

A DIFFICULT FUTURE NECESSITATES CHANGE BY: WES TYLER

Many CFESA members face a difficult future unless they begin to make changes to the way they do business.

I recently reviewed the CFESA Profit Planning Surveys of 1998 and 2008 from the perspective of the “typical CFESA” member and I found some disturbing trends.

First, as more national and regional parts suppliers have come on the scene, typical CFESA members are losing shipped and counter parts sales. In 1998, shipped and counter parts were 33.8% of sales. In 2008 that percentage had fallen to 18.6%.

The loss of these sales is significant for some notable reasons; 1.) they justify holding additional inventory; 2.) they provide our fastest cash flow, and 3.) they enable us to better utilize the parts staff members who support service.

The second notable trend is that warranty “margins” have fallen considerably. In 1998, typical CFESA members lost 9.6% on every hour of warranty labor billed. In 2008, the loss was up to 21.3%.

Another trend is that the typical CFESA member’s sales rose only 2.4% from 1998 to 2008, while during that same period total foodservice and the rate of inflation grew 4.8% and 3.1% respectively*.

Looking toward the future, members who are experiencing these performance issues must realize that they need to change their business approach. The external forces of customer demands and new types of competition aren’t going to go away. In fact, it’s the CFESA member who will “go away” if they wait for the outside world to change.

At the CFESA Fall Conference in Savannah, I had the opportunity to outline several ideas for moving forward in our changing environment. Of all of them, I think the most vital is improving your profitability by making your business more productive.

Al Bates, of the Profit Planning Group, was recently asked why some CFESA members performed better than others. According to Al: “The profitability differences have... to do with their ability to produce a slightly higher gross margin, control... payroll, do a good job with regard to occupancy [expenses] and a great job with other expenses.”

It’s vital that you participate in the next Profit Planning Survey.

If you’d like some ideas on how to do these things,

review the current CFESA Profits Report from the Profit Planning Group that was sent to voting members recently. (Voting members can request a copy from headquarters.)

Take a look at how your business compares to the “Typical” and “High Profit” CFESA members. It might be a good idea to review the report with your accountant.

Finally, if you are serious about keeping your business healthy, I think it’s vital that you participate in the next Profit Planning Survey.



2010 PROFIT REPORT (2009 Data)

Profit Planning Group

When you don’t participate, you only get a summary of data. When you do participate, you receive a confidential report that shows how your company stacks up against other CFESA members in specific, important areas. The custom report also gives you ideas about how to improve the financial viability of your company.

The foodservice business has changed and will continue to change in ways that make it more difficult for CFESA members to succeed.

That means CFESA members need to change.

Of course, failure is always an option.

**Foodservice Sales as reported by Technomics Inc.; Inflation data provided by www.inflationdata.com; Typical CFESA member growth from CFESA Profit Reports from Profit Planning Group*