

New DSD Research Aims to Analyze Shelf Performance

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Direct store delivery (DSD) is a powerful driver of store profits, sales and trips. The industry has embarked on research to find out how to improve in-store execution and make it even better.

The study – "Optimizing the Value of Fully Integrated DSD" – is being conducted for the Direct Store Delivery committee of the Grocery Manufacturers Association (GMA) by Willard Bishop Consulting. It will be completed by the end of the year, Bill Bishop, chairman of the Barrington, Ill. firm told CPGmatters.

"Our objective is to demonstrate how fully integrated DSD delivers superior execution at the shelf, and superior contribution from a profit point of view," he said. Integrated DSD "is being sure that the best practices in ordering, merchandising and delivery are tied together and supported mutually by the two organizations (retailer and supplier)."

Bishop and a panel of leading DSD executives spoke about the research at the recent U-Connect conference in San Antonio.

The study is analyzing shelf performance of DSD categories in 28 stores from seven major retailers around the country, including Kroger, Safeway, Wegmans, Hannaford, Save Mart, Winn Dixie and Cub. It is using digital technology from ShelfSnap, Libertyville, Ill., to take photos of the shelf, and then analyze them in relation to the planogram to determine how well they match, and thereby track in-store execution.

The research is motivated in part by very strong numbers demonstrating the importance of DSD as reported by a 2008 GMA study, "Powering Growth Through Direct Store Delivery."

DSD is 24% of the volume, and represents 52% of the profits of an average supermarket, said Ann Dozier, vice president, strategic industry initiatives, the Coca-Cola Co. "In most cases, DSD is driving a tremendous amount of traffic in the store, and it is driving a tremendous amount of profitability in the store. The way that we operate as DSD providers is typically in a highly promotional landscape with lots of turns of our product within the store," she said at the workshop.

Additionally, DSD includes some of the fastest growing categories in the store, and drives a 30% improvement in working capital, she added. "We provide a lot of labor for the store, and we also turn very quickly. And that has a major impact on working capital for our retail partners." There is up to two times higher promotional lift with trade funds with DSD, and five times faster replenishment to the shelf.

DSD supplies 25% of all the labor within a typical store, some 17,000 labor hours per year for an average-sized retail outlet, reported Dale Brockwell, customer vice president, global supply chain, Kraft Foods.