

CASE STUDY

DRIVING RETAILER GROWTH BY FOCUSING ON WHAT STORES NEED TODAY

Strong merchandising, fresh products and exceptional customer service are compelling reasons to shop at one of the world's largest convenience store chains. And, thousands of highly-visible locations around the world provide a solid base for continued growth.

A key contributor to success is ensuring stores have the right mix of products available for purchase by customers. So, when the company experienced operational challenges in keeping its stores fully-stocked with approximately 1,000 distinct products, including fresh items such as milk, sandwiches and bakery items, it knew a better solution was needed.

CUSTOMER CHALLENGE

In the Southern California market in particular, the company's convenience stores were experiencing issues with inconsistent and unpredictable deliveries, especially for daily deliveries of the fresh items. Because some products would arrive and others would not, individual stores fell into a habit of stocking fresh foods based on availability, not salability. This resulted in gaps in service for items their customers really wanted, as well as a substantial amount of lost sales. Solving the problem was critical.

In a business with very narrow margins, operational challenges raised questions about the company's ability to deliver on its growth agenda. Eventually, segment profitability issues and supply challenges led to strained relationships with stores in this area. To address the issue, the company tapped DHL Supply Chain to improve delivery performance of fresh items in the region.

CUSTOMER CHALLENGE:

- Low fill rates resulted in lost sales
- Operational and customer service issues a barrier to growth
- Product flow patterns created inefficiencies

DHL SUPPLY CHAIN SOLUTION:

- Improved order-to-deliver item availability
- New distribution platform
- Metered flow of products featuring increased frequency

CUSTOMER BENEFITS:

- Growth in fill rates and store sales
- Reduced store costs
- Increased customer satisfaction



DHL SUPPLY CHAIN SOLUTION

DHL Supply Chain knew that focusing attention on store success and customer satisfaction was integral to delivering on the customer's vision, specifically, providing complete support to stores with a total commitment to ensuring reliable, daily deliveries of fresh foods. As part of this approach, DHL Supply Chain developed more collaborative relationships with key vendors to ensure store success at the point of sale.

The team consolidated preferred providers, established operational controls and designed a platform that featured consistent item availability and reliable delivery windows. These changes brought significant improvements in product quality, availability and labor scheduling. Success also depended on relentless customer service aimed at making store management and associates satisfied with the quality and cost of service, day in and day out. To put this insight into action, DHL Supply Chain established a customer service standards and training program for the company's delivery drivers. The training helped the drivers understand the importance of fill rates for the customer's business. Given that drivers delivered to stores in a range of neighborhoods and locations, the training also helped them prepare for various issues ranging from parking difficulties to area curfews to safety.

The new approach also engaged the store community directly by establishing a joint task force comprised of corporate, store-level and DHL Supply Chain representatives. The team listened to store challenges and created action plans to address concerns raised through a toll-free number. DHL Supply Chain provided dedicated customer service representatives to answer questions regarding the fresh food program. For example, stores could call with concerns about the quality or freshness of bakery items. DHL Supply Chain would address all concerns and work with the appropriate vendor to take corrective action.

CUSTOMER BENEFIT

The collaborative approach improved the customer's fill rate by nearly 4 percentage points, capturing even more sales. The improved efficiency made a significant impact, enabling stores to manage their inventory more effectively. Stores now had a reliable supply of the fresh products their customers wanted most. In addition, store associates were able to spend more time with their customers, rather than with their vendors addressing late or incomplete deliveries. The joint task force and customer service program helped DHL Supply Chain build the confidence of store management by ensuring their concerns would be addressed promptly. In addition, it created a repository of information about challenges and corrective actions that DHL Supply Chain and the customer could draw upon in the future.

Based on the success of the program, DHL Supply Chain now manages 10 similar operations for this leading convenience store chain. These operations serve 65 percent of the company's U.S. stores, and the processes applied in Southern California have been implemented in other markets with success. Furthermore, the company's confidence in DHL Supply Chain has led to further discussions about its national growth strategy and the supply chain infrastructure and solution needed to support its expanding network of stores.

QUOTE

"Store associates rely on us to help them make a living with the service and cost we provide. We deliver to thousands of stores across the country every night, and we need to meet each one's specific needs, from the goods we supply to where we park the truck. It's rewarding to know that we are partners with each store and that we play a key role in their successes."

Kraig Foreman
Vice President, Operations for the retail industry,
DHL Supply Chain

For further information

Contact our supply chain experts:
supplychain@dhl.com
www.dhl.com/supplychain