



# The Wholesale Food Distributor's Guide to Last Mile Logistics

## Who should read this document?

Food and beverage wholesalers who are concerned with meeting their customers' requested time windows consistently while keeping cost per case and cost per delivery manageable. Anyone who struggles to optimize their wholesale distribution logistics.

## Why is this document worth your time?

Because it's informed by DispatchTrack's decade-plus of optimizing last mile logistics. As we've worked closely with clients in the food and beverage industry, we've gotten a granular view of how food distribution challenges play out in the last mile. We've also learned how to solve those challenges, and we're excited to share that wisdom.

## What will you learn?

- ◆ Why it's so hard to maximize your delivery capacity in the food and beverage wholesale industry;
- ◆ How a hybrid static-dynamic routing model can boost your delivery efficiency and ultimately improve last mile logistics performance;
- ◆ How to leverage the right technology into improved customer delivery experiences and better margins.

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## Introduction: Why Wholesale Food Distribution Isn't Getting Any Easier

In a recent report on the U.S. food supply chain, McKinsey & Company painted a picture of a disrupted status quo: Up until 2020, food distribution as an industry had seen steady 4% year-over-year growth, with a relatively stable split between retail and food service. In 2020, however, that steadiness vanished, and businesses across the industry scrambled to handle huge supply chain disruptions. The result? A landscape of increased volatility, decreased predictability, and serious logistics hurdles to overcome.

This narrative around food and beverage distribution has stuck around for the past year—but there's a real extent to which these challenges aren't new. Sure, the difficulty of planning around unpredictable orders and frequent last minute changes has been thrown into stark relief since 2020, but it's also something that food and beverage businesses have been grappling with for many years.

These challenges are well-established—and luckily, so are their solutions. Food wholesalers need visibility into their last mile logistics, they need an easy way to track shipments on the day of delivery, and they need to plan routes that are feasible for drivers and keep top tier customers satisfied. All of this is easier said than done, but the tools and technology that fleet managers need to pull these feats off is out there.

In this white paper, we'll talk in more depth about the challenges that are increasingly coming into view for wholesale distributors—and what the right technology solutions for dealing with those challenges might look like.

## The Top 4 Challenges in Wholesale Food Distribution Logistics

In order to optimize last mile logistics—particularly when it comes to something as complex as food and beverage distribution—it's important to have a clear handle on what challenges you're trying to address. At a high level, the top challenges might seem obvious—achieving on-time deliveries, ensuring high capacity utilization—but when you drill down to specifics, some operational and technological needs become clear.

### 1. Razor-Thin Margins

Let's get the most obvious one out of the way: whether you're selling bottled water or crates of lettuce, you have to keep prices at competitive levels if you want to attract and retain customers. This means that your margins are always going to be miniscule, and success is going to depend on volume. To get up to sustainable volumes, you have to keep your customers happy—and you have to do it without letting your operational (i.e. delivery) costs eat into your already slender margins. This puts huge pressure on your logistics operations: a few failed deliveries or a day of low capacity utilization and you find yourself wondering if it was worth leaving the warehouse that day at all.

## 2. Meeting Time Windows—Without Sacrificing Efficiency

You're already competing on cost—the next major competitive area is service, which in the food and beverage industry means delivering on time. If you can't get bananas to the restaurant just before the banana bread needs to go in the oven, the chef will find a wholesaler who can. Historically, most businesses have dealt with this hurdle by simply completing fewer deliveries per day. After all, even with a two-hour delivery window, most of your customers will want you to deliver closer to the beginning of that time slot than the end, so more often than not your drivers will add significant buffer time to their ETAs to ensure that they arrive right on time. In theory, this helps ensure solid customer service—but in practice, it means that you're completing many fewer stops per day than you should be able to with your truck capacity. You may even be wasting significant money on fuel as your drivers circle the block to kill time. In short, you need a way to claw back some of that capacity without decreasing your number of on-time deliveries.

