

Effective Processing Cost Containment & Customer Service



ACDA-SPRING 2008 PANEL

"CAN ONE DESIRE TOO MUCH OF A GOOD THING?"

W. SHAKESPEARE: AS YOU LIKE IT

WE ALL NEED TO BE "GOOD CUSTOMERS"

USDA – SDA - PROCESSOR – DISTRIBUTOR - RECIPIENT AGENCY

WE WILL BE "GOOD CUSTOMERS" IF WE TAKE RESPONSIBILITY
FOR OUR OWN PIECE OF THE PUZZLE

Sherry Thackeray; Pam Fleming; Jean Harris; Cynthia Barton; Pavel N. Matustik

RA's PERSPECTIVE



Manufacturers

Distributors

Brokers

Get to Know Your Customer



- Do your homework before your appointment – know the answers to the following questions:
 - RA's size and ADP
 - What menu pattern – food based or NSMP
 - Meal productions systems:
 - ✦ Scratch
 - ✦ Semi-scratch
 - ✦ Central kitchen
 - ✦ Re-thermal
 - ✦ Central warehouse
 - Find out how what the RA wants to see at your appointment. *(Some may want you to bring samples, others may want to look at POS or nutritional first, etc.)*
 - Keep up to date file on customers.

Appointments



- Set up a formal appointment - do not just drop by
- Be on time and come prepared
- Have POS materials-Nutritional, CN labels, Price/Portion, Commodity Processing - SEPDS, know about commodities, know state regulations for commodity processing as well as nutritional regulations
- Bring a business card or contact information
- What products (including the code numbers) do distributors stock - don't tell RA it is stocked if it is not

Food Testing



- Find out how the RA does their food testing
- How many samples are needed?
- Do you need to be present?

Bids/Ordering



- Provide products that meet bid specifications
- Don't keep bidding the same products that the RA has clearly stated do not meet their specifications
- Be specific on lead times needed on orders for delivery, set up delivery appointment and keep, pallet information, minimums for delivery
- Confirm receipt of orders
- Invoice items properly – double check pricing, send to proper address
- Communicate any product changes – pack size changes, formulation changes, delivery date changes, etc.

Follow up



- **Do what you say you are going to do**
 - send samples
 - information, etc.



Being a desirable RA customer

(other than having ADP of 100,000 and ordering everything in truckloads)

Appointments



- Be on time
- Be honest with the sales representative regarding the product being offered for your operation
- Be tactful
- Offer suggestions to make the product better
- If you can't use the product can you refer the sales person to another district that may benefit from it
- Don't give the sales person the impression you are interested in the product if you are not

Bids



- Clear specifications and expectations
- Good usage estimates
- Clear directions regarding deliveries: where, when, specific period that reflects when products are to be delivered to the RA, etc.
- Arrange like items together - beef, pork chicken, cheese, fruits and vegetables, etc. This helps everyone find their products. If items are scattered in the bid, products get overlooked; do NOT alphabetize items.

Bids (cont.)



- Make sure product specifications are consistent throughout the description; if there are specific nutrition or component requirements required state what components you want 2 oz. meat, 1 bread/grain, fat g less than 16, CN Label /nutritional analysis information required; state if you want cooked or uncooked, breaded or un-breaded, with soy or without, etc.
- Leave space for alternates, information that product is 4.5 oz. instead of 5 oz., space for any important notes regarding delivery minimums or requirements
- Become a part of larger purchasing entity/co-op

QUESTIONS TO PONDER



- **When to bid?**
 - Before or after November 15?
- **How much time for response?**
- **Multi-year contracts?**

USDA PERSPECTIVE



Manufacturers/Distributors/Brokers

SDA

RA

What USDA does to assist their customers to be effective



- The Processing Initiatives Teams' goal is to facilitate success in the National Processing Agreement Program.
- Accomplishing this goal precludes that a high level of customer service is delivered.
- With changing marketing conditions, staff turnover at processors and state agencies puts us in a position of continually bringing “someone” up to speed about the program. It is the nature of our work.

Who are our customers?



- **Internal:**

- PITS, other branches, other divisions: CND, FM; other agencies: AMS Poultry & Livestock, FSA, KCCO.
- We discuss and negotiate processing method strategies as we continually look for ways to improve the program
- We help AMS to be a successful part of the approval process through written & oral instructions.

