

XYZ Company Discovers Redistribution

XYZ Company (XYZ) manufactures an all-natural, great-tasting salsa in Mesa, Arizona. Their salsa tastes great because of the recipe and because it is all-natural with no preservatives. However, because the salsa is all-natural it has to be refrigerated for freshness. XYZ uses 2 refrigerated trucks to deliver their salsa to their local restaurant customers.

XYZ has been in business for three years and has a very successful business in the Mesa area. They are in year four of their five-year business plan which has an end goal to distribute nationally. Tom Nickelson, President and Owner of XYZ said, "We had no idea how complicated it was to sell nationally. We thought we just needed to work with a distributor. We soon found out there are many factors to be considered. We worked diligently to achieve SQL Standards Level 3 certifications required to manufacture higher volume for national distribution. We also worked tirelessly to secure the interest of a national restaurant chain regarding our salsa and seasoning mixes. Business discussions were going so well that we started investigating national distribution companies who had refrigerated trucks. Richard Taylor, our Director of Logistics, created processes and procedures to manage not only the pickup schedules of partial load trucks but the orders from the restaurant chain. Finally, we began negotiations with the restaurant chain and ACME transportation."

During final negotiations with the restaurant chain, a critical rule was disclosed, "three missed on-time shipments and a vendor is released". XYZ discussed with ACME transportation how much inventory they could store in refrigeration in case of truck breakdowns or weather conditions. ACME didn't have the ability to store in refrigeration the needed amount of safety inventory to fulfill the restaurant chain's requirement. That is when XYZ realized they needed a distribution company that could mitigate all risks to ensure no missed shipments happened.

XYZ called the national restaurant chain and asked what distributors they buy products from. XYZ called a couple of those distributors and discovered those distributors buy products from ABC Redistributors (ABC). And XYZ was introduced to "redistribution"! Redistribution is a system where redistributors pick up and store full truck-loads of product from the manufacturers, store in their huge regional warehouses, and sell to numerous distributors around that region. The distributors can pick up less than full truckloads of product and deliver to their customers faster and with a variety of other products if desired.

XYZ contacted ABC and found out they could pick up full truckloads of their products store them in regional refrigerated warehouses and could sell their salsa and seasoning mixes to a number of distributors who sell to their national restaurant chain, but also to other operators, like grocery stores, convenience stores, hospitals, and schools. When XYZ realized they will save money by not needing to manage the orders from the national restaurant chain and the numerous pickup schedules of ACME transportation, they were ready to do business with ABC Redistributors. XYZ reviewed the terms of the contract they had with the national restaurant chain with ABC to make sure all the terms could be met. In the end they signed a contract with ABC Redistributors and XYZ was ready to start rolling out their products.

After 6 months of national distribution, sales were good and the operation was successfully meeting contract requirements. XYZ's management was very pleased. Then disaster hit. The midwestern states were experiencing tremendous flooding and many interstates had sections that were closed. ABC

Redistributors informed XYZ logistic manager, Mr. Taylor, that they recently setup an intermodal partnership with two rail lines who had satellite tracking. ABC also had a system that could continually monitor traffic across the continent, and if needed, call upon the use of rail services to guarantee deliver to one of ABC's warehouses.

Although rail was more expensive than truck shipping, using rail to mitigate losing the restaurant chain contract was well worth the expense. "ABC Redistributors' operations are first rate," said Richard Taylor. "They understood the importance of our customers schedule and constraints and took charge when we weren't sure what to do. Because of ABC Redistributors our on-time delivery rate is 99.5%. We have real peace of mind with ABC Redistributors. Why would we use anyone else?"