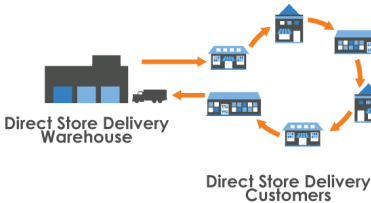


Eight Items Typically Missed In DSD Reroute



Reroutes are a fundamental process in Direct Store Delivery businesses that are often fundamentally flawed. When done right they offer the opportunity to produce high utilization, low cost delivery routes that drive business success. The key is understanding both the operational cost drivers; fixed, variable and overhead, and the route planning tools themselves.

Key Items Missed By Reroute Processes

1. **Route Planning is Not a Core Process** —route planners are often limited to what they can change with service days or routes, and are asked only to come up with a workable set of routes using sales inputs. What-if and scenario-based approaches where we challenge existing rules, are rare. As a core process the route planning tasks are more complex but create greater operating savings.
2. **Tools focus on reducing mile, not routes** – clearly we want route mileage reduction but the reroute tools are built to focus on this and tell us nothing about optimal route count. With only 10-20% of route costs based on miles, we need a method to identify route and mileage reduction.
3. **Tools assume even drop size for multi-stop customers** —your biggest customers get multiple visits per week. It's rare that each visit has the same drop size; order patterns are usually heavier on one end of the week. It's hard to show this in the tools and we can overload routes during the heavy part of the week.
4. **Visit Frequency is Art Not Science**—Most wholesalers don't know the real activity based cost of each stop, and have a hard time negotiating stops with their customers. We should be stingy adding stops as it is the key cost lever for pick cost, sales costs, and delivery costs. A stop should only be added when sell through starts to threaten in-stock.
5. **Parameters Not Up To Date** - the most important route planning parameters are fixed and variable stop time, and allowable delivery days and windows. Don't assume all Wal-Marts have the same stop window, or that stop times that were calculated before handhelds were in use, are suitable planning parameters.
6. **Only Variable Stop Times are Used** - accurate fixed stop time (stop time required regardless of cases delivered) and variable stop time (time based on cases delivered) drives the whole planning process. Keeping stop times in sync with delivery process changes can be difficult but combining all stop activity into variable stop time only, makes us think that the only way to reduce costs is to sell more cases.
7. **Route Plan Not Followed**—everyone knows about hotshot or offday activity, where a customer requires an unscheduled delivery to cover an out-of-stock condition. But a hidden issue is endemic cancelled stops; often as plentiful as the hotshot activity. What's bad about these is that we've reserved capacity that might add up to a reduced route.
8. **Seasonality is Ignored** —many wholesalers have strong seasonal fluctuation but only reroute annually. Seasonal case shifts often move 25%; the cost of not reducing your routes in the low season is fairly large.