

# SUPPLY CHAIN CONFERENCE

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**Connect. Transform. Deliver.**

April 15-17, 2018 | Orlando, FL  
Hyatt Regency Grand Cypress

*Trading Partner Alliance*  
FMI and GMA

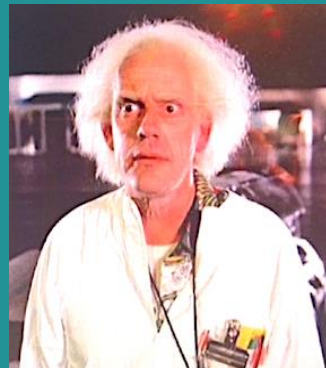
# Back to the Future: Supply Chain Productivity Benchmarking Study 2018



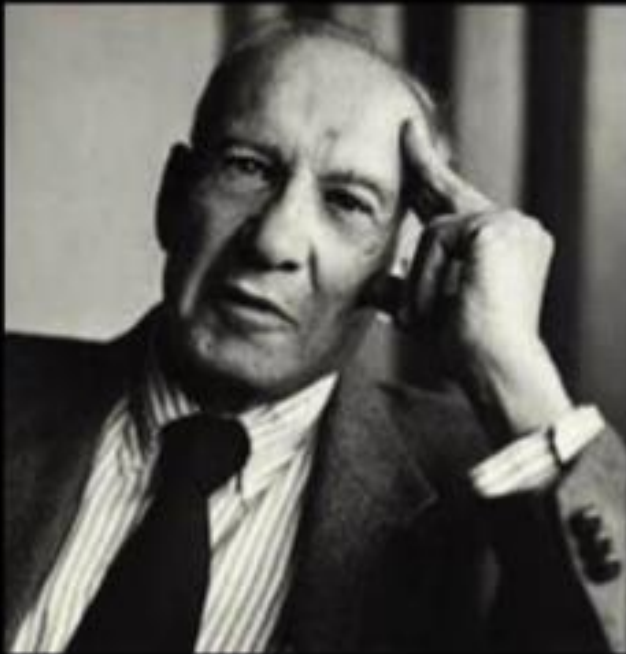
# Retail Food Industry is Changing!!

Benchmarking your company  
for the future

# And I've..... Seen the Future!

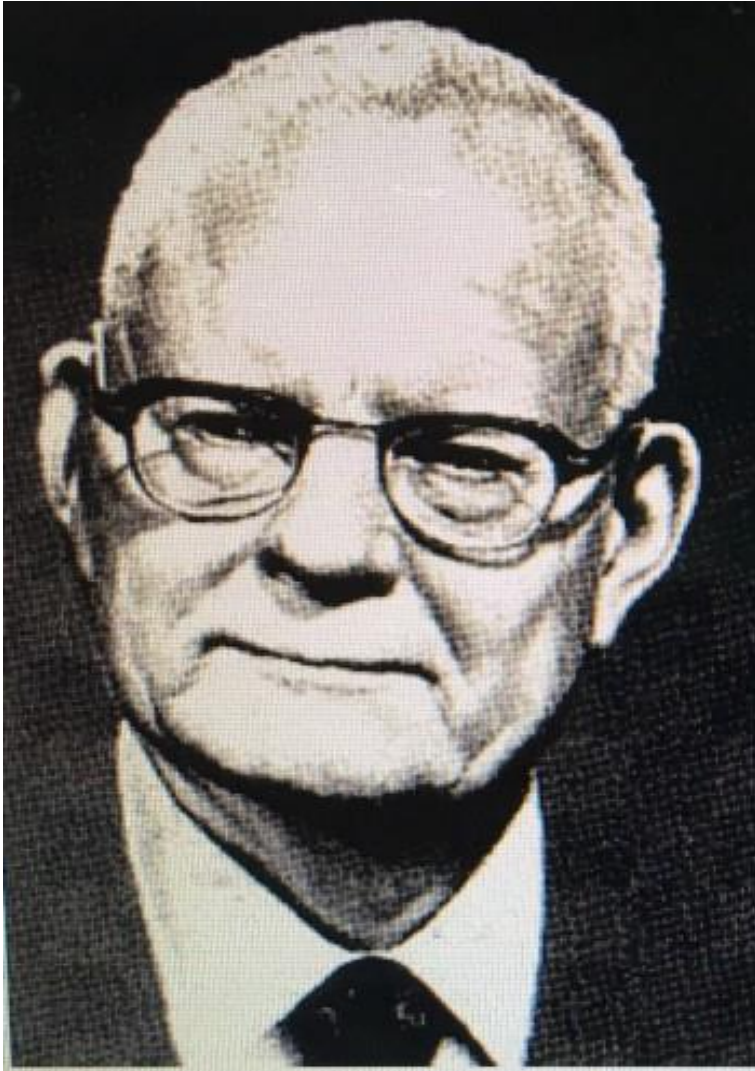






**“If you can’t  
measure it,  
you can’t  
manage it”**

Peter Drucker

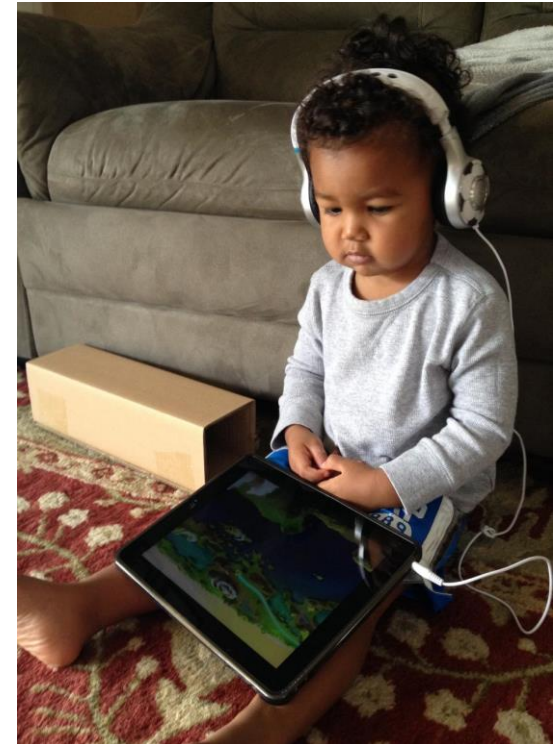
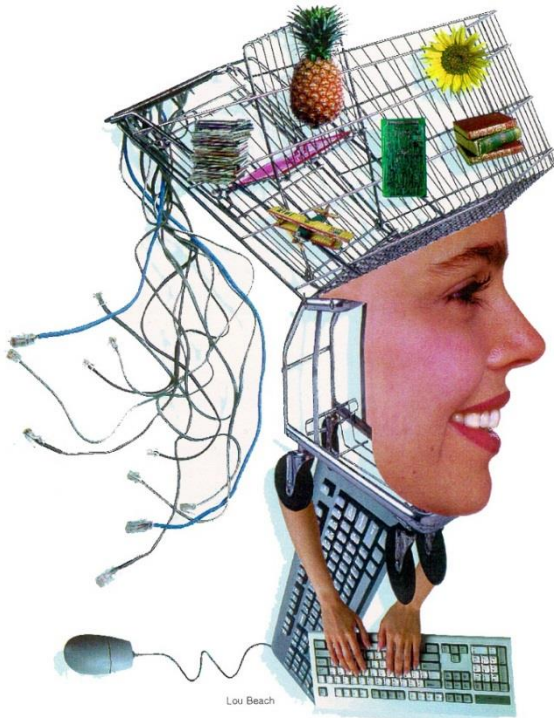


“Without data  
you’re just  
another person  
with an opinion.”



- W. Edwards Deming,  
Data Scientist

# The Consumer Drives the Food Supply Chain





# Customer's Perspective

- **Anytime: 24/7/365**
- **Any Place: Format**
- **Anywhere: Geography**
- **My Way!**
- **Right Now!**





### PARTICIPANTS

2018



PARTICIPANTS PROFILE

2018



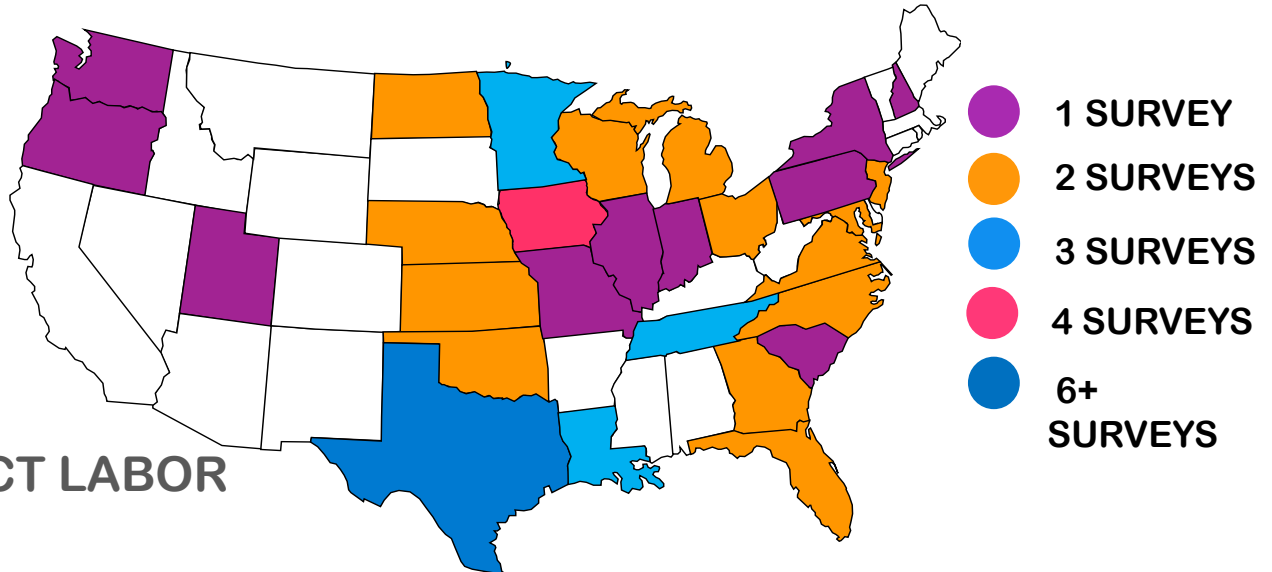
143 SURVEYS FROM 4 COUNTRIES

30 COMPANIES

71 FACILITIES

38% UNIONIZED

70% EMPLOY CONTRACT LABOR



# Participant Demographics

	Highest	Lowest
Sales	\$4 Billion +	\$34 Million
Customers	620	14
Orders	16,500	76
Order Size/Customer	2,010	36
# of Associates	1,375	17
Wages	\$45.66/hr	\$1.57/hr

# DC Operational Characteristics

- **Average Facility:** Clear Stacking Height: 32 feet  
69 Dock Doors
- **Largest Facility:** Clear Stacking Height: 84 feet  
165 Dock Doors
- **Receiving:** 5.4 days/week, 14.8 hours/day
- **Shipping:** 6.1 days/week, 18.6 hours/day
- **Average work week:** 44 hours; 10% overtime
- **Associates per Management:** 14 to 1



## Store Formats Served

Small Stores	Supermarkets	Super Stores	Large Volume	Other
40%	43%	7%	5%	5%

**Small Stores:** Convenience, Specialty, Neighborhood, Limited Assortment

**Supermarkets:** Conventional Stores: 20-40,000 sq. ft

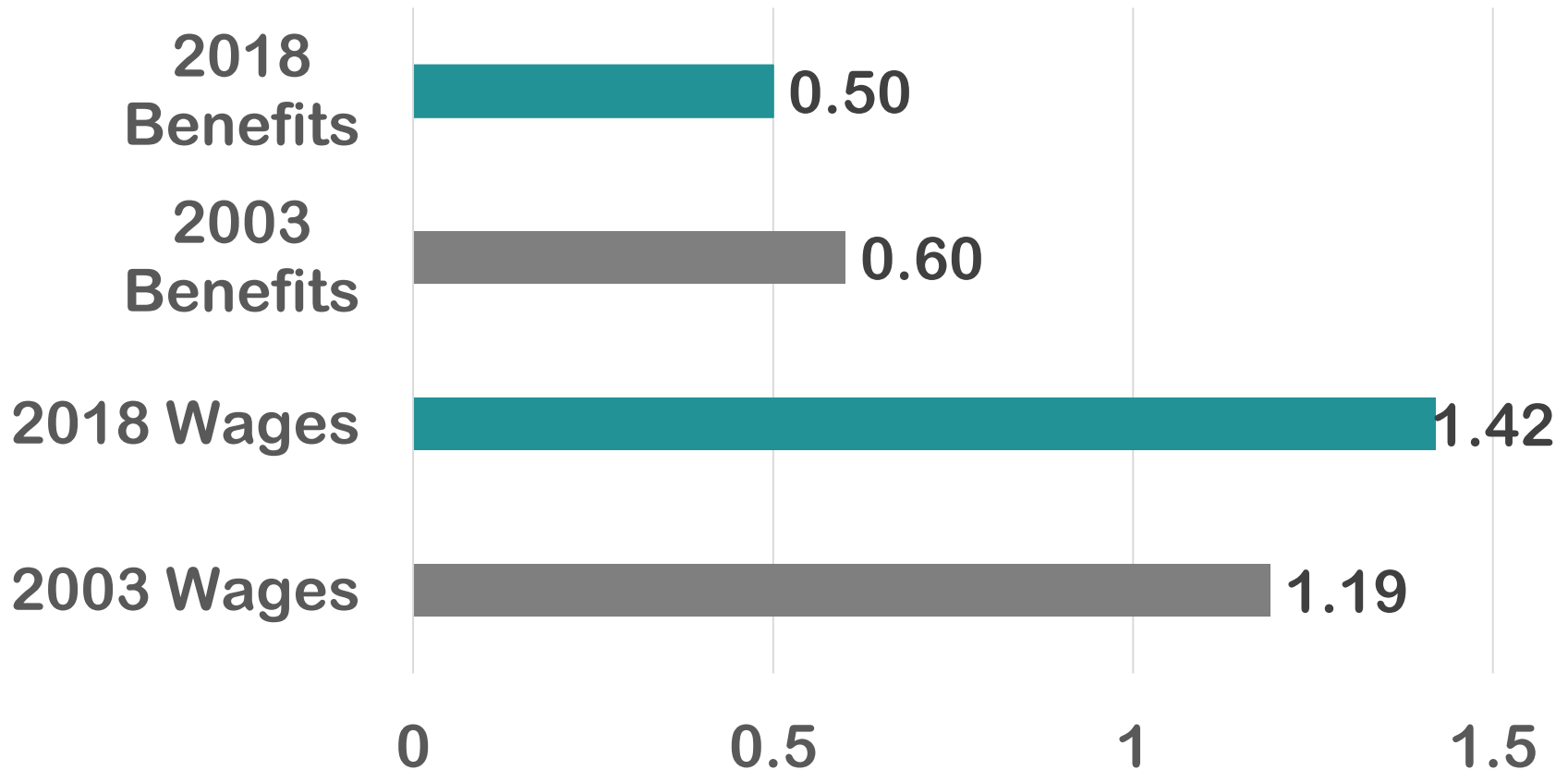
**Superstores:** Supermarkets: 40-60,000 sq. ft

