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Encouraging Entrepreneurship

Changing company-owned DSD routes to independent distributorships creates a 'surge of energy' at Amoroso's Baking Co.

After investigating changing its company-owned direct-store-delivery (DSD) routes to independent distributorships nearly a decade ago, Amoroso's Baking Co. shelved the idea. Len Amoroso, president and CEO of the Philadelphia, PA, 108-year-old family-owned bakery, first examined the idea after meeting a representative of Distribution Consultants, Inc. (DCI), Purchase,

NY, at an Independent Bakers Association meeting.

Rather than upset the bread truck, so to speak, Amoroso's did not go far with its original initiative. However, the bakery's officials continued to hear about other companies' successes in making this switch, while its own distribution costs continued to escalate. A couple of years ago, the hearth-baked roll and bun producer decided to reconsider making the move.

Visits with other regional and national bakers quickly made it clear that if Amoroso's was going to make this change, it needed to work with DCI, according to Jesse Amoroso, vice-president, business development and fifth-generation baker. "DCI offered a hands-on experience. Looking back, we couldn't have done this without them," he said.

DCI performed an initial analysis, in which it reviewed the company's distribution financials as well as its culture. "This study is about

much more than just gathering information," said John Staker, president of DCI. "It's learning about the company and its people, and management learning about what we are proposing to improve their distribution structure."

The analysis generally takes 60 to 90 days. "If it was merely gathering data and putting together a study, we could do it much quicker," Mr. Staker added. "But it's a learning experience between management and DCI. We are trying to come to a common understanding."

Besides advising the bakery on legal, sales and distribution aspects of the change, DCI also offered guidance regarding behavioral improvements that Amoroso's could expect to see with implementing an independent distribution system, Jesse said. After receiving the report, the baking company decided to move forward with the transition.

Over the next four months, DCI held a series of meetings with the



An independent distributor for Amoroso's Baking Co. purchased a new box truck so that he could carry more cargo than can be carried in the traditional bread truck to grow his own business.

Amoroso's Baking Co.

Case Study

by Shane Whitaker

bakery's DSD drivers. DCI representatives discussed how the company could assist the drivers' transition from company employees to independent distributors. They also explained the various services independent distributorships could use through its Distributions Services of America, Inc., which offers tax and bookkeeping services, insurance programs and incorporation assistance.

When converting to independent distribution systems, current employees generally are a company's first choice to buy these businesses, Mr. Staker explained. Commonly, more than 90% of a company's current drivers will purchase independent distributorships, he added.

Amoroso's retained some routes for company drivers while converting approximately two-thirds to independent distributorships. Eventually, the bakery plans to convert all routes to independent distributors.

As part of its initial report, DCI helped establish a value for each of the independent distributorships, and Amoroso's offered financing to those who bought the businesses.

The switch brought a "surge of energy" to the bakery as well as the distributors, according to Jesse.

"It has been great to see that energy," he said. "While the new guys from outside the company have a lot of enthusiasm, soliciting and picking up business, what is particularly great for us is to see our guys who had been with the company for a while have a resurgence of energy."

Several times during an interview with *Baking & Snack*, Jesse referred to the "entrepreneurial spirit" created by moving to independent distributorships. "The entrepreneurial spirit drives people to go the extra mile, to solicit the customer that they may not have if it was not their business," he said.

Amoroso's met some resistance from its drivers when the bakery first announced the program,

and this resistance led to the company retaining approximately one-third as company-owned routes for the time being. Jesse said some drivers who did not buy independent distributorships later expressed interest in purchasing one when they become available.

In fact, a company driver recently bought an independent distributorship when one became available. Also, he was able to sell his business for more than he paid for it.

In addition to financing, Amoroso's offered lease-to-own contracts on its existing fleet vehicles for the newly formed businesses. The bakery also provided a 90-day grace period, when if a distributor had an issue with the delivery vehicle, the bakery would repair it at no cost to the distributor.

"We wanted to foster an environment in which we offered an easy

transition, an easy entrance into independent distributorships," Jesse said.

Besides providing continuing services for independent distributors who need it, DCI provides ongoing support for the bakery such as annual management training and legal and regulatory reviews.

"I can call DCI at any time, any day, and someone always gets back to me," Jesse said. "Whether it is email or a phone call, they are there for us 100% of the time."

The move to independent distributorships accomplished what Amoroso's had hoped, which was to reduce its distribution costs and improve its bottom line; however, the company also takes great pride in helping to foster entrepreneurs, who now own and operate their own businesses. "It has been a good experience for everyone," Jesse concluded. ●

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