



Executive Summary



Bridging the Gap:

Understanding & Improving the Agency/Regional
Manager Relationship

Prepared by Mazimas & Associates Ltd.
April 27, 2005

Study Overview



Executives within Foodservice Sales & Marketing Agencies and Suppliers sense the need to identify areas for improvement in their business relationships. They seek to develop a set of recommendations to bridge gaps and remove roadblocks to achieving their goals. The goal of this study was to examine what's working and what's not in this vital collaboration.

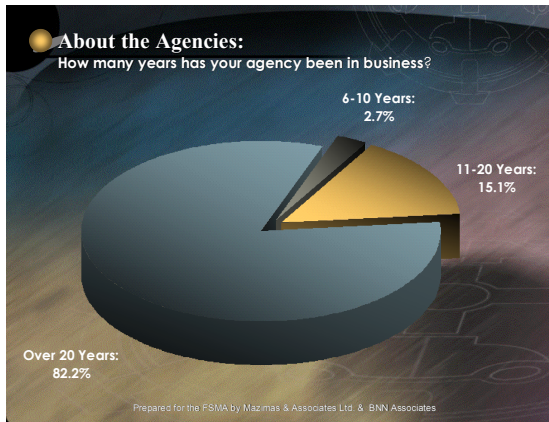
A research plan was developed to accumulate information from a cross section of respondents within Agencies, Suppliers, and the industry to assure a statistically significant sampling. The survey plan was to ask similar if not identical questions to Agency Account Executives and then separately to supplier Regional Sales Managers, record the findings and then compare results.

Sampling groups were identified and those targeted were solicited with e-mail links to the survey as well as posting links from the FSMA web site. Finally, interviews were conducted with Regional Managers and sales leaders to challenge the initial findings and to add perspective to the results.

Over 75 Regional Managers participated in the project by taking the survey online and through interviews with the researchers. 12 supplier Vice Presidents of Sales were interviewed to better understand their perspectives on changes in work patterns and requirements of Regional Managers.

72 Agency personnel responded to the web survey, a very high percentage of those offered the opportunity to participate. The respondents represented a variety of titles that shared in common a direct responsibility for managing lines and maintaining relationships with Regional Managers.

Research Objectives



75% of responding Regional Managers have worked at this level for over 10 years while only 11.1% have worked for their current firm over 10 years.

Agency Account Executives have much longer tenures with a combined 87.8% in the six to ten and over ten year categories; with the majority in the over 10 year range.

To determine which topics were most important, the researchers engaged in dialogue with the FSMA Planning Committee and solicited input from other qualified industry professionals until five sections were identified as the focus of the study.

The researchers designed questions under the selected headings and submitted a survey prototype to a small sampling of Agencies and Regional Managers to confirm the clarity of the questions, the relevancy of issues and the value of the data collected.

The research focused on five key areas of the collaboration:

Leadership

Leadership skills and qualities utilized by Regional Managers and Account Executives. Areas to be considered included time management, presentation skills, effective planning and business analysis.

Planning and Goal Setting

Features of Planning & Goal Setting between Account Executives and Regional Managers. Considerations included specific planning elements and thorough communication to achieve successful results.

Sales Implementation

Sales implementation functions performed by the Agency on behalf of or with Regional Managers.

Training & Education

The level of training received from Regional Managers to assist Agencies in managing product lines.

Administrative Paperwork

The amount of time required to complete paperwork and fulfill other administrative functions on behalf of principals.

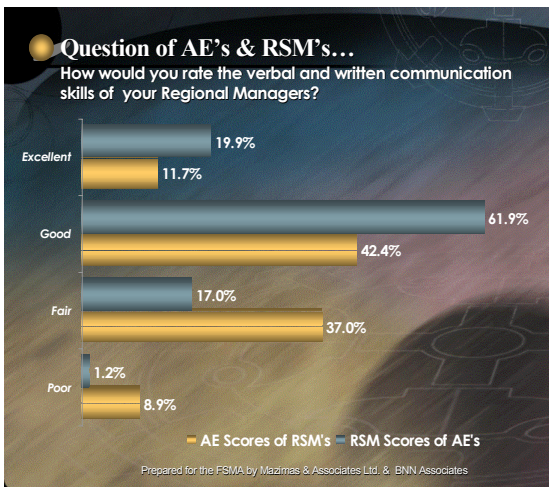
Key Findings: Leadership

“Posture is a big part of leadership. The appropriate posture is to challenge the Agency and participate in that challenge as a partner”.