**Large Volume:** Superwarehouse, Discount/Mass Merchandisers

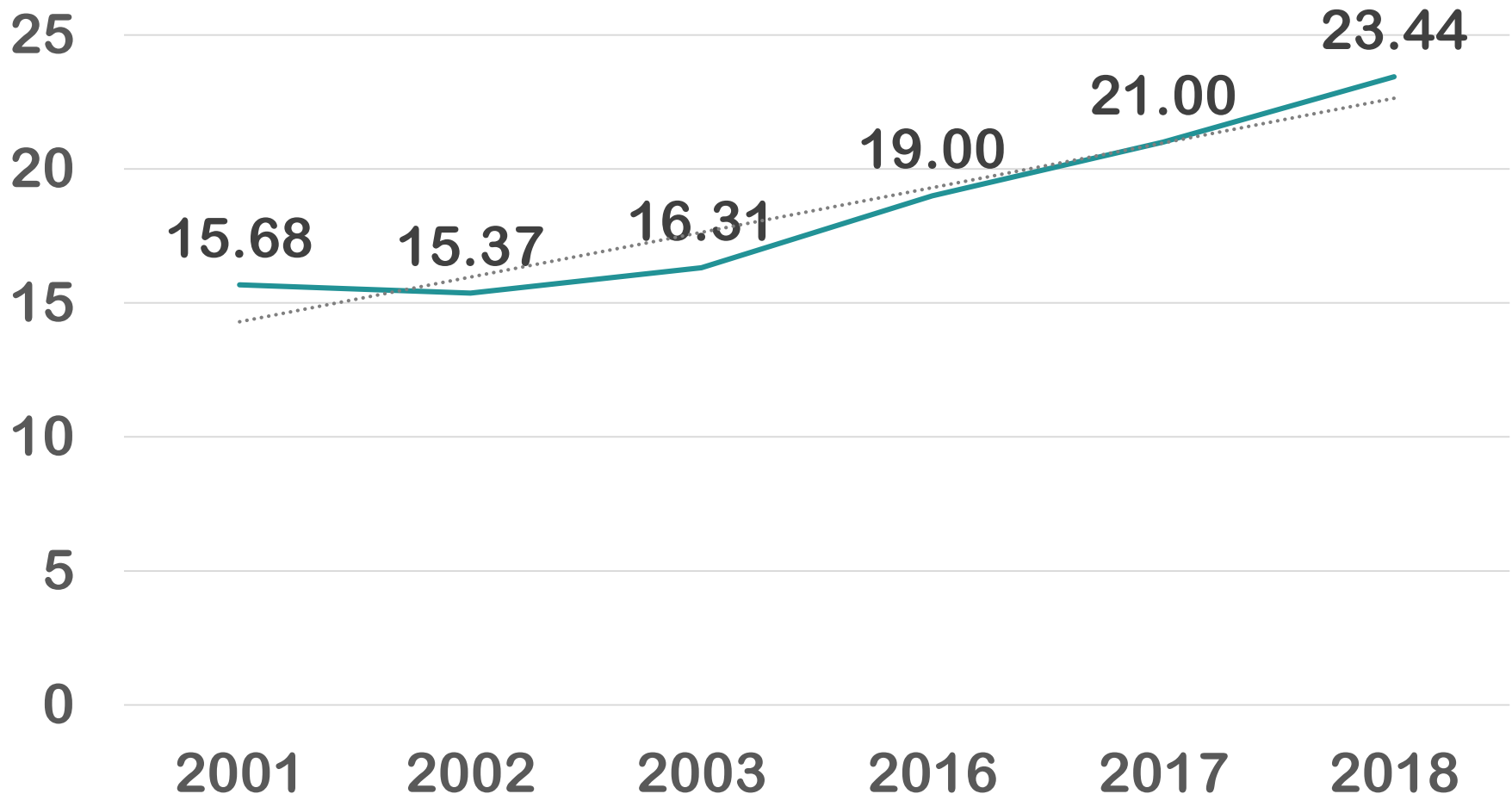
**Other:** Cash and Carry, Drug, Military

# Operating Expenses: Labor

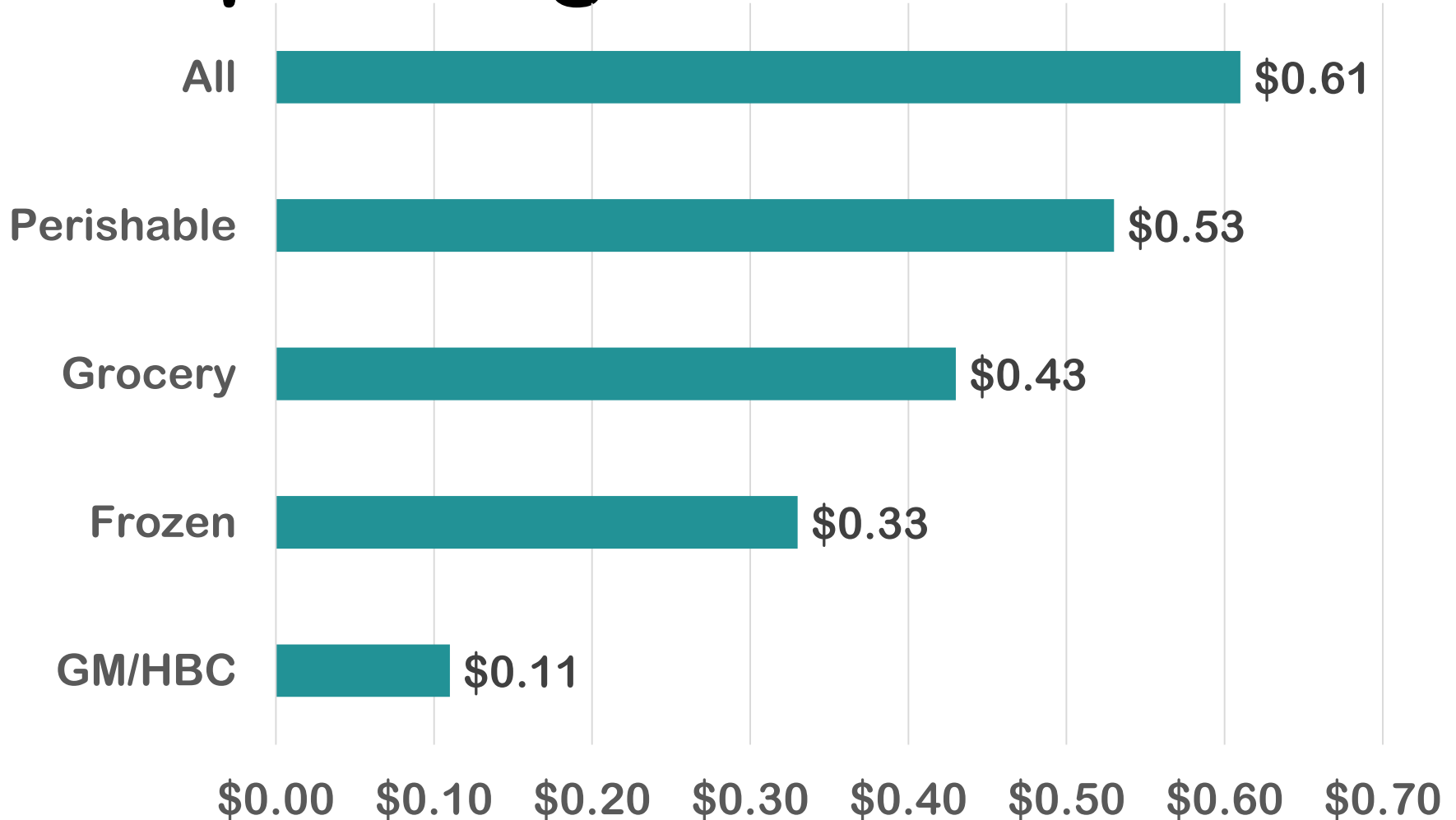
Total Associate Expenses  
Percent of sales at inventory costs



# Historical Trends: Hourly Labor Cost

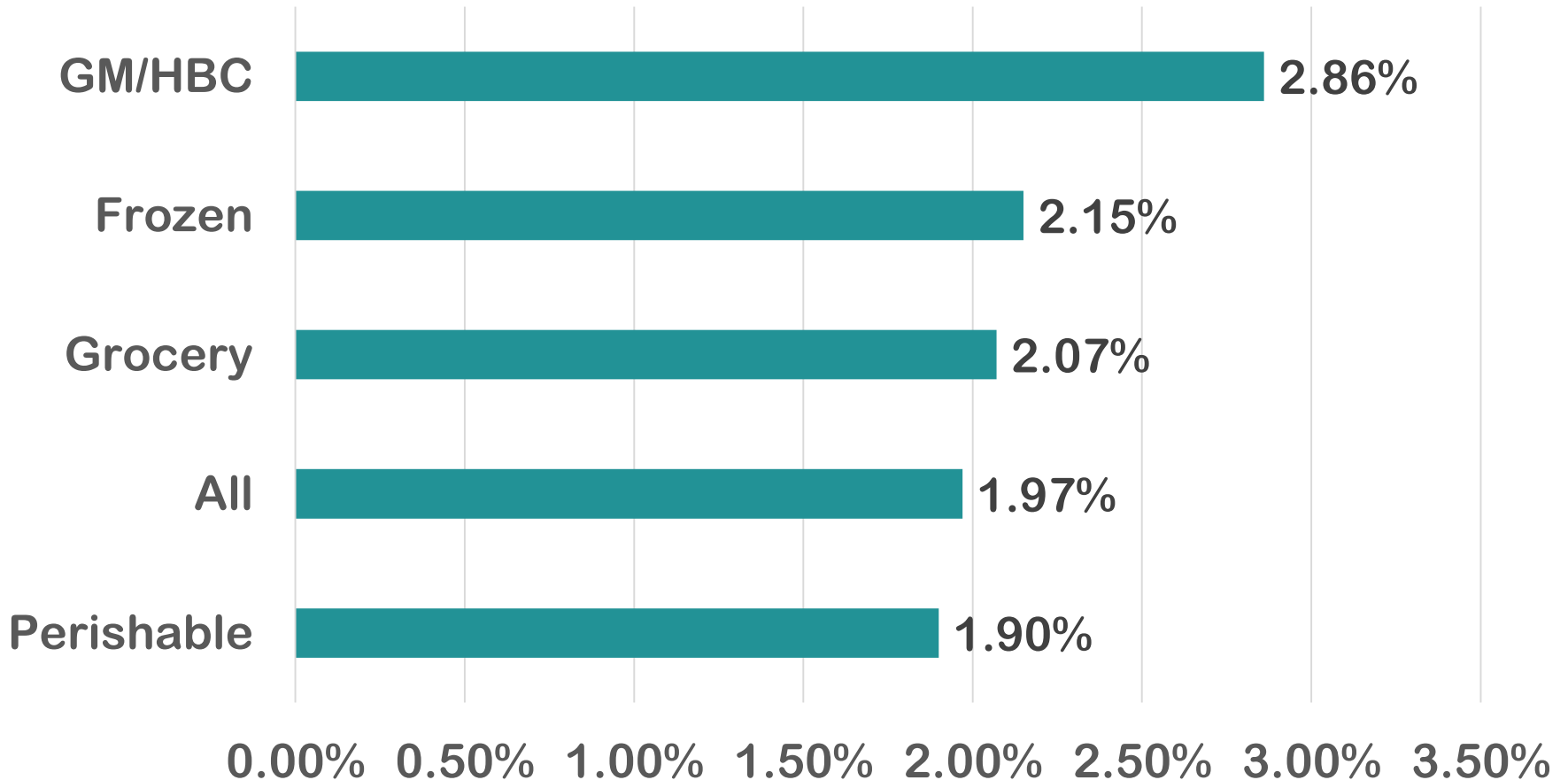


# Operating Cost Per Case





# Operating Cost as a Percent of Sales



## Key Issues going on the last 3 years surveyed



**2016**

- 1- THROUGHPUT
- 2- TECHNOLOGY ADOPTION (VOICE, RF)
- 3- MATERIAL HANDLING SYSTEMS



**2017**

- 1- PICKING EFFICIENCY
- 2- AUTOMATION
- 3- OPTIMIZATION SYSTEMS



**2018**

- 1- LABOR RETENTION
- 2- E-COMMERCE
- 3- AUTOMATION



# Labor Retention

Labor Retention a Major Problem	88%
Associates Who Leave Every Year	35%

# Move to Online

**In as few as five-seven years, 70% of consumers will be purchasing food and beverage goods online. The \$100 billion they're expected to spend annually by 2022 or 2024 is equivalent to every U.S. household spending \$850 online for food and beverage annually**

