

## ***As Direct Store Delivery (DSD) continues to thrive in the food and grocery channel, why are some suppliers moving away from it?***



The Direct Store Delivery (DSD) model has been a mainstay in the retail industry for years, particularly in the food and grocery channel where freshness is essential to customers. DSD is positioned to accelerate growth as retailers become more advanced in store execution.

### **When is it best to use DSD?**

The DSD model works very well in the food and grocery channel. Manufacturers can get their products to market very quickly and control how their products are merchandised. High velocity, branded items and perishable items – soft drinks, dairy products, and bread – bode well as retailers can offer their customers fresher product with a better shelf life. Having direct access to the shelves means vendors can perform replenishment activities at anytime, which increases cycle times and reduces labor hours for retail staff. As a result, manufacturers are able to streamline their supply chains and manage their stock levels more effectively.

What sets suppliers apart is an efficient DSD distribution strategy that leverages advanced technology and collaborative partnerships between the vendor and retailer. Leading DSD suppliers use mobile route accounting and sales order automation applications to improve operational efficiencies, increase accuracy, and expedite receiving and check-in processes at the individual store level. Maximizing the relationship between the vendor and retailer is essential to drive joint value. Designing an effective strategy that aligns retailers and suppliers on common goals can be achieved by closing the gap between corporate planning and store execution. Relationship scorecards that continuously monitor key measurements, such as out-of-stocks and invoice accuracy, and sharing critical data and information related to consumer demand provides an opportunity for both parties to improve processes.

### **Why are some suppliers moving away from DSD?**

Some suppliers are moving away from the DSD model because flow-through distribution strategies can significantly reduce store labor, as well as inventory and vendor costs, consolidating critical supply chain distribution functions under one roof. Others want to reduce their transportation spend because it's cheaper to ship to a limited number of distribution centers as opposed to hundreds of stores. Some wanted to increase customer service levels by having all the administrative tasks handled at the DC level rather than at the stores so sales associates can concentrate on sales rather than focusing on the backroom. Some want to remove excess inventory to allow stores to concentrate on stocking fast-moving items more responsibly and reduce out-of-stock issues.



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The focus on “green” initiatives has also impacted DSD as companies looked for synergies within their distribution networks to alter their business models to be more fuel and energy efficient. Suppliers are struggling to preserve their profit margins due to the increases in diesel fuel prices and the cost of commodities. They are challenged with combating these expenses with price increases of their own and decreasing the amount of deliveries they make in order to save on fuel. Often, the result was a reduction of their fleet and delivery consolidation.

The convenience store market is pushing for a change, challenging suppliers to replace the DSD model with a consolidated system of distribution to improve delivery efficiencies and minimize vendor traffic in the stores. Combining similar items – such as beer and soft drinks – will not only help suppliers control fuel costs by reducing the number of deliveries, it also helps convenience stores maintain their inventory levels and respond quickly to shifts in consumer demand.

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