Quoted from the AE Survey comments section

Clear communications from suppliers on key issues and needed information continues to be cited as a Gap by Agencies. Regional Managers have moved away from a focus on selling actives and have moved towards a focus on management of spending with trading partners. Some Agencies report that this shift has resulted in a decline of RSM's product knowledge and a decline in the quantity and quality of RSM relationships with influential local operators.

Agencies characterize some Regional Managers as “reactive - while depending on Account Executives to create sales plans and implement them”.



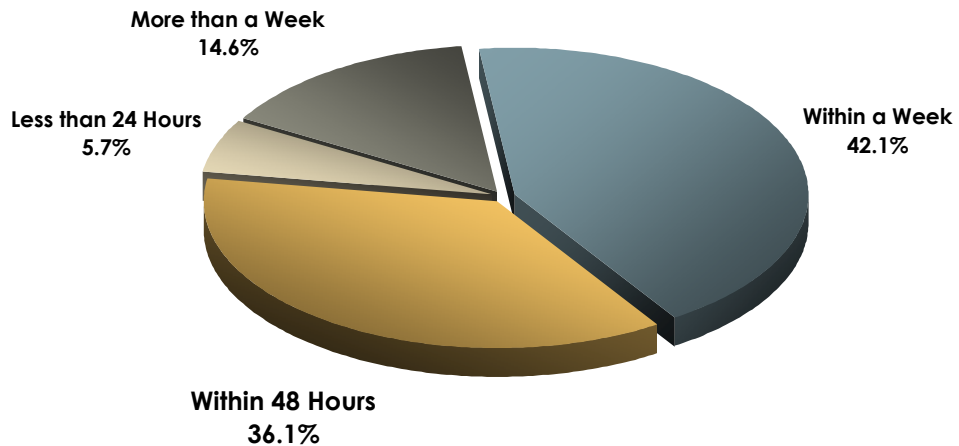
When questioning Regional Managers ability to effectively communicate key initiatives and activity goals, Account Executives rated them 54.1% Good-Excellent categories total. Fair-Poor combined ratings were 45.9%.

Account Executives scored a combined 81.8% Good-Excellent with ratings of 19.2% Fair-Poor combined.

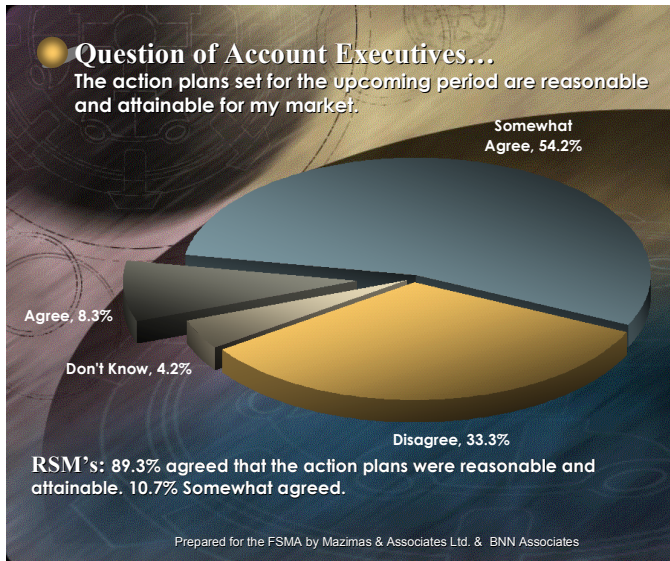
47.7% of Account Executives rated Regional Managers presentation skills as Fair-Poor combined. Regional Managers have a much higher rating of Account Executives in this area citing 88.1% as Good-Excellent.

Question of Account Executives...

