

REDISTRIBUTION: Remove Hidden Costs In Limited Time Offerings

BY TOM VARGA

Many restaurant chains and purchasing cooperatives have already implemented redistribution for savings on items their restaurants will use all year. But redistribution has even more benefits to offer for items related to limited-time offerings (LTOs) and regional menu offerings (RMOs) as well.

First, a quick primer on redistribution: with redistribution, manufacturers ship truckload quantities of slower moving or seasonal items to a redistributor, who then ships full and mixed truckloads of products to foodservice distribution centers (DCs). By purchasing truckload quantities and then creating full truckload shipments of consolidated SKUs, chains and co-ops can reduce freight costs while experiencing greater reliability.

Most chains or co-ops find that redistribution's initial cost savings run 10 to 40 percent as compared to the cost of LTL shipments. And that's before other costs related to inefficiencies in the supply chain — like LTOs and RMOs — are even uncovered.

LTOs and RMOs are inherently fraught with logistical inefficiencies. These select items will only be carried for a limited time. DCs easily can get overstocked or run out of inventory before the LTO or RMO is over.

It's difficult to properly allocate product in a short period of time using traditional distribution. Often, as the LTO phases out, one DC will have a surplus of items they can't get rid of fast enough, while others will be out weeks before the LTO is over. The cost of overnight freight to get the items from one DC to another to fill demand is tremendous—it impacts

profitability excessively, and just like any other cost, shouldn't be overlooked.

With the right supply chain redistribution partner handling LTOs, they are able to micro-control the supply chain from the time the LTO rolls out to its conclusion. Or, redistribution may only come into play toward the end of the LTO when less product is needed. Since a redistributor can combine SKUs into full truckloads, there's no minimum order.

Another detail that gets overlooked is product managers' time managing LTO and RMO items. It's a labor-intensive process for supply chain professionals who get called in on a Saturday when a DC runs out of product. While this isn't a cost that gets factored into overall landed costs, it affects efficiency.

The correct redistribution partner can do the heavy lifting to make sure these items are properly allocated and get where they need to be, when they need to be there. One client used to have four people dedicated to managing LTO items, but after bringing on a redistribution partner, they've reported that having this off their plate has not only freed up the time of four staff people, they're also not experiencing the same phase-in/phase-out inventory management issues they used to have. While redistribution doesn't eliminate work for co-ops and chains, it certainly reduces their responsibilities in micro managing the supply chain.

Supply chain costs will inevitably go up due to any number of uncontrollable factors, from the price of gas to driver shortages. Supply chain managers and product managers have to do everything they can to mitigate those cost increases. Utilizing redistribution to bring costs down is something they can control. ♦

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