

Conco Food Service

Food Distributor Increases Profits in the Face of Declining Revenues



Conco Food Service, headquartered in New Orleans, LA, is over 100 years old, and has established strong, reputable service throughout the Southeastern United States. Conco's major markets are in Texas, Louisiana, Mississippi, Arkansas and Alabama. The company distributes more than 8,000 items, ranging from dishwashing detergent to fresh vegetables.

Pete Algero, CFO of Conco Food Service, suspected his company was not hitting its potential profit numbers. "We were using out of date averages and estimates to calculate our indirect costs," said Algero. "We knew we were losing money on some products and vendors, but we just weren't exactly sure why. With a 1% profit margin, there is little room for error. Acorn built an accurate and robust model that would accurately apply indirect costs to our vendors and products to help us stop the bleeding," said Algero.

“Acorn's results astounded us. We knew we had some issues, but we were pretty shocked at first as to the reasons.”

– Pete Algero
Chief Financial Officer

According to Algero, Acorn gave them the ability to look at accurate data that was real-time and meaningful. Acorn simulated the cost of resources, including direct and indirect costs for individual orders, products, suppliers, customers and even sales reps. Once the Acorn model was up and running, the numbers told the tale and clearly showed the details that Conco was missing.

Conco provided daily delivery services that customers did not highly value, but were expensive to provide. Conco eliminated these services, their associated expenses and assets without an impact on revenue, for a profit improvement of 24% per year.

In another case, Conco knew their produce department was losing money. "This was a big revenue generator for us, and we were not willing to give up the product line," said Algero. It was identified that certain products had costly receiving processes. Conco successfully renegotiated with its vendors for additional rebate dollars on these products, resulting in a 10% annual profit increase. In addition, Conco increased produce prices, for an annual profit increase of 20%.

“We have just begun to scratch the surface of the profit opportunities that Acorn has presented to us. The software has already paid for itself 10 times over. In this tight economy, we have seen revenue drop 9%, while our profit margin increased 150%. I attribute 90% of that increase to Acorn. Thanks to Acorn, the entire process was beneficial for us because we learned a lot about our company throughout the project.”

— Pete Algero
Chief Financial Officer

"Our sales reps and purchasing managers were making decisions based on instinct and pure revenue numbers, which committed us to unprofitable business," said Algero. Confident in the net operating profit analysis that Acorn provided by customer, product, supplier and even sales rep, Conco implemented a bonus compensation plan for sales and purchasing managers based net profit contributions. As a result, Conco had a 10% annual increase in profits.

Acorn's what-if capability enabled Conco to avoid unprofitable business. With an opportunity to add a new client for a 25% increase in total revenue, Conco ran what-if scenarios to determine the required pricing, terms and conditions needed to meet profit targets. "Before we implemented Acorn, we would have gladly accepted the business and worried about profits later. At the end of the day, the potential customer would not pay the prices required to meet our profit targets, so we turned away the business. This educated decision was the best we could have made to ensure the ongoing success of Conco."

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