



'09 IFDA Distribution Solutions Conference
Best Practices for Today's Times



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2009 IFDA Distribution Solutions Conference
**From the Warehouse to the Consumer:
 How Much Does One Trip Actually Cost?**

Systems Food Service Chain Distribution

Broadline Distribution

Transportation & Company Cost Analysis




A member of


Best Practices for Today's Times '09 IFDA Distribution Solutions Conference

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DETERMINING ROUTE COSTING


- Tractor & trailer costs
- Fuel
- Equipment washing \$
- Fuel & other taxes
- Tolls & scale charges
- Communication – Cellular & GPS
- Hotel costs \$

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DETERMINING ROUTE COSTING \$

- Labor costs – Wages, FICA, Medicare, Workers Compensation, 401k, etc. \$
- Insurance costs – Liability, Equipment, Health, etc. \$
- Depreciation
- Amortization
- Training \$
- Other

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The percent of gross profit is irrelevant as long as our profit per case is higher than our expenses.

- Every department is measured by how much it costs per case to fulfill its responsibilities



- Transportation is our largest department in terms of expense

ROUTE PROCESSES & PROCEDURES

- All routes are delivered on 48 ft. three compartment trailers, primarily in day cabs
- Drivers deliver by dolly all products into the stores in the appropriate temperature controlled locations via ramp from the back and sides of the trailer
- Seventy (70%) percent of routes are at least two days long or more



ROUTE PROCESSES & PROCEDURES

- Drivers spend the night in hotels
 - Significant morale & other improvements
 - Locations are extremely small & day cabs maneuver easier on those properties compared to sleeper cabs
- Drivers are compensated through an incentive pay system, not hourly wages
- Bonuses & Penalties are based on performance

ROUTE PROCESSES & PROCEDURES

- When forecasting new costs, we back out all of our fixed costs since those are already covered by our existing business
- As a rule, local routes subsidize long distance routes
 - Back haul opportunities can significantly reduce the cost of a long distance overnight run
- All tractors have on board "driver log" computers, GPS capabilities, etc.

DETERMINING COSTING



- We do not really cost our business by the route per se, but rather as a company in whole
- In order to determine if a price we quote to service a concept is enough to cover our expenses and be profitable, we back into that figure by analyzing our costs

<u>Department</u>	<u>Example Company Expense Cost Per Case</u> (Subtracting out fixed costs per department)
Transportation	\$1.00
Warehouse	\$1.00
Sales	\$0.25
Administration	\$0.25
Total Overhead	\$2.50
Cash Discounts Earned	\$(.05)
Rebates & Other	\$(.05)
Total	\$2.40



- Based on this formula, we would theoretically have to charge anywhere over \$2.50 to be profitable
 - Assuming it generated one million new cases per year for delivery at a gross profit of \$.10 per case, we would gross \$100,000 on the account
- $1,000,000 \times \$.10 = \$100,000$



WHY THIS FORMULA WORKS

- The transportation cost per case is the cost to service our existing client base in eight states
- It is safe to assume that number will not change dramatically with the addition of new volume over the same territory backdrop of our existing client base
- New stores will be merged with existing stores for maximum efficiencies in routing

WHY THIS FORMULA WORKS

- The warehouse cost will not change dramatically either
- It includes all of our existing costs in that figure to service the existing clients
- New volume does not change the formula
- Instead, we just move more volume through the existing facility using the same pro forma for analysis
- Doing an expansion to compensate for new business would change the figure because of the cost to add to the warehouse

WHY THIS FORMULA WORKS

- All other departments utilize the same technique when determining costing
- Fixed costs are not included in the analysis since those will not change regardless of the addition or subtraction of new volume.

IN CONCLUSION:

- Systems food distribution is an extremely tough & competitive industry
- Significant mistakes of great cost can easily affect the profit of an organization
- Fine tuning and constant maintenance of our processes & procedures ensure consistent and accurate deliveries to our customers in exchange for profitability
- Although different companies may do cost analysis in other manners, this type of pro forma is preferred by our management team

Questions???

Thank You For Your Time!!

