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# **PEOPLE ADDING VALUE TO FOOD DISTRIBUTION: PRODUCTS AND RELATED SERVICES**

Moderator: Charles R. Handy, USDA-ERS, Washington, DC

## **Adding Value to Products and Services In the Food Distribution System**

by

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The concept of food distribution is as old as mankind itself and has endured in principle since the establishment of modern food processing.

At Nabisco Brands our challenge is quite simple . . . We want to manufacture products that are so good and so exciting that they are better than fresh goods, better than dining in a restaurant, and better than, of course, those products produced by our many fine competitors. One could sense by these remarks that Nabisco Brands is strategically committed to compete from strength, to grow from strength, and to husband, nurture and take advantage of those proprietary strengths which have been the source of our many historic successes.

I've been asked to discuss adding value to products and services in the food distribution system which, for me, means reflecting on two fundamental forces: evolving socio-economic and demographic trends, and computer application technologies in recognition of:

- changing American lifestyles
- changes in American food retailing

We participate in a rather mature industry given the slowing U.S. population growth, and flat per-capita food consumption trends evident today. Yet, knowing this, Nabisco Brands' mission is to continue to achieve incremental volume growth in our established businesses (cookies, crackers, nuts, cereals, fruits, vegetables, snacks, pet foods, confections, margarine, ethnic foods and condiments), and generate real growth through new products and innovative line extensions.

Allow me to refer to one grand example of how Nabisco has aged gracefully, profitably and strategically set: Oreos.

The Oreo chocolate sandwich cookie was first introduced in Hoboken, N.J. in 1911. Oreos today are far and away the world's most popular cookie. The Oreo family accounts for approximately 10 percent of all store cookie sales--a \$3 billion market. For

years sales of Oreo cookies helped generate sufficient profits for Nabisco's business segments to enter new and bold diversification ventures--Shredded Wheat cereal, Milk-Bone pet snacks, Welch's candies (Junior Mints, Pom Poms, etc.), Ritz Crackers and Cream of Wheat hot cereals.

With such a strong base ideally suited for American tastes, one could easily relate to what is the continuation of a truly great American product in the form of:

Oreo Mint Creme  
Oreo Double Stuf  
Oreo Big Stuf  
Fudge Covered Oreo

As a result of Nabisco's expertise in Research and Development we still strive to enhance our competitive position and appeal to changing consumer tastes and interests by further introductions of new products, the likes of:

Planters Honey Roast Nuts  
Blue Bonnet blends (margarine/butter)  
Ritz Bits  
Fruit Wheat cereals  
Planters Popcorn  
Del Monte snacks and assortment of Lite products  
Sugarless Life Saver varieties

The thrust is not only in ingredient improvement but also in packaging and processing technologies which have created new product opportunities. Del Monte's response to microwave cooking is a variety of value added vegetable dishes in microwaveable packages which are fun, fresh and timely.

With a line-up of products virtually unmatched in consumer recognition and popularity, the issue becomes the use of our capabilities to attain a sustainable competitive advantage in the way our products are sold, distributed and merchandised.

It is important to recognize two factors:

1. The retailer - fewer in quantity, greater in concentrated power, and more sophis-

ticated and knowledgeable in marketing oriented concepts.

2. The store - proliferation of many formats; the decline of the conventional market and the rise of the super stores; supermarkets with a vast array of in-store service departments.

Nabisco products are sold in the many formats of supermarkets, grocery and candy/tobacco wholesalers, membership clubs, convenience stores, drug stores, mass merchandisers, and even restaurants. It is our objective, by way of increased sales and distribution effectiveness, to achieve superior consumer exposure in all these many channels of trade.

## **Sales**

### **I. Organization**

- Formation of a direct sales force and effective broker representation network.
- Creation of specialized organizations: vending, military, convenience.
- Use of national account teams.
- Establishment of regional marketing specialists to support the field sales organization.

### **II. Systems and Logistics**

- Consolidation of varying selling groups into a series of multi-defined geographic locations.
- Company-wide use of DPP applications.
- Coordination of hand-held terminals and lap computers.

## **Distribution**

The Nabisco brands distribution network is far-reaching and includes warehouse based and direct store delivery distribution systems which contain state-of-the-art order processing

and optimum customer service functions. Our purpose is to achieve a preferred supplier status through distribution capabilities allowing the company to offer unique benefits when compared to the industry. A significant step forward was achieved with the development of an order entry/order processing system for the warehouse delivered products which would help unify and integrate all other company systems. We sought a link of the warehouse system with the direct store system so that our customer could have a single interface with Nabisco in support of our sales and marketing programs.

A key program was developed to test and implement specialized customer service programs which would provide that unique competitive advantage:

- Pre-palletized promotional displays
- Direct store shipments of warehouse merchandise
- UCS application

The president and CEO of RJR Nabisco was once quoted as saying, "We will grow through guts and technology." To obtain a leadership position in the industry, and to ensure competitive advantages by introducing different products and significantly more efficient operations, Nabisco Brands is taking fullest advantage of existing technologies and new technologies developing throughout the world. Key programs in place consist of:

- Consumer testing and marketplace evaluations of products
- New product ideas and concepts
- Production facilities to allow for the development of pilot scale projects

From that small bakery in Massachusetts, which served the contemporaries of George Washington to the hundreds of highly automated computer assisted plants now producing food for the entire world, Nabisco Brands has stood for value, has strived for perfection, and will always take the leadership role as a shareholder in our food industry.