

DISTRIBUTION

Mainland Distributor Says **'Aloha!'** to Hawaii Military Stores



Wood

By PHIL GRAY
Managing Editor

• STOCKTON, Calif.

In its mission to deliver the best possible benefit to servicemembers, while remaining faithful stewards of the taxpayers' dollar, the Defense Commissary Agency (DeCA) has become a pretty lean machine when it comes to efficiency and performance. Fill rates — the capability to keep shelves properly re-stocked — are one of the key metrics that affect not only the agency's overall financial performance, but also directly impact servicemembers and their families. However, to execute distribution at a high-90s percentile on a regional basis is one challenge, but to deliver it on a global basis is a formidable requirement — one that the agency's business partners take on with a special sense of dedication and pride in the knowledge of the service they are helping to provide those who serve, and have served in the past, in the nation's military.

PROACTIVE MEASURES

When the ripple of market forces grew into a tidal wave that swept a number of distributors from the military arena during the last 10 years, DeCA was faced with a classic military conundrum: how to maintain its supply lines to its most far-flung commissaries and locales. In 2003, when Fleming exited the military distribution market, DeCA determined that it needed to take additional proactive measures to ensure that its supply lines could be quickly reestablished in the future, should another distributor exit the market, and it reached out to industry to develop alliances and contingency plans.

The Hawaiian commissary area was one of those affected by Fleming's decision to quit the resale business, and at that time, Coastal Pacific Food Distributors (CPFD) presented a plan to DeCA to service these stores from the mainland. Ultimately, C&S Wholesale Grocers acquired Fleming's business, but the saga did not end there.

In March of this year, another distributor, Hawaiian Distributor, announced its exit from the military market, leaving a potential void in the supply of certain items to military patrons; however, on this occasion, DeCA and industry partners were better prepared to pick up the slack. According to CPFD Executive Vice President and Chief Operating Officer Terry Wood, the company was "called into some early action to fill in a hole," and was able to begin distribution on an emergency basis to Hawaii in mid-March, two weeks before Hawaiian



With a vacuum in service developing from the exit from the Hawaiian military market of Hawaiian Distributor at the end of March of this year, an opportunity arose for the distributor community to fill the void. Commencing service to Hawaiian commissaries from mid-March, on an emergency basis, was Coastal Pacific Food Distributors which, with the help of its on-Island logistics partners, is helping to keep commissary shelves stocked with military patrons' and their families' favorite U.S. products. Pearl Harbor, Hawaii.

Distributor's official exit. CPFD's earlier attempt to enter the Hawaii military market meant it was well-prepared to demonstrate to DeCA how it could meet the agency's needs "on the Island," from its Stockton, Calif., distribution center (DC).

LOGISTICS SIMPLIFIED

Together with the all-important fill rates, lead times are a key part of the distribution calculus; but so are issues like freight forwarding, and simplified receiving. "It's been pretty widespread knowledge that fill rates for certain items have been a bone of contention for the agency in the Hawaii market," said Wood noting that the company was convinced it could service DeCA's Hawaii commissaries — NB Pearl Harbor, Barber's Point, Schofield Barracks, Hickam AFB and Kaneohe Bay — at a 95 percent rate or better.

Woods' assurance was based not only on its track record with CONUS military stores, but also on 20 years of history as a distributor to the Far East, and its service to the government as a prime vendor in Japan, Singapore and Diego Garcia. Founded originally as a distributor to the Far East two decades earlier, the company had ample experience in the proper methods of preparing goods for shipping for multiple days over water," as well as "the on-Island logistics partners who are able to get the products out of port and to the stores in a short time."

When asked if the foothold on Hawaii might open any civilian distribution opportunities on the islands, Wood said the company "would not close its eyes to whatever new business that came their way," but emphasized that "the company's priority on Hawaii was to service the U.S. troops and their families. "We are committed to maintaining our focus on the military patron," he said.

UPSTREAM ADVANTAGE

According to Wood, "approximately

50 percent of the product line going to the Hawaii stores are components of our 'upstream' program from CPFD's Stockton facility, and we are looking at further expansion of those lines going forward." In 2004, the company outlined to DeCA and to industry its plan to streamline the delivery of lower-frequency items from a single West Coast facility (see *E&C News 12/04*), thereby minimizing shipping points and consolidating shipments and logistics in the process. The remaining portion of the items going to the Hawaii commissaries comprise high-velocity, high-frequency products that are warehoused in both of CPFD's California facilities in Ontario and Stockton.

This arrangement, and the company's updated picking and conveyor system in its 'upstream' Stockton warehouse make distribution offshore an efficient process, and provides the company the flexibility to handle 'breakdown' items, or single-case packs via the cross-dock process. Shipments, Wood said, are "either full container-loads for larger stores, or multiple-store loads for several stores, and the orders are palletized, and marked for shipment to the various installations, pulled from containers and cross-docked on to our logistics partners' own trucks, by destination and by delivery window."

ROOM FOR GROWTH

Although CPFD's Prime Vendor division is an entirely separate entity, the company has considerable experience in the supply of produce and meat, as well as the freezer capacity to be able to entertain shipping perishables if the opportunity arises. "Perishables have been discussed, but we are not sure with the increased lead time and the stores' holding power, whether that service model would fit," said Wood. "If we are successful with the current program, we hope that we can expand it throughout the store, but that may be a different distribution model."

Modern picking and cross-docking techniques complemented by "on-Island logistics partners who are able to get the products out of port and to the stores in a short time," says Coastal Pacific Food Distributors Executive Vice President and Chief Operating Officer Terry Wood, have streamlined many of the challenges involved in supplying military stores from the mainland. Pearl Harbor, Hawaii.



CPFD Photos

DELIVERY ON TRACK

High-level communication between DeCA and its industry partners is one of the hallmarks of military resale, and distribution is an example of this process at its most critical juncture. With the supply of products from its Stockton DC to the Hawaii stores, fill rates are once again on the rise and patrons are assured of finding at taste of home in their commissaries. "Coastal Pacific stepped up and they are doing a great job," said DeCA West Director Scott Simpson. Wood credits the company's DeCA partners — then-Director Rick Page, Region Director Simpson, Deputy Director Keith Hagenbuch, DeCA Chief Overseas Subsistence Support Jack McGregor, Zone Manager Ben Wainright, and his store directors in Hawaii — for their work with CPFD on a solution to keeping the shelves stocked the way commissary customers have come to expect. "They were all very helpful and supportive in getting this program off the ground." Since that time, said Wood, the product lines supplied to Hawaii have also grown, with the addition of several new customers — Leiner Health and National Industries for the Blind (NIB).

In terms of delivery frequency, Wood said, "we are looking to see if there are ways to take further transmissions and deliveries to the stores." Currently the lead time is seven days, and deliveries are made twice weekly. Comparing CPFD's own fill-rate reports and feedback from the stores, and eliminating variables that arise in-between systems such as item deletions, Wood says "DeCA and CPFD are in agreement that our fill rates are very strong. There doesn't appear to be any significant product backup in the back room, and we are keeping the shelves full."

—E&C News