



2005 IFDA SALES & MARKETING CONFERENCE

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**STRATEGIES FOR A**  
**Successful Future**

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# Maximize Resources to Maximize Sales:

*How Distributors and Manufacturers Can Most  
Effectively Utilize Resources to Drive Sales*

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*Speaker:*

**Deb Winter**

**Vice President, Foodservice  
Federated Foodservice**

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# Building a Working Relationship with the Local Broker



# OBJECTIVE OF THIS SEMINAR

- Understand the Broker from the Broker's Point of View
- Establish Realistic Expectations
- View the Broker as a Resource
- Build a Relationship that helps you to succeed



# BROKER RELATIONSHIPS

- Unrealistic expectations?
- How can you maximize support offered?
- When should you ask for in-house representation?
- Where should the broker be spending the most time - Purchasing? Sales? Marketing? Operator?



# BROKER RELATIONSHIPS

- **Expectations, Intent and Benefits**
- **Understanding the Foodservice Broker**
  - Financially
  - Operationally
  - Strategically
- **Broker Realities**
  - Competing for Resources
  - Where you stand
  - Getting fair share
- **Discussion/Q&A**
- **Ideas/Recommendations**



# WHAT ARE EXPECTATIONS FROM DISTRIBUTOR

## Accountability

Broker should share successes with lines

- Responsible for supplying POS to DSR's
- Ride-with days should be established along with Sales Meeting
- Follow Up - Be prompt and precise with follow through  
Communicate pertinent information to the proper people  
(Sales - Purchasing - etc)
- Make requested calls to end-users in a timely manner
- Attend and participate in Food Shows
- Actively Solicit new business on lines stocked
- Prepare product demonstrations for Sales Team and Operators

## Accessibility/Responsiveness

Be available and reachable



# WHAT ARE EXPECTATIONS FROM DISTRIBUTOR

## Consulting

Both with sales and purchasing department so that product flows out of warehouse

## Communication

Update Distributors on new lines, new items, market conditions

Share Supplier Information - what resources are available - share how to use these resources to sell product

## Confidentiality/Respect

Respect our house rules



# FROM THE SUPPLIER...

## WHAT ARE EXPECTATIONS FROM SUPPLIERS:

- New Item Introductions to End-Users
- Helping Sales Force move cases
- Sales Meetings to Sales Force
- Food Show Representation
- Keeping them aware of competitive issues
- To build relationship with distributor
- For every one call to distributor - expected 20 calls per week to distributor's customer



# FROM THE SUPPLIER...

- What can a distributor do to make time more productive? **Communicate and Listen**
- What are your expectations of the broker at an account? **Improve profitability, secure new distribution, sales training, etc.**
- **Overall job description:** The broker is the sales and marketing extension of the manufacturer in the respective market. Many suppliers today empower the brokers to make 90% of all decisions in their specific market on pricing and marketing budgets.



# FROM THE BROKER...

- Most represent 70+ lines
- Time with distributors -
  - It's always a matter of money
  - If the distributor has potential also a factor
  - Distributor unorganized - takes additional time
- Many distributors require sales meetings, foodshows, ride-withs
- “Distributors seldom respect the broker’s time - or efforts on their part - as we try to do our job - the phones are ringing - we are sitting - harried reps, CSR issues, warehouse guys asking questions, all these things happen while you sit there waiting to talk to someone and lose your train of thought.”



# FROM THE BROKER...

- The Manufacturer expectations are very high due to the competitive climate -
- Manufacturers expect NO wasted time at all - new items sold on every call - tons of operator calls (and of course only that Manufacturer represented)
- Reports on regular basis on what was sold to whom - and why - Top 10 targets - Top 10 operator accounts - who you expect to sell - who you stopped selling and why.
- “Job is very stressful - it seems I’m never in the right place a the right time. It is quite the juggling act.”



# QUOTES FROM THE BROKER ON TIME DEMANDS...

- “A BSR has 100-120 days per year in the field to sell.”
- “My sales reps receive 30-35 voice mails per day.”
- “My objective is to keep people selling.”
- “A manufacturer or a distributor can take you off plan very easily.”
- “40% of our time is unproductive.”

