Collaboration Works!

IFDA Peck Fellowship Year 3 Report on Distributor / Manufacturer Collaboration Pilot Results

Dr. Richard J. George
Professor of Food Marketing
Haub School of Business
St. Joseph's University

IFDA
international foodservice distributors association

About International Foodservice Distributors Association (IFDA)

When U.S. consumers sit down to eat in one of the nation's nearly one million foodservice locations, the food on the plate—and possibly the plate and tableware—has been brought there by a foodservice distributor. IFDA is the trade association representing foodservice distributors throughout the United States and internationally. IFDA members include broadline, systems, and specialty foodservice distributors that operate more than 700 distribution facilities with combined annual sales of more than $110 billion, delivering food and other related products to restaurants and institutions. From your local pizzeria or burger shop to a favorite Italian or white tablecloth restaurant, from nursing homes and hospitals to military mess halls and college campuses, our members help make "eating out" possible.

About The Peck Fellowship

In 1986, the National-American Wholesale Grocers' Association (NAWGA) established an endowment in recognition of the achievements of retiring NAWGA President Gerald Peck to support teaching and research in food wholesale management. The Peck Fellowship has evolved to a series of three year appointments of Food Marketing Professors from Saint Joseph's University in Philadelphia, PA, to contribute to the understanding of distribution as it relates to food retailing and foodservice. The current Peck Fellow, Dr. Richard J. George, is concluding a stream of research in the foodservice industry exploring the distributor-manufacturer relationship.

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Collaboration Pilot Participants

Collaborator	Company
David Bentancourt	Ben E. Keith Foods
Jim Kinnerk	ConAgra Foodservice
Troy Small	Glazier Foods Company
Brendan Foley	Heinz North America
Jim Spencer	Jordano's
David Stansfield	Pate Dawson Company
Jim Spatola	Performance Foodservice
Bob Crawford	Perkins
Mark Eister	Rich Products Corporation
Don Davis	Sara Lee Foodservice
David Rizley	SCA Tissue
Alan Hasty	Sysco Corporation
Roger Toomey	UniPro Foodservice, Inc.
Don Gilligan	UniPro Foodservice, Inc.
Jack Carlson	UniPro Foodservice, Inc.
Dan Van Eerden	Van Eerden Foodservice Company

Acknowledgements from Dr. Richard George

I am particularly thankful to the executives of the various foodservice channel members noted above who took the time to participate in the nine-month collaboration pilot that is discussed in this report. Their knowledge and insight into the business were matched only by their passion for the industry. In addition to their leadership during the collaboration pilot, their thoughtful responses to the in-depth survey provided valuable insight into the collaboration model as well as the distributor/manufacturer relationship. Their views of the future provide the substance for a discussion of changes needed to enhance this relationship going forward.

Additionally, the support provided by the International Foodservice Distributors Association (IFDA) and the International Foodservice Manufacturers Association (IFMA) staffs and executive boards to encourage key foodservice executives to engage in the collaboration pilot provided the impetus for moving from "talk to action." In particular, the efforts of Britt Wood of IFDA were critical in keeping the participants focused and insuring that key deadlines were met. The professional "red pen" edits of this report by Terri Breslin make for easier reading. The funding and support of the Academy of Food Marketing at Saint Joseph's University for the Peck Fellowship made this research possible. It has been my pleasure to serve as the Peck Fellow for the past six years; three years with the Food Marketing Institute (FMI) and the last three years with IFDA. The research and the accompanying six reports have allowed me to engage in the entire food channel, namely, food retail and foodservice. I have met terrific, talented people throughout this great industry and have been both honored and humbled to serve. Thanks to all.

INTRODUCTION

This report shares the results of a collaboration pilot project between foodservice distributors and manufacturers that took place between January 2011 and December 2011. This includes an explanation of how this work fits into a three-year research effort under the Gerald E. Peck Fellowship. The International Foodservice Distributors Association (IFDA) was awarded the Fellowship in 2009 and partnered with the food marketing department of Saint Joseph's University to conduct a research project on the distributor - manufacturer relationship in foodservice. Richard J. George, Ph.D., professor of food marketing, was selected as the Gerald E. Peck Fellow.

The contents of the report are as follows:

The Qualitative Findings, which make up a significant portion of this report, are the responses to a written interview to capture lessons learned from distributor and manufacturer executives who participated in the collaboration pilot. These responses can provide valuable insights for distributors and manufacturers about the commitment requirements and the benefits to both trading partners that can be achieved by greater collaboration.

Previous IFDA Peck Fellowship Research

Success in the foodservice channel is dependent on the presence of high levels of cooperation among channel members as well as high levels of trust and integrity. Large power differences, exploitation of dependence advantages, and low levels of trust and cooperation are a recipe for disaster.

