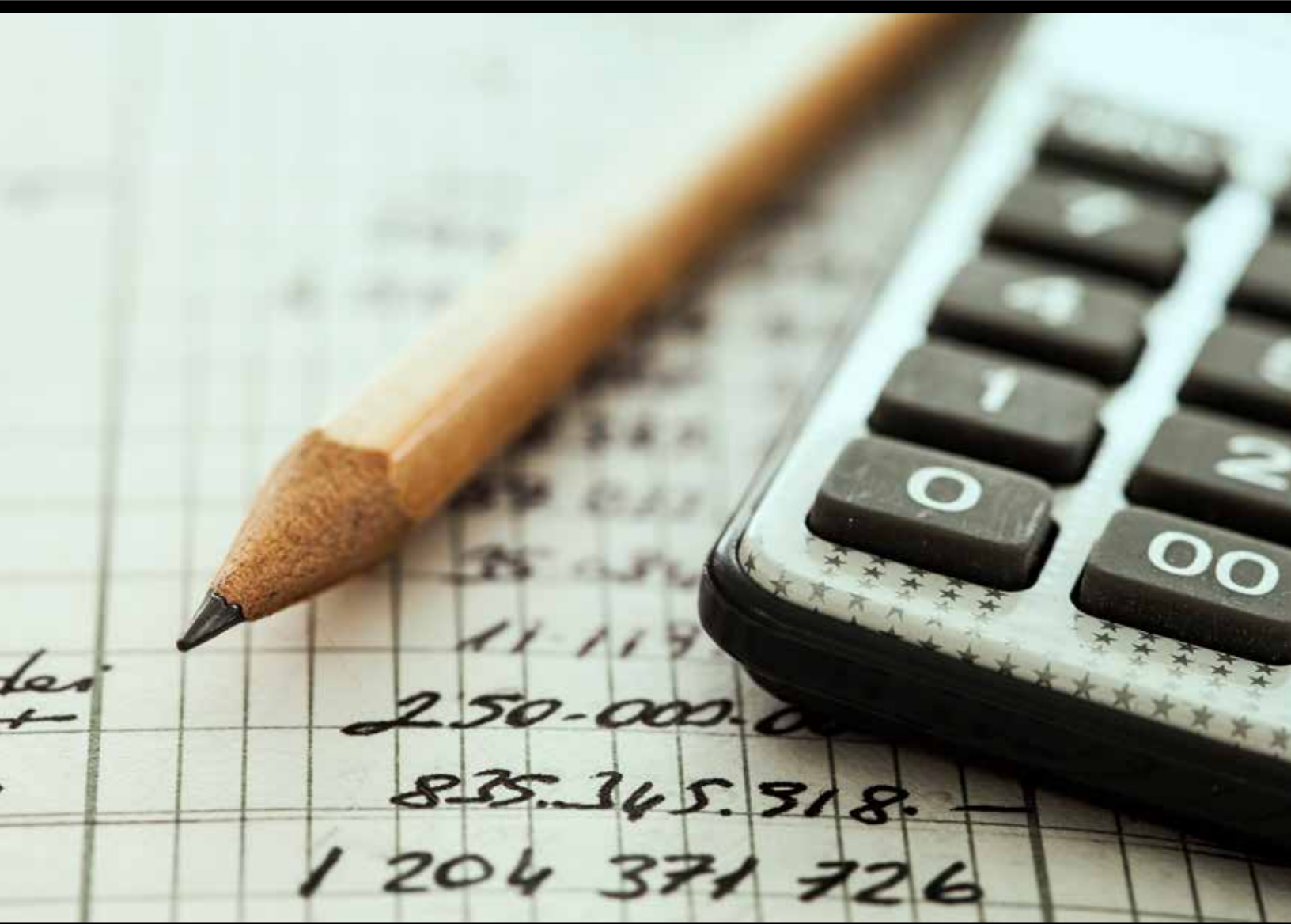


# AGENCY SALES or DIRECT SALES?

*Why Sales Agencies Are More Cost-Effective  
and  
Efficient than Direct Sales by Manufacturers*



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# AGENCY SALES or DIRECT SALES?

