Optimizing The Value Of Integrated DSD
Based in Washington, D.C., the Grocery Manufacturers Association (GMA) is the voice of more than 300 leading food, beverage and consumer product companies that sustain and enhance the quality of life for hundreds of millions of people in the United States and around the globe.

Founded in 1908, GMA is an active, vocal advocate for its member companies and a trusted source of information about the industry and the products consumers rely on and enjoy every day. The association and its member companies are committed to meeting the needs of consumers through product innovation, responsible business practices and effective public policy solutions developed through a genuine partnership with policymakers and other stakeholders.

In keeping with its founding principles, GMA helps its members produce safe products through a strong and ongoing commitment to scientific research, testing and evaluation and to providing consumers with the products, tools and information they need to achieve a healthy diet and an active lifestyle.

The food, beverage and consumer packaged goods industry in the United States generates sales of $2.1 trillion annually, employs 14 million workers and contributes $1 trillion in added value to the economy every year. For more information, please visit www.gmaonline.org.

About the GMA Direct Store Delivery Committee
Comprised of leaders who deliver their products leveraging direct store delivery (DSD), the GMA Direct Store Delivery Committee focuses on emerging opportunities to drive growth, profitability and productivity for CPG companies and their retail partners through the use of the DSD distribution system.

WILLARD BISHOP

Established in 1976, Willard Bishop is recognized within the grocery industry as food retail experts and thought leaders. Willard Bishop’s long-term relationships with and knowledge of premier retailers allows the company to create a unique set of value-added products and services for its clients. Willard Bishop is a nationally renowned provider of business intelligence consulting solutions, tools and processes, and information products that help retailer and CPG supplier clients solve business problems and drive profitable growth.

© 2011 by the Grocery Manufacturers Association (GMA). All rights reserved. No part of this publication may be reprinted or reproduced in any way without written consent from GMA.
## CONTENTS

**Chapter I**
Introduction ........................................ 1

**Chapter II**
Acknowledgements ................................. 4

**Chapter III**
About the Study ....................................... 6

Executive Summary ................................. 8

The Path Forward — Working Together ........... 19
Food retailers and manufacturers search continuously for ways to better serve shoppers as the surest way to increase sales and profits. This has been more challenging over the last few years as shoppers aggressively look for greater value.

One proven way to deliver more value in this difficult economy is collaboration to improve the shopping experience by having the products that shoppers want, when they want them; i.e., maintaining high levels of in-stock and offering assortments that reflect the sales demand for individual stores. This depends on strong store execution, which is always challenging, but can be elevated to best-in-class through collaboration with fully integrated direct store delivery (DSD) suppliers.

**Fully Integrated DSD:** While the acronym DSD is used broadly, the meaning can vary. For some it is an umbrella term covering all the product arriving at a store that didn’t come through the retailer’s own warehouse or primary wholesaler. This ranges from specialty foods which are typically handled by a specialized distributor to greeting cards that arrive via overnight shipping services.

Fully Integrated DSD gets its additional power by combining four key elements of the supply chain:

- Ordering
- Warehousing and Delivery
- Merchandising
- Coordinating

**Benefits:** This fully integrated system maintains a laser-like focus on sensing and serving store specific demand and delivers a better shopping experience with high in-stock levels and high “speed to shelf” for new products. It provides retailers with an almost turnkey solution for products that otherwise may create handling challenges when these products move through the retailer’s warehouse. This supply chain is tailored to efficiently handle the unique product requirements associated primarily with high velocity categories like soft drinks, salty snacks, cookies, baked goods, frozen pizza and ice cream.

When all of the elements of the system are operating together, consumers are better served and retailer resources are engaged only with receiving and checkout. This reduced involvement translates to significant labor savings; i.e., Fully Integrated DSD typically frees up nearly 17,000 hours per year in a typical large format store.¹

**Four Functions:** When all of these functions are operating together seamlessly, shoppers find the products they are looking for every time they shop.

1. **Ordering:** Fully Integrated DSD drives the supply chain with a unique capability to sense and respond to shopper demands in each store. The cornerstone for this is the category expertise of the DSD team. Their knowledge is used broadly and is built into the systems and procedures used to manage demand. The effectiveness of this ordering can be further enhanced by POS data sharing.

