



Service Innovation Case Study

\$20B Retail Food Distribution Company

Cutting Distribution Costs of U-shaped Demand while Improving Service

The Client

Our client is a highly-regarded regional food retailer/distributor serving hundreds of stores, each receiving deliveries 3-7 days per week from 3 different temperature-controlled Distribution Centers (dry, fresh/chilled, and frozen).

Our Client's Situation & Challenges

We were asked to assess what was wrong with the company's supply chain – in spite of massive amounts of overtime and early shipments to pre-position product in stores, the Distribution organization was consistently unable to meet demand in the fourth quarter.

The Company's main concern was the impact on customer satisfaction, and lost sales.

The underlying concern: the Company faced U-shaped demand over the course of the week, as well as the seasonality impact during various holidays, and was concerned that staffing up to meet peak demand would drive costs out of control.

Complicating matters, the Distribution organization was saddled with what it perceived to be highly restrictive union contracts, and a lack of trust from the Store Operations group.

How We Helped

After our initial assessment, we determined (1) store delivery schedules were set by District Manager gut feel rather than actual demand data – no mechanism existed for Aggregate Demand Management, (2) Distribution Center workforce schedules were not being “managed up” to the actual contract terms, (3) planning parameters regarding pallet height, trailer load-out, and stops were not set appropriately, (4) all demand triggers/order types were bundled together, clogging the system, and (5) warehouse pick sequences did not factor in store layout.

The difference : a unique blend of supply chain, store operations, and data analytics experts who could objectively identify the real root cause issues and then work with and across functional groups to systematically address every one of those root causes.

“They showed us how to balance our Supply Chain, achieving much better results at a lower cost, by getting more out of our existing people, facilities and systems.”

Executive Vice President - Supply Chain

The Result

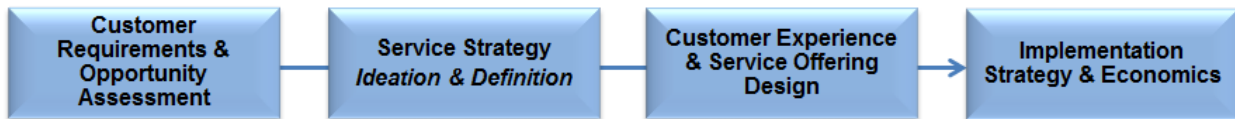
44% of stores reported visibly improved in-stock positions and on-time deliveries, while the Supply Chain organization achieved a 6.4% reduction in Transportation costs and a 17% decrease in DC operating costs.

Our work included not only guiding the client through a successful implementation, but also provided the client with **the tools to continuously improve post-implementation:**

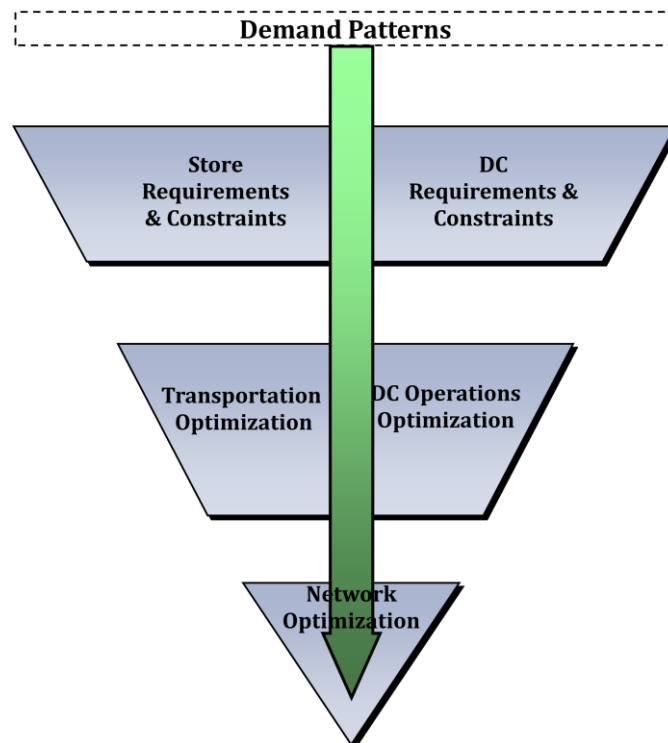
- A modeling tool to re-evaluate Store Delivery needs (using actual POS data for each individual store) and to re-balance Distribution Center labor and Transportation schedules/routings
- A documented process and schedule for balancing the supply chain
- Standards of excellence, a reporting tool, and communications mechanisms to address out-of-compliance processes