## *Why Sales Agencies Are More Cost-Effective and Efficient than Direct Sales by Manufacturers*

### **A. Executive Summary**

For more than 100 years, most foodservice Manufacturers have employed Sales and Marketing Agencies (“SMAs”) as their main go-to-market method. It is estimated that upwards of 70-75% of US product volume sold through broadline foodservice distribution involves an SMA. **There are numerous reasons for this overwhelming propensity of use of Sales and Marketing Agencies, with the chief reason being that SMAs are more cost-efficient and effective than a Direct Sales Model.**

**Why are SMAs more cost-efficient and effective?** Agencies are **efficient** because they are **able to spread the sales, marketing and support costs across the numerous Manufacturer clients (known as “syndication”)** they represent. This syndication ability of Agency services allows Agencies to perform activities cost-efficiently compared to a Direct Sales Model, which has no such advantage.

SMAs are also **compellingly more effective** than a Direct Sales Model. Syndicated Agencies provide experienced multi-client sales and marketing services, culinary facilities, dry and cold storage, and customer service and order management staff among many other services that would be cost prohibitive for almost all Manufacturers to replicate in more than one location.

**SMAs are also effective because they are closest to the customers in their markets, with long-standing relationships and intimate market knowledge with all customer segments.** Agencies offer consistent and constant representation across all customer segments including commercial, non-commercial, healthcare, education and many others.

Regardless of the type of Agency representation chosen by a Manufacturer (national, regional or independent), or the amount of commissions paid, this combination of efficiency and effectiveness is the **primary** reason why Agencies continue to represent 70-75% of products sold in foodservice.

### **B. Focus of White Paper**

This White Paper was sponsored by the ASMC Foundation and the FSMA Foundation on behalf of the Foodservice Sales & Marketing Association (“FSMA”) to respond to inquiries regarding the difference in cost and effectiveness of a Manufacturer outsourcing through an Agency (“Agency Sales Model”) as compared to a Manufacturer employing their own in-house/direct sales and marketing team (“Direct Sales Model”).

The foodservice consulting firm of Franklin Foodservice Solutions was engaged by the Foundation to prepare this White Paper and to analyze the advantages of Agency Sales compared to Direct Sales.

In this White Paper, at **Appendix C** is an Excel spreadsheet tool (“Sales Cost Analysis Tool”) **to provide a unique calculation tool to answer the age-old question of which sales method is the best for a Manufacturer** and to help it prepare a comprehensive analysis to estimate the costs of a “Direct” as compared to “Agency” go-to-market model based not on **industry averages**, but rather on a Manufacturer’s **actual and estimated sales costs**.

## C. Research Methodology

In preparing this White Paper, FSMA Agency and Manufacturer Members were consulted to better understand the scope of Agency services provided to Manufacturer clients.

These activities were organized into a summary of 6 “Necessary Cost of Sales Factors to be Considered,” identified in **Appendix A** more fully itemized in **Appendix B** as a guide for calculation of the actual and estimated sales costs. Not surprisingly, the research showed that sales activities such as customer sales calls **are only a small portion of the work performed by Agencies** in support of growth of a Manufacturer’s sales volume. While not all of the **Appendix A** activities are needed by every Manufacturer, the Cost Factors identified provide a more comprehensive list of activities that Agencies perform for their Manufacturer clients which are critical to provide an accurate cost comparison.

Lastly, the Sales Cost Analysis Tool for Manufacturers was developed to **accurately compare fully loaded costs associated** between Agency and Direct sales models. The Sales Cost Analysis Tool includes instructions for estimating the number and cost of human, infrastructure and other resources required to support the Direct Sales Model, and to enable comparisons of these costs to current Agency Model costs. The Tool includes a fill-in-the-blank worksheet for a Manufacturer’s comparison using their own internal costs and estimates, as well as two examples based on different commission payment levels.

