



# *Trade Promotion Management In Foodservice*

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## Putting Credibility on the Menu

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LIKE TRADE PROMOTION AT RETAIL, TRADE SPENDING IN FOODSERVICE HAS INCREASED DRAMATICALLY. Many CPG companies have begun taking measurable steps toward improvement in systems and administration to manage and account for these marketing dollars. Is it now time to move on to a "Brand Building Platform?"

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■ THE NEED FOR PERFORMANCE METRICS WILL HOLD TRUE FOR THE FOODSERVICE CHANNEL JUST AS IT DOES IN RETAIL STORES, as has been recently documented by McKinsey & Company (see *GMA FORUM Volume 8, No. 6*). Industry leadership recognizes this, and many consumer products companies are beginning to take measurable steps to account for promotional dollars spent in the foodservice channel. Yet they continue to neglect the enormous benefits to be gained from brand-building and mitigating profit leakage in the foodservice channel.

IT HAS BEEN WIDELY REPEATED THAT TRADE PROMOTION MANAGEMENT IN FOODSERVICE IS 10 YEARS BEHIND TPM IN RETAIL. SO, I suggest trade promotion managers and marketers in foodservice go back 30 years and take a lesson from the pharmaceutical industry. Pharmaceutical companies have used hospitals to sample baby formula because the practice implies that doctors and hospitals endorse not only formula-feeding in general, but the sampled brand in particular (though several hospitals, under pressure from breast-feeding advocates, have recently announced that they will stop this practice). You yourself may remember having received Tylenol® in the hospital.

The logic applied here is the same, whereby a credible source (physicians and hospitals) are dis-

persing/endorsing the brand. Therefore, the consumer's experience with that brand is centered on trust, and the brand has strengthened its position in the marketplace.

IN RETAIL, A.G. LAFLEY DESCRIBED THE "FIRST MOMENT OF TRUTH" — THAT WHEN THE CONSUMER SEES AND REACTS, OR FAILS TO REACT, TO THE PRODUCT ON THE SHELF.

Perhaps what we need to push this point is an idea set foodservice can call its own: "*The Establishment of Credibility*," a consumer experience with the brand in the marketplace where trust is earned, a track record is created and a brand can gain position and authority.

When done correctly, TPM in foodservice moves beyond price reduction, and issues of fund accountability (albeit important), and becomes such a brand-building platform.

A handful of companies are beginning to leverage trade dollars against such a brand strategy, and are realizing positive returns for their trade spend.

Whether it is the branded barbecue sauce at TGI Fridays, or the frankfurter at Yankee Stadium, these promotional campaigns and funds are being leveraged to bridge the chasm between dining out, home meal replacement and products purchased at retail for preparation and consumption in the home.

In their quest to provide quality meals in a realistic time-frame, consumers are exposed to messages from many sources, including the foodservice industry. To help provide some guidance on determining the usefulness and reliability of that messaging, trading partners must work together to deliver messaging that drives credible brand experiences outside the home.

BUILDING BRAND LOYALTY IN THIS CONTEXT MEANS ESTABLISHING A COMMUNICATIONS STRATEGY that reflects the values of your company and its products; engages channel partners and consumers in an ongoing relationship; responds rapidly to the changing market; and continuously satisfies consumer needs.

TRADE SPENDING IN FOODSERVICE DEVELOPS POWERFUL BRAND LOYALTY COMMUNICATIONS STRATEGIES that are integrated into all internal and external communications activities including national advertising, trade promotion, public relations, special events, sponsorships, institutional and community relations. Therefore, trade spending in food service should, logically, indeed be directed at "The Establishment of Credibility."

THE GLOBAL DESIGN OF THE PRICING AND TRADE SPEND PRIORITY PROCESSES WILL NOW INCLUDE ANALYZING, INITIATING AND DRIVING EXECUTION IN SHARED OWNERSHIP WITH FOODSERVICE PARTNERS, with each taking part in identifying effective business processes to replicate, and eliminate any redundant, ineffective, or obsolete ones.

This includes developing new processes, tools, systems, capabilities, KPIs, etc.

Additionally, it is incumbent upon manufacturers to embed lean principles in the design and continuous improvement of pricing and trade spend in order to achieve the benefits of sustainable brand and operational excellence.

Those wishing to gain a competitive advantage in foodservice markets would, therefore, do well to concentrate on issues of credibility, overall brand experience (in foodservice) and campaigns that link their credible experience to retail purchases for the home.

By determining how their products and services fall on the dimensions of *trust*, *track record*, *position* and *authority*, manufacturers will create a marketing message that is distinct and is a match for their foodservice partners' interests.

TRADE PROMOTION MANAGEMENT IN FOODSERVICE SHOULD NOT BE SYNONYMOUS WITH PRICE REDUCTIONS. So moving forward, I'd like to see more trade funds spent on co-branding, e.g., The Del Monte Salad Bar at your favorite family restaurant, similar to the Kodak Picture Spot at Disney.

Strategic TPM in foodservice can enable you to win at the shelf. ■

