

# Pricing and Partnership: Smart Ways to Grow Stronger in Tough Times

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The current economy has shaken the confidence of many once-proud and cocksure operators to their core, bringing to mind the words of Paul Rubin who said: “Never confuse brilliance with a bull market.” And while remembering the halcyon days of 2005 may bring the comfort of memory, today’s reality requires discipline and teamwork. We’ve got to re-think pricing and better leverage the knowledge and resources of our vendor and distributor partners. Here are two effective strategies to consider:

**1. Take the long view regarding price increases.** Restaurant customers surely understand the certainty—if not the necessity—of price increases. They’re smacked upside the head daily with escalating costs at the pump, grocery store, and Wal-Mart. It may even be presumed that consumers wonder what’s taking restaurants so long; a recent Technomic poll (March 2008) indicates that 65% of consumers are expecting restaurant prices to rise 10% in the next six months. Yet many, if not most, independent operators are fearful that higher menu prices may further alienate skittish guests, driving flat sales further downward. But it appears that most chains have bitten the bullet and raised their prices from 1.5% to as much as 8.5% so far in 2008 depending on the market. In my opinion, carefully raising prices is a prudent and reasonable strategy, providing you simultaneously better manage your primary variable costs. Your alternative is to have the lowest price. Historically-speaking, choosing to be the lowest-price foodservice provider has proven to be a zero-sum game. So take a reasonable price increase and play up value instead. Promote the sale of higher-margin menu items, lower-priced beverages, and pile on the service (it’s free) to maximize repeat business. Note to full-service multi-unit operators: assess your price increase thoroughly. The cost of menu printing alone may not offset the additional revenue the price-hike may generate.



**2. Partner better with your brokers, suppliers and distributors.** The relationship between operators and distributors or suppliers can be cool, close or cautious, depending on whether you view your distributors/suppliers as allies or adversaries. And the relationship is further enhanced (or diminished) by how well the local foodservice brokers are able to create value between all three parties. Smart operators recognize the time/value advantage of partnering over bickering. Since more than 30% of an operator’s costs are related to distributors/suppliers (and their brokers), it only makes sense that we allot a proportionate amount of our time to successfully managing those relationships. (Don’t blame distributors and suppliers for higher prices. They’re paying them too, and their business model is based on succeeding only when their operators succeed.) Just as providing more value to diners can improve foodservice sales in tough times, so too can leveraging strength and resources between the operator-broker-distributor-manufacturer-axis of trading partners. I recently read a book of checklists called *Smart Moves for People in Charge* by Sam Deep and Lyle Sussman. While not written



specifically for foodservice operators, it had some great advice about partnering with vendors. I'd like to adopt, adapt, and share three of their ideas below and add three of my own in an effort to help us all better understand how to work smarter with our strategic partners:

*Imagine the future.* What changes are affecting your restaurants in the near future and how long are those changes likely to last? What are your short-term strengths, and long-term vulnerabilities? Share this with your supplier partners and then solicit insight and advice on trends, resources and strategies from them as you visually roadmap the next two years. Let them help you help yourself.

*Align your partnering needs.* Review your distributor's mission and vision statements. Are they in synch with your thinking, ethics, expertise and goals? Share your mission, vision and strategic planning with distributors. Clearly detail your expectations and what kind of service you expect. Certainly you should discuss any issues related to confidentiality and conflicts of interest first.

*Balance price and quality.* Picking a supplier solely on having the lowest price is a chump strategy. You spend too much time and may get a lower quality product in exchange. Do you have a strong relationship with your local manufacturer brokers as well as your DSR? Customers will forgive you for a higher price, but they will never forgive you for lower quality. In tough times or boom times, customers have long memories. Understand where the quality-to-price line is and don't ever cross it. Don't underestimate the value of service, counsel, advice, and resources that great suppliers/distributors bring you.

*Consider establishing a prime vendor relationship.* Contracting with just one broadline distributor brings a wealth of advantages beyond better pricing. It brings a higher level of service, fewer mistakes, and greater partnership. It may not be for every operator, but can make sense for most.

*Be smart about where you're not smart.* A distributor or broker or vendor is only as smart as you are. Know what you know, know what you don't know, and learn what you don't know that you don't know. Your distributors and brokers can be very effective "fresh eyes" in this regard. Ask them for ideas on product and process improvements, and if they (or the manufacturers they represent) can provide additional product-specific training or sales resources for your crew.

*Be fair and share the love.* Operators are quick to criticize and complain about distributors when things go wrong but often stingy with praise when things most often go right. Take the time to write letters of commendation to DSRs and brokers. Invite favored suppliers to company conferences or celebrations. If they're part of your team, treat them as such.

**Jim Sullivan's newest e-learning course is called **Multi U**, over 6 hours of online, self-paced leadership learning available exclusively at [www.sullivision.com](http://www.sullivision.com) . Take the free leadership assessment and see how your multi-unit management skills hold up to the industry's best.**