

THE FOODSERVICE MANUFACTURER OF THE FUTURE

8 BUSINESS SUCCESS FACTORS THAT ARE DEFINING BEST-IN-CLASS MANUFACTURERS

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It's been said and written that crisis is the true catalyst of change. Never has that been truer than it is today.

Crisis' force companies to rethink their business strategies and make adjustments that they might not otherwise consider. As forward-thinking leaders, we must guard against complacency and continuously evaluate our business models in light of today's ever-changing market.

Now, more than ever, foodservice manufacturers have been given an opportunity to help model their business success moving forward.

These are unprecedented times, but they provide a chance to change, improve and differentiate. To do that, we have outlined eight business success factors that will define best-in-class business practices to move organizations toward the Manufacturers of the Future.

These practices will help foodservice manufacturers plan, structure, go-to-market and engage with customers in a more collaborative environment. And they involve everything from integrated planning to digital-forward mindsets.

HERE ARE THE EIGHT BUSINESS SUCCESS FACTORS THAT WILL DEFINE THE FOODSERVICE MANUFACTURER OF THE FUTURE.

1. Integrated Planning for Growth
2. Differentiated Innovation
3. Customer-First Sales & Marketing
4. Targeted Solution Selling
5. Smart Outsourcing
6. Omnichannel Integrated Organization Design
7. Technology-Driven Transparent Supply Chain
8. Digital-Forward Mindset



1. Integrated Planning for Growth

In many organizations, strategic planning—and planning in general—at times takes second priority to transactional business. It doesn't involve the full cross-functional team and relies too much on opinion versus a robust situation assessment informed by data, research, and insight. As a result, it doesn't get the commitment it requires to drive change and impact results.

For the best-in-class manufacturer of the future, planning is managed with intent and commitment. This includes a mandate from the top, a planning lead that manages the process and timeline, a shared template, and full involvement from all critical functions and managers.

When it comes to customer planning, top accounts should have a dedicated plan written by the lead sales person. They should follow a similarly disciplined template and process to the category plans and include a situation assessment, account profile, competitive review, and top growth initiatives. These plans should also have certain elements that are built collaboratively with the customer. When it comes to business reviews, the status of the plan's execution should drive the agenda. Best-in-class customer planning involves proactively engaging the customer in a strategic discussion centered around where their needs and your capabilities intersect. Anything short of this is reacting.



2. Differentiated Innovation

There's a saying in the world of innovation that goes, "different is better than better". This means that incremental improvements fail to move the needle when compared to true differentiation. For the manufacturer of the future, innovation involves a dedicated team with an insight/implication-based innovation strategy. Such innovation revolves around a robust pipeline of ideas and initiatives balanced between line extensions, adjacencies, customer-innovation, and big-bet "white-space" exploration.

Often, innovation is dominated by either small highly cannibalistic line-extensions or internally driven productivity projects. In the absence of game-changing truly differentiated ideas, the pipeline gets filled with small, low impact ideas.

According to Crowd Companies, 56.9% of corporate innovation leaders face the challenge of encouraging an internal culture of experimentation and innovation. When it comes to innovation with chains, collaborative innovation is now being embraced as a best-in-class strategy for building strategic relationships. This high level of engagement cannot be done for all customers. But where an account represents either high value or high opportunity, collaborative engagement can lead to better access, bigger ideas and win-win business success.

3. Customer-First Sales & Marketing

Putting the customer first is not a difficult concept, but the idea of marketing and sales functions being strategically integrated, or even somewhat aligned, is difficult for most companies. Typically, the larger an organization is, the more challenging this integration becomes. For the manufacturer of the future, both sales and marketing functions point in the same direction. Customer focused alignment has been achieved against priority customers and targets, solution selling messaging, innovation strategy based in customer and consumer needs and execution against the innovation and promotion calendar.

Best-in-class manufacturers have achieved a high level of marketing-sales partnership with a common set of goals, transparency of ideas and data and a shared vision of success. This alignment is crucial to success and can be a major stumbling block to prioritization and execution if not optimized.