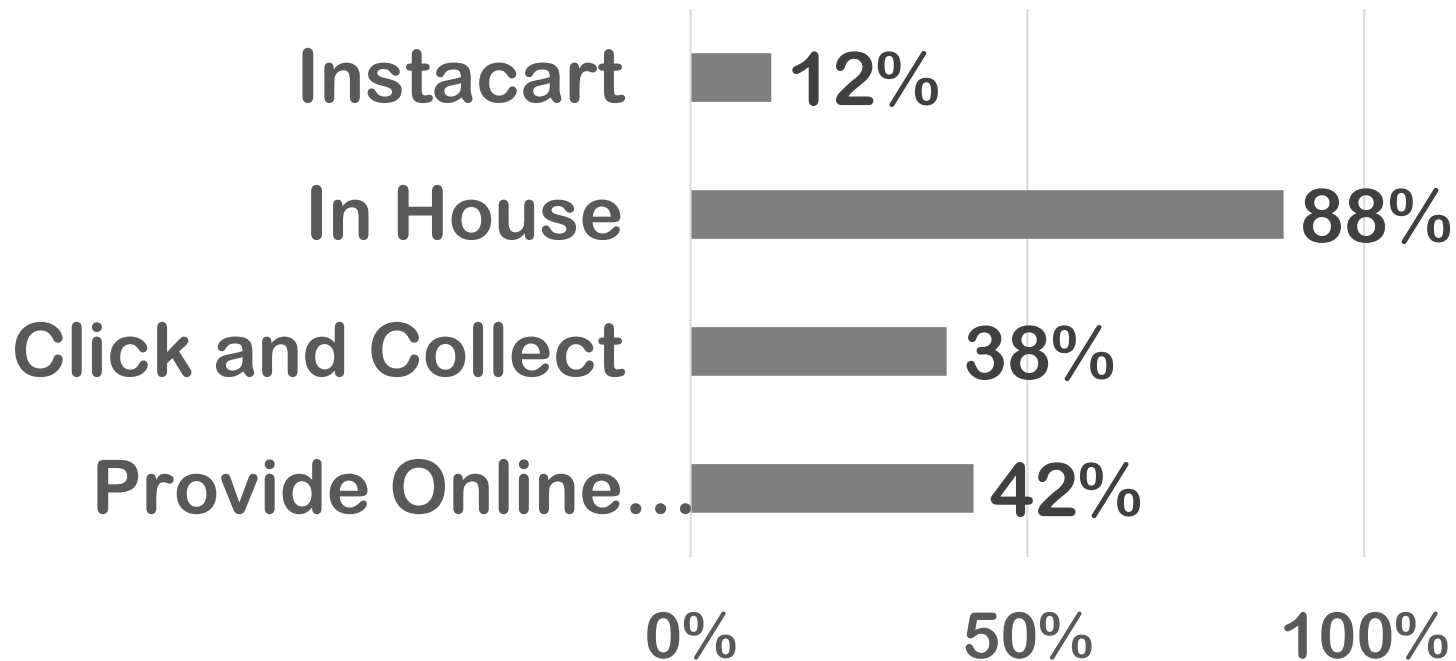


Source: **FMI**/Nielsen Study



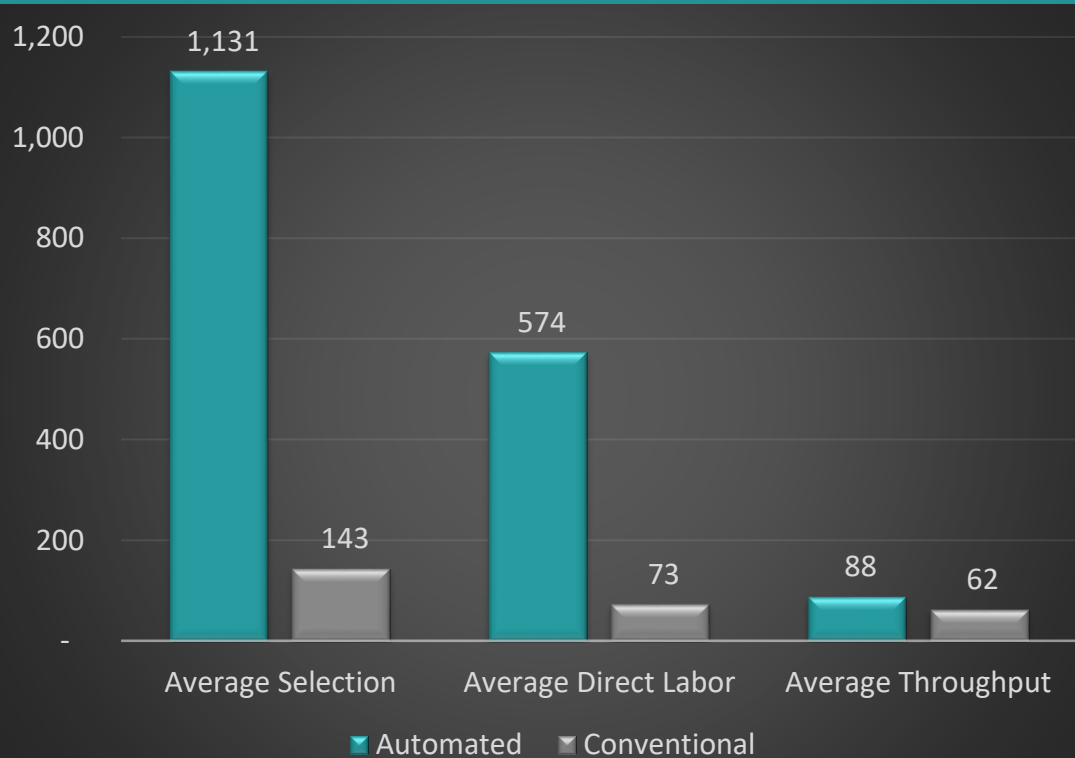
# E-Commerce

## Percentage of Responses



E Commerce Volume: 1.85%

# Automated Vs Conventional

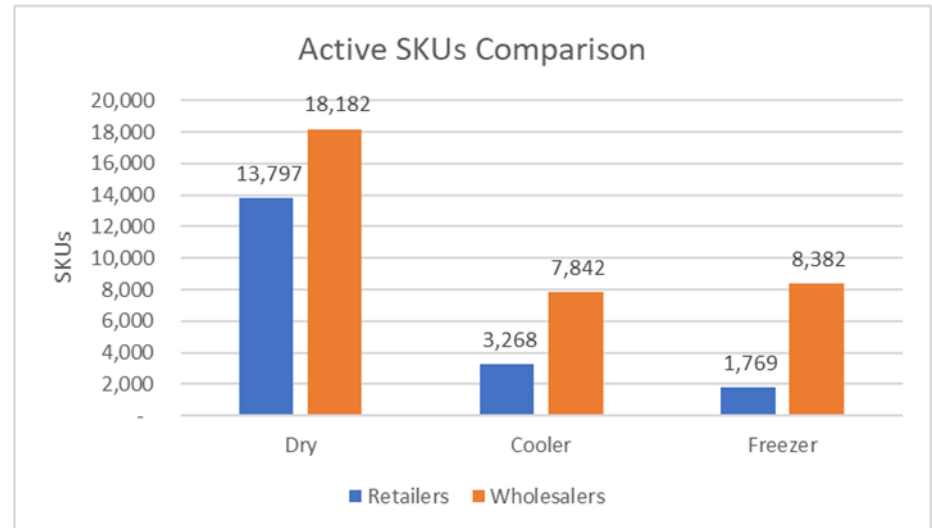
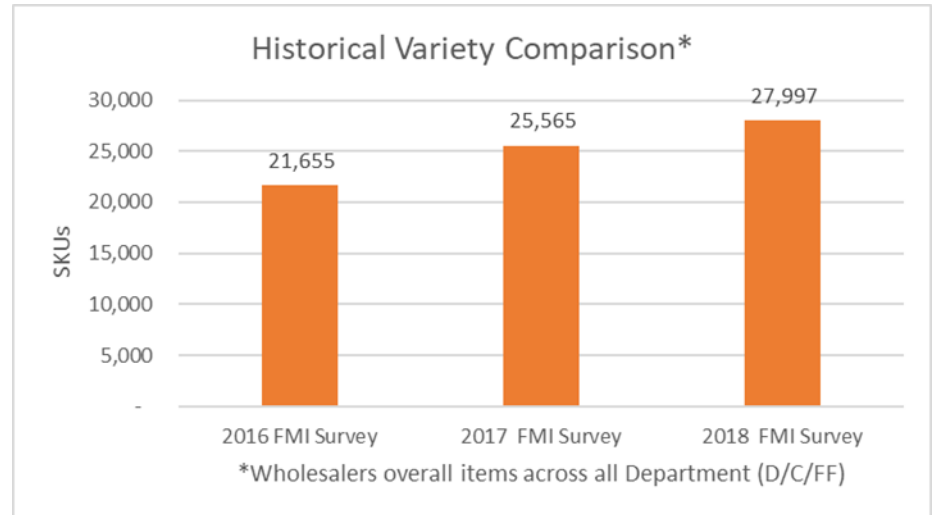


## Bodies to Bodies Comparison

~ Companies that reported the use of some sort of automation are using fewer (40%) overall people... a legitimate comparison

# Item Counts

- Item Count has grown by 10% per annum over the past 3 years surveyed.
- Future count will continue to expand as new products from all over the world are expected by customers.
- Saying NO to additional items has helped specialty food distributors such as UNFI and Kehe.



In 2003: Grocery Item Count was 8,820

# AUTOMATION JUSTIFICATION -slow movers

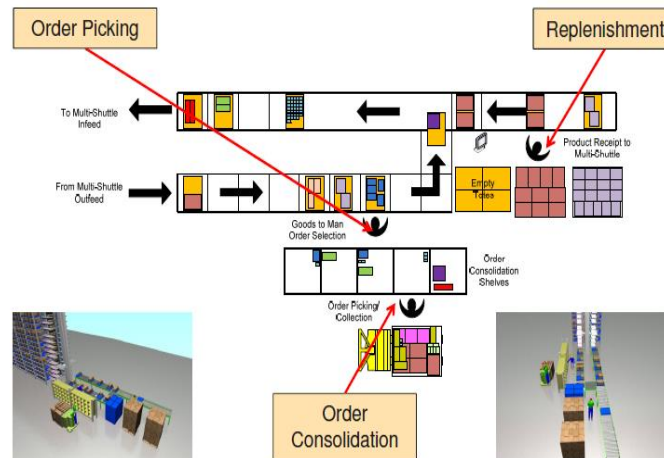
## KEY POINTS TO LOOK INTO

- Inbound decanting
- Selection rates
- Overall thruput
- Peak periods
- Right Item Types
- Maintenance
- Spare Parts

## Size Does Matter

### Slow Moving Module

Picking and Replenishment



## TIME

- 8-10 month implementation (from purchase to go-live)

## SPACE

- 30% of the space of a conventional flow-rack alternative (25,000 sq ft)

## COST

- Same cost as a 3 level Pick-to-Belt Module

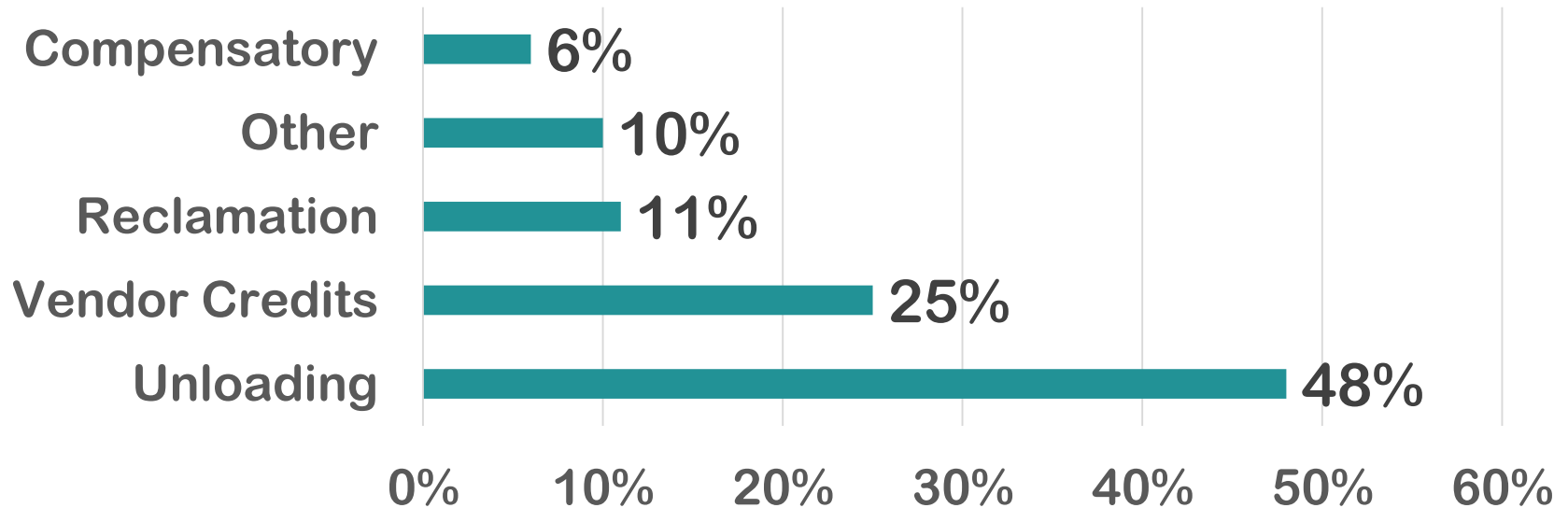


# Inventory Opportunities

- Over half of the participating companies reported inventory cube exceeding 80% space capacity.
- 55% indicate that they are holding inventory in outside storage.
- As a result, many DC's are experiencing negative productivity issues and additional costs.