During Year #1 of the IFDA Peck Fellowship, Dr. George conducted in-depth interviews with foodservice manufacturers, distributors, sales agents/brokers, and industry observers. This conversation with leaders in the foodservice industry underscored the fact that current relationships can no longer be viewed as "business as usual."

An important determinant of the health of the foodservice channel will be the strength and dependability of relationships. Measures of relationship health include the following: trust, cooperation versus conflict, direction/degree of interdependence, and relative market power. As noted throughout the initial research and across the various channel players, transparency and trust are the key ingredients. What is needed is an atmosphere of openness and negotiation. It is not enough simply to pay for cases shipped. The new paradigm must focus on developing partnerships.

How do we migrate towards the new paradigm? Engage in face-to-face planning and a sharing of expectations of what the partnership is going to deliver and who does what for whom. In addition, set measurable goals, based on a scorecard approach to what the partnership is achieving. The one universal conclusion is that the time of yearning for yesterday's better days is past. The time for action is now.

The results of the Year #1 work were published in the 2010 report *Perspectives on the Manufacturer-Distributor Relationship: How We Got Here and How to Move Forward Together* is available from IFDA.

That research helped develop an understanding of how the foodservice channel arrived at where it is at the end of the first decade of the 21st century. This understanding led to asking an overarching question of how we move forward together. This Year #3 report, described herein, is a direct follow-up to the question of how the industry can move forward together. In other words, how can we collaborate to improve the effectiveness and efficiency of the foodservice channel?

During the second year of the Fellowship, while developing the collaboration pilot, Dr. George also conducted a national study of the foodservice attitudes and behaviors of mature millennials and mature baby boomers. The Year #2 report, *Mature Millennials v Mature Baby Boomers: Foodservice Attitudes and Behaviors - Similarities, Differences, Opportunities,* was published in September 2011 and is also available from IFDA.

Importance of This Research

The research conducted in year #1 was based on in-depth interviews with 40 foodservice professionals in 34 companies and organizations, representing distributors, manufacturers, sales agents/brokers, and industry observers. The goal of this initial research was to examine the history and current state of the industry as it relates to the distributor/manufacturer relationship. The findings from Year #1 generated the interest in developing a collaboration pilot program discussed herein.

The key findings from the Year #1 report are as follows:

- There is an erosion of “trust” in the system.
- The current model is “broken.”
- A new way of doing things is needed.
- Better defined business strategies and commitment by both manufacturers and distributors are critical.
- The channel requires enhanced transparency, data exchange, and synchronization.
- Manufacturers and distributors need to work more collaboratively.

The overall conclusion was that there is a perceived lack of trust by all channel members. This lack of trust emanates from a lack of understanding. This lack of understanding emanates from a lack of real engagement and transparency.

The research reported herein was designed to address this conclusion. The overarching goal of follow-up research was to establish a standard foodservice collaboration model, namely, one that is easy to understand and implement; simplicity is the key.

DEVELOPING A COLLABORATION MODEL

Keys to Successful Collaboration

In developing the model, it was necessary to identify the keys to successful collaboration. They are as follows:

- This process works only if the partnering organizations start with the alignment of strategic plans within and across partnering organizations.
- The existence of common goals and common measures helps facilitate planning, performance and cross functional teamwork (internal and external) at higher levels than was possible before.
- Broader awareness of goals and measures helps teams focus, eliminates disruptions more quickly and enables strategic development opportunities.
- Technology is an enabler to "common goals, common measures," but people and processes are the keys to success in new ways of working together.

Five Components of the Collaboration Process/Model

1. Understand how your channel partners work.

— Learn their business.
— Visit their facilities.
— Commit to co-prosperity.

2. Agree to share information intensively but selectively.

— Insist on accurate data collection.
— Use rigid formats for sharing information.
— Share information in a structured fashion.

3. Identify and agree to the dimensions of collaboration.

— Information Sharing
— Decision Synchronization
— Incentive Alignment

4. Develop model metrics.

— Choose key desired outcomes.
— Identify measures/metrics.
— Set targets.
— Create action plans for variances.
— Review on a regular basis.

5. Engage in a systematic post-mortem of the results and process.

Going forward, there was agreement on what collaboration is and is not. *It is* a framework for gaining alignment on industry initiatives, a change in business approach and practices, an opportunity for partners to share information about the customer, an opportunity to develop common definitions about success, and an opportunity to develop plans together. *It is not* a stand-alone initiative, a score-carding project, nor is it simply a technical discussion.