Please rate the average turn-around time for resolving problems communicated to Regional Managers.



Key Findings: Planning & Goal Setting



Agencies report that planning and goal setting occurs more frequently with their larger suppliers than their midsize and smaller lines.

Noted throughout the findings are gaps in Agencies understanding of expectations and in their confidence that goals are "reasonable and achievable".

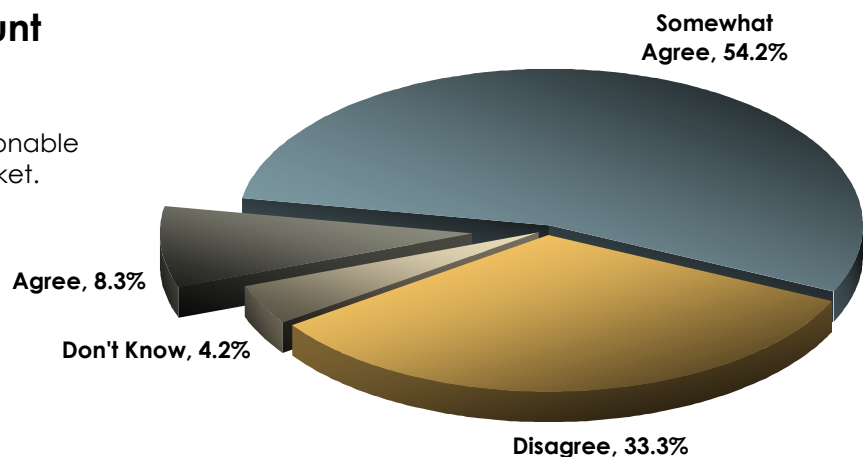
Suppliers reported mixed confidence when asked if they believed that their firms had "supplied adequate support to Agencies to help them achieve their goals" with only 39.9% agreeing with the statement.

Three models of planning and goal setting were identified during interviews and Top-To-Top breakout sessions:

- Fully integrated planning that included senior management of Agencies and Suppliers was sited as the most effective planning and goal setting collaboration.
- Planning driven by Supplier marketing professionals when comprehensive, delivered in a timely manner and presented in a well-organized package. This model, when consistently applied and monitored for effectiveness, was sited as very effective for Agencies when considering allocation and scheduling of resources.
- The more established model of planning takes place exclusively between a Regional Sales Manager and Agency Account Executive. It is in this model where most of the gaps in expectations and results were reported.

Question of Account Executives...

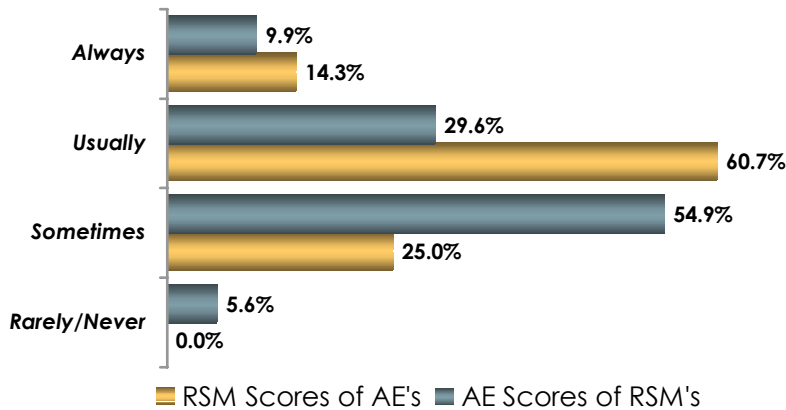
The action plans set for the upcoming period are reasonable and attainable for my market.



Key Findings: Sales Implementation

Question of AE's & RSM's...

When my Regional Managers/Account Executives accompany me on sales calls, they are well prepared and skillful in their presentations.



"Regional Managers for the most part are no longer part of the selling process particularly at the distributor and key account level. This has not gone unnoticed with these customers".

Quoted from the AE Survey comments section

Account Executives and Regional Managers both indicated that sales analysis and other data are not often provided to enhance customer presentations. On average, 71.8% of Account Executives and Regional Managers Sometimes or Rarely provide this information.