***This White Paper and the Sales Cost Analysis Tool (Customizable Excel spreadsheet) is available for download at no cost from the ASMC Foundation website @ [www.ASMCFoundation.org](http://www.ASMCFoundation.org) and the FSMA Foundation website at [www.FSMAonline.com/FSMA-Foundation](http://www.FSMAonline.com/FSMA-Foundation).***

## D. Agency or Direct Comparison Considerations

When FSMA is requested to provide guidance to Manufacturers regarding the comparative costs of the Agency or Direct Sales Models, it often finds that many sales costs that should be part of the analysis are overlooked. A few reasons for this are:

1. Manufacturers **rarely share their proprietary internal sales cost information**.
2. Direct **employee compensation rates** for Direct Sales Manufacturers **vary across geographic regions**, making generalizations inaccurate.
3. **Direct Sales Manufacturers have differing strategies** regarding:
  - a. Operator segments
  - b. Distributor support (private label, category management, etc.)
  - c. Contract vs Street Business
  - d. Chain Accounts
  - e. Culinary Support

The FSMA Foundation is aware of numerous outsourcing studies (See **Appendix D**) which conclude that, unless a Manufacturer has a high enough sales volume to justify the total costs of the Direct Model<sup>1</sup>, the **Agency Model costs less than a Direct Model due to the syndicated activities that Agency represented Manufacturers take advantage of**, as compared to Direct Sales Manufacturers, who shoulder 100% of these costs internally.

Two other non-financial considerations are worth noting, and must be considered by Manufacturers in considering the "Agency or Direct" question:

1. The **potential benefit** of a sales force, with high enough sales volume to justify the costs, that is 100% focused on a single Manufacturer's product line compared to the multi-client Sales Agency Model.
2. The **potential disadvantage** of Distributors having a **strong preference for foodservice Manufacturers who use Agency representation**, since the syndication of numerous products with Operators gives them more sales credibility and value and a **more efficient interface than a Distributor having to build relationships with hundreds of Manufacturers**. Distributors also appreciate the many selling and marketing resources Agencies provide to them on behalf of their Manufacturer clients.

## **E. Manufacturer Cost Estimate Challenges**

In the numerous conversations with Manufacturers on this topic over the years most Manufacturer senior managers **vastly underestimate the scope and cost of support provided by their Sales Agencies, especially support activities which are not directly related to "making sales calls." But without these additional sales support activities identified in Appendix B performed by Agencies in every market, sales growth is nearly impossible.**

Therefore an accurate sales cost analysis of "Agency" or "Direct" must include the added costs associated with each of the sales and marketing activities provided by Agencies to each individual Manufacturer client.

In a very typical (but often incomplete) cost analysis, a Manufacturer will state: **"I pay \$1 million in Agency commissions. One Direct sales person will cost me \$100,000. If I divide the cost of a sales person into the commissions paid, that means I can employ 10 Direct sales people in lieu of paying my Agency(ies)' commissions."**

**That analysis is inaccurate, because it ignores all the other costs incurred in support of the essential sales and marketing activities performed** and paid for by the Agency as identified in **Appendix B**. These activities and costs must be accounted for by a Manufacturer deciding whether to solely bear the costs in-house without the savings and efficiency of a syndicated sales and marketing agency.

<sup>1</sup> In the Study **"Maximizing the Impact of Outsourcing,"** one \$13 billion CPG said it **"couldn't make the math pay out" to maintain a direct sales force at retail.** See **Appendix D**. This Study further indicates that even manufacturers who are selling direct continue to need sales and marketing agency services in areas where the agency can execute more efficiently and effectively, due to their syndication expertise such as at headquarter level.

## F. Manufacturer Key Cost & Activity Questions

Manufacturers who are considering Direct or Agency sales models should evaluate the financial impacts of each model using the customizable **Appendix C Sales Cost Analysis Tool** before risking significant increased sales and marketing cost and possible loss of effective sales of its products.

