EXPERT INSIGHT

NEXT-GENERATION DISTRIBUTION STRATEGIES, TACTICS, AND TECHNOLOGIES

As part of a comprehensive three-part guide, Part I covers the most pressing challenges distribution companies face when trying to provide exceptional customer service and remain profitable.





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A Challenging Market

A Challenging Market

Being a distribution company has never been easy—tight margins, demanding customers, etc. There used to be a level of customer predictability; however, the pandemic made distribution markets even more challenging.

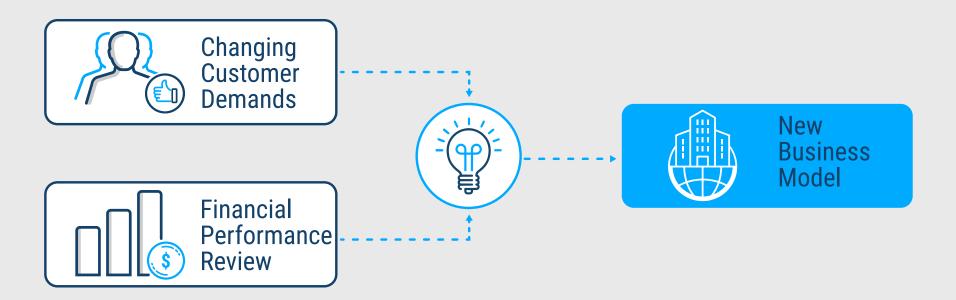
Customer ordering patterns are changing, making it harder to plan deliveries. Services times are increasing, negatively impacting productivity and the customer experience. Customers also have more same-day orders, which is challenging traditional delivery models and can be quite expensive if not properly managed.

Distribution companies have operated with the same business models for decades. When it came to the delivery schedule, "don't touch the customer" was the top reason typically cited for not making changes to services policies and delivery practices. Over the last several years, however, the dramatic shifts in customer demand have taxed distribution company profits and made revenue growth harder than ever.

As a result, the senior management is either taking the initiative or being asked by the owner to evaluate new business models to **better serve customers**, **grow revenue**, **and operate more productively**.

Restructure To Improve Financial & Operational Performance







How Customer Demand Is Evolving

Customer expectations have fundamentally changed in distribution markets. Customers expect tighter time windows and strict adherence to them. They want regular delivery status updates, including real-time estimated-time-of-arrivals (ETA) to help them manage their business. They demand shorter lead-times and greater responsiveness to minimize inventory levels and ensure they have what they need as customer demand fluctuates. They need paperless proof-of-delivery (POD) and related commercial processes to better address returns, minimize disputes, and reduce financial processing costs.

Operationally, distribution companies navigate a wide range of challenges to serve customers and maintain profitability:



Demand forecasts based on historical order patterns are no longer accurate, which has a knock-on effect across distribution operations. Everything from not having enough of the right products to having too much of the wrong inventory to skewing individual customer forecasts is driving down customer service, causing missed revenue opportunities and driving up costs.



Warehouse labor planning has become more complex and is contributing to higher costs, lower productivity, and diminished customer service. The combination of more fluid customer demand and less accurate forecasts runs headlong into traditional static operational models, which results in either too much labor or not enough at critical times.



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How Customer Demand Is Evolving







How Customer Demand Is Evolving (cont'd)



The driver shortage is impacting distribution companies' ability to serve customers and do it well. All transportation modes are experiencing a shortage of drivers, making hiring new drivers extremely challenging—especially for distribution companies with high turnover rates. Also, new drivers seldom perform as well as more tenured ones, resulting in lower customer service and delivery productivity.



Costs are escalating everywhere for distribution companies: the cost of products, wage increases to keep existing driver and warehouse resources, and elevated fuel prices are squeezing already thin profit margins. None of these factors appear to be diminishing soon as inflation remains high. There are more open jobs than available workers and global geopolitical upheavals are threatening to keep fuel costs high.

Customers want regular delivery status updates, including real-time estimated-time-of-arrivals (ETA) to help them manage their business.



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How Customer Demand Is Evolving







Manual Route Changes Fail to Meet Fluid Demand

Distribution companies have always experienced conflict between delivery route planning and how routes are executed in the field.

Traditionally, manual route changes were made at the distribution center to address changes in customer demand (e.g., off-orders, order size, and time window). Occasionally, these changes made their way back to planners to incorporate into the planning process to improve route quality.

With today's more fluid demand, however, off-orders, same-day deliveries, and customer expectations for tighter time windows have worsened the disconnect between planning and execution. Inaccurate plans impact customer service and profitability, and manual intervention due to last-minute order changes doesn't scale and can lead to even lower service levels and higher operating costs.

Inaccurate plans can impact customer service and profitability, leading to lower service levels and higher operating costs.



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Manual Route Changes







Conclusion

As a member of a distribution organization, you can probably relate to most of the challenges highlighted in this guide. If your business is struggling to deliver to customers because of manual processes or outdated technology solutions, it is time to look at advanced strategies and solutions to tackle today's highly evolving distribution market.

Part II of this guide will delve into the advanced strategies and tactics that can have a massive impact on your business, its staff and management, and customers. They include:

- Strategic Route Planning
- Hybrid Route Planning
- Delivery Orchestration
- Customer Engagement
- Driver Retention



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Conclusion







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About Descartes Systems Group

Descartes is the global leader in providing on-demand, software-as-aservice solutions focused on improving the productivity, performance and security of logistics-intensive businesses.

Customers use our modular, software-as-a-service solutions to:

- Route, schedule, track and measure delivery resources
- Access global trade data
- File customs and security documents for imports and exports
- Plan, allocate and execute shipments
- Rate, audit and pay transportation invoices
- Complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community

Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at www.descartes.com, and connect with us on LinkedIn and Twitter.

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About Descartes Systems Group





