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PANEL OF REPRESENTATIVE TRADE ASSOCIATIONS CEO'S

Chairperson: Clancy Adamy

THE NATIONAL FOOD BROKERS ASSOCIATION VIEWS THE 1980'S

by

Mark M. Singer
President

Food brokers are salesmen. Salesmen are optimists. Working as they do in the food industry, our members are also realists. Thus, I can express our view of the future for food brokers in two words--sober optimism.

Like our members, we see great opportunities ahead for food brokers. These opportunities will have to be captured by the individual firm through continued efforts at developing the potential for these opportunities. It means attention to improving their operations in two major ways.

First, is through constant upgrading of the professionalism of their sales staffs. Second, is a never-ending effort at containing the ever-increasing cost of operations. To put it another way, the opportunities must be achieved through increased productivity of people and financial resources.

Those food brokers who do not participate in the expanded opportunities may find themselves running faster and faster just to stay even. For some, the result could be economic attrition. They can be swallowed up by ever-rising operating costs, with smaller net returns. Of course, this is no different than the situation facing producers and distributors in the grocery field.

We are proud that most food brokers continue to seek the new opportunities.

They are working hard to grow and to occupy an even more important role in food distribution.

For example, they are constantly assessing ways of increasing the productivity of their personnel. Food brokers maintain a full staff of people to contact their customers. They recognize that part of their responsibility to their principals is to assist the customer in many ways. The special working relationship between the food broker and the distributor has evolved over many decades and many of the services offered by the broker have come in response to the needs of the distributor. However, it is important that both parties understand the limits of this relationship. Productivity is critical.

What are the opportunities? It means the expansion into new product areas by the development of expertise in general merchandise, health and beauty aids, candy, health and nutrition products, dairy, toys, soft drinks, bakery products. Many of these products were not sold by food brokers in the past. Today, they are a growing source of revenue for them.

There are also opportunities for food brokers to sell marketing and reporting services to manufacturers and processors. In other words, services other than performing the actual sales function. This might include shelf

maintenance, store reports, and other services that may not be provided today.

Who are the producer firms turning to food brokers? First, there are those who are seeking new opportunities and new volume by looking to the supermarket field for the first time. Second, are those established grocery firm producers who are seeking ways to avoid their own economic attrition caused by rising costs.

Of importance to many food brokers is their continued expansion in the food service field--but that may be of less interest to this audience.

Along with the need to develop growth potential, there is another requirement for those food brokers who desire to maintain their status as sales leaders. Again, this is not different than that faced by others in the industry.

Food brokers have an eternal, sometimes burdensome responsibility to adapt to changing competitive conditions. The old techniques, the old friendships, the old buying procedures are changing.

Nor is it merely sufficient to adapt to the changes. Well established though they are in their local markets, food brokers must continue to show their principals and their customers how they have been adapting to these changes. Too many times their services are taken for granted, without a recognition of the growth in these services.

One of the problems facing some food brokers is the pressure placed on some of their principals to discontinue the broker representation to certain customers who may be affiliated with a group or a buying organization. The food broker is not the only one who is affected. Manufacturers and processors must recognize that they are vulnerable when they do not have steady, reliable representation by sales forces responsible to them. No seller can afford the uncertainty of making his sales success dependent on

outside organizations not responsible to him.

Neither can a seller expect his broker to provide full services unless the broker is totally involved in his principal's programs and can make a reasonable profit. For their own long-term security, principals cannot afford to discontinue the services of their food brokers in sales to certain customers. This is equally important to retail and wholesale distributors who depend on the food broker to provide them many services on behalf of their sellers.

An expression of this is a motion that was adopted by the Louisiana Wholesale Grocers this September. Let me read this.

"The Louisiana Wholesale Grocers Association goes on record encouraging manufacturers who have been represented by food brokers for many years to maintain the broker support because of the valuable service rendered to the manufacturer at retail.

"We as wholesalers, depend on a concentration of effort at retail to move a quantity of products that will justify continuation of purchasing from the manufacturer.

"This in no way is intended to be a reflection against those manufacturers who have always worked through a direct sales force but is intended to publicize the strong retail support to numerous product categories provided by food broker organizations."

Let us turn now to NFBA and how it views the future for itself and for trade associations. We see a continued growth in our activities for our association members. Once again, it is the same for our sister associations in the grocery field, whose services to their members continue to expand.

Our primary responsibility in NFBA is to represent our members and to work for their welfare. To us, this also means close cooperation with our associates in the food industry. Because our members represent manufacturer and processor groups on the one hand, and sell to wholesale and retail distributors, we feel we must and do have a close working relationship with all the trade associations in the food industry, perhaps with more organizations than many other groups represented here. Whether it is UCS or Trade Practice Recommendations for the grocery industry, or other all-industry efforts, we intend to maintain NFBA's reputation as a dependable partner.