### Key Questions for Manufacturers:

1. Which of the Appendix B functions are your Agencies performing for you now?
2. Which will you need to maintain in a Direct Sales Model?
3. How would you organize your Company to provide these functions on a local/regional/national level?
4. What are the skillsets required to perform these functions?
5. What will it cost, including:
  - a. Salary and Benefits
  - b. FICA
  - c. Unemployment
  - d. Workers Compensation
  - e. Liability Insurance
  - f. Travel
  - g. Meals and Entertainment
  - h. Vehicle
  - i. Recruiting and Onboarding
  - j. Training (Product and Sales Training)
  - k. Turnover
  - l. Additional HR Staffing
  - m. Promotions and Incentives
6. What are the risks when changing to a Direct Sales Model, including:
  - a. **Lost local relationships.**
  - b. Learning curve and **ramp-up time until full effectiveness** is achieved.
  - c. **Lost sales** from aggressive competition sensing an opportunity during the transition.
  - d. **Lost float in cash flow** because direct employee payroll costs are paid on a shorter and more regular time frame than agency commission payments.
  - e. Manufacturers would **need to replicate extensive equipment**, computers, mobile phones, and culinary and other equipment needed both initially and on a continuing basis.
  - f. Agency costs of sales are variable based on sales performance whereas In-House/Direct Sales have no such advantage. **In-House/Direct incur fixed costs which are subject to inflationary pressure** whereas agency commissions paid to an Agency are automatically adjusted based on the selling prices of products.



## G. Conclusions

In considering a possible change to an In-House/Direct Sales Model, a Manufacturer needs to measure and include the hard and soft costs associated with an Agency as compared to a Direct Sales Model. **This White Paper provides a Manufacturer with the Sales Cost Analysis Tool to enable calculations of all costs in order to make an informed decision regarding the efficiency and effectiveness of each sales model.**

Regardless of the type of Agency representation chosen by a Manufacturer (national, regional or independent), or the amount of commissions paid, **this combination of efficiency and effectiveness is the primary reason why Agencies continue to represent 70-75% of products sold in foodservice.**<sup>2</sup> In a few words, the answer to the age-old question of which method is best – Agency Sales or Direct Sales? **Agencies sell products for their Manufacturing clients less expensively and better than Direct!**

## H. Acknowledgments

**Our thanks to Franklin Foodservice Solutions for researching and assisting in the production of this White Paper.**

**We also thank the following Contributors and Editors of the White Paper:**

*Rick Abraham, President & CEO, FSMA*

*Barry C. Maloney, CFO and General Counsel, FSMA and FSMA Foundation*

**The FSMA Foundation also gratefully appreciates the generous contribution from the ASMC Foundation which sponsored this White Paper.** The ASMC Foundation also sponsored the various comprehensive retail outsourcing Studies on behalf of the Association of Sales & Marketing Companies (ASMC) referred to in **Appendix D** of this White Paper.

**Special thanks to the FSMA Board of Directors for their support in the production of this White Paper.**

A.J. Letizio Sales & Marketing, Inc.

Baker Sales Company/IBA

Rizwitsch Sales/IBA

Acosta Foodservice

Food Sales East – Sales One

Total Source Foodservice/IBA

Affinity Group – Elite Associates

KeyImpact Sales & Systems, Inc.

Waypoint

## I. Contacts

If you have questions or would like to confidentially discuss this topic with us, please contact us at:

**Rick Abraham, President & CEO, FSMA**

1810-J York Road #384

Lutherville, MD 21093

Email: rabraham@fsmaonline.com

Phone: (410) 491-7857

**Barry C. Maloney, CFO and General Counsel**

**FSMA and FSMA Foundation**

5225 Wisconsin Avenue, NW #316

Washington, DC 20015-2055

Email: bmaloney@maloneyknox.com

Phone: (202) 293-1414

<sup>2</sup> This efficiency and effectiveness mirrors the findings in the retail Research Study **“Collaboration Dynamics When Outsourcing,”** page 3: “Sales Agencies ... have proven to be valuable to CPG Manufacturers and retailers [Operators and Distributors] because of their ability to provide cost savings to the industry as well as their ability to increase product sales through a variety of critical activities, including HQ sales, retail/in-store [Operator] execution and sales/administrative support.” (Brackets added to reflect names of foodservice industry partners.)