¹ *Driving DSD Supply Chain Efficiency and Profitability*, Willard Bishop research for GMA 2005.
2. Warehousing and Delivery: The unique product characteristics that make a category attractive for DSD are designed into the warehousing and delivery systems used by Fully Integrated DSD suppliers. Warehouses are designed to ensure product quality; e.g., the proper temperature and in some cases even the right humidity to maintain optimal quality and to accommodate unique case weights/sizes that impact workplace productivity and ergonomics and can contribute to product damage. The specialized distribution capability can be scheduled and operated to closely align with sales demand.

3. Merchandising: This involves moving the product from the receiving dock or back room to the shelf and/or display area and then displaying it for sale. This function helps ensure freshness, and reduce damage since the product is continuously under the “custody” of knowledgeable and dedicated personnel who are motivated to maintain maximum in-stock conditions and a shopper friendly presentation. It also helps ensure that all the effort involved in planning a “perfect shelf” set tailored to each store is translated in the set and maintenance on the shelf.

4. Coordinating with Store Management: In the Fully Integrated DSD model, the manufacturers’ sales representatives are aligned with the retailers’ store management to be a coordinated team that efficiently executes the retailers’ merchandising strategy. One important sales building activity is bringing information to store management on upcoming promotions so that there is a clear understanding about display location and space requirements. Another is identifying incremental revenue opportunities.

Coordination also promotes the exchange of operating practices that drive the productivity of the combined team and helps ensure that there is a continuous focus on operational improvement that will make the DSD supply chain ever more efficient and effective.

Background: Progress has been made in unlocking the power of Fully Integrated DSD, but a 2005 Grocery Manufacturers Association DSD Committee Report found that “the DSD efficiency gaps between well run and less disciplined retail operations was widening” and that the differences among the two groups “are striking.” The report further found that:

Best-in-Class Retailers:

- Apply consistent disciplines to all suppliers
- Establish necessary controls while leveraging technology
- Reward DSD suppliers for accuracy
- Establish joint problem solving to overcome inefficiencies
- Leverage DSD resources

---

2 Driving DSD Supply Chain Efficiency and Profitability, Willard Bishop research for GMA 2005.
CHAPTER I: INTRODUCTION (cont.)

Less disciplined retailers:
  - Employ different disciplines across the store
  - Experience consistent bottlenecks at the back door
  - Create cumbersome DSD receiving environments
  - Fail to understand the opportunity costs of inefficiency in the system
  - Sub-optimize their leveraging of DSD resources

The opportunity today is to find ways to narrow that gap and further increase the contribution from Fully Integrated DSD.

**Objective:** The objective of this study is to identify how retailers and suppliers can collaborate to increase the sales and profit contribution from Fully Integrated DSD.

This study benchmarks retailer adoption of practices proven to contribute to improved shelf conditions and examines key measures of shelf conditions. Taken together the findings from this work provide the basis for greater retailer/supplier collaboration by answering two questions, *i.e.*,

- **“How do we compare?”** There are benchmarks for comparisons with participating retailers on:
  - In-stock levels
  - Levels of “under facings”
  - Twenty-six different specific practices that drive shelf conditions

- **“How can we improve?”** Here are three areas in which to find answers:
  - The first is to review the practices used by leading retailers.
  - The second involves strengthening the management of plan-o-grams and shelf implementation. This study found considerable variation in the way plan-o-grams are managed and translated to the shelf and it offers a list of areas where there are specific opportunities for improvement.
  - The third is to pursue one or more of the areas identified in the Path Forward section, based on extensive discussions with senior retail executives, to drive sales building collaboration.
The Grocery Manufacturers Association (GMA) would like to thank the following companies and individuals that participated in and contributed to the successful completion of this study.

**Participating Retailers**

Special thanks to the seven food retailers who opened their stores for our field work, worked with the study team to secure plan-o-grams, and took part in Executive Interviews.

- Cub Foods
- Hannaford Bros.
- The Kroger Co.
- Safeway Inc.
- SaveMart Supermarkets
- Wegmans Food Markets
- Winn-Dixie Stores

Together, these companies provide a solid geographic representation of the country.

**GMA Direct Store Delivery Committee**

Thanks to the following individuals for their continuing commitment to increasing the contribution of DSD to the success of their customers:

Kraig B. Adams  
Coca-Cola Refreshments

Dale Brockwell (Retired)  
Kraft Foods, Inc.