Research Design

Foodservice distributors and manufacturers were invited by IFDA and IFMA to participate in the collaboration pilot study. Seven foodservice distributors and seven manufacturers accepted the invitation resulting in seven teams. Attrition reduced the seven teams to five. However, it should be noted that Rich Products Corporation collaborated with four UniPro Foodservice members (Glazier Foods Company, Jordano's, Perkins, and Van Eerden Foodservice Company). With this clarification, the five teams that completed the nine-month pilot program are listed in Exhibit 1.

Exhibit 1 – Participating Pilot Study Teams

MANUFACTURERS	DISTRIBUTORS
ConAgra Foodservice	Ben E. Keith Foods
Heinz North America	Pate Dawson Company
SCA Tissue	Performance Foodservice
Rich Products Corporation	UniPro Foodservice, Inc.*
Sara Lee Foodservice	Sysco Corporation

* *Glazier Foods Company, Jordano's, Perkins, Van Eerden Foodservice Company*

The members of each team were charged with developing the components of the collaboration pilot. The pre-work assignment was as follows:

- Identify the five key items that you believe define a collaborative relationship.
- Once identified, please write the definition you and your company has for that item.
- List at least two metrics you and your company believe could be used to measure that item.
- Describe how you believe this will improve your collaborative relationship.

Please see Appendix A for four examples generated by the pre-work.

Based on the pre-work, the model metrics were developed and scheduled to be measured on a monthly basis over nine months beginning in April 2011 and continuing through December 2011. The metrics were grouped under three headings:

- Sales and Profitability Growth,
- Supply Chain Efficiency, and
- Customer Centric Strategic Business Management.

Measures were taken for the last nine months of 2010 so that performance of the collaboration effort could be compared to the prior year period (April – December 2010 versus April – December 2011) . Exhibits 2 through 4 detail the metrics under each heading. ***See Appendix B for an example of the Excel Worksheet employed to measure sales and profitability growth.***

Exhibit 2 – Sales and Profitability Growth Metrics

– Overall dollar sales with partner
– Number of cases sold with partner
– Profit per case with partner
– Overall profitability with partner
– New item sales with partner
– New item profitability with partner
– Growth comparison: with partner vs. overall market

Exhibit 3 – Supply Chain Efficiency Metrics

– On-time delivery rates
– Fill rates with partner
– Out of stocks with partner
– SKU count with partner
– Purchase order and invoice accuracy with partner
– Late fees
– Unit shipping efficiencies
– Trailer load optimization
– Order lead time
– Order cycle time
– Order changes
– Days of supply

Exhibit 4 - Customer Centric Strategic Business Management Metrics

– Joint plans for assortment or promotional events
– Volume growth with partner
– Lift with partner around promotional events (by promotional event)
– Total lift with partner

QUANTITATIVE FINDINGS

Given the fact that the collaboration pilot was limited to five teams of foodservice distributors and manufacturers, it is difficult to provide statistically significant results. However, the directional results are very encouraging. Not surprisingly, collaboration pilot members were somewhat reluctant to share profitability results. However, the shared results were very encouraging.

SALES AND PROFITABILITY GROWTH:

One of the teams remarked, "The collaboration project appears to have had a positive impact on our overall relationship with this partner and contributed to significant gains in dollar sales (+24% YTD)." As noted by the foodservice distributor involved in this collaboration, "This is what we wanted to accomplish, good and sustainable growth." Another team realized a 16% increase in dollar sales over the nine-month collaboration pilot period.

Most teams reported increases in new item sales with partners. Nearly every team who reported on growth rates with its partner, versus growth rates with the overall market, indicated positive differences between the two metrics. Growth rates reported by these partners during 2011 were, on average, 10 to 15% greater than in 2010 and 10 to 15% higher than overall market growth rates in 2011.

SUPPLY CHAIN EFFICIENCY:

Several of the supply chain efficiency components were either not measured or not reported. Of those that were measured or reported, the results were very positive and are summarized below:

On-time delivery rates: 5% improvement (90 - 95%)

Fill rates with partner: 5% improvement (95 – 98%)

Out of stocks with partner: 15 to 50% improvement

SKU count with partner: no change

Purchase order and invoice accuracy with partner: not reported

Late fees: not reported

Unit shipping efficiencies: not reported

Trailer load optimization: not reported

Order lead time: .5 to 1.5 day improvement

Order cycle time: .5 to 1.5 day improvement

Order changes: slight improvement

Days of supply: no change

CUSTOMER CENTRIC STRATEGIC BUSINESS MANAGEMENT:

Most of the collaboration pilot teams reported that they had a joint plan for assortment with their partner as well as organized promotional events with their partner. The teams that focused on joint planning for assortments and promotional events witnessed positive lift on individual promotions. In addition, the total lift with the partner over the pilot period ranged from modest gains to almost a 20% increase in 2011 versus the same period in 2010.

