

## Still Distributing with Company Employees? Letting Go! Raising Profits



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### Who am I?

John R. Staker, Esq.  
President DCI-DSA

#### Distribution Consultants, Inc. (DCI)

- Premier Authority in Independent Route Distribution
- Over 100 Years Combined Professional Experience in the Baking Industry
- Legal and Economic Experts Specializing in Independent Distribution Systems
- Designed and Implemented Substantially all Independent Systems used in the Food Industry Today

#### Distribution Services of America, Inc. (DSA)

##### Support Services for Independents and their manufacturers

- Down-payment Program
- Incorporation Services
- Vehicle and Business Insurance
- Delivery Vehicle Leasing
- Accounting and Tax Preparation Services
- Health Insurance

## Distribution Challenges in the 21<sup>st</sup> Century

Unprecedented Pressure to Reduce  
Operating Expenses

- Ever Increasing Fuel Costs, Equipment and Tech Costs
- Ever Increasing and **MYSTIFYING** Health Benefit Costs
- Threats of or Current Effects of Unionization
- Ever Increasing Payroll Taxes, Medicare & Medicaid Taxes
- Increasing power of Major Retailers – the Walmart Effect



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## Current Trends Baking Industry Distribution

- Significant Move toward “Centralized” DSD by Major Retailers
- Significant move away from Unionized Employee DSD Systems
- Significant Increase in Independent Route distribution Systems  
**Now 60-70+% in Bakery Industry**
- Increasing Shift to and emphasis on Independent Route Distribution in the Baking, Snack Food and General Food Industry
- Everyone looking for Cost Savings through combination of Wholesale and Independent Distribution



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## Independent Route Distribution Systems Major Financial Benefits

- Significant Capital Generation &/or Interest Income
- Significant Reduction in Distribution Expenses
- Increased Motivation – Increased Sales



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## Independent Route Distribution Systems Capital Generation

- “Off the Balance Sheet” Assets
- Distribution Routes Have Established Street Value
- Typically Sold at a Multiple of Weekly Sales
- Discounted to Inside Purchasers (current Employees)

### Conservative Estimates

9 to 10 x Weekly Sales

9 x \$9,000 = \$81,000 x 100 Routes = \$8,100,000



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Independent Route Distribution Systems  
**Reduced Distribution Costs**

- Eliminate Employee Related Taxes
- Eliminate Employee Related Benefit Costs
- Eliminate Fleet Costs
- Stabilize Expense – Future Cost Avoidance

**Typically Save 3%+ of Sales Dollar**  
 \$50,000,000 = \$1,500,000(+) Annual Savings  
 (at Current Sales Levels)

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Independent Route Distribution Systems  
**Increased Sales**

- Entrepreneurial Motivation
- Work Harder –Work Smarter
- Salesperson – Not just Delivery Person
- Family Participation

**Typically 5-15% Sales Increases**  
 \$50,000,000 @ 8% = \$4,000,000 Sales Increase

**Assume 10% Incremental Profit = \$400,000  
 Increased Profit**

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**Still Distributing with  
 Company Employees?**

**Letting Go!**

**IS IT REALLY  
 LETTING GO?**

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Independent Route  
 Distribution Systems

**IS IT REALLY  
 LETTING GO?**

**It can be, but does it  
 need to be?**

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**It's Management!!**

- Proper Management Maintains Customer Service
- Proper Management Improves Customer Service
- Proper Management Increases Sales
- Proper Management is not "Letting Go!"

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Independent Distribution

It Works!!!!  
 Increase Sales  
 Generate Significant Capital  
 Reduce Distribution Costs

**DISTRIBUTION CONSULTANTS INC** Without "Letting Go!"

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