4. Targeted Solution Selling

Over the past four decades we've seen selling philosophies evolve from the transactional buy-sell, to feature-benefit selling, to collaborative solution-based customer engagement. The fact is, all these approaches are valid, but for different customers and situations. In the manufacturer of the future's

organization, customers and prospects are segmented based on an equation of value and opportunity, compared with the cost to serve that account. Organizations simply don't have the resources to treat all customers like "strategic" accounts. Resources are not limitless. Choices must be made.

Best-in-class customer targeting involves identifying the highest opportunity "best-match" prospects using characteristics, including behavioral criteria, that have the greatest correlation to previous success. It is not left up to the individual sales people to scroll down a spreadsheet of operators and choose who to go after.

An effective go-to-market strategy will utilize a matrixed approach to solution selling that's been customized based on a sophisticated segmentation model of existing customers, and a next-gen data-driven targeting model for prospects.

5. Smart Outsourcing

Outsourcing has become increasingly more popular over that past 20 years. Outsourcing is less expensive than hiring an employee, allows for a higher degree of specialization, avoids large capital investments needed to build internal capabilities, provides greater P&L flexibility and can drive greater organizational focus.

- More than 94% of organizations use some form of IT outsourcing (Orient)
- Leaders can no longer afford to view outsourcing as a mere business tactic; it is now essential to remaining competitive on the world stage. (getAbstract)

Smart Outsourcing involves a broad strategic assessment to build external value networks that leverage 3rd party resources, expertise, systems, services, technology, and people to optimize and extend your solutions.

For Foodservice manufacturers who are part of a larger retail-focused company, internal-outsourcing should not be over-looked. Foodservice divisions have—depending on their size—relied on inter-company support for HR, IT, engineering, and insights, as an example. The Foodservice manufacturer of the future must examine their organization to determine where they can build internal expertise versus having a 3rd party manage it and determine which delivers greater value and the best ROI.

In Foodservice, sales has traditionally been a function that is either fully or partially outsourced to brokers. The challenge of finding the right sales mix of internal and external resources is something that will be continued to be debated by sales leaders.

Foodservice divisions are responsible for an increasingly complex customer base, including independent operators, restaurant chains, hospitals, schools, entertainment venues

and hotels. This multi-channel landscape can only be fully served via a multi-faceted sales organization. Thus, smart outsourcing will likely be part of the solution for many companies.

6. Omnichannel Integrated Organization Design

Omnichannel commerce is a multichannel approach to customer engagement that focuses on providing a seamless customer experience. For organizations that go to market through legacy division structures, the blurring of channels is causing both customer confusion and internal misalignment. Needless to say, it's not good for business!

This, however, is not a unique problem as according to CMO Council, 55% of companies have no cross-channel strategy in place.

The Foodservice manufacturer of the future understands this and has aligned internally across divisions to clarify customer ownership and/or shared sales responsibilities. And for the customer, their supplier contacts are clearly understood. Portfolio expertise still reside within each division, but there is a collaborative and transparent approach to sales and marketing that allows the manufacturer to present an integrated story.

The results have been proven. Companies with extremely strong omnichannel customer engagement retain on average 89% of their customers, compared to 33% for companies with weak omnichannel customer engagement. (Aberdeen Group)

7. Technology-Driven Transparent Supply Chain

Over the last year, supply-chain issues have been all consuming due to the pandemic. This has underscored the need to improve supply-chain visibility, transparency, trust, and data reliability. The technology that is driving these efforts is both emerging and mature, from warehouse and transportation management, to robotics and blockchain-backed transaction recording.

Consumers are also driving supply-chain optimization efforts. Their desire to know where their food comes from, how it was processed, what's in it, and the route it took to their table is growing exponentially. Food safety and food hygiene are terms that have now been stamped into our landscape. The savvy Foodservice manufacturer of the future is fully versed in the supply-chain terrain and how it is evolving. They have a supply-chain optimization strategy and a network of technology and service providers building towards a future of full-value chain transparency, leveraging that available insight to their operator customers and through them to the Foodservice patron.