Glenn Bogle  
Schwan’s Consumer Brands

Clay Broussard  
PepsiCo, Inc.

Bob Brown  
Tasty Baking Company

Michael Browne  
Kellogg Company

David S. Campbell (Retired)  
The Coca-Cola Company

Bradley Caplan  
Snyder’s–Lance, Inc.

Mark Carter  
Snyder’s–Lance, Inc.

Bob Chernoff  
Bimbo Bakeries USA

Greg Cooper  
Dean Foods Company

Michael J. Corby  
Nestlé Direct Store Delivery Company

Ann Dozier  
Dean Foods Company

Lee Falk  
Dean Foods Company

Steve Frerking  
Hallmark Cards, Inc.

John S. Phillips  
PepsiCo, Inc.

Patrick Plunkett  
Coca-Cola Refreshments

Vyto F. Razminas  
Flowers Foods, Inc.

Bill Ray  
Snyder’s–Lance, Inc.

Mike Schonberg  
Pepsi Beverages Company

Brent Sherwin  
Schwan's Consumer Brands

John Shreve  
Nestlé Direct Store Delivery Company

Brian Silver  
Clemmy’s LLC

Herb Smith  
E. & J. Gallo Winery

Kurt Specht  
Kellogg Company

Ronald Woolsey  
Pepperidge Farm, Inc.
Project Sponsors

Thanks to the following GMA member companies for financially supporting this project.

![Company Logos]

Project Team

Thanks to the project team from Willard Bishop LLC, led by Bill Bishop, along with Faye Sinnott, who provided the project management and conducted most of the surveys. The core project team also included Mike Spindler and Cyndi Metallo of ShelfSnap™ who provided their expertise as well as the supporting product recognition and analysis technology.

![WILLARD BISHOP]  
![ShelfSnap]

The field work was carried out by ATA Retail Services.

![ATA]  

The project would not have been possible without the generous sharing of intellectual property by:

Gladson provides accurate, complete and standards-compliant product information to consumer packaged goods manufacturers, retailers, wholesalers and brokers. Gladson databases and services are widely used in category management, global data synchronization, advertising, e-commerce and nutrition programs.

Kwikee manages the chaos.

We’re the only retail organization that focuses solely on impulse merchandising. That makes ATA Retail Services unique. Our team of experienced and professional impulse merchandisers spans the nation and each of them is actually an ATA Retail Service employee. This distinguishes us from the rest of the retail support in the impulse merchandising industry.

Forty years we’ve been delivering product content to those who need it so manufacturers don’t have to. Currently 98% of the top 200 retailers use Kwikee to get product content. The marketplace is more complicated than it’s ever been, but the distribution process of content doesn’t have to be that way.
The study findings are based on three separate sets of data collected in cooperation with the participating retailers each providing four study stores, bringing the total number of stores to 28.

**Shelf Analysis**: This element of the study focused on two measures of shelf conditions: level of in-stock and the percentage of authorized SKUs with less facings than called for in the category plan-o-gram.

**Level of In-Stock**: This is a measure of how well the shelf was satisfying shopper demand. It was defined as the number of holes found on the shelf (where there was no product available over shelf tag) as a percentage of the total number of products on the shelf.

**Percent of Under Faced Authorized Items**: This measure provided an indication of how often the shelf was not carrying the required days of supply, which is an indicator of the likelihood of out-of-stocks.

These measures were developed using the product recognition and analytical capabilities of ShelfSnap™, which translates digital photos of the shelf into products, positions, facings and conditions; *i.e.* a snap-o-gram that can be compared with the plan-o-gram to provide these and other measures of shelf conditions.

This phase of the work involved:

- Sending personnel into each of the study stores to take photographs of the shelf sections in six major DSD categories; *i.e.* bread, cookies & crackers, frozen pizza, ice cream, snacks and soft drinks.

This typically involved approximately 2,500 items per store and took the ATA retail service personnel about 30 minutes per store to photograph the shelves.

- Collecting:
  - The current plan-o-grams from each of the retailers.
  - Reference data (product image, dimensions, etc.) needed to drive the product recognition system from retailers, DSD suppliers and from two major industry providers of product information (Gladson and Kwikee).
About the Study (cont.)

