

EXPERT INSIGHT

NEXT-GENERATION DISTRIBUTION STRATEGIES, TACTICS, AND TECHNOLOGIES

Part II: This installment explores the advanced strategies and tactics that distribution companies can adopt to address evolving business challenges and come out ahead.

Advanced Strategies & Tactics That Make a Difference

Distribution companies need to adopt new strategies and tactics to meet today's more fluid customer demand, higher customer expectations, labour shortages and escalating costs. Distribution performance can be improved by **evaluating customer service policies, operational planning, delivery execution, and customer engagement**.

Transforming distribution operations can be broken into five major areas. The first three relate to planning and execution strategies. The fourth enhances the customer relationship and adds incremental revenue opportunities. The fifth helps address one of the greatest challenges: driver retention.

- 1. Strategic planning:** What assets and customers do I have and how can I organise them in advance of actual demand?
- 2. Hybrid operational planning:** How do I schedule deliveries to meet actual customer demand, but do it in a way that is most cost effective?
- 3. Delivery orchestration:** How do I ensure that delivery plans get executed according to plan? If there is a disruption, what can I do to minimise its impact?
- 4. Customer engagement:** How do I leverage value-added delivery services in the buying processes and keep customers informed of the progress of their delivery?
- 5. Driver retention:** What can I do to help drivers more successfully execute their routes and minimise their stress to keep them coming to work?



Maximise Distribution Performance with Strategic Route Planning

Strategic route planning determines the optimal combination and location of resources (distribution centres, fleet size, and drivers) to meet customer service and financial targets while considering service policies and operational practices. Distribution company customer networks are in constant flux due to changes in order volume and mix, customers, customer service policies, and business strategies. Distribution networks can quickly get out of balance and, as a result, do not run optimally or cost effectively. In addition, distribution companies need a way to model and evaluate the impact of potential changes to their distribution network before they're implemented.

Strategic route planning is different than operational route planning and has the potential to deliver **even greater productivity and service improvements**. This is because strategic route plans address more fundamental changes. In operational route planning, the strategies, policies, and even the territories, frequencies, and routes are already defined.

Strategic Route Planning



Business Data



Service Policy



Vehicle Size



Customer Stratification



Order Size



Delivery Frequency



Depots



Business Plan

Maximise Distribution Performance with Strategic Route Planning (cont'd)

The goal of operational route planning is to do the best with those restrictions already in place. With strategic route planning, however, customers, volumes, service policies, asset types, and operational constraints are treated as variables. Policies, practices, capacity, and other items can be **flexed** to see what new or changed routing strategies and tactics will **best address changes** in demand or new business goals.

Strategic route planning applies to not only those fleets that run static or master routes, but also to dynamic routes because strategic route planning helps model the policies and practices that dictate operational routing parameters. Strategic route planning is also a **vital component** in understanding the best approaches to enter new markets or consolidate acquisitions. As demand changes and distribution organisations look at new markets, they can use the solution to help **predict the costs and capacity** required to move forward.

The Pros & Cons of Static & Dynamic Route Planning

Traditionally, distribution companies have used **static routes** for operational planning. Static routes work well with a stable customer base, little variability in both the customer order mix and delivery frequency, and where the driver-customer relationship is important in keeping or growing the business.

The static routing approach becomes ineffective when the customer base, order frequency, and order quantities are constantly changing. Off-orders are not considered at all in static planning and must be manually planned. Equally important is that static operational planning is the least productive and cost-efficient approach, and, with today's high costs and driver shortages, it elevates distribution company risk for lower margins and reduced customer service.

Today's distribution companies are facing unprecedented fluidity in their business, struggling to keep up with the constant stream of customer changes and more dynamic customer requirements. As a result, some have turned to **dynamic operational planning** to address heightened variability and produce delivery routes that are more productive and cost-effective and that improve responsiveness to off-orders.

Dynamic planning creates routes that are unique to the customer order mix, incorporate off-orders, and optimise delivery efficiency. While dynamic operational planning delivers higher customer service and lowers delivery costs, it has a downside that has kept many distribution companies from adopting it. Many companies, and especially the largest ones, value the stability of their deliveries, so constantly changing delivery times can become a serious customer service issue potentially leading to a loss in business.