QUALITATIVE FINDINGS

Upon completion of the collaboration pilot program, participants were asked to participate in an in-depth written interview. The survey consisted of 36 questions designed to measure aspects of the pilot program including collaboration process, timing, transparency, and commitments. The focus of the survey was to document lessons learned from the collaboration and to answer the following questions: What worked? What did not work? How do we fix what did not work? Those responses are shared from pages 8 - 18. The original survey questions follow.

IN-DEPTH FEEDBACK COLLABORATION PILOT

1. Please comment on the overall collaboration pilot experience.

2. Please respond specifically to the following aspects of the collaboration pilot project:
- a. Collaboration process
- b. Collaboration transparency
- c. Collaboration timing
- d. Collaboration time commitment
    - i. How much time did you spend on the project during an average month?
    - ii. Was this sufficient/too little/too much?
- e. Results/Metrics
- f. Partner account management responsiveness
- g. Partner relationship
- h. Partner understanding

3. What aspects of the collaboration pilot worked best? Why?

4. What aspects of the collaboration pilot need attention? Why?

5. How would you fix the areas that need fixing?

6. How well did the metrics fit your needs? Respond in terms of each of the three classes of metrics:
- a. Sales & Profitability Growth
- b. Supply Chain Efficiency
- c. Customer Centric Strategic Business Management

7. Please give your feedback on the appropriate levels and functions that should be represented on each team.

8. How do you feel about broker involvement?

9. How many real collaborations could a partner be expected to participate in during a 12-month period?

10. Will you engage in future collaborations?

11. If there is one thing you would change on your side of the process, what would that be?

12. If there is one recommendation you would make to your collaboration partner, what would that be?

13. What steps do you recommend IFDA/IFMA take regarding collaboration?

In order to capture the essence of the collaboration and in the interest of comprehensiveness, pilot member responses are presented verbatim on the following pages with only slight editing to protect confidentiality. Upon review of the individual responses, it becomes obvious that a consensus exists among collaborators regarding the process, outcomes, and success of the collaboration pilot. A review of the collaborators' responses to the individual questions provides the background for the stated conclusions and subsequent recommendations found at the end of this report.

1. Overall Collaboration Pilot Experience

> The overall experience was very informative. It was beneficial for not only what we learned, but more importantly for what we didn't do that needs to be included moving forward. I feel that both companies came to the pilot with a strong desire to work together.

> The project has brought us closer together and has helped us formalize the metrics and KPIs critical to driving the business.

> The experience was positive. It was exciting to have a sense of collaboration between our distributor partner and us. Yet, it does feel like a small first step that still needs a good deal of work before we can call it true collaboration.

> Great learnings. Collaboration is the key to every partner's success. Our collaboration partner was a willing and 120% partner.

> This project brought our two companies closer together, understanding what was most important to each of us and then using the project's guidelines to establish metrics and KPIs to keep us accountable to each other.

> Good experience, but need to go deeper, more market strategy and more numbers are required to move further along. This was a good start with our partner. There was a new level of understanding that developed as we started to understand the return on invested capital calculation and how manufacturers make money. We need to establish some better communication processes going forward to further the effort.

> We had a partner that was very engaged in the process. We learned a lot about growing with independent distribution. We also learned about perceptions we need to overcome about profitability between the various channel players.

> The project overall was very helpful in broadening and deepening our relationship with our partner.

2a. Collaboration Process

> Our process included getting our key team members involved in the pilot program. We met collectively with all participants in March 2011 to roll out the program. Overall, the program was met with interest by each collaborator. After the joint meeting, individual meetings were held between the collaborators. The objective of these meetings was to determine specific objectives to work on during the coming months.

> The collaboration process helped to facilitate a healthy exchange.

> This was the first step of a bigger collaboration process. Also, the collaboration had an intermediary, which called into question whether or not it was a true collaboration.

> We struggled with the process at first, as we had not resourced properly.

> Truly helped both of us have better strategy and goal setting discussions.

> The process was enjoyable, enlightening, fresh and important. We need more transparency in our industry.

> The process was very good. We need more trust and trust begins with sharing.

2b. Collaboration Transparency

> The sharing of information among all parties was very transparent. It was explained at the initial meeting that transparency was a necessary element to the success of this pilot. However, in my opinion our partner came to the pilot with an agenda of objectives that he wanted to accomplish, rather than developing these in the joint meeting. This is an area that needs to be corrected going forward. Both parties must jointly agree on what the objectives are and how they will be attained, otherwise chances for success are diminished.

> Improved communication around what’s important.

> We never saw any of our partner’s information, so there was little transparency.

> I felt this really helped to establish trust and cooperation around the areas we found most beneficial together.

> Improved, better than expected, our partner was very forthcoming and up front throughout the study.

