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What is Direct Store Delivery (DSD)?

Posted on **July 21, 2014** by **Julie (aka 'AJ') Downey**



According to the Grocery Manufacturers Association (GMA), Direct Store Delivery (DSD) accounts for 24% of all grocery sales—and 52% of store profits. We think this represents a tremendous opportunity for independent food and beverage producers and distributors. Before investing in Direct Store Delivery technology, though, it's important to understand the essentials of this approach to wholesale distribution.

DSD is the process of getting goods into retail stores by delivery reps that regularly fill shelves with their products, take payments, and manage merchandising. This differs from the system in which a manager must place orders a week or two before delivery, requiring blind anticipation of product needs that may change. Once the shipment arrives, the store employees are responsible for refreshing and rotating the stock as well as setting up displays and making sure the items are neatly faced.

Suppliers who use DSD have an efficient way to get products into stores quickly, so they can keep shelves filled with the products that customers demand, which can change with little notice. Regularly visiting stores also gives delivery reps the opportunity to change promotional offerings to meet these fluctuating needs. Another benefit to being on site is the ability to control the appearance of cases and refrigerators to make sure their displays are visually appealing.

Turnaround Time

DSD is a streamlined approach, eliminating many time consuming tasks involved with order processing, picking, packing, shipping, receipt, and shelving. Reps are able to bring product to the stores and refill stock as needed, often fulfilling same day requests. When consumers unexpectedly increase demand for a product, waiting 10 days for a refill may be too late. Empty shelves equals lost sales opportunities. With DSD, this is never a problem.

Who uses DSD?

Approximately one quarter of all edible goods sold in stores arrive via DSD. Some of the market leaders are carbonated beverages, bread and baked goods, milk, salty snacks, beer, and frozen prepared foods. Non-food and beverage categories that also successfully use this method of distribution are propane, oil and gas, uniforms, and linens.

What does a DSD system require?

A supplier that uses DSD may also have a production center, but not always. They all have a distribution center and trucks, and must have a transportation planning system to determine the best routes, manage driver schedules and dispatch them to the proper locations. They will need to be prepared to adapt to dynamic plans that can change daily or even seasonally, such as an ice cream supplier, which will have increased delivery stops in the summer months. Of course having a fleet of trucks also requires having maintenance and safety guidelines in place such as pre-trip inspections and routine check-ins.

What are the delivery rep's responsibilities?

A DSD driver does more than move boxes from one location to another. Back at the warehouse, this delivery rep must complete vehicle safety requirements, check orders, stack boxes onto a hand cart, and load them into the truck. They need to determine their route plan based on demand-driven customer need as well as a geographically logical sequence of stops based on the proximity of a stop to the next one.

Once at the store, the driver fills the dry goods on the shelf, milk in the refrigerator or popsicles in the freezer, checking case temperatures when applicable. They remove any damaged product, rotate cans or cartons so the oldest items face front, and hang any new marketing materials. They also collect payment for items delivered, and make sure any transactions and cash reach the accounting department. Back at the warehouse, they also need to count the remaining truck inventory to ensure the items delivered match up with the day's numbers. Delivery reps may also be responsible for gathering competitive intelligence on merchandising, pricing, promotions and the like.

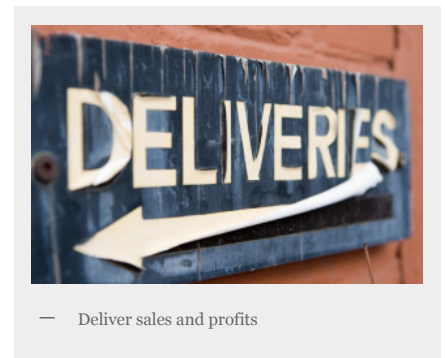
Partnership Between Supplier and Retailer

This method of distribution benefits both the supplier and the retailer, who are essentially partners whose efforts support each other's growth. The store and distributor relationship is especially key as we businesses look to accommodate shopper preferences and adapt to retail models.