# APPENDIX A

## NECESSARY COSTS OF SALES FACTORS TO BE CONSIDERED\*

*The following is a summary of "Agency Activities and Cost Factors" more fully itemized in the following Appendix B:*

1. **Business Development** – those activities which involve the **product and program presentations** made by SMAs or Direct Sales personnel to Operator and Distributor customers.
2. **Marketing** – ongoing activities that **create a "halo" around Manufacturer brands in the local marketplace including co-branding opportunities between Agency clients**. Because they are often Distributor-focused, it is tempting for Manufacturers to imagine they can be reduced or eliminated under a Direct Sales Model. **But it is self-evident that Agencies would not invest resources against Marketing Activities unless there was a clear connection to volume growth and Agency compensation.**
3. **Planning, Reporting and Analysis** – an ever-growing set of endeavors which is fueled by the **growing availability of (and interest in) local, detailed sales data**.
4. **Local Infrastructure** – provided by Agencies which enhances their Marketing and Selling efforts. **These include culinary resources, kitchen and storage facilities, including freezers and coolers, local meeting space, offices, etc.**
5. **Administration** – all of the actions required to ensure **smooth execution of trade programs, special prices, order management, etc.**
6. **Post Administration Issues Resolution** – countless unplanned **responses to local customer demands for information, problem-solving, labor, etc.** which never rise to the Manufacturer level.

\* Not all manufacturer clients utilize 100% of these services. Each Agency-Client relationship is unique. A Manufacturer's analysis would include only those services performed by its Sales Agency representatives plus the cost of activities already performed in-house.



# APPENDIX B

## AGENCY ACTIVITIES AND COST FACTORS

### 1. Business Development

- a. Develop Presentations
  - b. Present to Operators
  - c. Present to Distributors
  - d. Distributor Business Reviews
- 

### 2. Marketing

- a. Food Shows – annual and segmented, vendor fairs, state school shows, plus Chef and Restaurant Associations
    - i. Planning
    - ii. Administration
    - iii. Samples
    - iv. Setup
    - v. Working the Show
    - vi. Teardown
    - vii. Follow-up
  - b. Operator Telemarketing
  - c. Menu Development
  - d. Coupon Programs
  - e. Operator Database Management
  - f. Distributor Sales Meetings
  - g. Distributor Ride With's
  - h. DSR Training and Cuttings
  - i. Entertainment
  - j. Promote new recipes, visibility and co-branding between clients of the Agency
- 

### 3. Planning, Reporting and Analysis

- a. Preparing and Managing the Sales Plan
- b. New Item Introduction Planning
- c. Sales Reporting
- d. Competitive Analysis and Feedback
- e. Sales Forecasting
- f. Distributor Stocking Sheets/Void Matrix
- g. Data Analytics
- h. Promotion Planning

### 4. Infrastructure

- a. Culinary Resources and Test/Demo Kitchens
  - b. Conference and Sales Meeting Rooms
  - c. Sample Storage (Refrigerated and Frozen) and Management
  - d. Food Show Equipment
  - e. Cars
  - f. Laptops
  - g. Phones
  - h. Office and Warehouse Facilities
- 

### 5. Administration

- a. Order Entry
  - b. Trade Program Negotiation
  - c. Trade Program Administration
  - d. Deviated Price Management
  - e. Damaged Goods
  - f. Deduction Management
  - g. Invoice Reconciliation
  - h. Bill-back Reconciliation
  - i. Manage Equipment
  - j. Manage POS
  - k. Manage Contract Compliance
- 

### 6. Post-Administration Issues Resolution

- a. Local Problem Solving
- b. Issue Tracking and Communication (Shortages, late shipments, etc.)
- c. Local Operator and Distributor Relationships
- d. Distributor Dedicated Resources
- e. Dead Inventory
- f. Operator Complaints
- g. Product Transfers
- h. Distributor Requests

# APPENDIX C

## SALES COST ANALYSIS TOOL FILL-IN WORKSHEET Direct Sales Model Cost Worksheet - Follow Instructions Next Page

Current Annual Commissions:

\$ -

<b>Staffing</b>				
Position Title	Base Salary	Benefits (1)	Number Required	Total Annual Cost
Operator Specialist	\$ -	\$ -		\$ -
Distributor Business Mgr	\$ -	\$ -		\$ -
Sales Support (2)	\$ -	\$ -		\$ -
Sales Leadership	\$ -	\$ -		\$ -
Additional HR Staff	\$ -	\$ -		\$ -
Training Mgr	\$ -	\$ -		\$ -
Others (list)	\$ -	\$ -		\$ -
	\$ -	\$ -		\$ -
	\$ -	\$ -		\$ -
<b>Total Staffing Costs</b>				<b>\$ -</b>