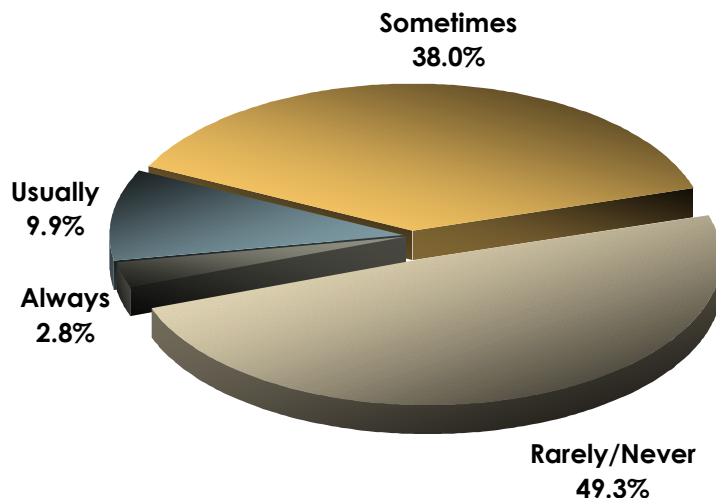
Category and trend information was reported as 49.3% Rarely/Never provided to Account Executives for use in presentations.

Regional Managers were reported to Always attend distributor business planning sessions 4.2% of the time while scoring 26.8% for Usually attending. The balance of the scoring went to Sometimes and 53.5% for Rarely/Never.

Contrasting this finding is that 55.6% of Account Executives Rarely or Never are authorized to approve promotional dollars for distributors.

Question of Account Executives...

My Regional Managers provide me with category and industry trend information to enhance my presentations.



Key Findings: Training & Education

Supplier mergers and acquisitions have had significant impact in the area of training and education for Agencies. Regional Managers are tasked with responsibility for products in diverse categories that contain extensive product variation. Agencies indicate concern that growing complexities exceed Suppliers and Regional Managers capacity to manage and train effectively.

Often cited are new product introductions that arrive with little or no testing associated with patron/operator acceptance or financial results modeling for users, distributors or agencies.

Agencies report that the product knowledge available is usually focused on highly technical issues while competitive advantage and user benefit are not thoroughly documented, explored or trained.

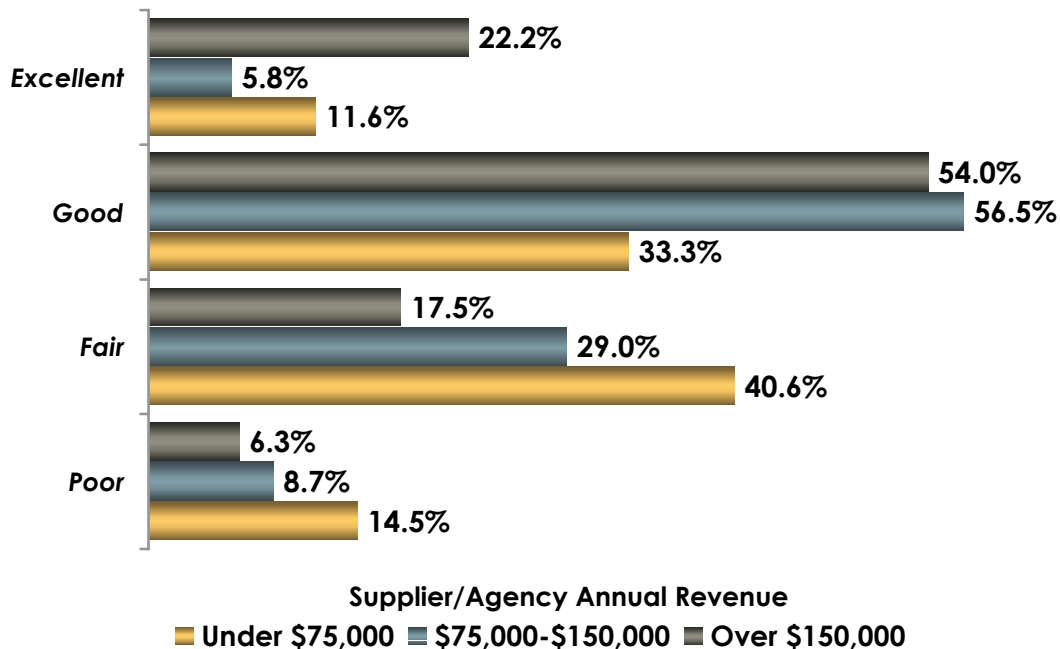
Question of Account Executives...