## 3. 20% of Customers Drive 80% of Revenue

You already know who your anchor customers are—i.e. the ones who order from you consistently every week, and who have standing orders that just require small volume adjustment each time. Customer retention is the name of the game in wholesale business, which means that prioritizing your reliable customers is essential. At the same time, you need to accommodate new accounts and hopefully turn them into repeat customers. This delicate balancing act translates into a complex calculus when it comes to prioritizing stops and working to maximize delivery capacity. You need to take on as much business as you can handle—but if you pack in so many stops that your top customers are in danger of receiving their deliveries late, you're making a questionable gamble. This challenge is compounded by the fact that poor last mile visibility often makes it difficult for businesses to tell which stops are profitable and which aren't.

## 4. Balancing New and Repeat Business in Your Routes

The challenge we described above makes itself felt in any number of forms, but one of the most noticeable manifestations comes in the form of added routing complexity. Route optimization is already one of the most difficult parts of distribution logistics to manage by hand—even when you can eyeball the most efficient path between multiple stops, factoring in preferred time windows, open hours, service time, and delivery ETAs introduces so much complexity that the job is virtually impossible to do by hand. When you start to balance between recurring client accounts (who might want the same driver to arrive at the same time every Tuesday and Thursday) and new accounts, you add an additional layer of complexity. The result is that once you have routes that are even remotely workable, it's almost impossible to change them, meaning that you have very little flexibility when conditions change. This can obviously make it difficult to get the most out of your delivery capacity. When there's only one dispatcher in the whole organization who knows enough about the client preferences to actually make route updates without bringing down disaster, this lack of flexibility becomes even more pronounced.





## How a Hybrid Routing Strategy Can Boost Last Mile Logistics Success

Meeting the challenges above is no mean feat, even for the most technologically sophisticated food or beverage distribution outfit. Luckily, there are some strategies you can implement that can decrease disruptions and help you maximize profitable stops on all your routes.

The most impactful of all these strategies? Adopting a hybrid routing approach.