Our member services are geared to help our members adjust to the constant change we all face. We are proud that our Association's services have a positive effect on all food brokers. Some have an immediate impact, such as our 236 page annual membership directory, our huge annual convention, insurance programs, government and legislative work, and our vast assortment of manuals and other publications. Other services have a more cumulative impact, a continuing one, such as our business development work for food brokers and our contacts with principals and potential principals.

Also, NFBA's Education Foundation provides scholarships, publications, education and training programs to help our members. This will continue to expand as fast as the Foundation's financial resources permit. Incidentally, I might point out that our scholarship program has the basic requirement that the student show an interest in making a career somewhere in the food industry. It is not limited to a career as a food broker.

We recognize that our programs and our services must benefit all types of food broker firms, covering all fields including those who have areas of special interests, such as food service,

industrial sales, general merchandise, and others.

Many of you know that NFBA is completing construction of a new office building. We are very proud of this building which is a symbol of the growing importance of our food broker members who own it. More important to us on the staff is the expanded space and facilities it will make possible so that we can better serve our members. One of the exciting features for us will be a conference center. This will have facilities for audiovisual presentations, workshops, and training sessions. It also will serve as our board room when our Executive Committee holds meetings in Washington.

This expansion also tells you how we view the future for our Association and for its services for food brokers.

We believe that in the future, NFBA and its grocery industry association partners must play a growing role, both collectively and individually in strengthening our industry. To illustrate this point, let me take you back to what you might call trade association course 101.

Trade associations have developed as a unique American phenomenon. It is not a recent development. You may recall the book written 150 years ago by the French Count Alexis de Togueville entitled "Democracy in America." He had this to say about trade associations:

"Americans of all ages, all conditions, and all dispositions constantly form associations. There are not only commercial and manufacturing companies, in which all take part, but associations of a thousand other kinds, religious, moral, serious, futile, general or restricted, enormous or diminutive. If it is proposed to inculcate some truth, or to foster some feeling by the encouragement of a great example, they form a

society. Wherever at the head of some new undertaking you see the government in France, or men of rank in England, in the United States you will be sure to find an association."

Those of us in trade association management today have that same responsibility to "inculcate some truths." It is our responsibility to "foster some feeling by the encouragement of a great example."

As one such example, we in NFBA call on others in the food industry to join us as we place a renewed emphasis on ethics. There is a need for a universal self-dedication to the values of high ethical standards. I say self-dedication because ethics are self-imposed. They are not laws or regulations made by others. Ethics cannot be enforced by either government or by trade associations.

We are pleased that most food brokers believe in adherence to moral standards and to observance of NFBA's Code of Ethics. But, I would be kidding you to imply that all of them do so. Believe me, we do not intend to imply a "Holier-Than-Thou" position. Our members are no different than other businessmen in the food industry.

Food brokers have come a long way and are much more professional in their operations than they ever have been. But, progress in professionalism does not always improve the ethics of an individual or firm. Or to put it another way--it is not necessarily a sign of progress when cannibals start using knives and forks.

We in NFBA will continue to emphasize the need for dedication to high ethical standards. We further call on the rest of the food industry to respect and to support those food brokers who believe in and who live by those standards.

What can each of us, individually, do to promote ethics? Its foundation must be firmly planted in each and every organization in our industry. Only then will these ideals prosper and grow. No matter what the outside pressures, you and I must live with the consequences of our decisions and actions. So must our members.

We cannot enjoy consistently high standards of doing business, which will affect our productivity levels, if we do not put forth a concerted individual effort to maintain high standards.

The unscrupulous individual who demands or offers unethical, and perhaps illegal considerations, is not only compromising his company, he is working at cross purposes with the rest of the industry. Granted, such individuals are not commonplace, but even one is one too many for an industry facing today's challenges.

But ethics is just one example of how we can all work together. I want to endorse all proper efforts by the industry's trade associations at maintaining an open spirit of partnership. Our record in recent years is a good one. We can do even better in the future.

Each of our associations has a job to do for its respective members. For each of us, our members do come first. Sometimes the interests of one association may not agree with that of another. There is nothing wrong with that. Let us deal with those differences in a responsible, statesman-like way.

However, there are many areas where we can and do have supportive interests. Let us not allow any differences to divide our industry. Let us maintain the harmony and the unity that we and our members will need in order to collectively, effectively, serve our ultimate customer--the American consumer.

Working together, our food industry trade associations, like our members, can look to the balance of this decade with sober optimism.