



AIM Consulting, LLC

Life in the Middle

Being Successful as a DSD Vendor

The seven DSD categories account for over 25% of supermarket volume and an even higher percentage of C-store volume. In most markets, DSD products are the highest performing categories in the store. DSD vendors have proven their value over the years, but as the competitive environment changes the DSD system is continually being challenged.

Many high-volume, high-turn categories require sales and deliveries several times per week and need merchandising daily. This account coverage is costly for vendors, and many manufacturer and retail organizations have launched initiatives to find efficiencies in the supply chain.

DSD vendors are torn between increasing deliveries to accommodate retailer demands for low in-store inventories and retailer demands for less SKUs, and between retailer demands for fewer deliveries (fewer invoices and fewer times to open the back door.)

At the same time, many manufacturers are pushing their DSD partners to increase deliveries to eliminate out-of-stocks, insure product freshness, rotation, and a full product assortment. Many of these requirements are conflicting. By definition, the DSD vendor must listen and meet the needs of both the retailer and the manufacturer and be able to make a profit.

With volume and delivery increases comes cost, but not necessarily effectiveness. One of the main issues facing retailers and manufacturers today is *out-of-stocks*.

A 2002 GMA DSD study found that reducing out of stocks could boost retail sales by 3% or \$200,000/year per average supermarket. Other useful out-of-stock statistics include:

- On average, the top 10% of the fastest moving items accounted for 45% of the out-of-stock products.
- When a DSD product is unavailable on the store shelf, the retailer can potentially lose \$75,000 per year per supermarket.
- Out-of-stock rates nearly double during store promotions, jumping from 7.4% out-of-stock to 13.1% out-of-stock.
- DSD product availability during a store promotion ranges from 10% out-of-stock to 25% out-of-stock.

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Given those numbers and the already high costs of sales, delivery, and merchandising, what is a DSD vendor to do?

DSD must apply the concepts of Efficient Consumer Response (ECR) in working with manufacturers and retailers to understand the

buying patterns of consumers, and to align supply chains to efficiently and effectively meet the demand.

It is imperative for DSD vendors to improve the efficiency and effectiveness of their own processes. This includes:

- A review of the sales and delivery strategies associated with each retail segment and retailer. What is the best way to sell and merchandise each account to maximize consumer sales, retailer satisfaction, and supply chain efficiency?
- What is the proper sales call frequency, delivery frequency, and the time required to accomplish the tasks?
- Have the business objectives and operating needs of each retailer been captured?
- Are routes efficient?
- Are employees well-trained, motivated, and focused on satisfying customer needs? How does everyone in the organization work together? Do the warehouse, sales, and delivery organizations work together to maximize retailer satisfaction and minimize costs?
- Is technology being used to its maximum benefit, i.e., order generation, route reconciliation, communication, EDI, DEX/NEX, and so on?
- Is performance with each retailer tracked and measured ...on-time deliveries, out-of-stocks, shelf and SKU productivity (DPP, turns, etc.), order and invoice accuracy, and other retailer requirements?

DSD's future is not solely dependent on cutting costs. It is dependent upon adding-value. DSD vendors have direct contact with over 500,000

retailers. They have personal relationships and knowledge and information that the suppliers don't. The issue is how to seamlessly transfer this information in a way that maximizes the supply chain efficiency and effectiveness—better forecasting, better promotion planning, and better in-store execution.

Supplier National Account organizations need to do a better job communicating the chain plans, and DSD organizations need to tailor and execute those plans to meet the specific needs of the local market.

To survive and thrive in these turbulent times, DSD vendors must understand their costs and their added-value. Their people and their processes must deliver the highest quality sales and service at a value. Organizations must possess the ability to rapidly make decisions and adapt to meet the ever changing requirements of both the manufacturer and the retail customer.

Good is not enough. "Good is the enemy of great." Surviving in the middle requires *great*—great people, great processes, and great results. Vendors must challenge complacency and "We've always done it that way" thinking.

Leaders must transform their organization from order takers and delivery people to consultative sales and supply chain logistics experts.

Whether a beer wholesaler, a bottler, or other DSD vendor, the focus must be on adding-value to the supply chain, thereby ensuring sales and profits for all.