# Income Activities: .35% Sales

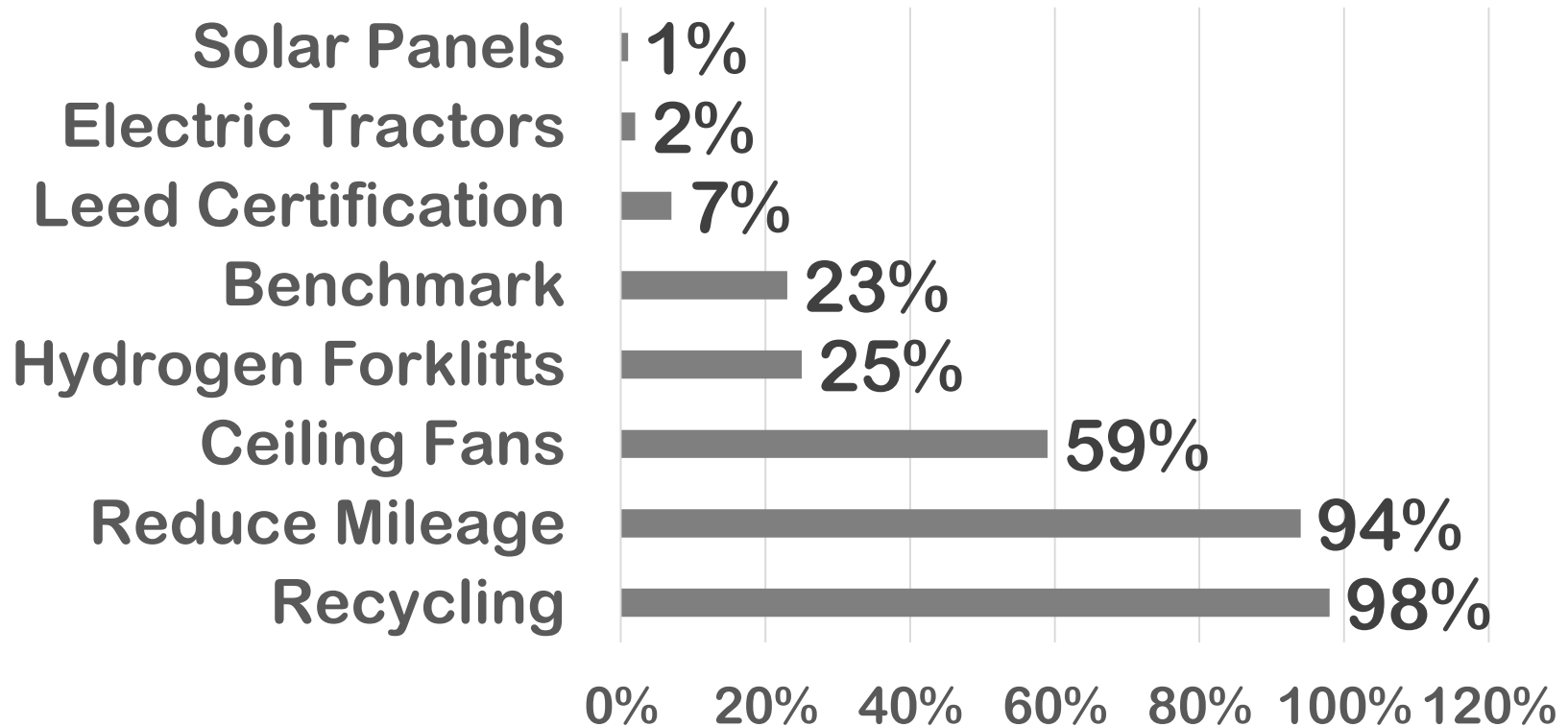
Income as a percent of Sales



Other: Case Labels, Late Shipments, Cardboard, Plastic, Sold Assets, Drop Shipments