The **StratOps** Group Approach

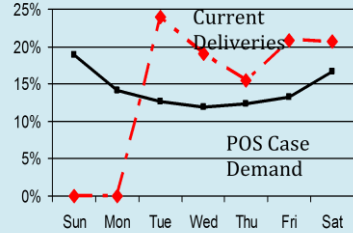
Our approach, demonstrated successful in multiple client settings, provides a structured process for analyzing and leveraging your demand and supply chain data to find new ways to better balance your Supply Chain and lower your total cost of Distribution.



Combine a Value Chain perspective with diplomacy to navigate complex organizational and market dynamics



Sample Deliverables

Activity	Client Value																																																																																																																																																																																																						
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<p>2. Strategy</p>	<p>We developed a fact-based model to determine the Order to Delivery Schedule for the chain's Grocery and Frozen store shipments</p> <table border="1" data-bbox="552 682 1404 1018"> <thead> <tr> <th data-bbox="552 682 803 745">Identified Demand For the Warehouse</th> <th data-bbox="820 682 1096 745">Modeled Warehouse Operating Constraints</th> <th data-bbox="1112 682 1404 745">Balanced OTD Schedule</th> </tr> </thead> <tbody> <tr> <td data-bbox="552 745 803 976"> <ul style="list-style-type: none"> Pulled actual usage in the stores and converted to cases to act as Demand for the Warehouse <ul style="list-style-type: none"> Pulled Day by Day information for last 8 weeks to develop daily demand pattern Developed a 52 week forecast by store that we used to evaluate seasonal surges in demand Applied CAO ordering factors and promo/X-Load assumptions </td> <td data-bbox="820 745 1096 976"> <ul style="list-style-type: none"> Modeled maximum capacity based on physical resources available <ul style="list-style-type: none"> Labor Force and Contractual Constraints / Capabilities Engineered labor standards Current Productivity by job classification Current Absenteeism by day of week Store specific requirements </td> <td data-bbox="1112 745 1404 1018"> <ul style="list-style-type: none"> Balanced based on: <ul style="list-style-type: none"> Warehouse Operating Constraints Demand from stores for the Warehouse based on POS data including X-Order allocations Developed Scenario-based analysis to understand alternative options: <ul style="list-style-type: none"> Best Case Status Quo Status Quo + Hybrid Validate ability of transportation to support new schedules </td> </tr> </tbody> </table>	Identified Demand For the Warehouse	Modeled Warehouse Operating Constraints	Balanced OTD Schedule	<ul style="list-style-type: none"> Pulled actual usage in the stores and converted to cases to act as Demand for the Warehouse <ul style="list-style-type: none"> Pulled Day by Day information for last 8 weeks to develop daily demand pattern Developed a 52 week forecast by store that we used to evaluate seasonal surges in demand Applied CAO ordering factors and promo/X-Load assumptions 	<ul style="list-style-type: none"> Modeled maximum capacity based on physical resources available <ul style="list-style-type: none"> Labor Force and Contractual Constraints / Capabilities Engineered labor standards Current Productivity by job classification Current Absenteeism by day of week Store specific requirements 	<ul style="list-style-type: none"> Balanced based on: <ul style="list-style-type: none"> Warehouse Operating Constraints Demand from stores for the Warehouse based on POS data including X-Order allocations Developed Scenario-based analysis to understand alternative options: <ul style="list-style-type: none"> Best Case Status Quo Status Quo + Hybrid Validate ability of transportation to support new schedules 																																																																																																																																																																																																
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