



KEY FOODSERVICE CHALLENGES

There are no such things as problems. There are only opportunities.

Few Foodservice industry practices are as deeply entrenched as trade spending. Blacksmith Applications' recent work with a number of manufacturers identified major challenges and describes what leading manufacturers are doing to overcome them.

“Our findings confirm what the industry already knows – there are tremendous opportunities to improve the return on investment relative to trade dollars,” said Tina Wefer, Senior Product Manager, Blacksmith Applications. “The critical path forward for all manufacturers begins with executive-level commitment to take action and begin realizing those savings. The entire industry has accepted the status quo for far too long – the industry benchmarks shine a bright light into a very dark corner and provide the basis for justifying a new and improved trade ROI.”

Many manufacturers are dissatisfied with trade spending, with many describing it as merely “a cost of doing business,” and as “tolls” or “greens fees.” However, leading companies are doing more to drive results by specifying performance requirements in return for dollars. These leaders are also distinguishing themselves through their product and customer value-based approach to trade promotion, reflecting the knowledge that not all customers or products are created equally, nor should they be treated as such.



Are you prepared to handle these?

Three of the emerging challenges on the immediate horizon are:

- **Conditional Shelter Rates** – Driven to maximize profits, manufacturers are turning to shelter arrangements that exclude or ‘pull back’ large operator account volumes from the gross available purchases of their distributors. Additionally, the U.S. Foodservice initiative for system-wide ‘blended rates’ will be closely monitored by the industry and may become the new template for all distributors to simplify their earnings and accrual calculations.
- **Pricing and Promotion Integrity** – As the industry continues to consolidate, distributors and operators alike, will place a greater emphasis on auditing manufacturer pricing and promotional rates to identify opportunities across their enterprises. Manufacturers will find themselves under pressure to justify the depth of their discounts and provide a logical methodology to support their decisions.
- **Redistribution** – Continuing to pursue greater supply chain efficiency, redistribution will continue to grow as an extension of the distribution network. In addition to defining process steps to maintain the integrity between direct and redistribution pricing, manufacturers will find themselves under pressure to deploy more discipline into their regional pricing practices. Manufacturers will be forced to develop new policies to address issues with off-invoice allowances and earned income exception rates vis-à-vis corporate and local shelter earnings. Manufacturers will be forced to normalize their Delivered and FOB prices for all SYSCO locations within the RDC delivery area to insure integrity across the RDC service area...this will eventually spill over to include an assessment of similar pricing practices for USFS, PFG, FSA, Reinhart, Shamrock and others.

Would you like to learn more about how Blacksmith Applications can help you overcome challenges to your trade spending processes?

For more information on how Blacksmith Consulting Solutions can help you better manage your business, please contact Tina Wefer, Senior Product Manager, Blacksmith Applications, at 312-981-6381 or twefer@bigredflame.com.

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