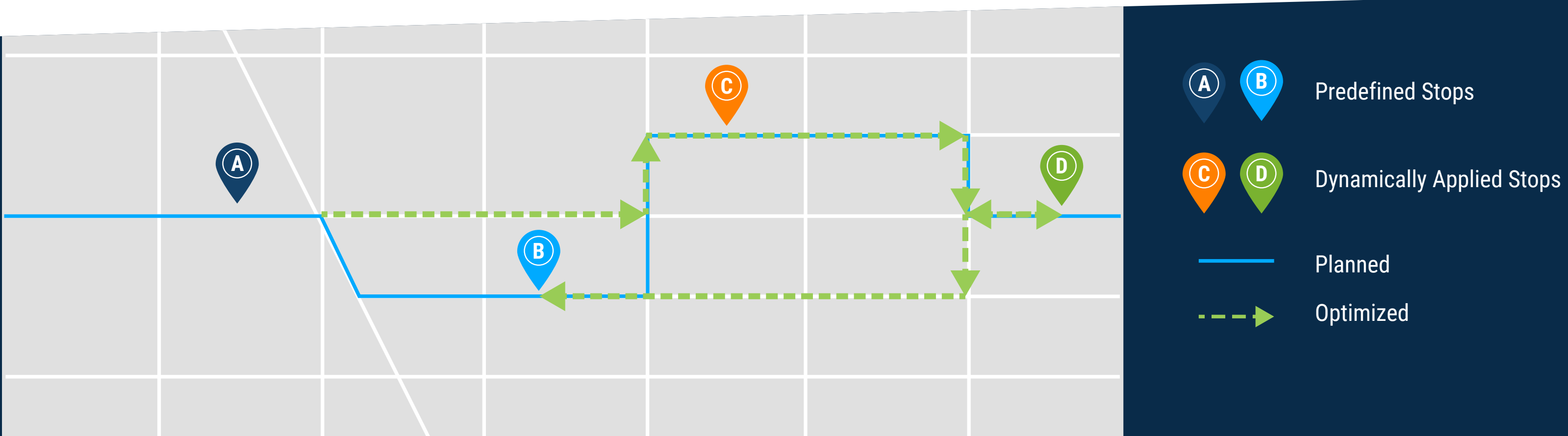
Hybrid Routing: Uniting the Best of Both Worlds

Distribution companies have recognised that they can no longer afford to serve all customers equally. They need a way to more cost-effectively meet customer needs but be more responsive to changes in demand and off-orders. **Hybrid route planning** combines the **best characteristics** of static and dynamic route planning.

With hybrid route planning, larger or highly profitable customers ("A&B" customers) may have to be serviced on a fixed basis while smaller or less profitable customers ("C&D" customers) are serviced on a dynamic basis.

In addition, off-orders can be planned dynamically to increase revenue, improve customer service, and reduce off-order delivery costs. Hybrid routing will economically thread C&D customers between the fixed-window A&B customers based upon the location and order size. In addition, order size for A&B customers will be evaluated to see if it has increased or decreased from the base plan to ensure customer windows are maintained and if more deliveries can be added to the route to further improve delivery productivity.

Hybrid Routing



Mitigate the Unexpected with Delivery Orchestration

Distribution companies know that even the best plans can be upset once route execution begins. Customers cancel orders, accidents, and weather throw off route progress jeopardising planned arrival times—the disruptions can be endless. Rather than leaving decisions to address execution challenges to drivers, **delivery orchestration** can help mitigate the impact of the changes and disruptions that occur.

The foundation of delivery orchestration is **real-time GPS tracking** of the vehicle and **two-way communication** with the driver, which provides visibility into the location and delivery status for each customer stop. With real-time GPS location and additional information such as traffic and weather updates, accurate ETAs for each stop can be predicted. The two-way communication updates drivers of customer and delivery sequence changes and provides dispatchers and managers with instant status updates of deliveries and any overs, shorts, or damages (OS&D).

Delivery Orchestration



Complete
Visibility



Exception
Management



Coordinate
Multiple
Resources



Add/Delete
Deliveries



Delivery Data
Capture



Real-Time
Performance
Measurement



Leverage
AI/ML/
Analytics

Delivery Orchestration Supports Route Productivity

In addition to moving dispatchers and managers to more productive exception management of their drivers, delivery orchestration can play a more proactive role in **maximising route productivity, minimising the impact of disruptions, and addressing off/same-day orders**. Real-time performance measurement lets drivers, dispatchers, and managers know if they are on track to meet their performance metrics and how individual drivers compare to the rest of the team.

Advances in **artificial intelligence (AI)** and **machine learning (ML)** can, in real-time, identify and propose changes to route sequence to the driver, which helps them make their delivery windows and reduces unnecessary time and mileage that drive up delivery costs.

All of the data generated by real-time GPS tracking and status updates offers a wealth of information that can be used to improve route performance from planning through execution. ML can use the actual data to refine customer locations, drive and stop times, and delivery windows. It can even understand the differences of individual drivers in executing their routes. These refined results are fed back to the planning and delivery orchestration solutions, making them **more accurate, improving route reliability and ETA predictability, and eliminating excess time in the plan** based upon operational assumptions.