- Developing the statistical representation of the shelf and comparing that with the plan-o-gram which was carried out by the ShelfSnap™ staff.

Manufacturers Sales Representatives (MSRs) Experience: Information was collected on the experience of the manufacturers sales representatives (MSRs) of the major DSD suppliers serving the stores in the study. This was done by creating an online survey and then inviting these personnel to report their experience on that survey. A total of 128 responses were received; i.e. from 12 minimum to 26 maximum responses per retailer.

Senior Executive Perspective: The final source of information was telephone interviews with one or more senior executives from each of the participating retailers. These interviews were designed to capture the senior retailers’ perspectives on DSD and their input on the extent to which their chain had adopted each of the 26 practices identified in an earlier study to be effective in improving shelf conditions. A total of 10 senior executives were interviewed.

How to Use the Study: Each of the four study findings offers interested retailers the opportunity to compare their operation with a composite experience of the participating retailers as well as to get specific guidance, if desired, on ways to improve their performance.

Here’s a way to get the most value from each of the findings.

- Finding I — Plan-O-Gram Management: The study found that there were differences in the way participating retailers managed plan-o-grams and that those retailers who were more actively engaged were more likely to enjoy a strong alignment between plan-o-gram and shelf.
  - To compare, determine how involved your company is in managing plan-o-grams.
  - To improve, identify the ways to increase your involvement in that process.

- Findings II & III — In-Stock Level and Percent of Under faced Authorized Items: Each of these findings provides:
  - Benchmarks retailers can use to compare their performance with the study composite
  - A number of specific actions that can be taken to improve performance if there’s an opportunity to do so

- Finding IV — Adoption of Practices: This finding presents benchmarks on the extent of adoption by participating retailers of each of 26 different operating and merchandising practices. Improvements can be made by adopting practices not in use. Most of these practices are self-explanatory, but additional information on them can be found in the 2005 DSD study “Driving DSD Supply Chain Efficiency and Profitability” which is available on the GMA website: www.gmaonline.org

At the end of the section detailing this finding, there are also three tables that show how well participating retailers are doing in collaborating with suppliers to provide access to authorized lists, share POS data and reduce distractions that divert MSRs from “working the shelf.”

---

3 Driving DSD Supply Chain Efficiency and Profitability, Willard Bishop research for GMA 2005.
The goal of this study is to identify collaborative opportunities to improve in-stock levels.

The extensive analysis of the data captured in the study along with market observations, surveys, and interviews led to the following key findings:

1. **Challenges in managing plan-o-grams are an important reason why shelf conditions don’t always deliver the optimum shopping experience.**

2. **The in-stock level for DSD averaged 98.2 percent, which compares well with the 94.0 percent found in other ShelfSnap™ studies for both DSD and warehouse-delivered products.**

3. **The incidents of “under facings” in this study average 13.1 percent, which is significantly lower than the 30.0 percent found in other ShelfSnap™ studies.**

4. **There are significant differences in retailer adoption of DSD practices, which creates untapped potential for improving performance.**

Each of these findings is explained later in this report along with benchmarks and potential opportunities for retailers to improve in-stock levels. The report also provides a roadmap to help unleash the full potential of DSD and a recommended list of follow-up actions.

---

**1. Challenges in managing plan-o-grams are an important reason why shelf conditions don’t always deliver the optimum shopping experience.**

These challenges involve implementing and maintaining plan-o-grams that reflect meaningful shopper insights, establish the necessary holding power to limit out-of-stocks, and are tailored to the unique needs of each store.

---

*Exhibit 1*

Manufacturers Sales Representatives’ Confidence in the Accuracy of the Initial Shelf Set
(Percent of Responses)

Responses: 128

---

4 ShelfSnap™ has done more than 100 other projects over the last two years involving more than 50 retailers and covering more than 30 different warehouse-delivered and DSD categories across the store.
The key to making progress in this area begins with accurately implementing plan-o-grams. The research found that only about 80 percent of the MSRs were confident that the initial shelf set was accurate, based on their experience right after the reset.

Turning to shelf maintenance, there were challenges related to both manufacturer representatives having access to the retailer’s authorized plan-o-grams and clarity on who was primarily responsible for maintaining the set.