> Our partner shared a great deal. We explored all questions.

2c. Collaboration Timing

> The initial timing of the project was good. We met in March 2011 with all the participants to discuss the project and then scheduled individual member meetings. Unfortunately, because of travel schedules there was a significant delay in holding these meetings, some didn't take place until May/June, several months later. As a result of this delay, we lost significant momentum. In retrospect, all the individual meetings should have been completed by the end of April at the latest. A sense of urgency must accompany any collaboration project by both parties.

> The timing created a regular exchange between partners.

> Timing was good.

> Is timing ever perfect?

> Helped to make sure we were having monthly discussions about the business.

> Not as good as it could have been. Every company and collaboration is different. We needed to get our VP Purchasing engaged, but he came on board after the project had started. We needed more levels of people in our organizations engaged from the beginning. Without boots on the ground personnel involved, our progress was slowed.

> We need more involvement by our field sales team.

2d - Part 1. Collaboration Time Commitment

> We spent approximately 5-10 hours per month. Most of the time commitment was on conference calls reviewing progress and next steps. These calls took place every two weeks. This does not include the time that was spent traveling to the initial meetings.

> Several hours.

> 1 day.

> 20% of the time of those involved.

> 2 to 3 hours.

> I did not spend much. Sporadic and limited time was invested but the quality of face time with our collaboration partner was good.

> We did not spend much, but our time with our partner was rich.

2d - Part 2. Sufficient/Too Little/Too Much Time

> Initially, I thought the time was sufficient for the pilot. Going forward we need to be a partner in the process to keep it on track. This would require much more time and resources. Someone from each party needs to "own" the objective from an accountability standpoint.

> Amount of time spent was appropriate.

> The time commitment was fair.

> It was a real learning process, so the time required is going to be more.

> For us it seemed to be just the right amount of time depending on the issues or opportunities being discussed.

> Too little was spent. Need to link our field leadership with their sales leadership much better.

2e. Results/Metrics

> YTD through September we saw the following results: Member A +19%, Member B + 31%, Member C +26% and Member D + 16%. Overall the four members that were tracked were up 24%.

> Helped both partners agree on what was appropriate.

> We did not see any results/metrics.

> Agreeing up front on what was important really helped in getting the process moving.

> Need more, need a deeper dive. We did not get around to the manufacturer's market spending and how we can help improve the return in our geography and our customer base. Results will not be immediate with a process like this. There are plans in place to improve our business together as the business year continues.

> We have new initiatives as a result of our work. Need more time and attention to how we will measure success.

2f. Partner Account Management Responsiveness

> Overall, I would say that each participant was responsive to the others during this project.

> All levels of leadership were involved in the loop, which provided for enhanced focus and clarity.

> Good responsiveness

> We did not do a good job in the early stages.

> Partner team was very responsive to the process and moving this forward.

> Good, good response

> Very good response

2g. Partner Relationship

> Our relationship with the people involved with corporate was good; however, I don't think the importance of this project made its way to the field sales organization. In my opinion there was a disconnect between our discussions with corporate staff and what took place in the field in several instances. More coordination needs to be done in this area.

> Enhanced

> Good

> Grew during pilot

> Enhanced

> Excellent, Excellent

> Excellent

2h. Partner Understanding

> Personnel involved with this project were committed to it; however, it didn't seem as if the entire sales organization had the same commitment.

> Enhanced

> Good

> Improving

> Enhanced

> Improving, we need to have planning and accountability meetings to review our results together.

> Opportunity to introduce more rigor around our joint planning process

3. What Aspects of the Collaboration Pilot Worked Best? Why?

> I don't think there was any one aspect that stood out in my mind as working well. However, I don't want to suggest that this was a negative experience; as I mentioned earlier, we learned a lot. Some of what we learned was what not to do next time. I think the fact that all parties were open-minded about the process was very positive, and were open to a new way of discussing how to grow business. Raising awareness to a more collaborative process was very positive.

> Goal setting. Why? The project forced a framework for discussion.

> The template for data collection was clear, easy to use, and did not burden our organization with a great amount of work. All the information was easy to attain. Why? All the information was easy to attain.

> The number of key learnings about our internal execution and best in class execution was invaluable.

> The setting of measurements and improvement areas. Why? This not only enhanced our relationship but also kept all levels focused on many areas of the business where we could see improvement.

> Getting to know each other's business better. Visiting each other at headquarters sites. This gave all of us a better perspective on the scope of each other's organizations and capabilities. Why? Quite frankly because that is where we started the process. Because we were approaching this without a mindset to negotiate something but more to learn how we could help each other.

> Getting to know each other's business better. Why? We learned about what they value and the investments they are making in their business. The open sharing created a great foundation for collaboration.