The importance of these efforts moving forward cannot be over stated. The global supply-chain issues of 2020-21 will

require a manufacturer's full attention to solve. Success will be defined by more than just supply-chain transparency. Success now requires crisis management expertise and risk mitigation strategies, which now have a direct impact on customer choice and brand trust. Additionally, new FDA regulation around supply chain transparency and traceability will make this a legal requirement.

8. Digital-Forward Mindset

Business success now demands a digital-forward mindset, however – “nine out of ten business leaders are either puzzled, hesitant, or investing too much on a piecemeal basis to realize success in the digital realm.” (Forbes)

A best-in-class Foodservice manufacturer understands this. They have a comprehensive digital strategy and are investing to bring their food-away-from-home organization up to par with their retail counterparts and other industries regarding the technological sophistication of ecommerce, data gathering, analytics, and social media.

According to a recent Accenture study, the best habits among 8,300 top business leaders that are achieving results from their digital transformation effort include the following mindset:

- “Leaders understand the needs for blurred lines in the technology stack – data, infrastructure and applications.”
- “They see how unraveling tightly integrated systems makes them more flexible.”
- “They understand that by minimizing the difference among process, their company will be better able to leverage all of its data.”
- “And they believe that these elements add up to strategic agility.”

Culture is the final component of attaining a digital transformation. Many organizations invest in technology and train their people to use it, but they fail to understand the value of creating a “digital savvy culture”. Building a broader company-wide understanding and alignment to the adoption and value of new technologies is also crucial to success.



Looking Forward

The Manufacturer of the Future can be defined by the eight business success factors outlined above and is taking action today to plan and invest both thoughtfully and aggressively to build best-in-class capabilities. In the words of Amazon founder Jeff Bezos, “In today’s era of volatility, there is no other way but to re-invent. The only sustainable advantage you can have over others is agility.”

FOODSERVICE MANUFACTURER OF THE FUTURE – Take This Self Assessment

Score your organization on these 8 business success factors and review this with your leadership team.
 --Contact Kinetic 12 to conduct a scorecard assessment and diagnostic of your organization's future readiness.
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BUSINESS SUCCESS FACTORS	SUMMARY	SELF-ASSESSMENT PROFICIENCY SCALE: 1=STRONG, 2=MODERATE, 3=LOW
1. Integrated Planning for Growth	Managed with intent and commitment, a mandate from sr. management, planning lead managing the process/timeline, shared template, full cross-functional involvement, dedicated plans for top customers, segments and categories.	
2. Differentiated Innovation	Dedicated innovation lead, insight/implication-based innovation strategy, robust pipeline, balance of line extensions, adjacencies, customer-innovation and big-bet "white-space" exploration.	
3. Customer-First Sales & Marketing	Full sales/marketing alignment against priority customers/targets, solution selling messaging, innovation/marketing calendar + shared goals and customer-facing culture.	
4. Targeted Solution Selling	Use of targeting model, identification of the highest opportunity "best-match" prospects using characteristics/behavioral criteria with correlation to previous success.	
5. Smart Outsourcing	ROI-based strategy for using external expertise/assets versus building internal capability.	
6. Omnichannel Integrated Organization Design	Internal alignment across divisions clarifying customer ownership and/or shared sales responsibilities, integrated messaging to common customers.	
7. Technology-Driven Transparent Supply Chain	Supply-chain optimization strategy, network of technology/service providers, full-value chain data/transaction transparency.	
8. Digital-Forward Mindset	A comprehensive digital strategy elevating the food-away-from-home organization's technological sophistication and culture related to ecommerce, data gathering, analytics, and social media.	

Tim Hand, Gary Schachter, Art Bell and Bruce Reinstein are partners with Kinetic 12 Consulting, a Chicago-based Foodservice and general management consulting firm. The firm guides multiple best practice projects and forums, and consults with leading Foodservice suppliers, operators, PE firms and associations on strategic initiatives. Their previous leadership roles at Foodservice manufacturers and restaurant chain operations provides a balanced perspective and insight into how the industry is evolving and what must be done to stay relevant.