Effectively Managing Plan-o-Grams

Collecting plan-o-grams for this project proved to be surprisingly difficult. This opens the question of who actually manages the plan-o-gram and the impact of the process on shelf conditions.

The research revealed five questions that are key to the management of the plan-o-grams. Every retailer interested in making sure that shelf conditions reflect their authorized plan-o-grams will want to ask each of these questions, for both DSD and warehouse products, to see if current practices are delivering the intended results.

1. **Who has custody of the authorized plan-o-gram?** Some retailers maintain custody of the plan-o-grams, others delegate it to key suppliers. Some of these plan-o-grams delegated to suppliers are still under the direct supervision of the retailer while others appear to be only under the retailer’s general guidance. There was some indication that plan-o-grams that received only the retailer’s general guidance don’t always reflect the retailer’s strategy.

2. **Do you have an easy way to connect specific plan-o-grams to individual stores?** While some retailers clearly connect plan-o-grams to specific stores, the connection is less clear in other retailers. Without this clear connection, it’s difficult to achieve and assess compliance. For store specific plan-o-grams, this just requires careful record keeping, but for cluster level plan-o-grams, the record keeping needs to also provide accessibility to all approved parties of the key dimensions of the plan.
3. Are the plan-o-grams for a specific store up-to-date and do they go beyond the corporate set to accurately reflect the store size, layout, and fixtures? While most plan-o-grams are generally up-to-date, there are some opportunities. In a number of instances, the plan-o-grams did not reflect the actual store layout or specific fixture configurations. Some of the issues are due to a lag between product acceptance and the availability of a store level plan-o-gram. There is a need to regularly confirm that plan-o-grams are up-to-date and reflect the actual layout of the store.

4. Are there instances where only some of the products in a category are plan-o-grammed or where entire categories have no plan-o-grams? The research indicates that one or both types of voids exist in a number of retailers. Regularly check the completeness of your plan-o-grams and be sure any voids in coverage are intentional.

5. Are the “authorized plan-o-grams” being implemented without modification? The research indicates that the answer to this question can vary among retailers and even among suppliers serving the same retailer. There is an opportunity to create a regular audit process that is done, at a minimum after each category reset.

The research then focused on maintaining in-stock levels, a top retailer priority based on previous studies.

2. The in-stock level for DSD averaged 98.2 percent, which compares well with the 94.0 percent found in other ShelfSnap™ studies for both DSD and warehouse-delivered products.

The measure of in-stock used in this study was the incidence of holes on the shelf; i.e., when the shelf space available for an item was completely empty. This is the same measure used by many store managers and was also the one employed in most earlier studies on this topic, including the 2002 GMA study Reducing Out of Stock in the Grocery Channel.

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>F</th>
<th>G</th>
<th>Avg</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>98.8%</td>
<td>98.8%</td>
<td>98.8%</td>
<td>97.5%</td>
<td>98.3%</td>
<td>98.2%</td>
<td>98.1%</td>
<td>98.2%</td>
</tr>
</tbody>
</table>
Institute shows a 4.3 percent level of out-of-stock in 2009; i.e., an in-stock level of 95.7 percent. Regardless of the cause of the differences in out-of-stock levels over time, the DSD in-stock performance is strong as an absolute measure and relative to the performance for a mix of warehouse and DSD categories previously studied by ShelfSnap™.

This performance demonstrates the strong executional capability of DSD. At least part of this is due to several natural advantages. The GMA study *A Comprehensive Guide to Retail Out-of-Stock Reduction in the Fast Moving Consumer Goods Industry* points out seven root causes of out-of-stock and in three of these, integrated DSD has inherent advantages. These include:

- **The Accuracy of Product Data.** Manufacturers and retailers have made major strides in synchronizing their data, and DSD’s chain of custody increases data accuracy.
- **Ordering and Inventory Accuracy.** DSD has focused and dedicated resources that are eager to work with retailers to continuously improve shelf and sales performance.
- **Store and Shelf Replenishment Disciplines.** DSD route personnel have experience and specialized training to bring to retailers.