On a scale of 1 to 10, with one being the most important, please rate the most important and beneficial training features an Agency should receive from Regional Managers.

Competitive Advantages	3
Features & Benefits	3
Available Incentives for Customers	5
Product Preparation	5
Menu Applications	5.5
Product Demonstrations	5.5
Customer Service Support	6
Handling Complaints	6.2
Deduction Clearing Process	6.75

Question of AE's...

How would you rate your Regional Managers training skills in the area of product knowledge?



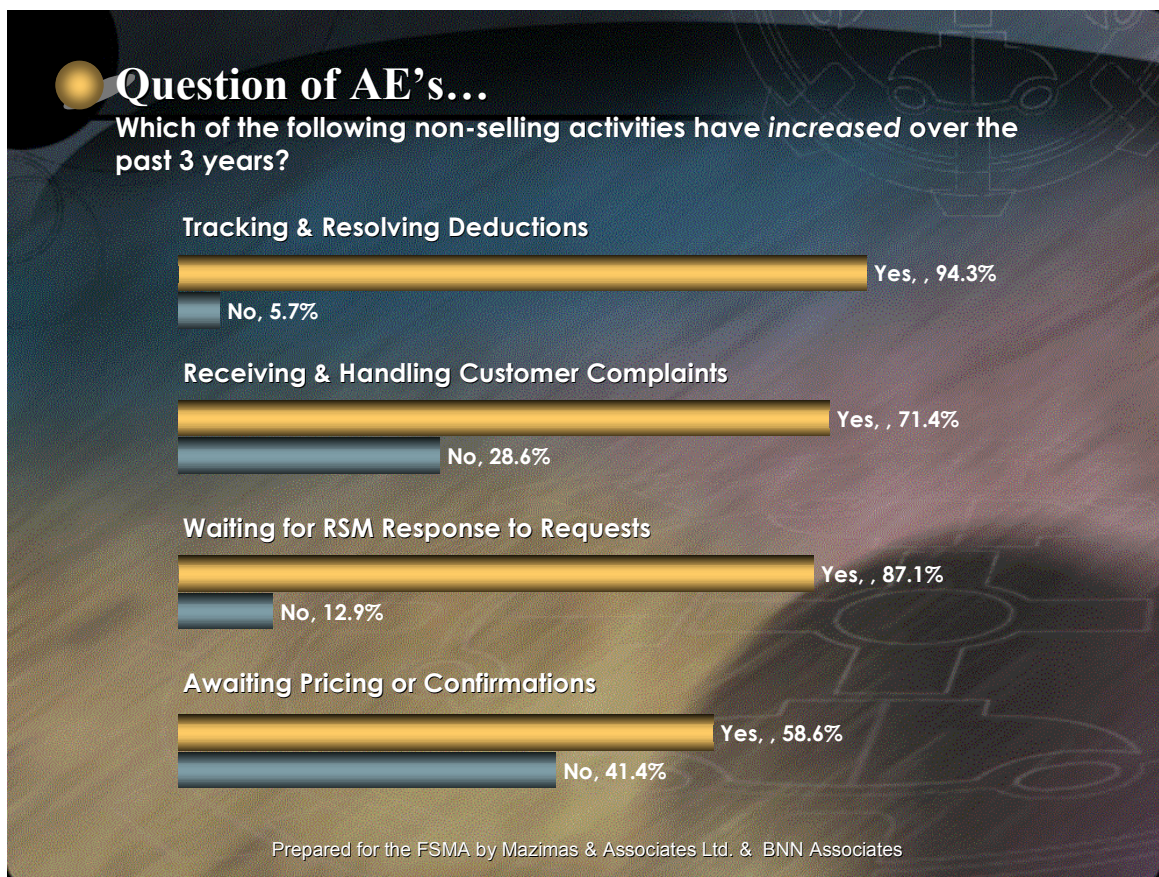
Key Findings: Administrative Paper Work

“Sales Agencies spend significant dollars of supplier revenue to staff and run the business. To a great degree the client, by their direction and demands, dictate how Agency dollars and resources are spent and allocated”.