4. What Aspects of the Collaboration Pilot Need Attention? Why?

> Someone from each party needs to "own" the project for accountability. Also the entire company, not just a few individuals, needs to make the commitment to this type of project. Funds have to be allocated for local promotions to stimulate sales with DSRs, operators and distributors. Objectives need to be discussed and agreed to by all parties. Why? Part of the disconnect that I felt existed was due to field sales not being up to date with this pilot program.

> Not having local monies available for distributors demonstrated a lack of understanding of the costs that a distributor incurs when adding new products. Why? "Ownership" of the program is the most essential aspect that must be addressed. What are the objectives? How will they be accomplished? Who is responsible for making sure the project is on track? This is an absolute key ingredient.

> No issues. Why? Project was well thought out.

> We never saw any of the information from our distributor partner, so we did feel like it was a one-way sharing at times.

> Manufacturers must commit to the time and team resources needed to make it work.

> None that I can think of. Why? Project was well organized.

> Understanding where our two market strategies intersect so we can build on that to grow our business and understanding how we can help the manufacturer improve the returns on market spend. We need to adopt a more strategic long range mindset for mutual growth versus short term gains. Why? We did not get far enough along to address these. They are still as "to do" for us. We stalled because of the lack of involvement of our next level of personnel.

> Need for defined roles and responsibilities as we try to maximize results and the efficient use of resources. Why? We need to define where we end and our distributor partner begins. We can't afford to do the same work.

5. Fix What Needs Fixing

> Initial meeting needs to clearly define expectations of all parties, to eliminate the assumptions. Establish measurable objectives, identify responsible parties for each action and create scorecards to track results. Make sure that each party understands its role and commits to both objectives as well as actions that are required. All participating parties need to be involved in planning process to insure buy-in and ownership. Assign “owner” for each supplier/distributor.

> No issues

> Timelines, deliverables, and expectations that both sides agreed upon would have benefitted to the project.

> Gain better understanding of the pilot and each partner’s expectations.

> My plan is to expand this to other distribution partners.

> Continue meeting and pursuing the two items noted above. Have a planning meeting with the original group and include the next level. Set targets and accountabilities for each other to grow the business.

> Cross-functional alignment is the next step. Leadership is aligned.

6a. Metrics Fit - Sales & Profitability Growth

> Overall project generated an average increase of 24% at four of the five participating members.

> Sales growth is a good metric. Profitability is not something that our partner was able to share.

> This was our only real measure.

> We continue to see strong growth that is in line with our targets.

> Fair, too soon to tell.

> Fair, volume is still small but we are early in the process.

> On target.

6b. Metrics Fit - Supply Chain Efficiency

> These represent very important metrics that can be used to identify areas for improvement.

> We have seen continued improvement around this area that is in line with our targets.

> Good, we saw some improvement.

> Some but limited. Our business together is not to scale yet.

> On target.

6c. Metrics Fit - Customer Centric Strategic Business Management

> This is a great metric to show how our promotions and programs are working in collaboration with that of our distributor partner.

> All levels of the organization are engaged now with our partner because of this process.

> We did not get to this yet.

7. Appropriate Levels and Functions on Each Team

> Distributor: Senior management down to the procurement, sales and marketing staffs that will make the project work.

> Supplier: Senior management down to the field person who will own the project.

> Broker: Ownership down to the rep in the field who will be involved in project.

> Three levels of management need to be involved. It is appropriate that senior leadership is involved to set expectations with middle and account management executing.

> This project requires a top level sponsor, but also needs a lower level champion who is responsible for execution, day-to-day communication, and is accountable to both his organization and the partner's organization.

> Senior leader sponsor and project team leader from upper middle management.

> I feel we had the right levels of the organization involved, as well as the right areas of the business.

> Support and buy-in from CEO/President level. Execution by the VP of purchasing from the distribution side and by sales/marketing and supply chain executives from the manufacturing side. I would add someone from finance or an analyst to capture the key metrics.

8. Broker Involvement

> Brokers are clearly needed to carry out the sales tactics that are identified in the planning process.

> Brokers can provide a valuable service particularly when specialized and where smaller operating companies are involved.

> Brokers should be involved in executing the plans that come out of the collaboration. Planning should not include broker involvement.

> We have a direct sales force so we have not used brokers with this account. That said, there is a place for brokers, focusing on the end user so that more sales can be made.

> It was spotty at best and required a great deal of time to achieve the desired level of participation.

> I do not understand the future of the "national" broker beyond supporting the largest distributor. We have some good representation currently, but the regional broker who understands your business model and knows the customer base seems to be fading away. Our partner has a direct sales force. This is good for its business model, but the landscape is changing so quickly with regional and national brokers that this topic needs a lot of discussion.

