

Wholesale Food Service Contract: Resolution of conflicts between distributors and suppliers on the wholesale food service market^{1, 2}

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ABSTRACT

The wholesale food industry is one of the heaviest industrial sectors worldwide. It employs thousands of people and is responsible for the safety and well-being of billions of people. Within this industry, one chore relation is the one between suppliers and distributors. Since years now, the overall climate has fostered tension and conflicts, with issues of payment, delays and non-respect of mutual agreement between the different parties. From established contract to mediation and even arbitration, resolution of conflicts must ensure efficiency. Lack of understanding of the special needs of each part is a reason to conduct an analysis and comparison in order to understand what needs to be done to improve the relation between two main actors of the wholesale food service market. To ensure that, the following report focuses on five different alternatives which are contracts that are all different at their basis. The author analyses each contract thanks to a process that allows clear understanding of advantages and disadvantage, in order to select a preferred alternative to resolve conflict between suppliers and distributors.

Key Words: Conflict, Dispute, Default, Claim, Resolution

INTRODUCTION

Food industry is a wide area, generating more than 172 billion euros in France, with more than 17 647 companies sharing the market. This industry is the most important one in France in terms of revenues, employment, R&D and many actors with their own working ways are composing it. Because of the singular specificities of each company in this sector, this paper

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will be focused on the wholesale food service contracts, from the producer to the retailer, a common document for each relation between these parties.

The current situation in the Food Industry highlights many difficulties from the producers' point of view, especially concerning their relationships with retailers, who gain more and more power through years. Because of these evolving relations, consequences may appear between the partners; conflicts may occur and need to be solved before any negative repercussions on the relation, on the final customer. Indeed, in the current French market, more and more retailers have the status of big multinationals or even conglomerates, and use their power in order to manage the payment's delay. In wholesale food service contract, this is called a **Default**, a growing trend within the French food industry which is the major source of dispute between the both parties and should be efficiently resolved.

Are there some methods to solve conflicts between distributors and suppliers? How do they work? What are the parties' responsibilities in this kind of situation? What are the possible consequences? What tools should be used? Although the use of food service contracts between parties and the possible intervention of the government to manage this kind of situation, the resolution methods seem unclear, without a real viability. And this situation may concern each actor of this market and have consequences on final consumers, reasons why it should be understood by all.

Objective Statement of the project

Through this report will be analyzed what is an original food service contract, and its role in case of dispute between distributor and supplier in food industry to understand the used methods to resolve it. In order to analyze it, an original food service contract will be compared to 4 types of contract that are most used: FIDIC, Consensus, EJCDC and AIA to demonstrate its viability and feasible alternatives to face this kind of issue through the MADM methodology which allows to show both qualitative and quantitative research.

The objective of this report is to focus on solutions **to change the initial relationship between producers and retailers and to resolve conflicts between them as well**. Since a long time now, the climate is tense between parties. So, it's important to put in light all the issues and create some recommendation bases on assumptions and research. As a future member of the food industry, my major concern is to help my colleagues to create a better understanding of the market needs and reduce the degree of dissatisfaction within an industry in transformation

We will answer the following questions: What are the current issues regarding the relation between supplier and distributor in the wholesale food service market that creates conflict? How can we determine which alternative would work and avoid dispute claim?

METHODOLOGY

In order to conduct our research in the better way possible, we will be using the Multi attribute decision making model (MADM) which is a method that project practitioners see as very effective for the reason that it gives concrete date when applying it. It is very straight to the point and at the same time gives quality to the research and the analysis.

Development of feasible alternatives

Following our plan, we will develop five alternatives in order to respond better to contracts in the wholesale food service market. We'll have 4 contracts who are well known and that can be applied in different situation, and one contract specific for food and beverage situations:

- 1) **FIDIC:** Firstly dedicated to promoting and implementing the consulting engineering strategic goals, the federation also provides standards form of contract for a wide range of people, work, consultant and so on.
- 2) **CONSENSUS:** As indicated, consensus is a great alternative, as it offers more than 100 contracts for several works. Its contract catalog is really complete, with eight series of contracts within six categories. More than the contract part, the way conflict are resolved is similar to other contract, as parties are allowed to resolve it internally before the intervention of a neutral part.
- 3) **AIA:** The reference for construction project Used for more than 120 years with nearly two hundred forms and contracts. AIA provides two ways to resolve conflict, the first one is made via direct negotiation between owner and contractor and the second one relates to help of a neutral part.
- 4) **FOOD CONTRACT:** Example of a food service contract between a supplier and a retailer provided by attorney office. Used very often and basis for food contracts. This contract is very complete and provide lot of information regarding payment terms, compensation in terms of delays and lot of other topics. So, it appears on the first look to be an effective alternative.
- 5) **EJCDC:** Like Fidic, EJCDC is an engineering committee and is specialist in reviewing and updating documents. It provides advices for the industry and has three steps regarding conflict which are the negotiation between parties, followed by mediation and then litigation.