CHAPTERS

Delivery Orchestration

5 Steps to Win Over More Customers

Customers are expecting the same engagement experience they have as a consumer to also come from their distributors. There is a **five-step “life cycle” approach for engaging customers** that not only increases customer satisfaction, but also can lead to increased revenue:

1. Set customer delivery expectations and potentially upsell value-added services through delivery appointment booking
2. Reduce delivery failure and minimise the impact of reschedules through pre-shipment confirmation
3. Notify the customer of the delivery through real-time delivery status updates
4. Capture delivery success or failure with electronic proof-of-delivery information
5. Measure success/streamline the returns process through post-delivery customer surveys and returns pick-up scheduling.



Why Customer Engagement Is a Crucial Component

Customer engagement is **critical to enhance the overall customer experience** for distribution companies but can be taken to another level to improve competitive differentiation and even product pricing. Providing the right delivery information at the right time to customers can **improve their productivity**, adding further value to a distribution company's service offerings. It can also lead to **premium pricing** for more dynamic markets where customers value immediacy and accuracy of the delivery.

Think of same-day, time-definite delivery services where customers value delivery immediacy and accuracy almost as much as the goods they are receiving. As customers continue their move to more dynamic and, in particular, off-day ordering, the ability to promise when the delivery will arrive—with **certainty** and at the point-of-sale—will keep customers from contacting competitors for the delivery options they may have for last-minute orders.

Providing the right delivery information at the right time to customers can improve their productivity, adding further value to a distribution company's service offerings.

CHAPTERS

Steps To Engage Customers



Tending to The Driver Experience Pays Off

Drivers are at the heart of distribution company delivery performance. They are the **last experience** that a customer has and their effectiveness dramatically affects productivity.

Senior drivers do a better job than newly hired ones. They are more productive and consistently meet time window commitments and require less coaching. Driver turnover has been historically high for many distribution companies, but with today's tight labour market, fixing it can no longer be avoided.

Driver pay has impacted driver retention, which most distribution companies have recognised and addressed. Stress, however, has become the leading reason that drivers leave their jobs; alleviating this stress needs to be one of the top strategies for distribution companies.

Much of the stress drivers face relates to **the quality of routes they are given, the level of data capture required before, during, and after the route is executed and, most importantly, the fact that they are "on their own" to find ways to manage the disruption** but still make all of their customer delivery promises.

Driver turnover has been historically high for many distribution companies, but with today's tight labour market, fixing it can no longer be avoided.



5 Ways to Make Drivers Happier & More Productive

1. **Create more feasible and realistic delivery routes.** Poor route design means that drivers must come up with their own route sequence or scramble in route to make their deliveries in the time allotted.
2. **Streamline work processes.** Mobile applications are powerful ways to collect data and enforce delivery processes. They can also be crushing in terms of the work they put on a driver. Without a thorough streamlining of work processes and data collection, workflows can cripple productivity and create the kind of stress that causes drivers to leave.
3. **Reduce number of mobile apps.** In many cases, drivers also are forced to use multiple mobile apps to meet logistics, commercial, and safety requirements of distribution companies. Distribution companies need to look for mobile apps that can span multiple delivery and safety processes or can be seamlessly integrated into other applications to reduce driver stress and improve productivity.
4. **Proactively address route disruptions.** The combination of real-time route status updates and algorithms provides drivers with advanced guidance to avoid congested areas and resequence stops so drivers can focus on driving and delivering.
5. **Manage the driver's day.** Beyond disruptions, there are many other decisions drivers must make such as when to take breaks and capturing changes in delivery locations. Instead, let the route planning solution incorporate breaks into driver schedules to ensure they meet regulatory or company policies. Also, use the mobile app to allow drivers to easily capture exception information, so it can be either addressed in real-time by dispatchers or managers or incorporated into the next planning cycle.

Conclusion

In order to **compete and fulfill today's more variable customer demand**, higher customer expectations, labour shortages, and rising prices, distribution organisations must embrace new strategies and approaches. The good news is that by assessing customer service policies, operational planning, delivery execution, and customer interaction, there are numerous ways to enhance distribution performance.

The strategies and tactics outlined in this guide can be applied to all distribution segments and are very impactful. For example, the average Descartes customer reduces their mileage by **15%** and driver time by **one hour a day per driver**, increases fuel efficiency by **17%**, and saves **\$1/stop** by going paperless.

In **part III** of this guide, we'll share how Descartes is helping distribution companies like yours overcome their operational challenges—and thrive in today's challenging markets.

About Descartes Systems Group

Descartes is the global leader in providing on-demand, software-as-a-service 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 [X](#).



The Descartes Systems Group Inc.
120 Randall Drive, Waterloo, Ontario, N2V 1C6, Canada
Toll Free 800.419.8495 | Int'l 519.746.8110
www.descartes.com | info@descartes.com

Descartes Systems UK Limited
3rd Floor, Bewley House, Marshfield Road
Chippenham, Wiltshire, SN15 1JW
Tel: +44 (0)1249 477 099
<https://routinguk.descartes.com/>

Uniting the People & Technology
That Move the World

© The Descartes Systems Group Inc. All rights reserved.