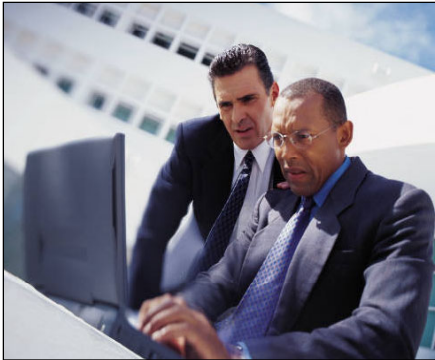
Quoted from the AE Survey comments section

Agencies reported a significant gap in the absence of industry wide reporting format (protocol) for sales and administrative actions and results.

Agencies find themselves appointed as a customer service and accounts receivable/reconciliation outsource without the benefit of recovery of this added G&A expense.



Conclusions of the Researchers



With a few notable exceptions, several gaps remain in the collaboration between Agency Account Executives and Supplier Regional Sales Managers. As it exists today, their business relationship may severely inhibit the efforts currently underway to better integrate Agencies, distributors, operators and suppliers. This integration is not about ownership or exclusive relationships with customers. Instead, it is about eliminating barriers to success and reducing unproductive costs between independent companies.

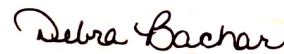
A few innovative leaders from the Agency, distribution and supplier communities are attempting to integrate their approaches. They understand that creating highly efficient collaborations are an effective way to reduce costs, focus resources, eliminate excess inventory, manage market share and grow earnings. The notable exceptions all share one thing in common, the direct involvement of senior executives of Agencies, distributors and suppliers to create new arrangements for administration and new models of business development.

The role of RSM's in a new order is in question based on the findings of this study. Supplier consolidations have made RSM's responsible for a wide array of often-unrelated product groups. More companies are requiring RSM's and Agencies to document selling actions and send this evidence "up the chain of command". RSM responsibilities are compounded by instantaneous communications from several departments within their own company, distributors, key customers and Agencies. This study suggests that the sum of these factors is becoming unmanageable for the best Regional's.

A substantial improvement to the gaps discovered in this study may bring only incremental change to the overall productivity of this critical business relationship. Successful integration will require more than incremental improvements to the AE and RSM connection. It will require new models of collaboration that will yield greater productivity for Agencies, suppliers and their trading partners.



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Acknowledgments

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Mazimas & Associates extends our thanks to Mr. Rick Abraham, Ms. Sharon Boyle and the Planning Committee of the FSMA for their direction and cooperation on this study. We ask you to continue this discussion throughout the industry to provide your recommendations on improving this vital relationship.

About the researchers:

- **Debra Bachar, Founding Partner: Mazimas & Associates Ltd.**

Debra is highly skilled in the development of breakthrough corporate strategies for food industry firms. Her ability to develop margin-building positions that meet vital customer needs has resulted in successful turnaround and expansion projects for clients. Debra's work includes assessment of the highest value opportunities and the development of powerful and practical tools that extend corporate goals and strategies to customers, consumers and patrons. Her keen awareness of the "human side" of change has earned her the respect and trust of individuals she has advised in the course of her work.

- **Bill Pierrakeas, Founding Partner: Mazimas & Associates Ltd.**

Bill is a results-oriented leader serving on several industry conference panels and advisory boards. He has succeeded in developing and implementing bottom line initiatives through aggressive expansion and turnaround strategies. Bill has a keen ability to develop and install measurement systems that gage corporate and departmental performance. His skills at developing highly profitable business relationships at all levels of the supply chain and within the corporate structure has earned him an impeccable record of success in the application of sound business and fiscal strategies.