While there is no clear relationship found between any individual practice and the in-stock level, three factors were found to be related to higher levels of out-of-stock:

- **Shelf Crowding** — Shelf pack-out did not provide adequate days-of-supply for faster moving items.
- **No Correction Process** — Absence of procedures to make shelf adjustments for products that are frequently out-of-stock.
- **Restocking Treasure Hunt** — Inadequately stocked or disorganized backroom inventory and interpretation policy on backroom inventory.

**Improving In-Stock Levels**

Based on the MSRs survey, some recommendations for improving in-stock levels include:

- **Increase Collaboration With DSD Suppliers On Shelf Allocation and Back-Stock** — Several of the MSRs saw an opportunity for closer collaboration on developing the initial plan-o-grams, to ensure enough shelf stock for the faster moving items. Another benefit of collaboration is ensuring enough back-stock for fast selling promotional items.

- **Do More Sharing of Sales Information and Merchandizing Plans** — MSRs know that access to POS data will improve their ordering accuracy and see this in stores that share that information. There are also opportunities to share merchandizing and promotion plans on a timelier basis. Longer notification lead time would also help with discontinued items.
EXECUTIVE SUMMARY (cont.)

- **Schedule Regular Meetings to Make Necessary Plan-O-Gram Adjustments, e.g., Quarterly, and Maintain a Log Book for Questions/Responses Between Meetings** — MSRs are eager to develop more efficient ways of communicating with store management. They recognize that schedules don’t always coincide and suggested posting information on a board or log book accessible to MSRs. Another suggestion for improving communication involves having a distribution list for vendors and automatically adding them when relevant communications are sent to store level.

- **Establish Agreement for “Off Hour” Restocking of DSD Products** — Almost every chain indicated they had procedures for store personnel to fill in stock, “wherever it’s needed” during evening hours and weekends, but based on MSRs’ feedback, follow-through remains a challenge.

- **Increase Collaboration on Backroom Organization** — MSRs see the opportunity for more consistent interpretation across stores of backroom inventory policy.

Inadequate shelf holding power is one of the key causes of lower in-stock levels, so there was also an analysis of the incidents of “under facing” versus what was called for in the plan.

3. The incidents of “under facings”, in this study, averaged 13.1 percent, which is significantly lower than the 30.0 percent found in other ShelfSnap™ studies.

Under facings occur when the actual facings on the shelf are lower than the number called for in the plan-o-gram. When this happens, the “days-of-supply” on the shelf will not be adequate to maintain the desired in-stock position.

![Exhibit IV]

In this study, the incidences of under facings were:

- A: 11.2%
- B: 13.7%
- C: 11.9%
- D: 10.5%
- E: 11.8%
- F: 14.0%
- G: 18.4%
- Avg: 13.1%

This performance compares favorably with the same metric for all other studies done by ShelfSnap™, which is 30.0 percent.

---

5 ShelfSnap™ has done more than 100 other projects over the last two years involving more than 50 retailers and covering more than 30 different warehouse-delivered and DSD categories across the store.
EXECUTIVE SUMMARY

Minimizing Occurrence of Under Facings

Here are several practices that help ensure that there will be an adequate number of facings, for each item in the plan-o-gram, to deliver high in-stock levels:

- Use syndicated market data and POS data to objectively guide the number of facings assigned to both branded and private label products.
- Determine the necessary “days of supply” for the top fast moving items and try to provide the necessary shelf holding power.
- Establish a disciplined process that combines input from suppliers with guidance by the retail category manager that includes the following:
  1) The retail category manager provides strategy and guidance
  2) Supplier develops the plan-o-gram based on their category expertise
  3) The category manager reviews the plan-o-gram to ensure that it reflects the guidance given and approves the authorized version for implementation in the stores.

To ensure the facings in the plan-o-gram continue to be updated to reflect the reality of the shelf, including new items and changes in shopping patterns, consider developing a regular schedule that includes:

- Meetings to discuss recommended changes to the plan-o-grams
- Updates to the authorized plan-o-gram.
- Times for implementing approved adjustments to the shelf.
- Audits

4. There are significant differences in retailer adoption of DSD practices which creates untapped potential for improving performance.

Past GMA DSD Committee reports have documented successful practices that lead to increased sales and profits. All of the practices covered in this report are taken from the GMA 2005 report *Unleash the Power of DSD*, which identified opportunities to improve DSD and documented more than 25 practices that benefit both retailers and suppliers. The surveys done in this project provide specific benchmarks that a retailer can use to compare their own progress with industry norms.