Who are our customers?



- **External:**
 - Processors
 - Regional Offices
 - State Agencies
 - Recipient Agencies

What do we do?



- Majority of our work is customer service related and instructional
- A **lot** of instruction over the phone related to program requirements & technical issues,
- We have created resources to help them understand how to apply for the program, step by step, through updated letters and frequent resources posted on NPA website
- Work with them to help them make their SEPDS “user friendly”

What do we do? (cont.)



- Encourage all parties to protect themselves, through use of ACDA agreements
- We inform them of market changes to prepare them for potential impacts
- Participate in FD 101 to teach our internal stakeholders about processing
- We work with sister agencies and processors when market prices fluctuate
- Facilitate States securely viewing approved SEPDS, which could potentially increase their customer base

What do we do? (cont.)



- **List approved processors on FDD web, which could potentially increase their customer base**
- **Speaking engagements at State Processing Workshops**
- **Participate with ACDA processing subcommittees to produce resources for all the stakeholders**
- **Assist States to resolve problems with processors, act as mediators**

What do we do? (cont.)



- **Work with processors to solve compliance problems to get them back into compliance, helping them with instructional or technical issues.**
- **Continually looking for better ways to instruct our customer base, through presentations and written material.**
- **Continually looking for better ways to improve our program processes: through internal dialog and recommendations to supervisors.**

How can processors be good customers to USDA?



- Batch work & send in one time per month... as much as possible
- Check work & submit it without errors – as much as possible
- Pay attention to our deadlines and send work in within designated times...



DISTRIBUTOR'S PERSPECTIVE

THE RA IS A GOOD CUSTOMER IF...



- Proper procurement procedures are followed
- Bid the same item only once. When utilizing NOI, you should be requesting a commercial bid price, no need for a commodity bid and a commercial bid.
- Please be specific. Use manufacturer code numbers to completely communicate the item you are requesting pricing on. Since you diverted to a specific manufacturer, you are not limiting competition you are simply being clear.
- List realistic usage numbers and stick to them as closely as possible.
- Expect and ask for commercial bid pricing NOT netted down pricing. The commodity food value is not negotiable; everyone must abide by the same number so the commercial bid price is what you want to use to determine the bid award.

THE RA IS A GOOD CUSTOMER IF...



- **COMMUNICATION OF BID AWARD**
 - It is the responsibility of the RA to communicate to the processor what Distributor won the bid and therefore should hold “the bank”. The banks will not move until the RA notifies the processor to do so.
- **VERIFICATION PROCESS**
 - The RA should verify that the bid price (commercial price) is correct on the distributors invoice and that the commodity food value is listed as a deduction on the invoice and matches the SEPDS.
 - The RA is also responsible to verify draw down using whatever method the processor has approved such as K12 Foodservice or Processor Link, etc.

THE PROCESSOR IS A “GOOD PARTNER” IF...



- **BID PRICING IS CLEARLY COMMUNICATED**
 - Bid pricing should be commercial pricing for any RA. The distributor should never receive netted down pricing from a processor.
 - Commercial bid pricing should be communicated to the distributors bidding within the timelines required by the bid document. That may mean that the processors change the way they do business. It may not be feasible for the Regional who is responsible for the food shows, commodity tasting, etc. be the “go to” person for bid pricing.

THE PROCESSOR IS A “GOOD PARTNER” IF...



- **TIMELY COMMUNICATION OF BID AWARDS AND BANK INFO.**
 - In order to have the commodity food values assigned to all approved products and banks keyed in time for the first order to be received at the school; it is imperative that the information be conveyed to the distributor as soon as possible so that the RA is not disappointed at the time of delivery.
 - It is the responsibility of the processor to be sure that **ONLY ONE DISTRIBUTOR** holds the bank for the RA at any one time.
 - The processor must be part of the verification process with the RA to ensure that the proper commodity food values are being drawn down.
 - Major changes that the processor makes to the process would be less likely to cause errors and frustration to all parties if they were handled at the end of a school year instead of in the middle.