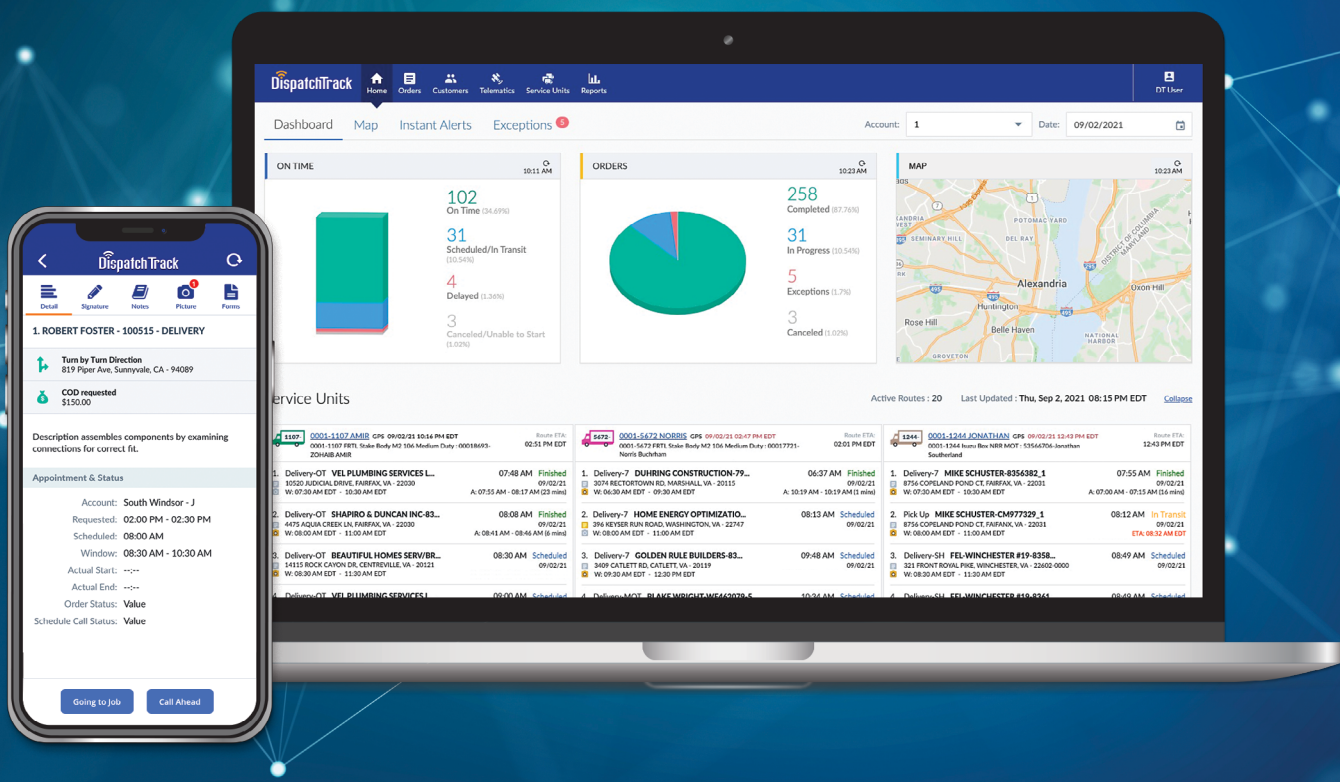
We're not going to beat around the bush here: to deal with the difficult balancing act between new and recurring orders without jeopardizing customer service, you need to develop a hybrid approach to route optimization. Hybrid of what, you ask? Of static and dynamic routing. As a quick refresher, static route optimization refers to generating efficient routes between multiple stops that do not change from one delivery run to the next; dynamic routing means that you develop the most efficient sequence of stops from scratch whenever you build a new route, in order to ensure that you're maximizing efficiency and capacity utilization. In most industries that grapple with the last mile (say furniture or appliance delivery), the best strategy is to dynamically generate new routes for each day's set of orders. This gives last mile operators the ability to ensure that they're getting the most out of their truck and driver capacity.

In wholesale distribution, however, reinventing your routes from scratch every day doesn't make sense. You have your regular customers, and they want to be serviced at a consistent time. If your dynamic route optimizer is constantly shuffling your anchor customers' deliveries into new positions in order to accommodate each new day's orders, they're going to get fed up. Their satisfaction is going to drop—all in support of squeezing in more customers who might only be ordering with you because you're offering a discount that week.

At the same time, static routes are inefficient. They give you no flexibility on the day of delivery—as we discussed above.

The solution to this paradox? A hybrid of static and dynamic route optimization. This might look something like:

- ◆ Dispatchers and routers document the preferences of recurring customers (i.e. those 20% who drive 80% of the business), their open hours, and requested delivery time windows within the routing engine.
- ◆ Using these "anchor customers," the system generates a set of "skeleton routes," i.e. optimized sequences of stops that ensure that your most important customers are being taken care of.
- ◆ As orders from newer or more sporadic customers come in, the routing engine dynamically sequences and routes these additional stops around the anchor stops based on your parameters.
- ◆ When changes crop up on the day of delivery, you use your dynamic routing capabilities to accommodate them without jeopardizing on-time delivery at your most important clients.



Here, your route planning technology can make a big difference. Route optimization—in whatever form it takes—is about more than just sequencing stops in such a way as to minimize drive time and fuel consumption. While that’s crucially important, it has to be paired with the ability to create accurate delivery ETAs for each and every stop.

Simply put, if you can’t generate an accurate ETA for each stop, there’s no way of knowing whether your efficient, beautifully optimized sequence is actually going to result in your drivers showing up within the customer’s requested time window. As such, you’re stuck with the same problems you had above: drivers who want to ensure on-time arrivals at the delivery site will wind up buffering between stops—adding fuel costs to your overall operating expenses—or they’ll be running late all day.