Each of these alternatives has strong advantages and some weaknesses. We will conduct our MADM method to get a better idea of which is the better for our wholesale food service contract. To do so, we also need for our methodology to implement some attributes, which are following.

Selection of criteria (attributes)

We are now going to introduce the different criteria we will use to conduct our analysis. Based on different references of the wholesale food market in different regions of the world, the following attributes are relevant to select the best alternative at the end:

PAYMENT TERMS: First attribute is obviously related to the financial aspect. As mentioned within the introduction, the food and beverage market, and more specifically the relation between supplier and retailers is really tense because of money. Another attribute will be developed which increase this relation, but in fact payment terms is a mandatory attribute to consider when talking about wholesale food market.

PRICE: Our second element relates to the negotiation of the price between producers and retailers, and how contract protect the price established as a baseline between the two parties. It is really important to keep this price under protection, particularly for suppliers. In several countries, the price issue is very important and has an impact on the overall industry.

TIME: Time is money, so this third element is related to payment terms. We'll see during our analysis that this attribute will be useful to mitigate the payment terms issue that can be found within each contract. All those attributes are completing each other. And Time is really important to be considered within the food industry as the rhythm and the turnover regarding product is really important.

CONVENIENCE: The last criteria to be measured is the convenience of the alternative. This attribute relates to the precedent ones, as it combines the efficient work performed in a timed manner. Furthermore, the contract has to be in accordance with our topic. We will perform our analysis based on this attribute to check if each contract is diversified enough to be applied for our topic.

Attributes	CONSENSUS	FIDIC	FOOD CONTRACT	EJCDC	AIA
Payment terms	LONG	LONG	LONG	FAST	LONG
Price	FAIR	FAIR	FAIR	MEDIUM	MEDIUM

Time	FAIR	FAIR	EXCELLENT	GOOD	FAIR
Convenience	MEDIUM	GOOD	EXCELLENT	POOR	POOR

According to this analysis, an obvious solution appears to be the use of the food service contract. AIA appears to be the less usable alternative for our topic. We will develop this further within the next section dedicating to findings based on analysis and comparison.

FINDINGS

Analysis and comparison of the alternatives

- 1) **CONSENSUS:** This alternative has the advantage of being fast in comparison to other which ensure an advantage with the Fidic contract as well. Nonetheless, there are some points which are not good enough, for example regarding the convenience of the contract. In fact, even though consensus provides a very wide range of contracts in different type, the wholesale food industry is not really one of its major theme. Finally, there are not enough guarantee about the price, where it is a real struggle for supplier within the industry.
- 2) **FIDIC:** This alternative appears to be a good one, as FIDIC is, as the previous alternative, efficient regarding payment term, as this federation is a well-known player. Furthermore, Time is well managed so two important attributes are well responded by this contract, which put it as a credible alternative for our topic.
 In comparison with the other contract, FIDIC is the one who is very diversified when you go through the range of activities offered so it provides technical knowledge on different areas which is important.
- 3) **FOOD CONTRACT:** Our food contract now, clearly appears to be the best one as obviously enough it is very responding to the different attribute related to the contract within the wholesale food service, and most important regarding both the producer aspect and the retailer aspect. It is convenient at 100% for sure, and deal with time as it is related to its best performing domain. Its weakest point is the payment terms but overall this contract is the one that fits.

- 4) **EJCDC:** This fourth alternative, related to the EJCDC, is less performant that the previous one, for the reason that isn't convenient for our topic. Even though the time aspect ill well managed, because of the technical knowledge and expertise provided by the competent members of this Committee, not all the elements are reunited to place EJCDC as our preferred alternative here.
- 5) **AIA:** Final alternative here, AIA poorly respond to our topic. As the fourth alternative, it responds about time pretty well, but the overall management of AIA is not related to the wholesale food service market. The convenience is not good, as the range of activities provided by AIA is not that broad. About financial aspects, it provides some guarantees but not enough to be consider as our preferred alternative.

Attribute	Value	Formula	Dimensionless value
Payment terms	Very long	Relative rank (1-1)/3	0
	Long	Relative rank (2-1)/3	0,33
	Fast	Relative rank (3-1)/3	0,67
	Fast	Relative rank = (4-1)/3	1
Price	Very poor	Relative rank = (1-1)/3	0
	Medium	Relative rank (2-1)/3	0,33
	Fair	Relative rank (3-1)/3	0,67
	Excellent	Relative rank (4-1)/3	1
Time	Poor	Relative rank = (1-1)/3	0
	Fair	Relative rank (2-1)/3	0,33
	Good	Relative rank (3-1)/3	0,67
	Excellent	Relative rank (4-1)/3	1
Convenience	Excellent	Relative rank (4-1)/3	1
	Good	Relative rank (3-1)/3	0,67
	Medium	Relative rank (2-1)/3	0,33
	Poor	Relative rank = (1-1)/3	0