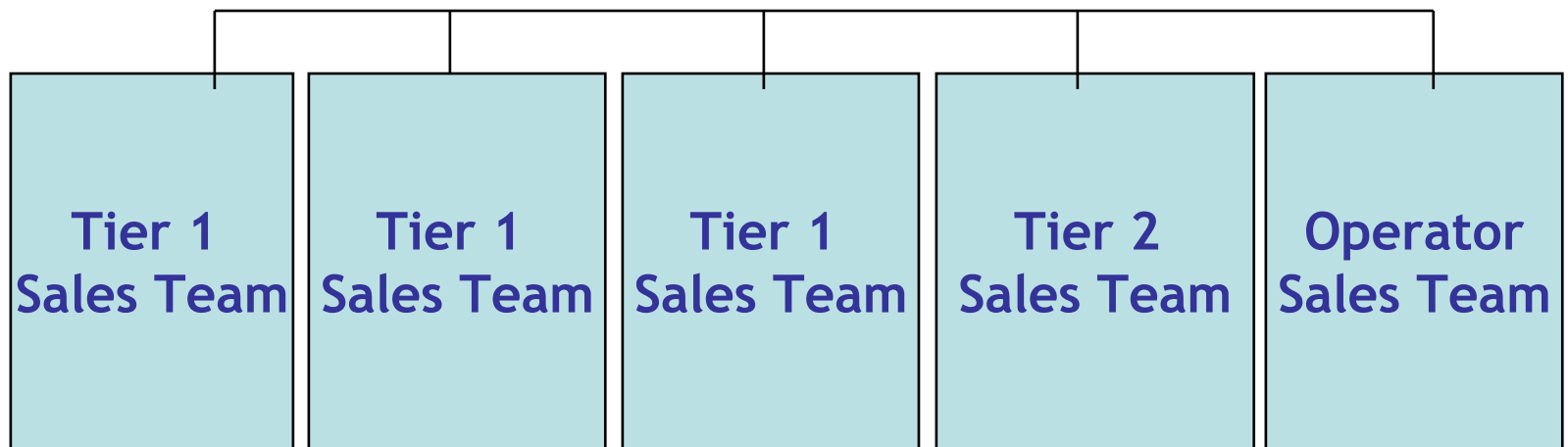
# The Intent of a Food Service Broker

- **Hired by Manufacturing Companies to Promote/Market Products in Specific Geographic Territories**
  - Distributor Training
  - Large Operator Contracts
  - Order Processing
- **Compensated as a Cost of Sales by the Manufacturer Based on Commissionable Sales in Respective Territory**
  - Avg. cost of sales - direct: 8.1%  
broker: 5.3%

# Advantages of a Food Service Broker

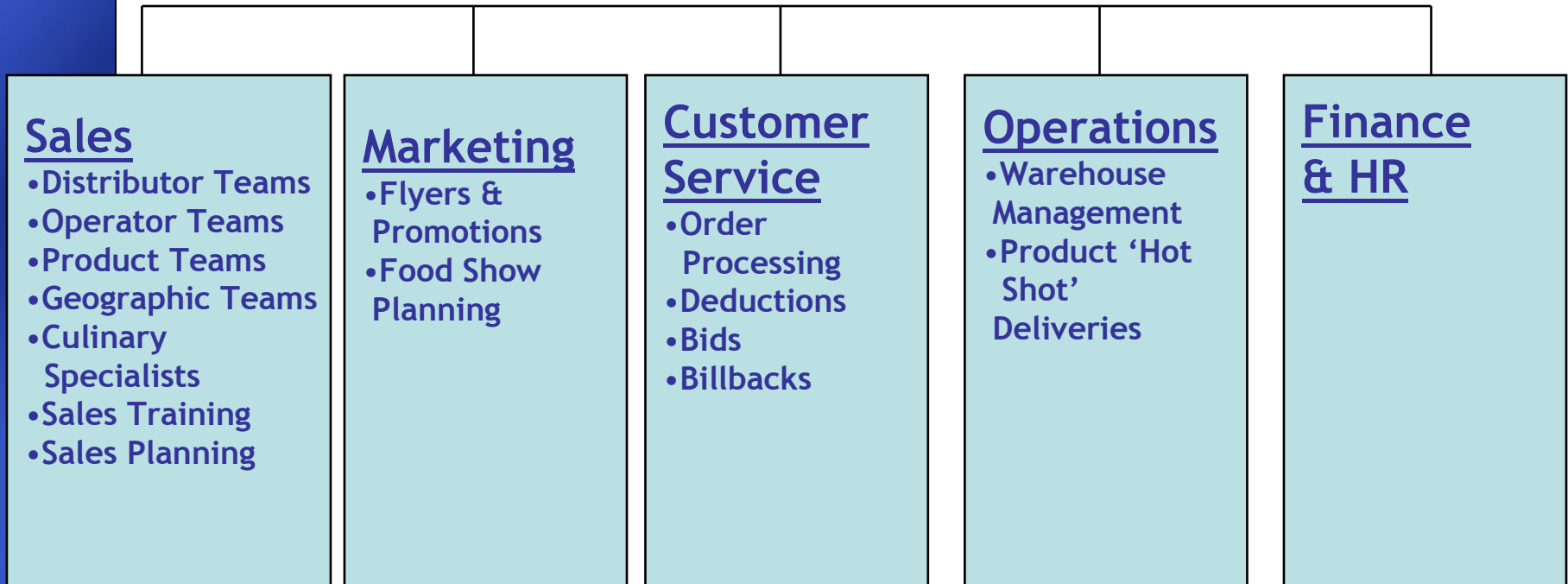
- Fixed Percent Cost of Sales
- Local Knowledge and Experience
  - Average Foodservice Manufacturer Rep: 2 yrs experience
  - Average Foodservice Broker Rep: 5 yrs experience
  - Average Broker Owner/Principal: 15 years food service experience

