

## FSIP FOODVIEW: E-COMMERCE EXPANSION IN FOODSERVICE

# HOW TO THRIVE IN TODAY'S DIGITAL MARKETPLACE

*By Tim Powell, Managing Principal*

Foodservicedirect.com, WebstaurantStore, Supplies on the Fly, Amazon and others are contributing to the increased complexity of selling into various foodservice segments. These are no longer third party organizations that provide an ancillary service. They are now integrated, structural members of the supply chain. For manufacturers looking to increase their value and growth trajectory with these key players, assessing each company's individual strategy becomes an essential exercise.

### OPERATORS ARE DRIVING THE NEED FOR A DIGITAL SUPPLY CHAIN

In our recent study in 2017, we learned that operators are driving the demand for online ordering for foodservice products. While usage remains low compared to offline options, there are categories giving traditional distributors headaches. These categories are disposable packaging, beverages and equipment.

The table shows the reasons foodservice operators select online options - with pricing, availability and convenience chief among them.

#### TOP REASONS FOODSERVICE OPERATORS USE E-COMMERCE INSTEAD OF OFFLINE MEANS

Prices	Greater availability	Convenience	Fast shipping
Better deals	Mobile ordering	Product range	
Time management	Rewards	Efficiency	

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We expect operator usage of e-commerce to triple in the next five years. While brick-and-mortar distributors will be most impacted by this business disruption, so too will food manufacturers. We suggest developing a scorecarding system to evaluate e-commerce companies to protect margins, reputation, control and brand equity.

## DEVELOPING A FRAMEWORK TO EVALUATE E-COMMERCE COMPANIES

As e-commerce captures more and more of a manufacturer's current customers, it becomes very difficult to ignore an e-commerce company and manufacturers that don't have proper strategies and controls in place may soon face lower overall margins, loss of control of programs, added administration burden and brand erosion. It is thus imperative to develop a strategic framework to ensure that e-commerce companies are handled in the best interest of the manufacturer.

FSIP recommends manufacturers adopt a process, whereby e-commerce companies are evaluated, rated, managed and ranked by their points of leverage.

### EVALUATE & DICTATE THE E-COMMERCE EMERGENCE

Develop, evaluate and/or review ECCs.

Analyze and understand the ECC market, realizing that not all are created equal in your portfolio.

Establish controls and contracts to protect other parts of your business.

Analyze and understand your overall points of leverage relative to the market.

Continued margin pressure at the operator level makes e-commerce a very attractive alternative as part of overall cost containment strategies. E-commerce has gained share as a result of an inefficient supply chain that has poor price transparency and undisciplined manufacturer and distributor pricing at the operator level, among other factors. One thing is clear – e-commerce will not lose influence, but is instead likely to continue growing.

## NEXT STEPS

**Looking for help in developing an e-commerce strategy for your business?** You've come to the right place. For deeper insights on the topic, consider sponsoring our upcoming study on e-commerce in foodservice. Contact a FSIP team member today to learn more:

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