QUESTION TO PONDER



If a district changes distributor because of a bid award and neglects to have the bank moved to the new distributor, doesn't notice until January that they are not receiving the commodity food value, do they:

- a) Forfeit the commodity food value for products already delivered?
- b) Have the distributor write a credit for the CFV not received?
- c) Have the processor write a check for the CFV not received?
- d) Jump off the Brooklyn Bridge?



PROCESSOR'S PERSPECTIVE

What makes an RA a desirable customer?



1. **Availability of program information:**
 - On website, if possible, information related to:
 - ✦ menu cycles, menu planning options, number of students served, types of programs provided: breakfast, lunch, afternoon snack, summer feeding, *a la carte*, vending, catering etc. Specific nutritional requirements for items if appropriate. If not on website, a general flyer that is available works well. This permits a sales representative to be prepared for a call.
2. **Willingness to work as a partner: Share specific product needs--but please don't send us on a "wild goose chase" as R&D time is very costly!! Identify price points realistically.**

What makes an RA a desirable customer? (cont.)



3. Ask for input on your bid language! Are there sections that add cost but not value? Remember that many of your reps see hundreds of bids (or have home office staff personnel who do) and we can be a valuable resource in providing input on your basic format.
4. If you are a member of a buying co-operative, do you expect unrealistic discounts due to total ADP represented even if you: don't hard spec one item, require individual tracking, individual billing, multiple delivery points? You're really aren't "like LAUSD or NYCBOE" if you operate like a collection of independent school districts requiring individualized handling!

What makes an RA a desirable customer? (cont.)



5. Do you permit your distributor to substitute "like items" when a competing company is offering a distributor "spiff"? This throws off forecasting and production.
6. Do you set your targets accurately on your bid? We bid to volume and we learn who knows their business and who doesn't. It ends up being reflected in your price!
7. Do you communicate with your broker or sales rep if you are planning to have a special promotion so additional production can be made? Do you likewise communicate when there will be modifications to the forecast due to breaks etc? Net Net, how many of you provide your vendors with an accurate forecast of item code and number of cases for a minimum of six months out?

What makes an RA a desirable customer? (cont.)



8. Do you utilize the on line commodity tracking systems that are readily available to you to monitor your balances to insure an appropriate carry over?
9. Do you insure that when you test for commodity items that you require that the item submitted for student tested is of comparable fat level?

What makes an RA a desirable customer? (cont.)



10. Do you have bid language that permits you NOT to have to award to the lowest bidder if it is not an acceptable product? Do you have a quantifiable means of identifying "acceptable"?
11. Do you communicate quickly with the sales rep or broker if there is any issue with a product so it can be addressed promptly? (preparation instructions, menu options to prevent menu fatigue) We need and want feedback!! Feedback is best when it is specific, and in the instance of product quality, the specific lot number from the case is critical to track back to production.

What makes an RA a desirable customer? (cont.)



12. Do you reach out to someone at corporate if you have an issue with the field representative from a company? Companies need and want feedback on their sales force who carry the responsibility of maintaining the reputation of the company in the market place. This is welcomed by all reputable companies!! Trust me!
13. Adequate bid turn around time. Remember that manufacturers receive hundreds and hundreds of bids--please allow us time to carefully review yours to insure that we complete it accurately!
14. Ready access to bid results by item number, by vendor, by price submitted.
15. Be accessible to meet with knowledgeable and reputable company representatives!

What makes USDA a good customer?



1. Following ACDA national guidance materials with no deviations--saves all time and money!
2. Working collaboratively with all stakeholders for resolution of issues/guidance materials.
3. Providing consistent answers to policy questions from the field.

What makes USDA a good customer? (cont.)



4. Providing RA's with the highest degree of control possible over what commodities they receive and when. Empower RA's to "Just Say No" and to determine what they can and can't effectively use in their operations.
5. Working with national and state level SNA's to consolidate shows and training opportunities.
6. Close collaboration with industry to insure that commodity specifications mirror standard commercial specifications to the greatest extent possible.

What makes a Distributor a desirable customer?



1. No unauthorized substitutions!
2. Willingness to work with manufacturer on bringing in new items-- flexibility with minimums if at possible.
3. Complete and accurate velocity reports.
4. Timely and accurate deductions with proper back up!
5. Reasonable operating hours for delivery.
6. Advance notice of hours of operation changes.
7. Adherence to ACDA Distributor Agreement Forms as customized with either the RA or the further processor.