# How a Typical Broker Goes to Market



- Sales Volume: 30-35%      30-35%      25%      5-8%
- Sales Coverage: 30%      30%      25%      5%      10%

# How a Typical Broker is Structured

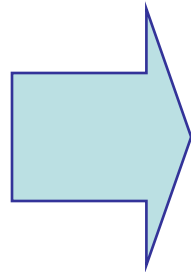


# Factors Effecting the Brokerage Community

- Manufacturer Consolidation is Causing Unprecedented Line Movement Amongst Brokers Over Recent Years - Reduced Income
- Creating large Manufacturers representing many lines

# Factors Effecting the Brokerage Community

- More operator work
- More execution
- More reporting
- More time demands



**Lower Commissions**

# Factors Effecting the Brokerage Community

- **COST TO DO BUSINESS**
  - EDI - Additional cost to brokers when distributors do not support
  - Additional Administrative Overhead Required
    - Call Reports
    - Deduction Management
    - Sales Planning
    - Avg. Sales to Support Ratio    '96 3:1    '04 1.5:1
  - Reduced Compensation Rates
    - - Dropping 2-3% per year

# What Can You do to Get Your Share of a Broker's Resources

- Project Focused Efforts Against New Sales Opportunities (Win-Win)
  - Short-term targeted initiatives
- Utilize Broker for Sales Training on Core Product Lines - Set a plan at quarterly/semi-annual review
- Utilize Broker Facilities (test kitchen, samples)
- Build a Top to Top Relationship Based on Trust with the Broker Ownership

# Understanding the Broker

- Financially
- Operationally
- Strategically

Understand what they're doing and understand why

# Understanding the Broker

## Financially

- Brokers are in business to make money
- Brokers are in a service business, with limited capital investment and very few capital assets
- Revenues are derived almost entirely from commissions
- Expenses are associated primarily with personnel providing sales, marketing and administrative functions

# Broker P&L

Expense	Range	Average
Salaries	51-75%	60%
Benefits	1-12%	4%
Office	5-9%	7%
Automobiles	2-8%	5%
Communication	1-3%	2%
Technology	1-5%	2%
T & E	2-6%	4%
Insurance	1-3%	2%
Advertising	1-3%	2%
Miscellaneous	2-8%	5%
<b>Total Expenses</b>		<b>94%</b>
<b>Net Income</b>	<b>0-12%</b>	<b>6%</b>

# Understanding the Broker Financially

## Issues

- Pressure on Bottom Line even with Sales Growth
- Growth Opportunities through line additions are limited due to conflicts and usually leads to diminishing returns
- Growth Opportunities are limited by geography
- Centralized Purchasing Can be a threat
- National Account Contracts
- Changing Distributor Territories
- Commission Cuts
- Administrative Demands Increasing

# Understanding the Broker

- Financially
- Operationally
- Strategically

Understand what they're doing and understand why

# Understanding the Broker

## Operationally

*Need to provide basic functions for Manufacturers and Customer Base and still devote resources to growth opportunities and improvements in efficiency and technology*

### Basic Functions

- Distributor Support
- Sales and Marketing
- Administration
- Customer Service

# Perception of Agency Time Allocation

<u>Activity</u>	<u>Mfr. Perception</u>	<u>Reality</u>
Sales planning and execution	86%	52%
Tracking & accountability	6%	16%
Customer svc and order entry	3%	17%
Market information	1%	3%
Internal management	4%	12%

# Allocating Resources

- Brokers use an average cost of a sales call (\$200-\$300, depending on broker and market)
- Each call results in an average number of presentations (product sampling)
- Broker calculates dollars available by average cost of a presentation to determine the approximate number of presentations the principal is entitled to

# Understanding the Broker

The Operation of a Brokerage Company is all about  
Resource Allocation

- Distributors
- Manufacturers
- People
- Systems

# How to be Successful Utilizing the Local Broker

- Establish Realistic Expectations
- View the Broker as a Resource and Partner
- Build a Relationship that helps you to succeed
- Communicate your needs and expectations





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