<b>Infrastructure</b>			
Requirement	Cost of Each	Number Required	Total Annual Cost
Test/Demo Kitchen Space	\$ -		\$ -
Conference Rooms/Offices	\$ -		\$ -
Sample Storage	\$ -		\$ -
Equipment (Food Shows, Demos)	\$ -		\$ -
Equipment Storage	\$ -		\$ -
EDI Capability	\$ -		\$ -
Cars w/insurance/maint/gas (3)	\$ -		\$ -
Laptops w/accessories & software	\$ -		\$ -
Phones and Service	\$ -		\$ -
Others (list)	\$ -		\$ -
	\$ -		\$ -
	\$ -		\$ -
<b>Total Infrastructure Costs</b>			<b>\$ -</b>
<b>Total Annual Cost Estimate for Direct Model:</b>			<b>\$ -</b>

<b>Difference - Direct or Agencies: (4)</b>	\$ -
<b>PLUS Year 1 Costs:</b>	
<b>Recruiting</b>	\$ -
<b>Training</b>	\$ -
<b>Equipment</b>	\$ -
<b>Total Year 1:</b>	<b>\$ -</b>

### Staffing:

Salaries, Benefits, Expenses: Fill in applicable salaries based on geographic area and other considerations

(1) Assumes Salary + 25% SG&A + 15% Bonus (+\$10K Travel and Entertainment for Sales Staff)

(2) Sales Support Staff may include:

Sales Planning Specialist

Product Training Specialist

Sales Data Analyst

Order Management Specialist

Local Marketing Specialist

Trade/Deduction Coordinator

Food Show Coordinator

Other

(3) Consider assuming all-in vehicle costs of \$0.54 per mile and average of 35,000 miles per year.

(4) Excludes first-year costs for recruiting, training, and equipment, for example, kitchens, freezers, and coolers.

# INSTRUCTIONS FOR USE OF FILL-IN WORKSHEET

## SALES COST ANALYSIS TOOL

On the "Worksheet" tab, fill in all of the grey-shaded cells

- 1. Insert your current annual Agency payments in Column F**
- 2. In the "Staffing" Box, estimate the Base Salary required in Column B\***
  - Column C will automatically add 25% SG&A, 15% Bonus, and \$10K Travel and Entertainment for Sales Positions
  - **Then enter the number of people required for each position in Column D**
  - Column E will calculate the total annual Staffing Cost
- 3. In the "Infrastructure" Box, estimate the annual cost of each resource required, and the number of each**
  - Enter amounts in Columns B and D
  - Column E will calculate the total annual Infrastructure Cost
- 4. Row 35 will compare your current annual Commissions cost to your estimated annual cost for the Direct Sales Model, and the Difference**
- 5. Row 36 calculates your Year 1 cost of Recruiting, based on 25% of base salary**
- 6. Row 37 estimates your Year 1 cost of Training and Equipment based on your experience**
- 7. Row 38 estimates your estimated annual cost plus recruiting, training and equipment, for example, kitchens, freezers and coolers.**

\* In filling out the worksheet, a Manufacturer should look at costs/staffing expenses over and above what currently exists in order to have a true comparison.

# AGENCY SALES or DIRECT SALES?

## EXAMPLE LARGE MANUFACTURER

### Direct Sales Model Cost Worksheet - Example Based on \$5MM Annual Commissions

(Actual costs will differ depending on each Manufacturer's requirements)

Current Annual Commissions:

\$ 5,000,000

<b>Staffing</b>				
Position Title	Base Salary	Benefits (1)	Number Required	Total Annual Cost
Operator Specialist	\$ 66,000	\$ 26,400	50	\$ 4,620,000
Distributor Business Mgr	\$ 84,000	\$ 33,600	25	\$ 2,940,000
Sales Support (2)	\$ 50,000	\$ 30,000	20	\$ 1,600,000
Sales Leadership	\$ 96,000	\$ 48,400	12	\$ 1,732,800
Additional HR Staff	\$ 65,000	\$ 26,000	3	\$ 273,000
Training Mgr	\$ 100,000	\$ 40,000	2	\$ 280,000
<b>Total Staffing Costs</b>			<b>112</b>	<b>\$ 11,445,800</b>