Payment terms		Price		Time		Convenience	
Low	4	Very Low	1	Poor	1	Long	1
Medium	3	Low	2	Fair	2	Medium	2
High	2	High	3	Good	3	Fast	3
Very High	1	Very High	4	Excellent	4	Very Fast	4

Attribute	CONSENSUS	FIDIC	FOOD CONTRACT	EJCDC	AIA
Payment terms	0,33	0,33	0,33	0,67	0,33
Price	0,67	0,67	0,67	0,33	0,33
Time	0,33	0,33	1	0,67	0,33
Convenience	0,33	0,67	1	0	0
TOTAL	1,66	2	3	1,67	0,99

SELECTION OF BEST ALTERNATIVE

According to selected criteria and complete analysis the best alternative of contract in wholesale food service market is the choice of the food contract, as it responds better to the specific needs of the market, especially regarding convenience obviously, but also thanks to the way time is managed. As mentioned when the attribute was selected, the evolution of the market is fast and the turnover of product as well. So, in order to avoid conflict, and to create a better relation between parties, time has to be taken into account.

CONCLUSIONS

This research paper had the aim to answer two main questions:

- 1- What are the current issues regarding the relation between supplier and distributor in the wholesale food service market that creates conflict?**

We saw during this report that the relation between suppliers and distributors is directed by each personal needs and objectives. So, the first issue is about finding a mutual agreement and aligning their needs. In fact, distributors in the wholesale food service market are focusing on turnover and volume of merchandise, whereas suppliers are focusing on delivering quality product at a reasonable price. This leads us to the second main issue regarding the relation, which is money. Obviously enough, all big distributors are running a war to prices in order to beat the competition. This war has repercussion of suppliers that, in more and more areas are forced to sell their product under their margin and thus loose money. This situation is not stable and a solution has to be found to resolve the conflict and improve the relationship between those two actors.

2- How can we determine which alternative would work and avoid dispute claim?

Through this paper, a selection of five contracts was made, according to four main attributes that are core values and real themes of the wholesale food industry. Then, analysis was conducted and comparison was made to take from each of the alternatives their advantages and disadvantages. This is this process that led us to determine a preferred alternative which is the use of a food service contract, because it responded the better to the technical specifications of the wholesale food service market, especially regarding convenience of the contract and also for the time of resolution regarding conflict. So, the better way to determine which alternative works is to use all the tools at our disposal, provided in some very interesting papers, and run a real analysis in order to highlight the strengths of each alternatives, and finally come up with a concrete solution.

We can conclude this report by saying that the wholesale food service contract is an important sector and the relationship between supplier and distributor has a real impact on it. To prevent conflict, the use of a food service contract appears to be the better solution.

FOLLOW ON RESEARCH

The main purpose of this paper was to find the reasons that create conflict between suppliers and distributors in the wholesale food service market. Then, it was about electing the best alternative comparing the five at our disposal. We concluded our paper by choosing the food service contract as our preferred alternative. When the analysis was conducted, the food service contract obviously got the better results, but some of the attributes were partially responded. So, to go further on this research, a deeper understanding on attributes such as payment terms could be done. In fact, the money aspect is one of the major consideration for both supplier and distributors. The food service contract is, without doubt, the better solution, but the payment terms question deserves a deeper analysis.

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About the Author



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My name is Mikael Abouardham. I am a 24 year old French student at SKEMA Business school. I am currently following the Msc in Project and program management & Business development (Msc PPMBD) which is one of the best ranked Msc in the world. I'm a former student of the Fundacao Dom Cabral in Belo Horizonte in Brazil and also in Coventry University in UK. I also got a bachelor degree in sport management in 2016. I consider myself as an optimistic person, always looking for ways to improve my performances and my relation with people. I'm also very sociable and like to exchange with other people. This is for me the best way of learning, listening to people with previous experience.

My professional background relates mostly in sales and business development. I had previous internship in Ferrero as area sales manager. I also worked for Mercedes Benz as assistant customer relations. I had opportunity to manage teams, take responsibilities and develop the sales of every company I worked with. Regarding project management, I count one main experience in the sport sector. I worked as an assistant project manager for the league of Tennis in Paris. The main purpose of this work experience was to put in place an international tournament of tennis, with players ranked from 300 to top 100 in the world.

Within the associative world, I also have some experience as project manager. I worked with Amaury Sport Organization (ASO) for very big events such as the « Marathon de Paris » which counts more than 40,000 participants, or even the 'Challenge du Monde des Grande Ecoles' which is a competition gathering students from all French business schools.

All those big events helped me to develop my skills and competence for project management, and I am looking forward to developing it thanks to the new challenge that I have embraced. From January 2018, I work in a new internship as brand manager in a great FMCG company, where I am developing my knowledge in a new industry for me. This is part of my will to learn the maximum in order to leave SKEMA business school with a toolbox as complete as possible.

I am currently living in Paris and can be contacted at mikael.abouardham@skema.edu