9. Potential Annual Collaborations

> Initially, depending upon the depth of the project, I support three to four per year. In my mind, a true collaboration would look at every aspect of the supplier/distributor business relationship (supply chain, marketing, purchasing, EDI, etc.). If they agree to partner on all aspects of the relationship, this could be a time-consuming, but worthwhile project. However, once both parties become proficient in this planning process, more collaboration could easily be added.

> The collaboration process can be time consuming depending on the partner. I would say the maximum we could manage would be three to five.

> Three to five is optimum.

> One per region and we have ten regions.

> I would say three-five due to the time commitment and the resources needed to do this the right way.

> Two or three is appropriate. For most distributors, the top ten manufacturer partners account for significant contributions to sales and profitability. If we think about this as a new business model versus a project, then I think we could have this approach with many of our top vendors assuming they would be open to such collaborations.

> Two to four would be the most we could efficiently and effectively handle. We need to find a way to efficiently scale the model.

10. Will You Engage in Future Collaborations?

> Yes, we already are working with seven suppliers and ten members. We are very committed to this process.

> Yes, we have several projects underway at this time.

> Yes, we want to continue to be involved in collaborations.

> Yes, we would.

> Yes, we would as the results of this study showed the results we both wanted and achieved.

> Yes, absolutely, this was clearly a value.

> Yes.

11. Recommended Changes from Your Side of the Process

> Move from passive to active participant. This is the one key change that we implemented when we initiated this program with some of our members. We have inserted business development staff into the process keeping the objectives on track. To date, the results have been very positive.

> I would give the project additional time based on the results that were achieved. It's a good investment.

> Designate a project champion who is in constant communication with the distributor partner, the intermediary, and his or her own organization.

> Invite the manufacturer senior leadership and the broker owners to the formational meetings and presentations.

> Nothing that I see needs to be changed.

> Schedule more meetings (even cyber meetings) and lay out an agenda that clearly includes the items above that we have not yet addressed. Involve our VP purchasing/merchandising and set goals and targets for sales growth and enhanced returns on invested capital.

> Engage our field team more and set more time to update our plans.

12. Recommendations for Your Collaboration Partner

> Two recommendations: (1) be more open in the planning process, come to the table trying to solve your customer's needs. Don't come with an agenda. (2) Make sure your entire sales organization is on board with the project, and get involvement from the top down. Collaboration will only work if all participants are on board with the initiative.

> No recommendations. I was very pleased with the result and process.

> They were the model of collaboration.

> Continue to push us to do better. Our results are strong; we want to keep the momentum going strong.

> Find the distributors in the marketplace who are growing and develop a tight partnership with them. Continue to understand the differences between the large national distributors and privately owned mid and larger distributors. I believe there is tremendous value creation for them in this approach.

> Understand that we will struggle getting enough sales coverage to interact with their team. We can bring great products, innovation, insights, tools and training. We need their sales team representing our products to their independent customers.

13. Recommended Next Collaboration Steps for IFDA/IFMA

> Share the key take-aways, both positive and negative so that those who are committed to making this work can learn what worked and what didn't. Look at forming a committee from participants to determine how the collaboration process can be improved.

> Share the results and create a task force including those who participated to create a template for other distributors to follow.

> Take the learning from this project, build on the success, fix the problems, and continue to push for more collaboration.

> Expand the pilot and continue to push for great dialog.

> Share the results among industry members. We can then take those learnings to continue to make this process even stronger.

> Publish best practices from this with results. I would benchmark the metrics with the participating distributors and manufacturers over a three-year time frame to evaluate the long term relationship and growth together.

> Publish all financials and make recommendations.

> Continue the involvement of a third party working with IFDA and IFMA to enable and expand collaboration beyond the pilot study.

Conclusions

By any measure, quantitative or qualitative, the collaboration pilot project appears to have been a success. Recall that the objective of the collaboration pilot was to increase the level of trust among channel members. It was predicated that enhanced trust would be a function of achieving greater understanding between partners. Greater understanding would be realized by making the system more transparent and by real engagement between collaboration partners.

Overall, it appears that the collaboration pilot project was very helpful in broadening and deepening the relationships between foodservice manufacturers and distributors. It broadened the conversation by identifying and reporting on a number of mutually useful metrics that heretofore had not been collected together. The collaboration pilot seems to have deepened the relationship by increasing the collaborators' mutual understanding of how each addresses its respective businesses and how it measures progress in the marketplace.

Additional insights into real market share performance resulted from sharing relevant information on direct growth metrics and combining them with related market/category growth. The collaborators realized that they could share useful information while not infringing on concerns of confidentiality or loss of competitive position. However, the issue of sharing profitability data is still a delicate one. This will require an ongoing dialog to determine realistic boundaries that both distributors and manufacturers can agree to in today's fluid, dynamic, and competitive marketplace.

