

A STUDY OF

The Role and Value of Foodservice Sales and Marketing Agencies

Executive Summary



Association of Sales &
Marketing Companies

The food and consumer
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Acknowledgements

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Study Methodology

ASMC retained the Hale Group, Inc., Danvers, Mass., to conduct the research required for this study. The research was done between August and October 2001. Study results are based on one-to-one, face to face and telephone interviews conducted with sales agencies and manufacturers and from written survey responses from the study participants. The Hale Group interviewed a nationally representative group of foodservice companies, and both ASMC members and non-members were interviewed. Thirty-five sales agencies and 15 manufacturers participated. Data was also accumulated from related industry studies and from information provided by ASMC. The collected data represents approximately 30 percent of the industry volume handled by sales agencies.

Study Objectives

The study was designed to answer several questions commonly asked about the manufacturer/sales agency relationship. Major study objectives include:

- Define the major services provided by sales and marketing agencies
- Identify the economic value that agencies deliver to manufacturers
- Quantify the value of agencies' services versus other go-to-market systems
- Document the value of an agency's base of knowledge within the marketplace

To receive the full report, including a detailed PowerPoint presentation, you must be a sponsor. If you would like to become a sponsor of this research, please contact ASMC Foodservice President Rick Abraham at 202-337-9351.

Key Findings Summary

The most significant study results include:

- Sales and marketing agencies are an efficient, productive and economical way to go-to-market compared to alternative manufacturer go-to-market strategies.
- A significant portion of agency resources have been directed away from sales and marketing activities and dedicated to the service requirements of manufacturers and customers.
- A lack of integration between manufacturers and their agencies in several key areas is hindering sales and marketing progress and trading partner collaboration.
- The study results suggest that challenges to increasing sales time and agency/manufacturer activity integration could be overcome by using the study recommendations as a guide in daily agency/manufacturer interactions.

Key Findings Analysis #1

Sales and marketing agencies are an efficient, productive and economical way to go-to-market compared to alternative manufacturer go-to-market strategies.

The study reveals the average cost for a manufacturer that uses direct representation is much higher than a manufacturer that uses agency representation.

The study found that agency representation, on average, reduces the manufacturer's cost of sales by 2.8 percent — a 39 percent savings — compared to a direct sales force.

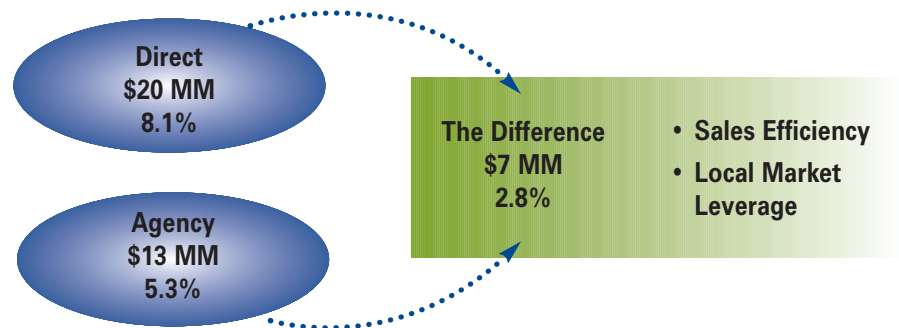
Economic Comparison (Manufacturer's Expenses as a Percent of Sales)

Activity	Direct	Agency Represented
Brokerage Net	0 %	2.9 %
Field Sales	3.3	0
Regional Mgmt.	1.5	0.8
Corporate Support/O.H.	1.3	0.5
Customer Service	1.0	0.1
Total	7.1 %	4.3 %
Nat'l Account Mgmt.	1.0	1.0
	8.1 %	5.3 %



Caution should be exercised when comparing these national averages to any individual company data. National averages may or may not reflect a companies' actual data. However, the percent of sales cost averages provide excellent insight for comparative purposes.

To put these potential savings in perspective, if a manufacturer company with \$250 million in annual foodservice sales used an agency versus a direct model to go-to-market, that company could generate savings of \$7 million annually.



Sales agencies also offer many services to manufacturers not provided by a direct sales force, including in-market facilities, zero fixed costs expenses and specialized customer service. Agency representation increases potential cost savings and provides important services that the manufacturer could not take advantage of using a direct sales force.

Key Findings Analysis #2

A significant portion of agency resources have been directed away from sales and marketing activities and dedicated to the service requirements of manufacturers and customers.

In order to accurately measure agency time spent on selling and support activities, the study used activity based costing data provided by ASMC as a benchmark. This data reveals five major functional tasks performed by agencies:

- Customer Service and Order Entry
- Tracking and Accountability
- Sourcing Market Information
- Managing Local Marketing and Promotions
- Sales Planning and Execution

Sales agencies' report that their time is allocated as indicated below:

Agency Time Allocation (Percent)	
Activity	Result
Sales Planning & Execution	52
Tracking & Accountability	16
Customer Service & Order Entry	17
Market Information	3
Internal Management	12

While 52 percent of an agency's time is spent on sales planning and execution, 48 percent is spent on support activities, such as administration and customer service. Although historical data in this area is not available, study data reveals that over the last five years, the amount of time available for true selling activities has decreased. With this decrease in selling

activities comes an increase in performing support activities. If this trend continues, agencies may soon become outsourced customer service arms of manufacturers, rather than true sales and marketing staff. There is a distinct need to increase the amount of time spent selling by reducing the time spent performing non valued-added administrative work.