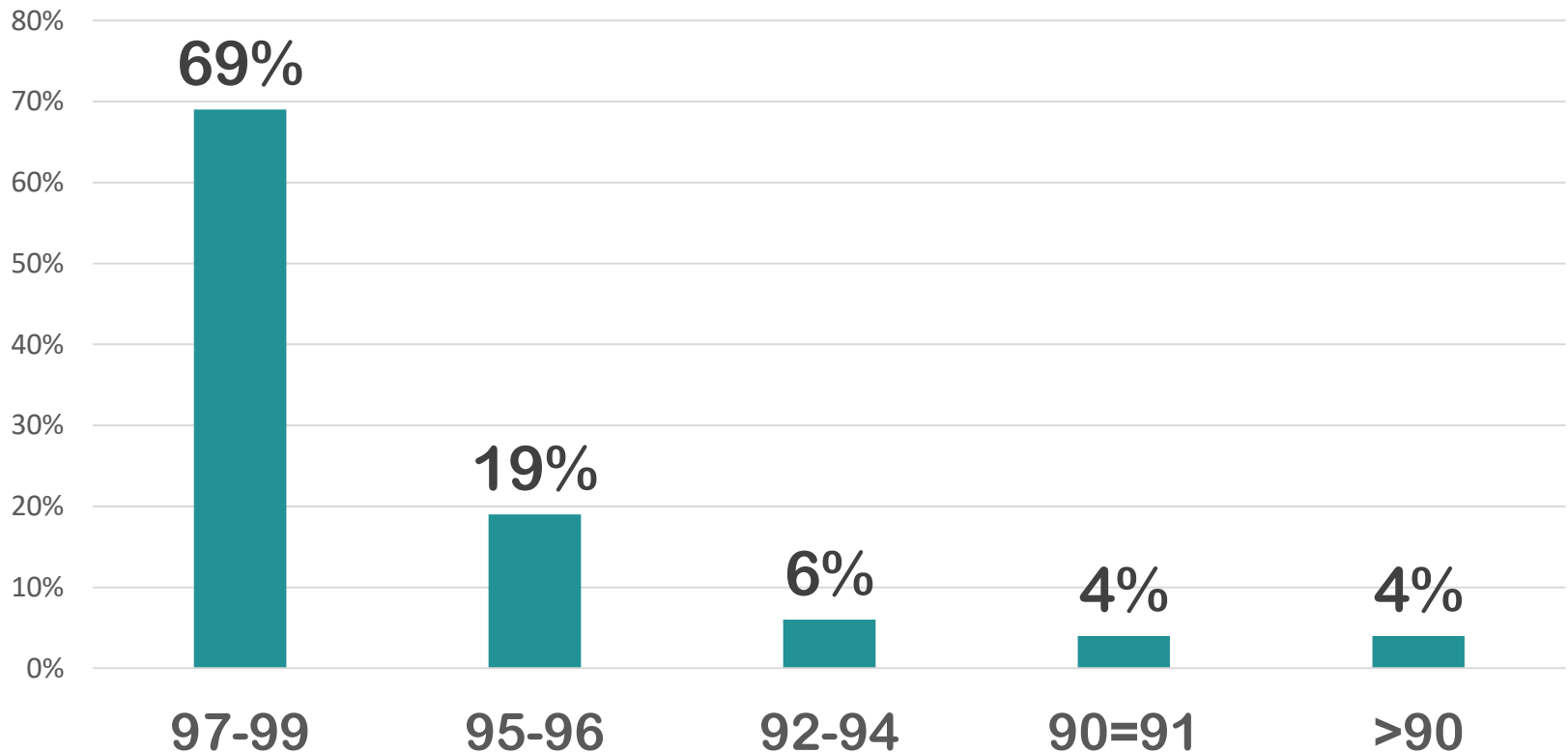
# Sustainability Efforts

## Percentage of Responses

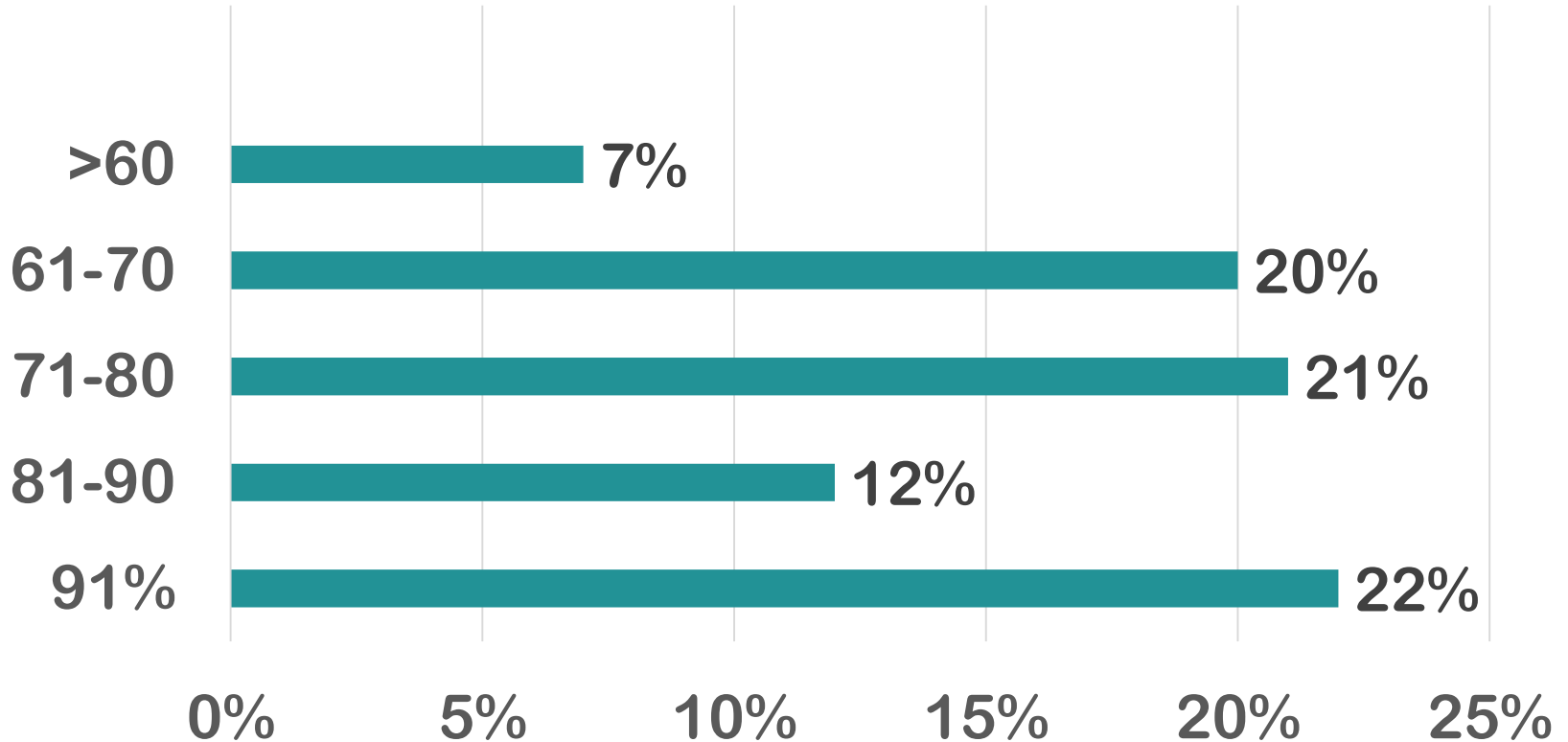


# Service Level: Order Fill Rate

## Percentage of Responses



# DC Capacity Challenges

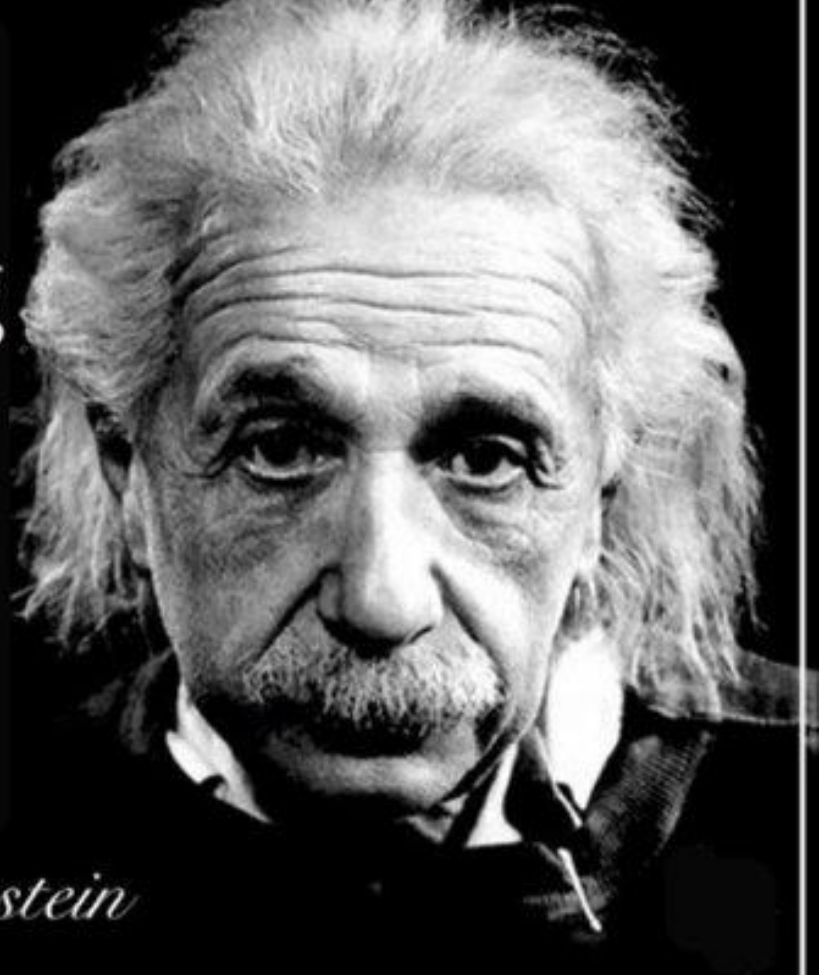


**Average Cube 82%**



**Insanity:**  
doing the same thing  
over and over again  
and expecting  
different results.

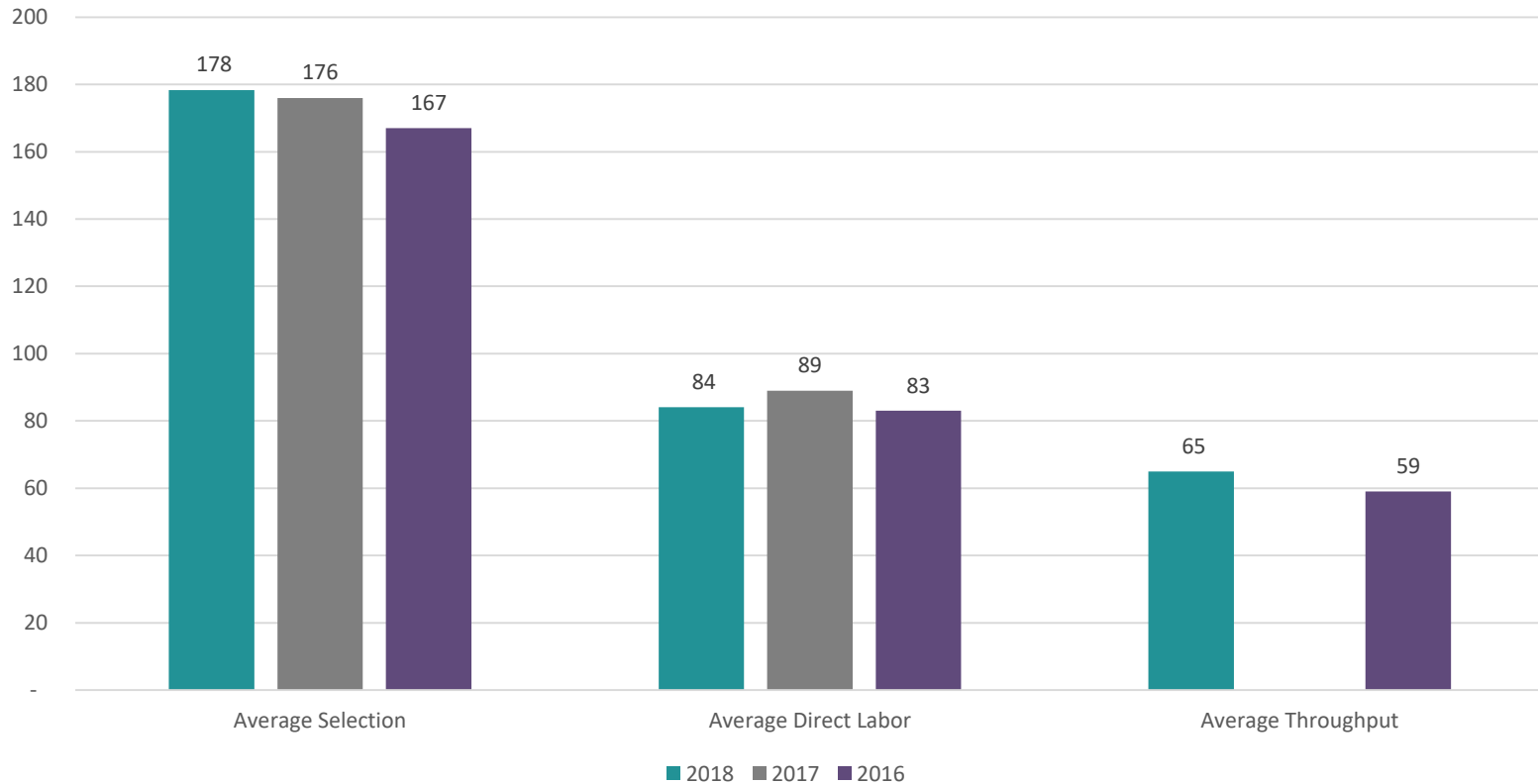
*- Albert Einstein*



# The 2018 Survey Detailed Findings

# Historical Productivity

Over Past 3 Years Surveyed



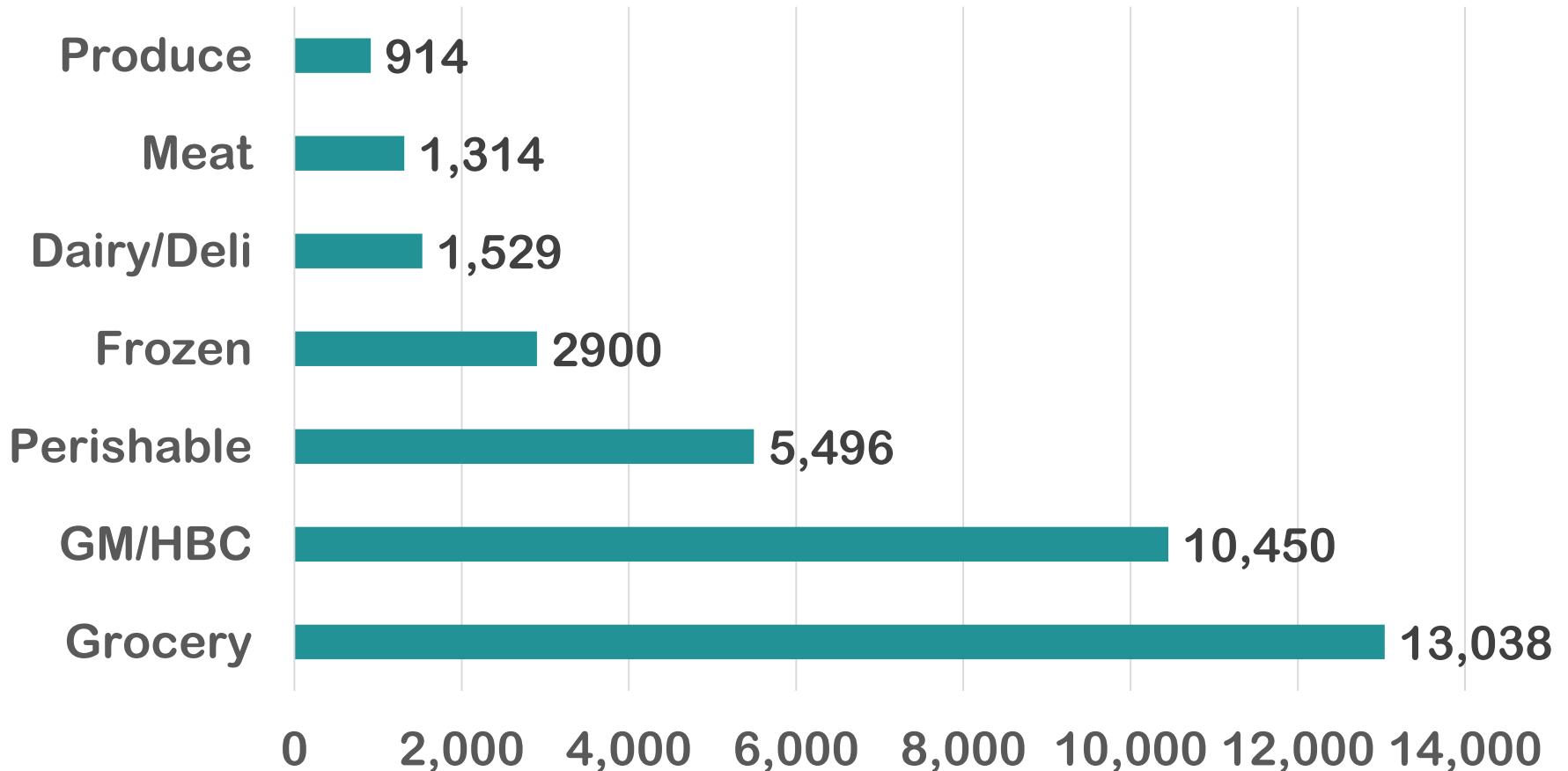
## 2018 SURVEY COMPARISON RETAIL VS. WHOLESALE

Metric	Retailer	Wholesalers
Surveys	44%	56%
Average Weekly Case Movement	834,952	629,584
Weeks of Supply	3.2	4.0
Average locations serviced	120	492
Average Number of Active SKUs	15,178	18,024

