freight price quotes
- 4 geographic zones
- 3 price brackets based on number of pallets
- Price premiums based on number of cases per pallet

The bakery was also uncertain about the relationships between distribution costs and prices across various order sizes and zones.

Franklin Foodservice Solutions was hired to analyze the current volumes, costs, and prices by zone and order size in order to recommend:

1. A streamlined price structure which would cover costs and incent efficient orders
2. A redistribution program including the redistributor's outbound pricing practices

Following our "Total Fulfillment Cost" and "Direct vs. Redi" methodologies, we were able to recommend a new price structure and order policies which included a standard Delivered Price List for each Zone and an increased order minimum.

We also recommended a redistribution program which specified:

- target order sizes for the redistributor
- redistributor pricing practices
- an allowance which was financially attractive to both the manufacturer and redistributor

In addition, we "left behind" our Direct vs. Redi model which allows the manufacturer to calculate the P&L impact of changes in:

- customer order patterns
- switching from direct to redi service
- the redistribution allowance
- price premiums

Our client was successful in implementing both the new price structure and redistribution program, and has reported better-than-expected results from both.