The research gathered through the self-assessment of model practice adoption for each of the participating chains has also provided some additional insights. Senior retail executives reported the degree to which each of the practices has been implemented in their chain:

- **Full Adoption** — 80 percent or more of the stores
- **Partial Adoption** — Plus or minus 50 percent of the stores
- **Limited/No Adoption** — Less than 25 percent of the stores
Exhibit V
Practices to Reduce Wait Time / Improve Product Flow (Percent of Participating Chains)

Some documented best practices that have helped to reduce wait time include:

- Providing for weekend receiving hours, as well as emergency weekend deliveries, helps DSD suppliers to meet the growing volume sold on weekends. Both practices have been adopted by a strong majority of the retailers participating in this study.

- Maintaining receiving hours of six hours or more, Monday to Friday, is a practice adopted by the majority of retailers. The two remaining survey participants don't schedule receiving hours on Wednesday.

- Some of the retailers have also implemented “drop-and-go” programs with selected DSD suppliers. This practice effectively extends receiving hours, and at the same time reduces backdoor congestion and wait time.

Leading retailers continue to adopt new practices that expedite receiving.

Exhibit VI
Receiving Scheduling Practices (Percent of Participating Chains)
Another way that retailers have found to speed up receiving is to temporarily expand the capacity for receiving, and in some cases, offer special check-in procedures for certain types of deliveries.

Two practices that peer retailers are using to expand their receiving capacity include:

- Allowing two or more suppliers to stage orders for receiving so that the receiver can move quickly from one delivery to the next. The majority of retailers in the study have adopted this practice.
- Scheduling more than one receiver at peak times. Only one of the retailers in the study follows this practice.

The other practices related to expanding DSD receiving capacity fall into two categories:

- Express check-in for direct exchange (DEX), network exchange (NEX), and advanced shipping notices (ASNs) across all DSD categories. Additionally, scan-based trading (SBT) is used in some categories like baked goods and ice cream. These practices reward suppliers who have invested in advanced technology to enable quicker receiving.
- Special receiving hours for large complex orders is another practice. Fewer than 60 percent of the retailers have fully adopted this practice.

Exhibit VII
Automated Data Exchange (Percent of Participating Chains)

More than half of the retailers in the study have fully adopted the practice of automatically exchanging product and price data with suppliers.
The proper layout of the backroom and access to it helps the MSRs more effectively maintain in-stock positions on the shelf and to support promotions. A majority of retailers in the study have fully adopted these practices.

MSRs are more effective in maintaining shelf conditions when they have easy access to retailer plan-o-grams and authorized item lists for the store:

There was a mix of responses related to providing store-specific plan-o-grams:

- 44 percent of the participating chains provided them at store level
- 28 percent of the participating chains provided access only at headquarters
- The remaining 28 percent limited access to either category captains or only to those involved in resets

A majority of participating chains maintain and provide access to store-specific authorized lists in store. Another 28 percent provide access only at headquarters.
No retailer in the study indicated that they had a company-wide policy to share POS scan data with the MSRs for ordering and inventory management. Some retailers, however, allow the store to share POS data when it’s requested and if personnel are available to provide it. However, many retailers share POS data from headquarter to headquarter and suppliers then share this data with their MSRs.

The survey of MSRs serving each of the stores in the study provides more overall insight as well as some retailer-specific information highlighting specific opportunities for improvement.
While about 40 percent of those surveyed indicate that they have consistent access to up-to-date authorized item lists, there were additional insights:

- About 30 percent only have occasional access
- Almost 20 percent have no access, with another 10 percent noting the lists they have access to are not always up-to-date

### Exhibit XII

**Retailer Sharing of POS Data** (Percent of Responses)

<table>
<thead>
<tr>
<th>Response</th>
<th>Overall Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consistently</td>
<td>23%</td>
</tr>
<tr>
<td>Sometimes</td>
<td>27%</td>
</tr>
<tr>
<td>Never</td>
<td>50%</td>
</tr>
</tbody>
</table>

Only half of those responding to the survey reported any sharing of POS data, and more than half of those engaged in sharing indicated that the practice was inconsistent.