Retailers enjoy the advantage of having more control over their supply chain

# SKU's per Department: Distributor

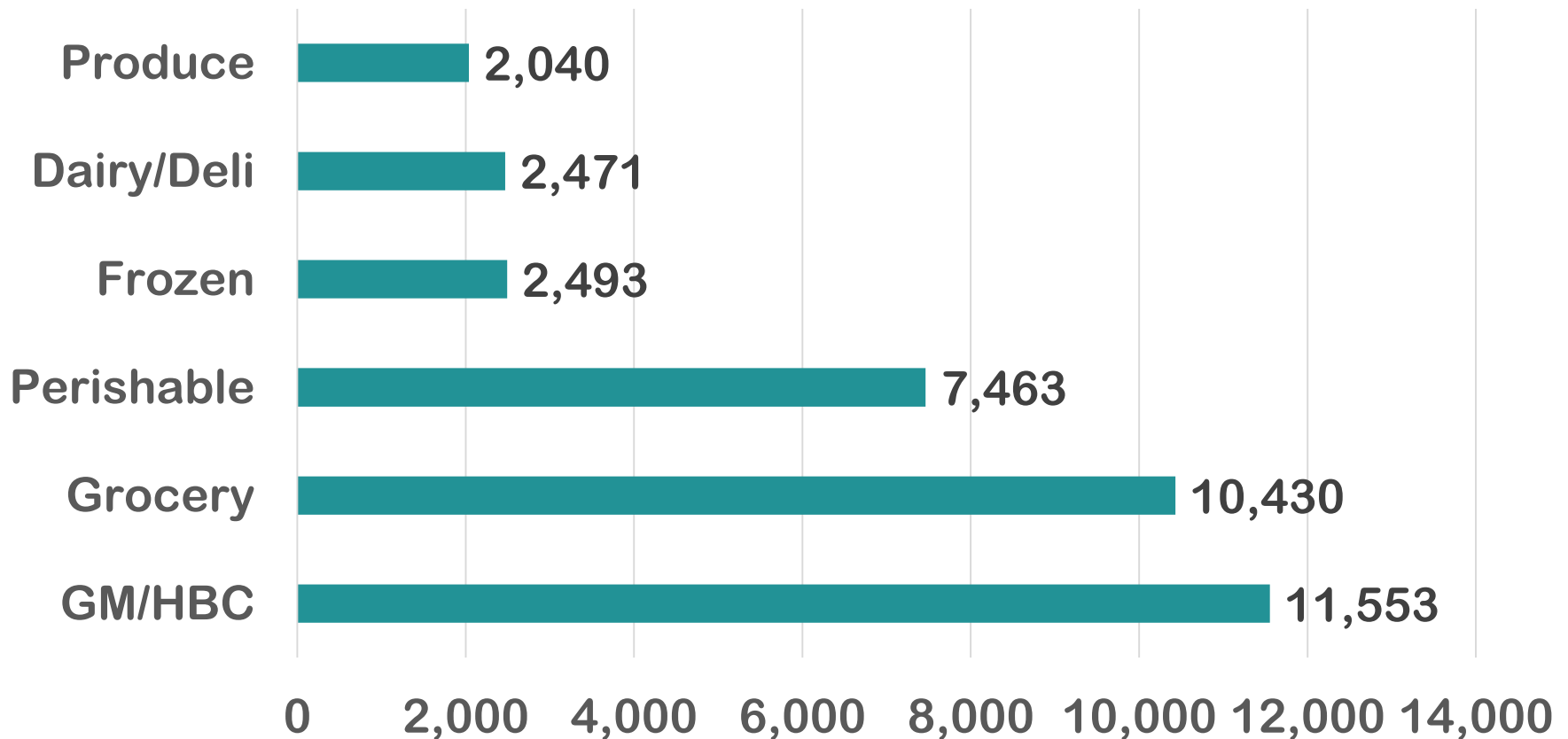
Number of SKU's

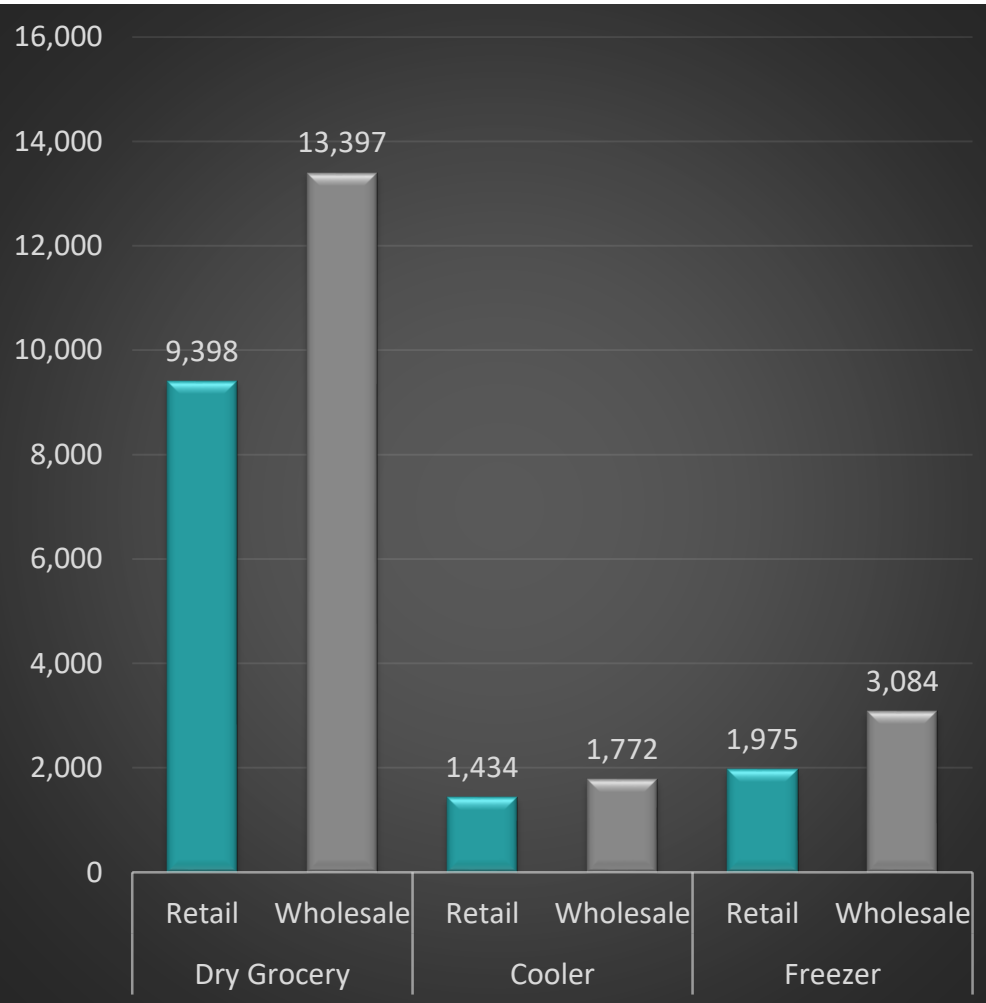




# SKU's per Department: Retailer

Number of SKU's

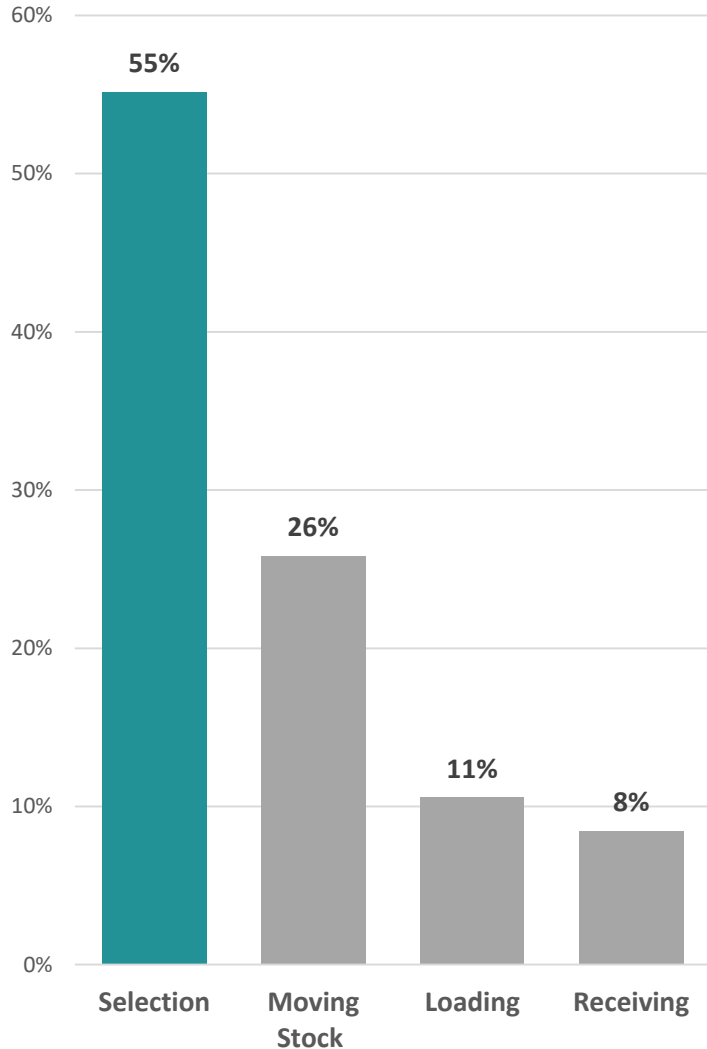




Order / Location

**The average wholesaler will carry up to 35% more SKUs than the average retailer**

This difference seems to be more pronounced in Dry Grocery.