The sentiment shared by all collaborators was gratitude for the opportunity to participate in the collaboration pilot project and openness to explore further evolution of this work.

Recommendations

Based on the quantitative results and qualitative feedback, the following recommendations are advanced for consideration:

1. Secure collaboration commitment at "Top to Top" levels.

2. Vertically integrate collaboration teams, including cross-functional alignment.

3. Engage brokers where appropriate.

4. Discuss respective expectations of the collaboration process.

5. Share appropriate strategic/tactical plans.

6. Establish and agree to measurable objectives and project time table.

7. Assign ownership responsibility for each aspect of the collaboration.

8. Allocate necessary resources (financial/human) to collaborate successfully.

9. Incorporate training for the collaborators and their team members.

10. Add/delete/modify current metrics to fit collaboration partner needs and situation.

11. Measure regularly and routinely (GS1 initiative should facilitate data collection).

12. Engage regularly and routinely. Share results/concerns/opportunities.

13. Include results in performance management evaluation.

14. Focus on collaboration quality versus the number of collaborations.

15. Continue the involvement of IFDA/IFMA as collaboration champions.

APPENDIX A:
Pre-Work Examples

EXAMPLE 1

Item: Sales and Profitability Growth.

Definition: Products and assortments matched to market needs; Well targeted (and shared) marketing campaigns and sales promotions.

Metrics used to measure: New product performance (sales/profitability); Sales promotion performance (incremental sales/profitability).

How it will improve the collaborative relationship: The existence of common goals will facilitate the individual organization's planning processes. Less of a need to focus on short-term decision-making will lay the groundwork for longer term sustainable growth.

EXAMPLE 2

Item: Minimize/Eliminate Logistical System Disruptions.

Definition: Key logistical disruptions to the system (identify specifically).

Metrics used to measure: Out of Stock levels (OOS), days of supply (DOS), on-time delivery %, and service levels/fill rates.

How it will improve the collaborative relationship: Enhanced operational efficiencies and improved productivity and profitability for both parties.

EXAMPLE 3

Item: Minimize/Eliminate Accounting System Disruptions.

Definition: Key accounting disruptions to the system (identify specifically).

Metrics used to measure: Invoice discrepancies, deduction amounts/%, and on-time payments.

How it will improve the collaborative relationship: Enhanced operational efficiencies, better cash flow, and improved productivity and profitability for both parties.

EXAMPLE 4

Item: Maximize New Product Introductions in the Market.

Definition: Eliminate Barriers with Manufacturer/Operator/Distributor/Broker (identify specifically).

Metrics used to measure: Market share position, operator density, advertising/marketing cost per unit.

How will it improve the collaborative relationship: Improved speed to market, reduced costs per roll out in the supply chain, encourage more idea generation between partners in the supply chain.

APPENDIX B:
Sample Collaboration Pilot Metrics by Month - Sales & Profitability

OVERALL DOLLAR SALES WITH PARTNER

2010 Dollar Sales with Partner

April	May	June	July	August	September	October	November	December

2011 Dollar Sales with Partner

April	May	June	July	August	September	October	November	December

NUMBER OF CASES SOLD WITH PARTNER

2010 Cases Sold with Partner

April	May	June	July	August	September	October	November	December

2011 Cases Sold with Partner

April	May	June	July	August	September	October	November	December

PROFIT PER CASE WITH PARTNER

2010 Profit per Case with Partner

April	May	June	July	August	September	October	November	December

2011 Profit per Case with Partner

April	May	June	July	August	September	October	November	December

OVERALL PROFITABILITY WITH PARTNER

2010 Profit with Partner

April	May	June	July	August	September	October	November	December

2011 Profit with Partner

April	May	June	July	August	September	October	November	December

NEW ITEM SALES WITH PARTNER

2010 New Item Sales with Partner

April	May	June	July	August	September	October	November	December

2011 New Item Sales

April	May	June	July	August	September	October	November	December

NEW ITEM PROFITABILITY WITH PARTNER

2010 New Item Profitability with Partner

April	May	June	July	August	September	October	November	December

2011 New Item Profitability with Partner

April	May	June	July	August	September	October	November	December

GROWTH COMPARISON: With Partner vs. Overall Market

Growth rate with Partner April 2010 to December 2010	
Growth rate in the overall market April 2010 to December 2010	

Growth rate with Partner April 2011 to December 2011	
Growth rate in the overall market April 2011 to December 2011	

INTERNATIONAL FOODSERVICE DISTRIBUTORS ASSOCIATION
1410 Spring Hill Road, Suite 210, McLean, VA 22102
P: (703) 532-9400 / www.ifdaonline.org