### Exhibit XIII

**Activities that Take the Most Time Away from Working the Shelf** (Percent of Responses)

<table>
<thead>
<tr>
<th>Response</th>
<th>Overall Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waiting On Receiving</td>
<td>43%</td>
</tr>
<tr>
<td>Finding/Organizing Promotional Inventories</td>
<td>24%</td>
</tr>
<tr>
<td>Handling Returns</td>
<td>4%</td>
</tr>
<tr>
<td>Resolving Changes In Shelf Sets</td>
<td>7%</td>
</tr>
<tr>
<td>Communicating/Building Relationships w/ Store Personnel</td>
<td>20%</td>
</tr>
<tr>
<td>Reconcile Invoices</td>
<td>3%</td>
</tr>
</tbody>
</table>

“Waiting to be received,” was the number one activity that MSRs said diverted their time from working the shelf. This was followed by:

- Finding/organizing promotional inventories
- Communicating/building relationships with store personnel
Contributions of DSD

Here are the four main areas where retailers see that DSD contributes positively to business performance:

- **Ability to drive a strong in-stock position.** This is a top priority at retail and was the most frequently mentioned contribution. DSD labor and delivery frequency are seen as integral to it.

- **Capability to effectively serve local conditions.** Retailers are moving beyond clusters to tailor merchandising to local needs with the ultimate goal of store-specific plans. DSD is seen as a way to execute against this goal.

- **Range of product to support varying assortment requirements.** DSD provides retailers with the ability to offer the products needed to serve local preferences and to quickly respond to seasonal changes in demand.

- **Execution to maintain shelf conditions.** DSD’s strong execution at the shelf is important in maintaining shelf conditions. DSD also speeds new products to the shelf, which is essential to “maintaining the reputation for being ahead of the marketplace.”

Areas of Joint Opportunity

Four areas offer the greatest opportunity for collaboration between retailers and manufacturers. Joint business planning around each of these should produce significant benefits:

- **Increasing communications/collaboration at store level.**

  “We want our stores engaged in presale planning and encourage these conversations.” *Source: Retail Merchandising Executive*

  While there was consistent emphasis on the need to understand and apply Best Practices at store level, a number of retailers also see value in collaborating to achieve greater coordination of store-level activities.

- **Improving Shelf Conditions.**

  “We are focusing on upgrading shelf conditions and need to make sure it happens in DSD as well as the rest of the store.” *Source: Senior V.P. of Operations*

  The primary goal of improving shelf conditions is to reduce out-of-stocks. One way to do this is to align merchandizing support with the sales of fast mov-
ing products. Most retailers also want to be sure that category plans are implemented all the way to the shelf and that new items are “cut in” as soon as possible. Further, there is an opportunity to work together to better execute store-by-store assortments.

- **Optimizing Backroom Inventory.**

  “We want to continuously improve our labor productivity.”
  
  *Source: Senior Operations Executive*

  One key to improving shelf conditions involves ensuring that there is adequate backroom inventory for the store’s fast moving products and that the back-stock of slower moving products is held to a minimum, since pockets of excess inventory can reduce labor productivity and increase shrink.

- **Increasing Alignment of Activities at Retail.**

  “We need to work more closely in order to successfully execute our ‘go-to-market’ strategies.” *Source: Retail Senior V.P.*

  A common theme among retailers is that there is opportunity to increase alignment with their DSD suppliers.

  DSD’s strong execution capability at store level gives retailers a way to support sales with fewer labor hours. Retailers see opportunity for increased collaboration through accelerated receiving practices and increased data sharing in order to help ensure that these DSD capabilities are focused on top priority tasks and are as productive as possible for both retailers and DSD suppliers.

  Some of the retailers participating in the study stress the need for communications on marketing and promotions with district and store management. Their experience is that implementation is better when store-level personnel and MSRs collaborate to optimize in-store demand.

### Closing Thoughts — Where Do We Go from Here?

First, we hope the data and insights we have provided in this report will point the way to how manufacturers and food retailers can collaborate more closely at both headquarters and store level to fully leverage the power of DSD. This report is one more step on the journey to improve the shopper experience, increase sales, and continue to drive efficiency and effectiveness at store level.

Please take a look at the GMA DSD reports from 2005 and 2008 for more detailed information on DSD practices and consider scheduling a “one-on-one” meeting with any one of the study sponsors to discuss the findings and opportunities.