

# FOODSERVICE MARKETING INSIGHTS

The Online Newsletter for Foodservice Marketing Professionals  
From Franklin Foodservice Solutions and Dave DeWalt

Volume 3, Issue 10  
October, 2005

---

## ***IN THIS ISSUE:***

### **REDISTRIBUTION UPDATE:**

“The ABC’s of Cost Avoidance”

### **FEATURE ARTICLE:**

“The Painless Price Increase”

### **A WORD ABOUT “REWARDS”**

---

### **REDISTRIBUTION UPDATE:**

“The ABC’s of Cost Avoidance”

A couple of weeks ago, I was discussing redistribution programs with an executive from a mid-sized food company. He had an excellent grasp of the value of redistribution, as well as a healthy respect for the need to fully understand his cost avoidance opportunity before committing to a program.

As typically happens, this company was able to quantify their freight costs, even to the point of understanding how costs can be driven up by small shipments. So far, so good. But when it came to Order Management costs, the conversation took an interesting turn.

We kicked around estimates of the number of orders currently being processed, and how far that number might be reduced with an effective redistribution program. Then we got into how a reduction in Order Management activity would translate into actual cost savings. Because he had a very small but effective Customer Service and Billing department, it was unlikely that there would be any kind of headcount reduction, even if the number of orders handled were cut in half.

Some people would leave it at that, declaring that “without a headcount reduction, redistribution does not offer a cost-avoidance opportunity for us!” Others would wish for a sophisticated Activity-Based Costing analysis to determine the total cost for managing an order, so that they could have the comfort of dealing with a “real number” before making a decision.

But my friend was perceptive enough to recognize that all activity drives cost, and that elimination of activity must mean elimination of the cost associated with that activity. This holds true even in the absence of a headcount reduction, but more importantly it holds true even in the absence of a sophisticated ABC system to prove it!

My point is that too often, we rely solely on “the numbers” to make decisions. And if our accounting systems are not capable of producing the numbers we want to see, in the manner we want to see them, it can be easier to dismiss an idea than to trust our common sense as a guide.

We’ve written before that a wise company will figure out how to redeploy the resources that are freed up when a redistribution program is launched. But even without a formal change in job descriptions, there is no denying that a shift in activity will bring about a shift in costs. Recognizing this and reflecting it in your redistribution program calculations should be easier than ABC.

Franklin Foodservice Solutions has been helping manufacturers get more from their redistribution programs since 1996. E-Mail us ([dave@franklin-foodservice.com](mailto:dave@franklin-foodservice.com)) to receive a copy of our article “Does Your Redistribution Program Address These Realities?”

---

“It is not because things are difficult that we do not dare; it is because we do not dare that they are difficult.”

- Seneca

---

### **THIS MONTH’S FEATURE ARTICLE:**

#### **“The Painless Price Increase”**

Wouldn’t it be nice to institute a price increase of say, 3.5%, and see your revenue increase by 3.5% for the same volume in the next month? It never happens.

From the moment a pending price increase is announced, Sales Managers and Sales and Marketing Agencies begin to dread the process of “selling it in.” Distributor buyers begin to practice their objections, delaying tactics, and tricks of the trade which reduce or minimize the planned impact. And Finance tries to guess how much of the planned increase will actually “stick.”

Then the next 6-8 weeks are spent in explanations, negotiations, threats, and fighting off ill will, while very little new business is being established.

But I believe many manufacturers are missing the boat when it comes to tools to build revenue. There may well be a “painless price increase” hidden among the many processes that take place between the establishment of product prices, the negotiating and documentation of special deals, and the final collecting of receivables.

Because there is a long sequence of processes which cross many departmental boundaries both inside and outside of headquarters, there is a very high potential for “leakage.” And while most people recognize that the price actually collected often differs from the price that is expected, it seems no one has the time to find and plug the leaks.

We have prepared a Foodservice Price Management Audit Template, which will guide the user through all of the steps from development, approval, and documentation through order acceptance, invoicing, and collecting. It helps manufacturers trace what is going on with all of their various types of prices, such as branded/national, contract prices, formula prices, and bids. And it is likely to help you find the dollars that are being lost due to disconnects among the various departments and processes.

The beauty of cleaning up your price management processes is that it’s much harder for a customer to argue against sound business practices, than to argue against your rationale for a price increase.

So before you drag everyone through another price increase, why not take a little time to beef up your price management processes to help make it stick? Or pick one type of pricing where you suspect you’ve got problems, and do a quick diagnostic to identify the size of the opportunity?

You can have a look at the Foodservice Price Management Audit Template by going to:

[http://www.franklin-foodservice.com/free\\_resources.html](http://www.franklin-foodservice.com/free_resources.html)

...and scrolling down to the link near the bottom. If you’d like to discuss this opportunity further, give me a call or an email - I’ll be happy to help you out.

---

“Dave provides strategic thinking borne of years of experience from working with various companies, along with hands-on implementation ability.”

- Vice President, FS Sales

---

## AND FINALLY, A WORD ABOUT “REWARDS”

Sometimes it seems like there's nothing new in this business, and that the business-building opportunities today are the same as they were 10 years ago. That's not true...many of the tactics we see today are the same ones that were in use 20 years ago!

But I recently became aware of a fairly new program which uses technology to strengthen the link between manufacturers and operators, in a way that wasn't possible even 5 years ago. It's called “Foodservice Rewards™” and if you haven't seen it, you should check out their website at [www.foodservicerewards.com](http://www.foodservicerewards.com)

I'll leave the sales job to the Foodservice Rewards™ people, but here's what intrigues me about their program:

- The manufacturer's spending goes directly to operators who buy his product, and cost is directly related to actual volume
- The operator has a hassle-free way to redeem his points for premiums, using the Foodservice Rewards™ website
- If the manufacturer wants to, he can include DSR's in the program

Perhaps best of all, the system provides the manufacturer with solid information about the operators who are buying his product, as well as a means of communicating to both buying and non-buying operators. And that capability alone makes it worth a look.

I understand that Foodservice Rewards™ manages their program to prevent competing lines from participating at the same time, so some companies may be “shut out” at the moment. But you really should take a few minutes to become familiar with this program as a potential business building tool for the future.

---

Foodservice Marketing Insights is intended to share ideas and stimulate your thinking about current topics affecting your business. Your comments, criticisms, ideas and questions are all welcome, addressed to [dave@franklin-foodservice.com](mailto:dave@franklin-foodservice.com)