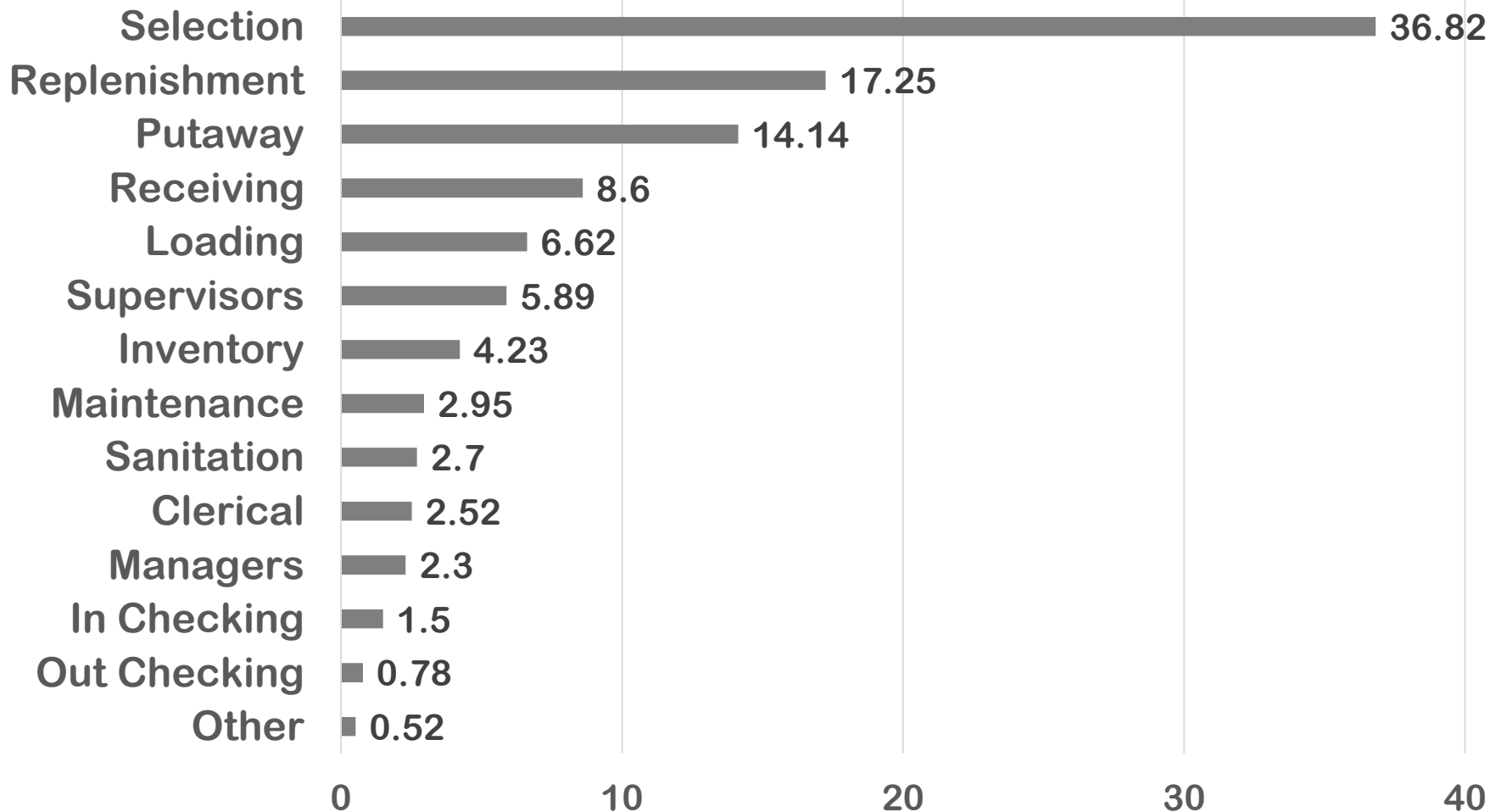


## Resource Allocation Paid Hours

**55%** paid hours is allocated to selection

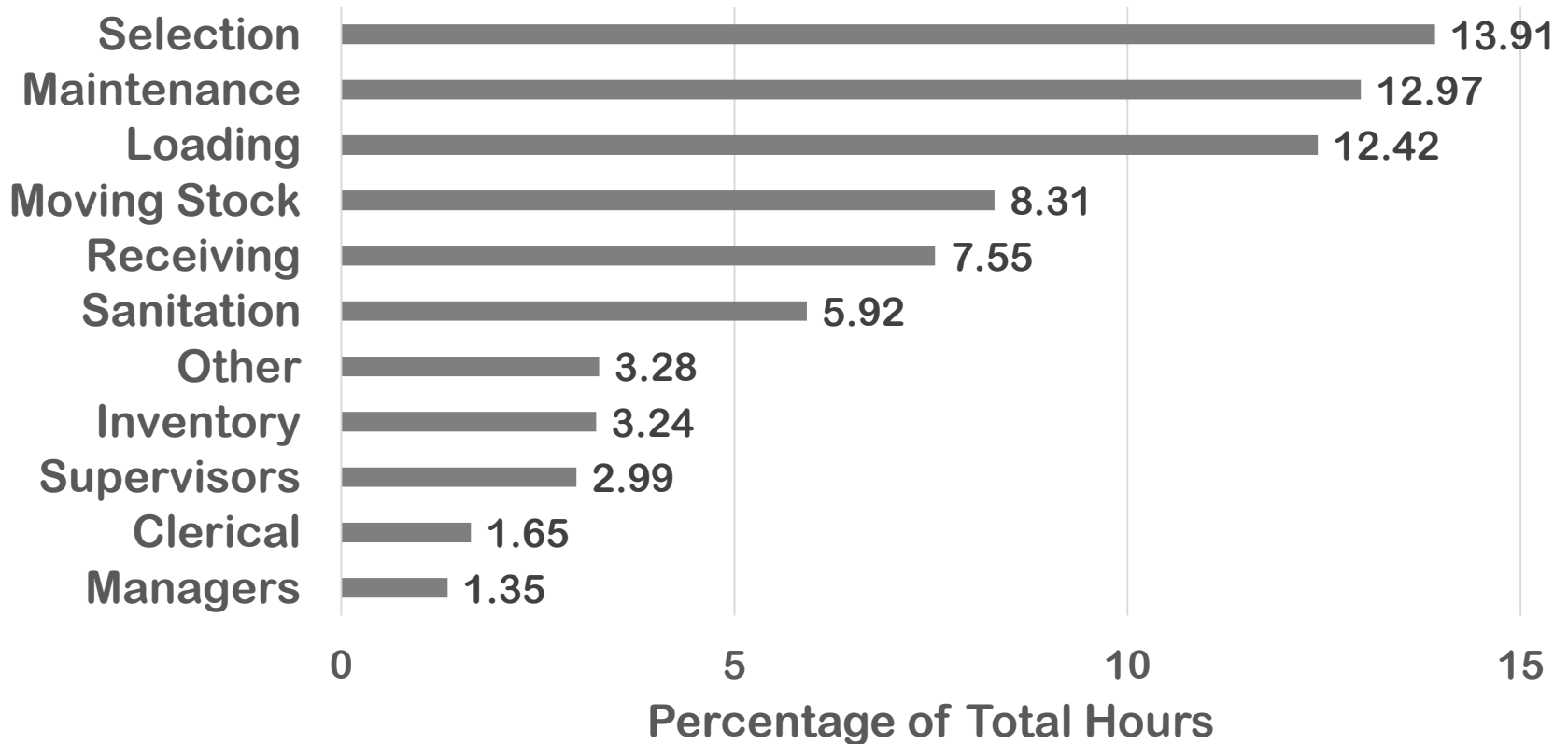


# Human Resources: Total



Percentage of Total Hours

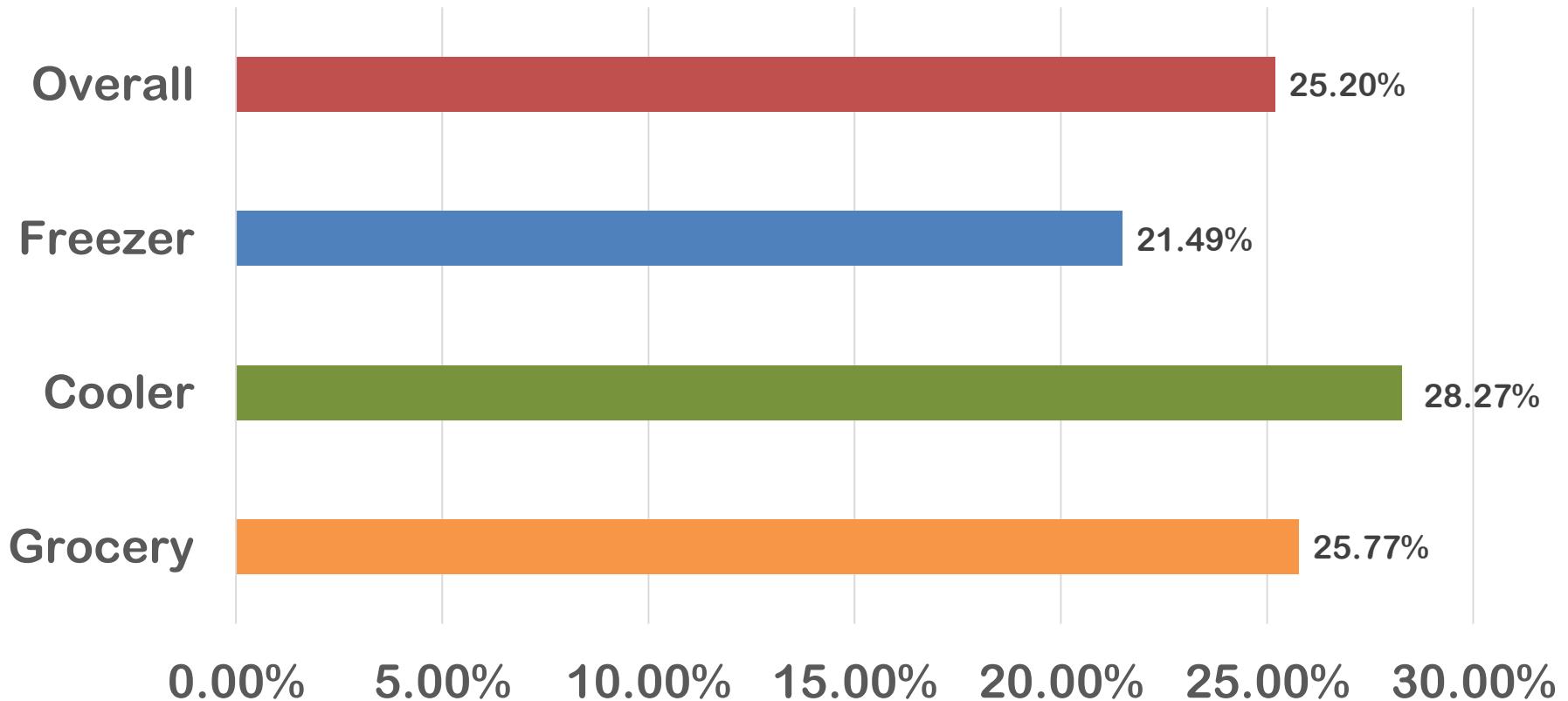
# Human Resources: Total Automation



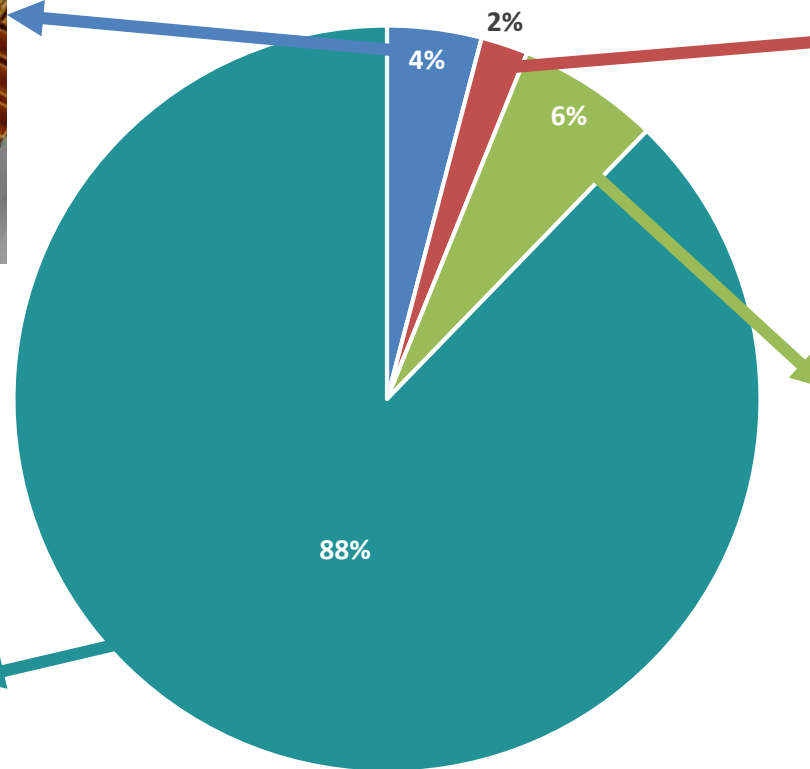
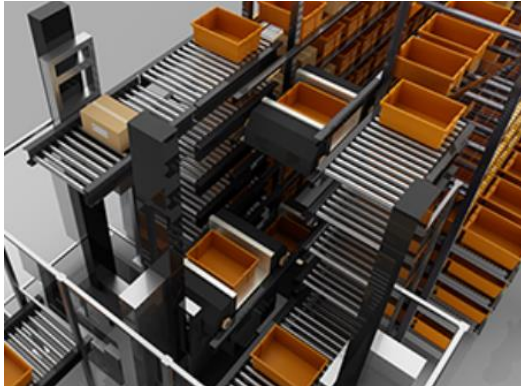