Manufacturers were asked for their perception of how an agency is allocating its time and the results were eye opening:

Manufacturer Perception of Agency Time Allocation
(percent)

Activity	Result
Sales Planning & Execution	86
Tracking & Accountability	6
Customer Service & Order Entry	3
Market Information	1
Internal Management	4

A side-by-side comparison of the time agencies spend on daily activities and the amount of time manufacturers expect suggests a 34 percent gap between agency reality and manufacturer perception.

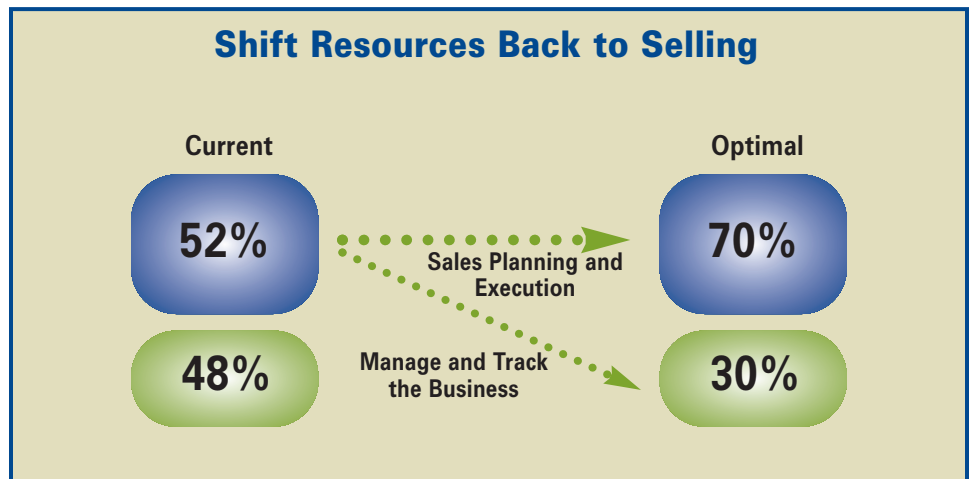
Comparative Analysis

Activity	Manufacturers Perception	Reality
Sales Planning & Execution	86%	52%
Tracking & Accountability	6	16
Customer Service & Order Entry	3	17
Market Information	1	3
Internal Management	4	12

← Opportunity to Reduce

There are numerous non-selling activities requested by manufacturers and customers that have contributed to the increased time spent on support activities. Manufacturers, sales agencies and customers should work together to increase the amount of time spent on selling activities. A more balanced allocation of agency resources would benefit all parties by increasing sales results.

The chart below suggests maintaining a 70/30 split between sales planning and execution activities and managing and tracking business activities.



Agency resources are finite and we must work toward a balanced system that allocates more of an agency's resources to sales planning and execution. To maintain this balance, manufacturers and agencies should take the following steps:

- Evaluate the activities required for the agency and determine if they are selling or support driven.
- Decide which support activities can be eliminated or reduced.
- Eliminate the non-selling activities as appropriate.

Key Findings Analysis #3

A lack of integration in several key areas between manufacturers and their agencies is preventing progress in many areas.

In key functional areas like marketing, systems and planning, the study found that manufacturers and sales agencies need to be better integrated in order to achieve success. The current lack of integration has caused the misalignment of major goals and objectives between manufacturer and agency, and overall sales results have suffered.

The key functional areas that must be aligned in order to achieve success include:



In order to integrate the agencies' functional activities with the activities of its manufacturer partners, manufacturers should:

- Eliminate "barriers" to communication.
- Connect manufacturer marketing to agency's.
- Jointly develop strategies
- Include agencies in all major product and marketing decisions.

Key Findings Analysis #4

The study results suggest that challenges to increasing sales time and agency/manufacture activity integration could be overcome by using the study recommendations as a guide in daily agency/manufacture interactions.

The barriers to success, while challenging, can be overcome by following these steps:

Barrier	Actions
Spending 48 percent of agencies' resources on non-selling tasks	<ul style="list-style-type: none">• Jointly review non-selling activities• Eliminate non-productive tasks• Standardize reporting and delivery systems
Lack of joint planning and systems integration	<ul style="list-style-type: none">• Integrate organizations and systems for reduced costs• Leverage agencies' knowledge• Jointly identify sales targets and objectives• Manufacturers should treat agencies as they would their own sales force

Summary

According to study results, using agency representation versus a direct sales force has many benefits to the manufacturer, including:

- Agencies are an economical, effective and productive way for manufacturers to go to market (average 2.8 percent lower cost).
- Agencies and manufacturers need to coordinate their efforts in order to shift the agencies' resources to selling (48 percent of time in support activity).
- Manufacturers need to better integrate with agencies in key functional areas like marketing, planning and systems.



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