Suppliers using DSD make frequent visits to stores to keep shelves full. This allows both suppliers and retailers to cater to individual store needs, accommodate new requests and deliver the freshest items available—especially those with quick expiration dates such as bread or produce.

Retailers like this because when they keep the products customers demand stocked, shoppers know they can count on their store to have the item they regularly purchase. That means repeat customers. Translation—more cash for both the retailer and the supplier.

DSD has become so established that stores and suppliers now often hold meetings to discuss ways to create joint-value. There, they discuss sales goals, evaluate the success of promotions, and share any shifts in shopper behavior patterns. Consumer habits reviewed may include the days of the week on which people shop, which may influence the choice to shift the delivery schedule. These partners also collaborate on the collection of point-of-sale data and other information through GS1 Trade Partner Performance Measures (TPPM).



— Deliver sales and profits

Labor Cost Savings for Retailers

A supplier's DSD rep takes care of a lot of the work that retailers would otherwise have to shell out hourly wages for employees to handle. These retail workers only have to rotate stock, face shelves, maintain displays, and keep promotional signage for products provided by suppliers not using DSD.

According to a survey by GMA and AMR Research (2007), "reduced merchandising labor requirements" and "someone else taking care of replenishment" were the top two benefits of the DSD process. This was followed by the "ability to quickly implement store-level assortment," "improve the customer experience," "increased ownership of the supplier for product at the shelf," and "faster cash returns."

Payment Terms

Retailers like DSD because they often may not have to pay for goods before they arrive, or even upon delivery. Although many stores choose to pay on the spot, they can receive new product and get billed later. Sometimes the shelves are even replenished several times before payment is due, which increases retailer cash flow.

Replenishment Needs

DSD products are often impulse buy items, so they easily fly off the shelves—especially when displayed with promotional signage. Stores can alert the delivery rep to make an extra stop or bring an extra case of soda, for example, if stock is unusually low.

Personal Connection

Since reps make frequent stops at a location, they have an opportunity to connect with the store and its reps, and have a better sense of customer needs. This personal interaction between delivery rep and store manager is also a valuable link in strengthening the business relationship. Periodically, delivery reps may even present customer "scorecards" to show how they rank in terms of sales and promotion performance.

Store Layout

DSD is especially useful for suppliers working in stores with layouts customized to meet demographic needs and shop trip habits. When there are varying layouts, a display case with strong visibility in one store may be crowded into a corner at another shop. However, since the delivery rep visits the store regularly, he or she can have more control over product placement. Unlike a delivery system in which the store employees decide how to set up a display, with DSD a supplier can use a strategic approach when adapting to a store configuration, and maximize the effectiveness of merchandising and promotional signage.

What does the shopper like?

In closing, think of how Direct Store Delivery affects you as a grocery shopper. What do you want in a store? Most importantly, you want the products you need to be in stock—and preferably fresh. To feel the incentive to make return visits, you want to have a pleasant experience, starting with shopping in a clean and organized store where you can easily find these items. Sloppily shelved boxes or cans might get overlooked and leave you frustrated while searching for a particular brand or flavor.

You may go to the store for milk, eggs, and butter, but you are likely to leave with a new product to try if it's paired with an attractive informational display or promotional signage. Also, you may appreciate a store that pairs products with companion items, such as jars of salsa lined in front of the tortilla chips.

Accommodating these shopper needs makes checking off the grocery list easier for you, and leads to more sales for the store—and supplier. That's the power of DSD.

Here's a great resource from the Grocery Manufacturers Association:

http://www.gmaonline.org/downloads/research-and-reports/DSD_Final_111108.pdf

To learn more about Direct Store Delivery and how xkzero can help drive sales and profits for your distribution business please contact us at info@xkzero.com or 847-416-2009.

You'll also find more about DSD on our website at <http://www.xkzero.com/mobilecommerce/>

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