<b>Infrastructure</b>			
Requirement	Cost of Each	Number Required	Total Annual Cost
Test/Demo Kitchen Space	\$ 12,000	50	\$ 600,000
Conference Rooms/Offices	\$ 18,000	50	\$ 900,000
Sample Storage	\$ 3,600	50	\$ 180,000
Equipment (Food Shows, Demos)	\$ 5,000	50	\$ 250,000
Equipment Storage	\$ 3,600	50	\$ 180,000
EDI Capability	\$ 2,500	1	\$ 2,500
Cars w/insurance/maint/gas (3)	\$ 18,900	50	\$ 945,000
Laptops w/accessories & software	\$ 1,250	100	\$ 125,000
Phones and Service	\$ 1,500	100	\$ 150,000
<b>Total Infrastructure Costs</b>			<b>\$ 3,332,500</b>
<b>Total Annual Cost Estimate for Direct Model:</b>			<b>\$ 14,778,300</b>

<b>Difference - Direct vs Agencies: (4)</b>	<b>\$ 9,778,300</b>
<b>PLUS Year 1 Costs:</b>	
<b>Recruiting</b>	<b>\$ 1,986,750</b>
<b>Training</b>	<b>\$ 500,000</b>
<b>Equipment</b>	<b>\$ 1,500,000</b>
<b>Total Year 1:</b>	<b>\$ 13,765,050</b>

#### **Staffing:**

Salaries, Benefits, Expenses: Based on geographic area and other considerations

**(1) Assumes Salary + 25% SG&A + 15% Bonus (+\$10K Travel and Entertainment for Sales Staff)**

**(2) Sales Support Staff may include:**

Sales Planning Specialist

Sales Data Analyst

Local Marketing Specialist

Food Show Coordinator

Product Training Specialist

Order Management Specialist

Trade/Deduction Coordinator

Other

**(3) Assumes all-in vehicle costs of \$0.54 per mile and average of 35,000 miles per year.**

**(4) Excludes first-year costs for recruiting, training, and equipment, for example, kitchens, freezers, and coolers.**

# APPENDIX D

## LIST OF SALES AGENCY OUTSOURCING STUDIES\*

Title & Subtitle	Research Partners
<p><b>Value of Outsourcing Sales and Marketing</b>  <i>A Study of the Prevalence of Use of Sales and Marketing Agencies by Consumer Packaged Goods Companies</i></p>	<p><b>Institute for Customer Relationship Management</b></p>
<p><b>Outsourcing Is In!</b>  <i>How CPG Companies Enhance Performance, Reduce Cost &amp; Increase ROI through Outsourcing Sales and Marketing</i></p>	<p><b>Institute for Customer Relationship Management</b></p>
<p><b>Maximizing the Impact of Outsourcing</b>  <i>How CPGs Can Best Use Sales and Marketing Agencies in a Changing Environment</i></p>	<p><b>Bain &amp; Company</b></p>
<p><b>Collaboration Dynamics When Outsourcing</b>  <i>How CPG Companies Enhance Performance by Collaborating with Their Sales and Marketing Agencies</i></p>	<p><b>Georgia State University - J. Mack Robinson College of Business</b>  <b>and</b>  <b>Institute for Customer Relationship Management</b></p>

\* All of these comprehensive Studies were sponsored by the ASMC Foundation, an affiliate of the Association of Sales & Marketing Companies, a predecessor of FSMA. **While the Studies focused on retail food sales and marketing agency companies, they have applicability to foodservice sales and marketing agencies as well.**

See outside cover page for notable excerpts from these Studies.



ASMC Foundation is a 501(c)3 tax-exempt organization dedicated to research, education, training, and charitable contributions for sales and marketing agencies (SMAs) and their industry partners. The Foundation has been in existence since 1957 and was founded for its tax-exempt mission by the sales and marketing agencies of the former Association of Sales and Marketing Companies (ASMC) and its predecessor the National Food Brokers Association (NFBA). As of 2009, more than 90% of CPG use SMAs for retail support in some form. For more information visit the Foundation website at [www.asmcfoundation.org](http://www.asmcfoundation.org).