With a certain amount of supply chain visibility, you can manage the occasional late delivery. You can spot the exception quickly, give a proactive call to your account, and maybe send a sales rep to meet the driver at the delivery site for some damage control. But when you’re running behind on every stop, it’s much harder to manage.

The good news is that it is possible to generate accurate ETAs, even for hybrid routes. How? By utilizing AI and machine learning to learn from previous routes. Here, the right routing solution will learn about historical traffic patterns, differences in driver and vehicle speeds, how different loads and load types impact timing, and much more. From there, you should be able to specify your expectations for service time at each stop in order to create ETAs that your drivers can actually meet—simply by following the assigned route. All of a sudden, there’s no buffering necessary. You can finally get the most out of your existing asset and driver capacity—all without risking the ire of your most profitable customers.

## Conclusion: How DispatchTrack Can Help

DispatchTrack’s decade-plus of experience has shown that a hybrid approach to route optimization is the only sure-fire way to create routes for food and beverage distributors that achieve the delicate balance between exceptional service and efficient last mile logistics. And at DispatchTrack, that’s exactly what we offer—a proprietary hybrid routing algorithm designed to combine static and dynamic routing with a minimal loss of efficiency.

Most routing software loses 30% efficiency once you introduce time window requests; our proprietary hybrid routing engine loses less than 10%. But that’s not all we offer:

In order to get the most out of hybrid route optimization, you also need a single, comprehensive, connected last mile solution. That's why we offer:

- ◆ Real-time last mile visibility via our Visibility Dashboard. This enables you to track your fleet in real time and see what's going right—and what isn't.
- ◆ Automated customer communications through text, email, and phone calls. This gives you the power to keep customers in the loop without spending hours on the phone.
- ◆ A driver mobile application that powers turn-by-turn directions, real-time order status updates, and electronic proof of delivery through pictures, video, signatures and notes. **DispatchTrack also offers a free mobile app for sales reps to enable them to meet the driver at the delivery site to provide a more elevated experience for the customer.**
- ◆ Telematics integration via GeoTab. In this way, we empower you to streamline your routing, asset management, and delivery management into a single solution—no more switching back and forth between different tabs to get information about how the delivery is going!
- ◆ Robust reporting and KPI-monitoring. **This includes the ability to easily measure your cost-per-stop and cost-per-case, such that you can easily identify which stops are profitable and which aren't.**

On top of this robust set of features and functionality, DispatchTrack also gives food and beverage wholesalers the ability to create pre-planned seasonal load distribution (e.g. to prepare for a slew of restaurants planning Mother's Day brunches or a pre-Thanksgiving grocery store rush). You can also use what-if plans to forecast distribution costs in new markets.

The ultimate result? DispatchTrack simplifies the complexity of the wholesale distribution last mile, all while ensuring high capacity utilization and great customer service via consistent on-time deliveries. We give you the tools to elevate your deliveries, so your most important customers feel taken care of, and more of your new customers become regulars. All this within the context of more efficient deliveries and reduced cost-per-case.



## About DispatchTrack:

DispatchTrack is the complete customer delivery experience and last mile logistics optimization platform. Since its founding in 2010, DispatchTrack has empowered thousands of customers across multiple industries—furniture and appliance, food and beverage distribution, building supplies, third party logistics, and many others—to plan and manage all last mile touchpoints with flexible, easy-to-use features.

Our end-to-end, AI-powered, SaaS-based platform helps users automatically route and schedule deliveries, communicate with end customers, and track the entire last mile in real time. The result is streamlined last mile operations and elevated customer delivery experiences for more than 180 million deliveries each year.

For more information, visit our website at [DispatchTrack.com](https://www.dispatchtrack.com), or contact us directly at **1-866-437-3573** or [sales@dispatchtrack.com](mailto:sales@dispatchtrack.com).

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