



## Direct Store Delivery

MAGIC™ DSD PROVIDES electronic receiving and automated ordering for both spot sell and pre-sell Direct Store Delivery vendors.

Automating replenishment for direct-store-delivered categories may seem like excess effort to many supermarket operators. After all, under the DSD system, re-ordering is the vendor's job, and a primary reason for serviced departments is to spread these responsibilities among brand partners.

Leading retailers recognize that the consequences to stakeholders are too great to leave the re-ordering process solely to the vendor's discretion. Reliable on-shelf availability of high-demand supermarket items is just as important when products are direct-store delivered as when they are distributed via the internal warehouse.

## Drive Trips With DSD

Key DSD categories are associated with more frequent trips per shopper and higher absolute dollar value sold. Among the top 7 most frequently shopped categories, 5 are DSD-dominated, and bread, milk and carbonated soft drinks are so significant they drive shopper trips to the store.

Supermarket operators are challenged to meet shopper expectations in high-awareness DSD categories, where the out-of-stock problem is frequently magnified. Auto-replenishment, or Computer Generated Ordering (CGO), can vastly improve performance on key items and help retain those profitable trips.

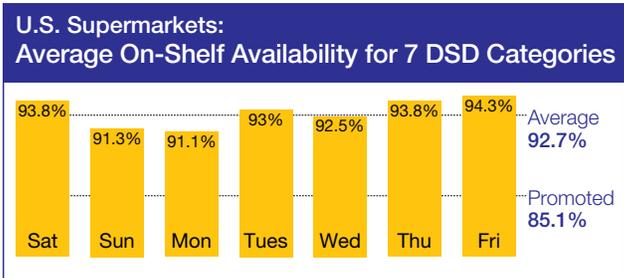
U.S. Supermarkets: Top 7 Annual Trips/Shopper by Category		
Category	DSD	Average Store Trips Shopper/Year
Bread & Baked Goods	✓	30.5
Milk	✓	27.8
Carbonated Soft Drinks	✓	27.2
Salty Snacks	✓	23.6
Fresh Produce	✓	20.9
Candy		19.3
Packaged Meat-Deli		17.3

SOURCE: Itasca Retail, from AC Nielsen; Clarkston Consulting analysis



**Solve the “Sunday Problem”**

Daily variations in service levels are of particular concern to grocers. As the following example shows, Sunday afternoon service gaps hit these seven DSD categories especially hard, with item availability falling as low as 91.3%.



SOURCE: Itasca Retail, from GMA & Roland Berger Analysis

The chart at left consolidates data for milk, beer, cookies & crackers, salty snacks, carbonated soft drinks, frozen pizza, prepackaged bread. These crucial DSD-heavy categories are also frequently promoted. On average, key item availability drops to 85.1% during promotional periods.

The situation cries out for an improved, more responsive, automated re-ordering process that can ensure proper inventory levels are in place for DSD items – **Magic™ DSD**.

**DSD Achievements On-Shelf Availability Gains— Supermarket Chain**

Carbonated Drinks OOS  
**-56%**

GM/HBC OOS  
**-36%**

Specialty OOS  
**-38%**

- Reduced Delivery Frequency in Most Stores
- Vendor Savings Provide Sharing Opportunity

SOURCE: Itasca Retail

**Capture Greater Profits**

Applying an automated re-ordering and inventory optimization process to direct-store-delivered categories yields proven performance benefits.

Industry research (GMA, Roland Berger) indicates that increasing DSD on-shelf availability can increase sales by as much as 2.9%, the equivalent of \$75,000 annually for a typical supermarket.

Where **Magic™ DSD** is implemented in supermarkets, we have documented improvements in DSD on-shelf availability, reduced deliveries, and improved service levels to the stores.

**Vendors on Board.** Process improvements make CGO a win for the DSD supplier as well. The system provides them with real-time forecasts, immediately available, and credible to users in the field. Delivery personnel can directly observe the integrity of the ordering process at the shelf, allowing improved responsiveness.

Where retailers implement CGO for DSD categories, vendors cooperated because they quickly learn to *trust the accuracy* of the suggested orders. They are able to apply a process superior to their own. As a result they benefit from lower stales, increased sales, and fewer deliveries.

**Capture Greater Profits.** Considering the huge potential to reduce missed sales and profits, at Itasca Retail we advocate that DSD must be part of every discussion by supermarkets regarding auto replenishment or inventory optimization.

**Learn How.** Let us show you why you cannot overlook this compelling opportunity to strengthen your sales and profit performance with DSD. Contact us to arrange a one-on-one Webinar.

