The Fresh Drive for Direct Store Delivery

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For consumers, the phrase ‘fresh foods’ can imply many things: healthier choices, higher-quality ingredients and a better flavor. For food and beverage manufacturers, an expanded offering of fresh foods presents something far more challenging: more product with short shelf life that can potentially go out of code before it is sold. An out-of-code product means a higher expense, as well as the potential of lost revenue opportunity for both manufacturers and grocers.

Direct store delivery (DSD) has long been viewed as an integral part of the modern food and beverage industry. Many manufacturers will choose to utilize large mass-market distributors to deliver their products since they can leverage the potential scale-based cost advantages. Others have continued to utilize DSD for reasons such as service at the point on purchase, frequent retailer and customer interaction, close-in shelf compliance and replenishment, new product performance and competitor observations.

The biggest driver, though, is quality management. As the demand for fresher and healthier foods grows, the shelf life of many products is decreasing due to less processing and preservatives. The result is an even more challenging quality dilemma for manufacturers. As companies are reformulating their products to make them fresher, they must also evaluate how they are delivering their products to maintain the quality.

With DSD, the manufacturer has better control over how their products are handled and are able to keep closer tabs on expiration dates and freshness. DSD is not something to be adopted without fully acknowledging that it will create a new level of complexity. The DSD approach can challenge a business, both from a process perspective, as well as within the underlying systems and operations.

Some companies try to manage a move to DSD through their existing enterprise resource planning (ERP) and customer relationship management (CRM) software solutions. Others recognize the need for a specialized software solution that addresses the nuances of DSD, but struggle with integrating these with their other business systems. The result can often create silos of software and processes that never live up to the full promise — and appeal — of DSD.

Specialized software designed for a DSD business model must be able to manage, account and report on the unique processes inherent in this go-to-market approach. DSD utilizes mobile, rolling warehouses of route trucks as the delivery vehicle to move product from a manufacturing plant, warehouse, branch, distribution center, bin, cross dock, trailer exchange, etc. that ultimately end up at a retail store. From there, it can be delivered to the back door (drop and go), delivered, checked in and then merchandised at the store shelf, or multiple combinations of the options.

Product rotation is crucial for short-shelf-life foods, so as to minimize the potential for stale or out-of-date product making its way to the consumer. This can save manufacturers and retailers from the expense of writing off the cost of the product and, more importantly, having the right amount of fresh product available for the consumer. This can be complicated based on who is managing this process at the retail level. Refrigerated dairy product, for example, may be checked in and then be moved to the back of the cooler where it later is put on store shelves by store personnel, merchandisers or brokers. Alternatively, the product can be delivered directly to the racks in the dairy case by the manufacturing utilizing DSD, then rotated and placed for immediate purchase by consumers. This requires more frequent delivery, as well as time in-store by the manufacturer.

While DSD systems have been in existence for decades, the technology continues to change and evolve to meet business needs. DSD is — at its core — a mobile solution, and the tools and requirements for mobility continually change. For instance, the new GS1 standards can impact compatibility and the adoption of alternative mobile devices from smart phones to tablets change the way drivers and retailers interact. Flexibility in design is required to meet these changes, as well as those coming tomorrow.

It’s not all about the software, though. One of the truisms in DSD is that every permutation and combination of methods will be used by DSD manufacturers to serve their customers. In the past, there were either pre-sale or peddle routes. Today, there can be combinations on the same route, and sometimes even in the same store, where a front-end display gets serviced one way, and the main location another way. Further, either can be delivered or serviced by multiple individuals, who can be compensated any number of ways. This begs the question: Which is more important — the capabilities of the software used, or the processes employed and people involved? The logical conclusion is that it’s both, given that you can’t have one without the other and that one leads to the other. One is a tool that must mirror processes and be easy to use, and if you have poor performing (or slow) software, it will be more of a detriment than your processes.

Finally, the other factor not to overlook is the combination of shorter shelf life and the adoption of DSD likely will change the undercurrents of demand. Depending on the number of SKUs in the mix, the order sizes are likely to decrease, while the order frequency will increase. This will require a more dynamic approach to scheduling where shorter runs are more common. While this can potentially increase costs if not properly planned, the overall benefit of decreasing the amount of out-of-date products or out-of-stock situations at the retail level can more than outweigh this.