**ASMC Foundation**

5225 Wisconsin Avenue, NW, Suite 316, Washington, DC 20015  
(202) 293-1414  
[www.asmcfoundation.org](http://www.asmcfoundation.org)



Franklin Foodservice Solutions was founded in 1996 to help food manufacturers align marketing and sales decisions with supply chain realities. Founder Dave DeWalt's background has provided a unique ability to design and conduct projects which provide measurable results for our clients. He is able to draw on formal consulting techniques, practical knowledge, and an excellent network of industry experts who are available to contribute to a client's success. For more information, visit [www.franklin-foodservice.com](http://www.franklin-foodservice.com).

**Franklin Foodservice**

247 Daniel Drive, Sanibel, Florida 33957  
(239) 395-2787  
[www.franklin-foodservice.com](http://www.franklin-foodservice.com)



The Foodservice Sales & Marketing Association (“FSMA”) represents the world’s leading foodservice manufacturers and their agency representatives. Its mission is to promote sales and marketing agencies as the preferred method for manufacturer/suppliers to go-to-market; to be the national voice of the sales agency community; to advocate on behalf of sales agency interests; and to enhance relationships among manufacturer/suppliers, agencies, distributors, operators, customers, and other key stakeholders. For more information, visit the FSMA website at [www.fsmaonline.com](http://www.fsmaonline.com).

**Foodservice Sales & Marketing Association**

1810-J York Road #384, Lutherville, MD 21093  
(410) 491-7857  
[www.fsmaonline.com](http://www.fsmaonline.com)



FSMA Foundation is a 501(c)(3) tax-exempt organization dedicated to research, education, training, and charitable contributions for sales and marketing agencies (SMAs) and their foodservice industry partners. The Foundation has been in existence since 2013 and was founded for its tax-exempt mission by the foodservice sales and marketing agencies of the Foodservice Sales & Marketing Association (“FSMA”). As of 2017, SMAs are estimated to represent more than 70 to 75% of all US foodservice sales revenues. For more information, visit the Foundation website at [www.fsmaonline.com/fsma-foundation](http://www.fsmaonline.com/fsma-foundation).

**FSMA Foundation**

5225 Wisconsin Ave, NW, Suite 316, Washington, DC 20015  
(202) 293-1414  
[www.fsmaonline.com/fsma-foundation](http://www.fsmaonline.com/fsma-foundation)



# PRIOR OUTSOURCING STUDIES – NOTABLE QUOTES

## “Maximizing the Impact of Outsourcing”

“The majority of CPGs believe that SMAs are the lower-cost provider for retail activities, estimating that *using an SMA costs 23% less than employing a direct sales force, on average.*” ~ PAGE 6

“CPGs that have carefully considered their use of SMAs *often realize double-digit cost savings with improved effectiveness*, when done right. We estimate SMA optimization could be worth hundreds of millions of dollars for the industry.” ~ PAGE 1

## “Collaboration Dynamics When Outsourcing”

“For most CPG companies, *SMAs provide a substantial return on investment as the invested infrastructure, sales teams, and systems of SMAs are utilized by CPG companies to achieve their sales and marketing objectives. The superior regional/local market knowledge and expertise of SMAs provide the basis for building the business of many CPGs.*” ~ PAGE 3

“SMAs are perceived to be more capable [than CPGs] on 4 of the 5 dimensions of dynamic capability ... [and] *significantly better [than CPGs] in overall dynamic capability, organizational vision, and learning from interactions with business partners.*” ~ PAGE 4

## “Outsourcing is In!”

“Collaborative management is considered a best practice in managing the agency relationship. Collaborative efforts between CPGs and SMAs undertaking joint development activities resulted in long-term gains for all parties.” ~ PAGE 21

“SMAs should strive to involve clients in major planning and review activities as well as the overall governance of the relationship. *Collaborative methods of managing outsourcing relationships are preferred and yield best results.* Both retailers and CPG companies are highly satisfied with SMA processes and attributes.” ~ PAGE 22

## “Value of Outsourcing Sales and Marketing”

“CPG companies can help improve SMA performance *by involving SMAs in strategic product-market planning and by aligning their incentives* to SMAs for improving overall marketing effectiveness.” ~ PAGE 20

“*By operating more cooperatively and collaboratively with SMAs, CPG companies can enhance results in areas of critical importance.*” ~ PAGE 21