# Indirect/Total Hours

Percentage of Indirect Hours to Total Hours



## Selection Method Distribution



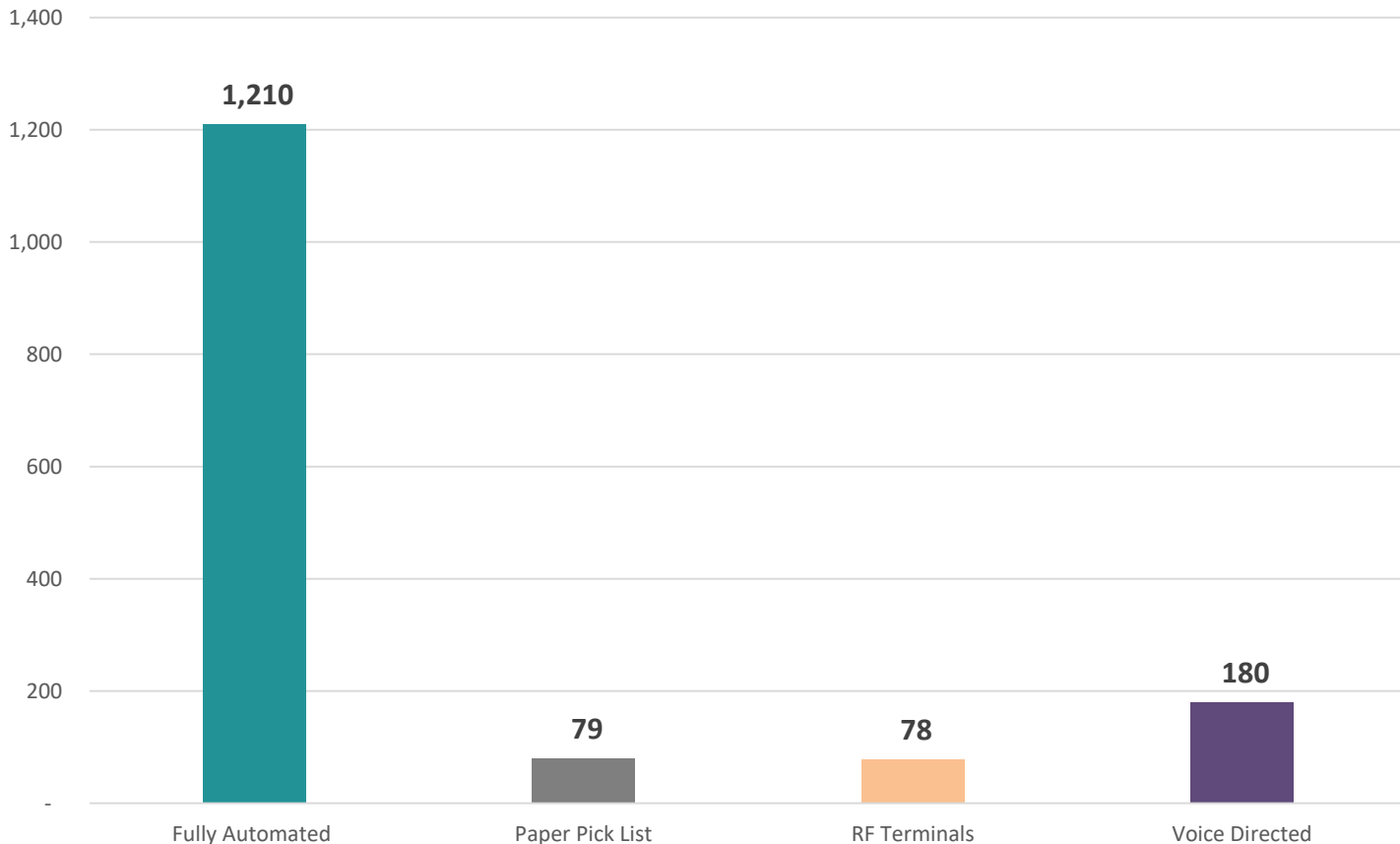
■ Fully Automated

■ Paper Pick List

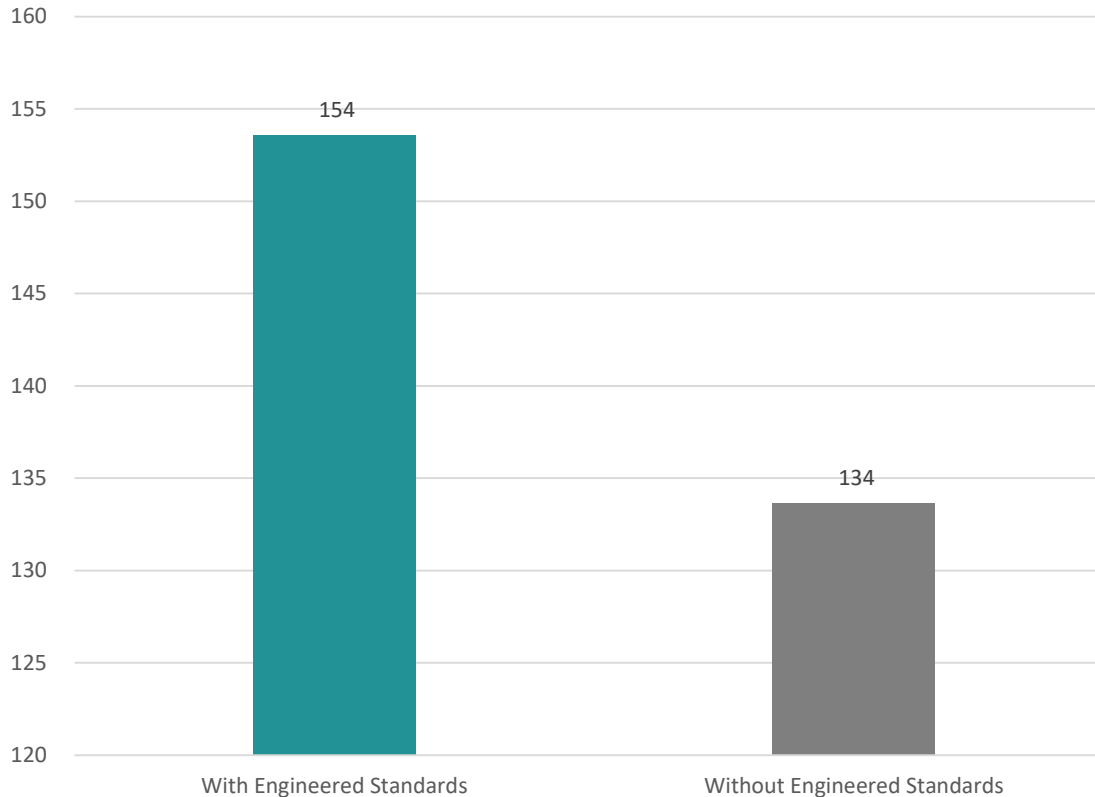
■ RF Terminals

■ Voice Directed

## Rates Per Paid Hour Selection

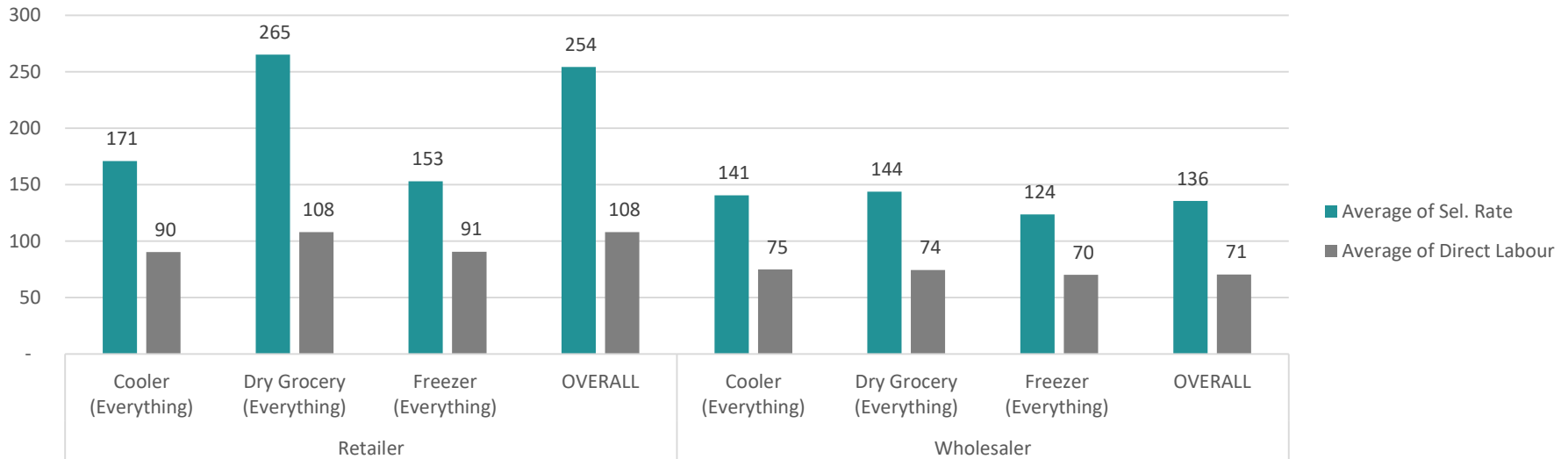


## Engineered Standards (Selection Only)

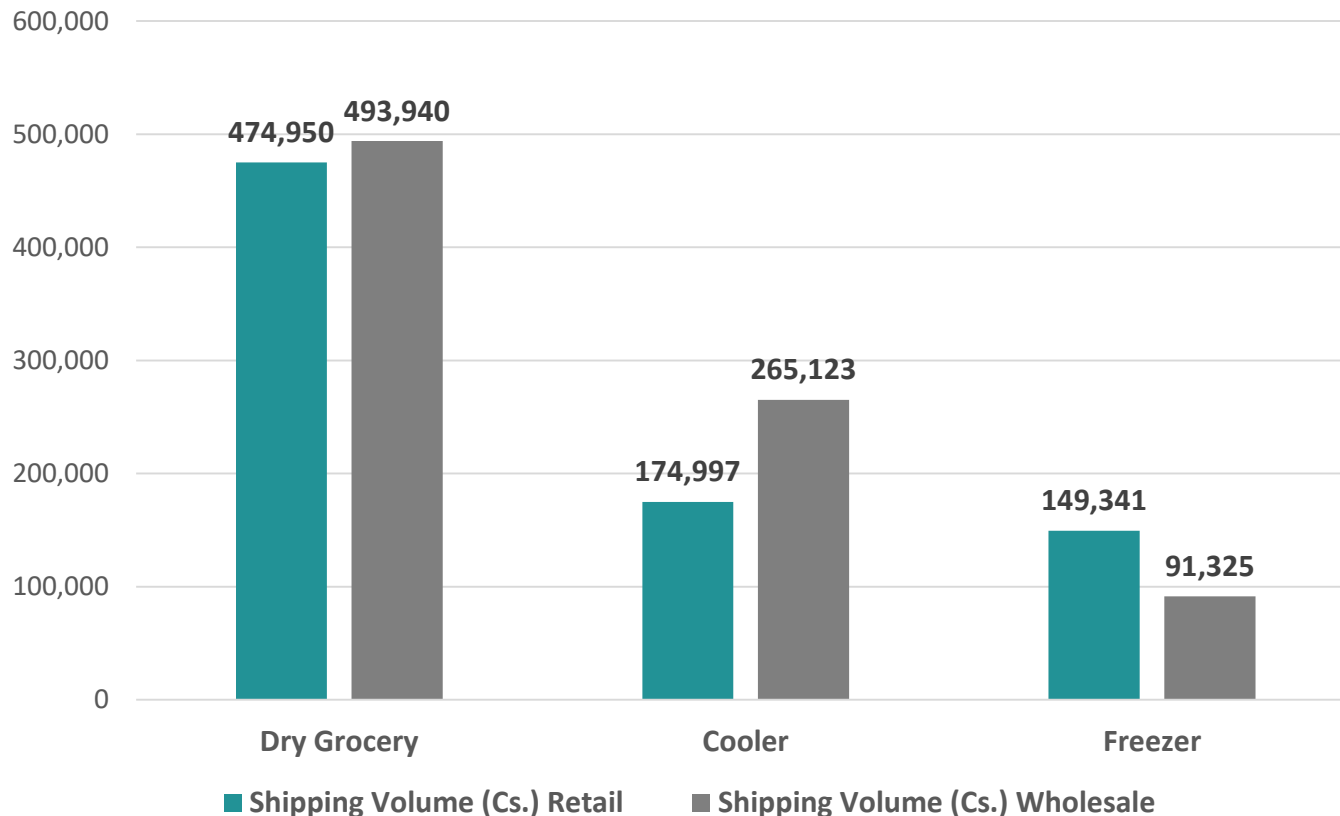


- 15% higher in contrast to those without.
- They don't improve productivity, but they set the bar. Make sure the bar is set high, but is still achievable from the GET-Go

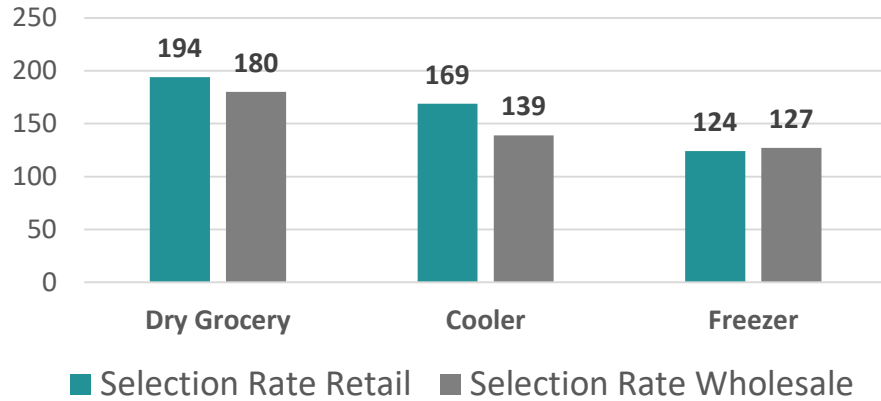
## Retail vs. Wholesale Labor and Section Rates Comparison



**The Average retail operation departmental relationship  
Dry represents almost 60% of total volume**

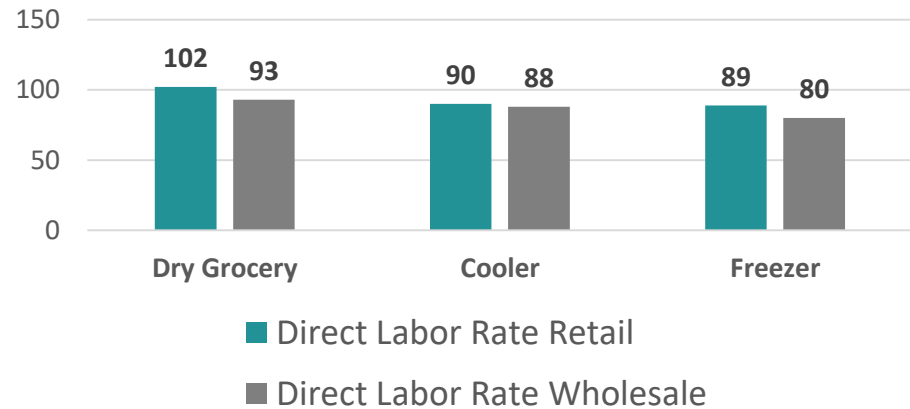






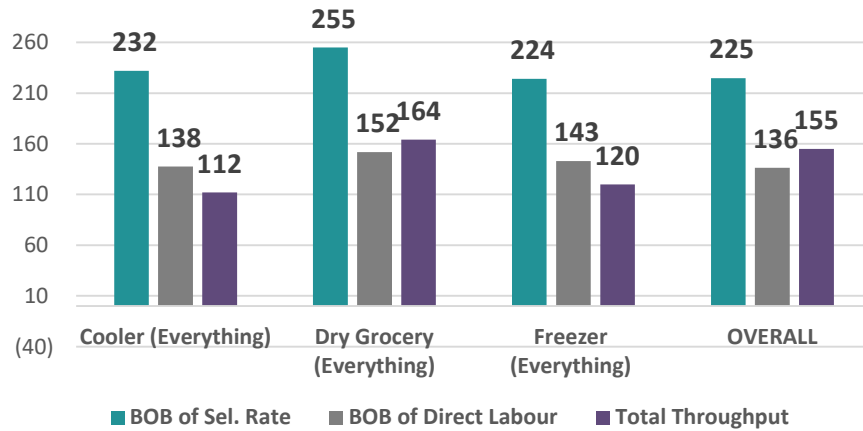
**Retailers Selection Productivity outperforms Wholesalers**

**Direct Labor Productivity is slightly higher for Retailers in all areas**

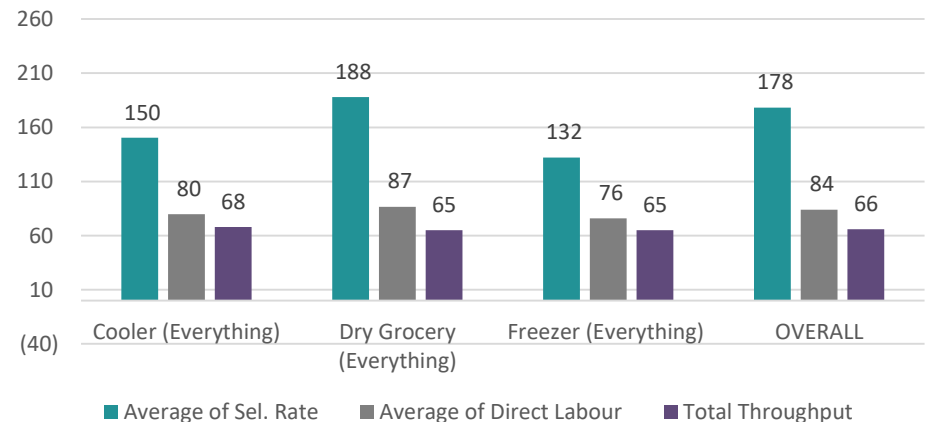


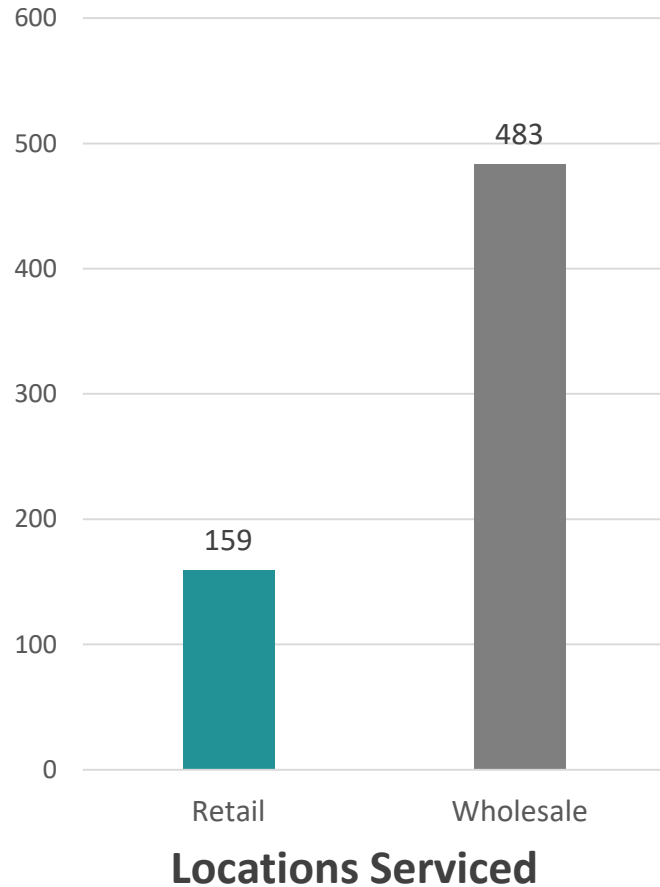
## Overall Average VS BOB Labor and Section Rates Comparison

### BOB

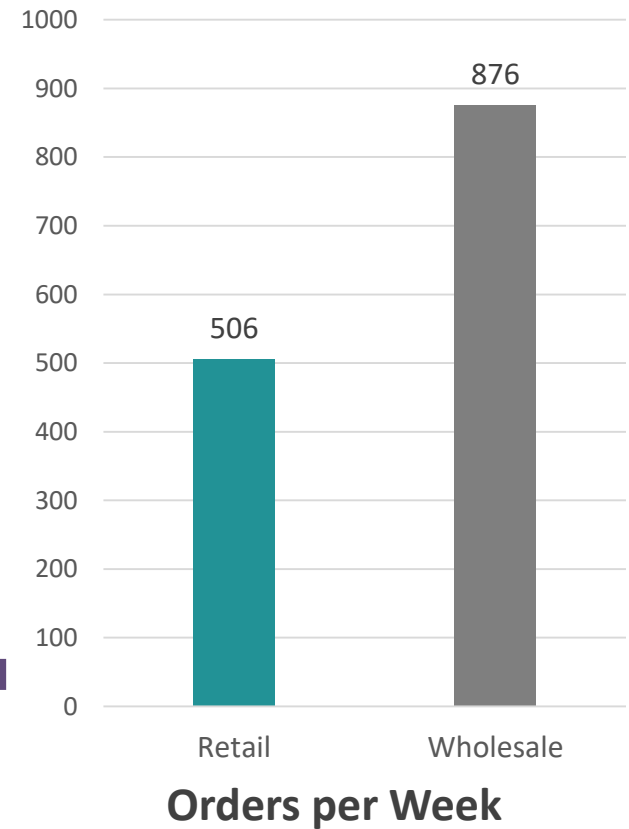


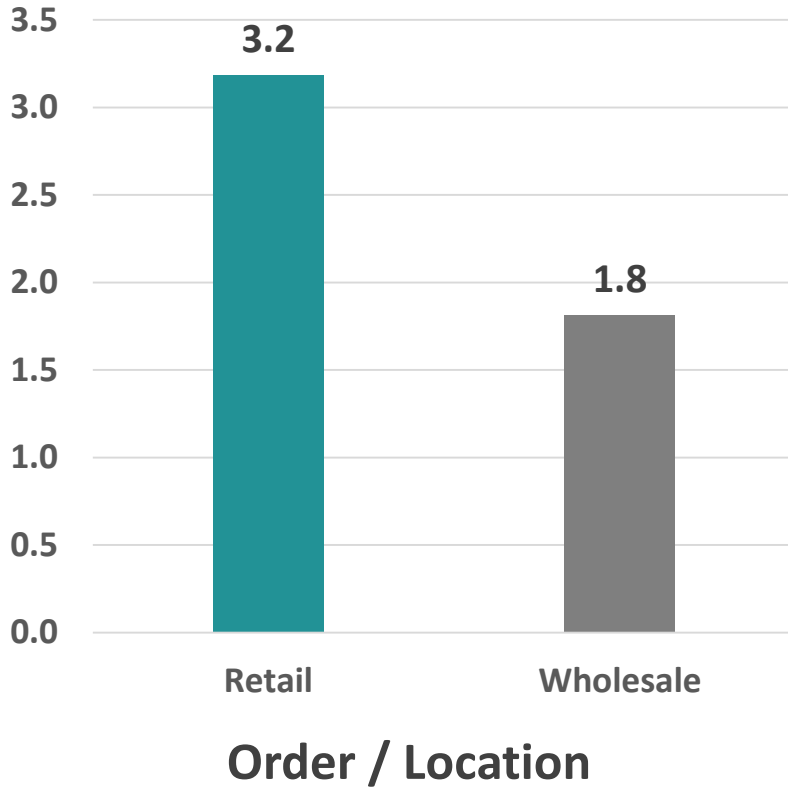
### Average





The average wholesaler receives nearly double the orders of the average retailer

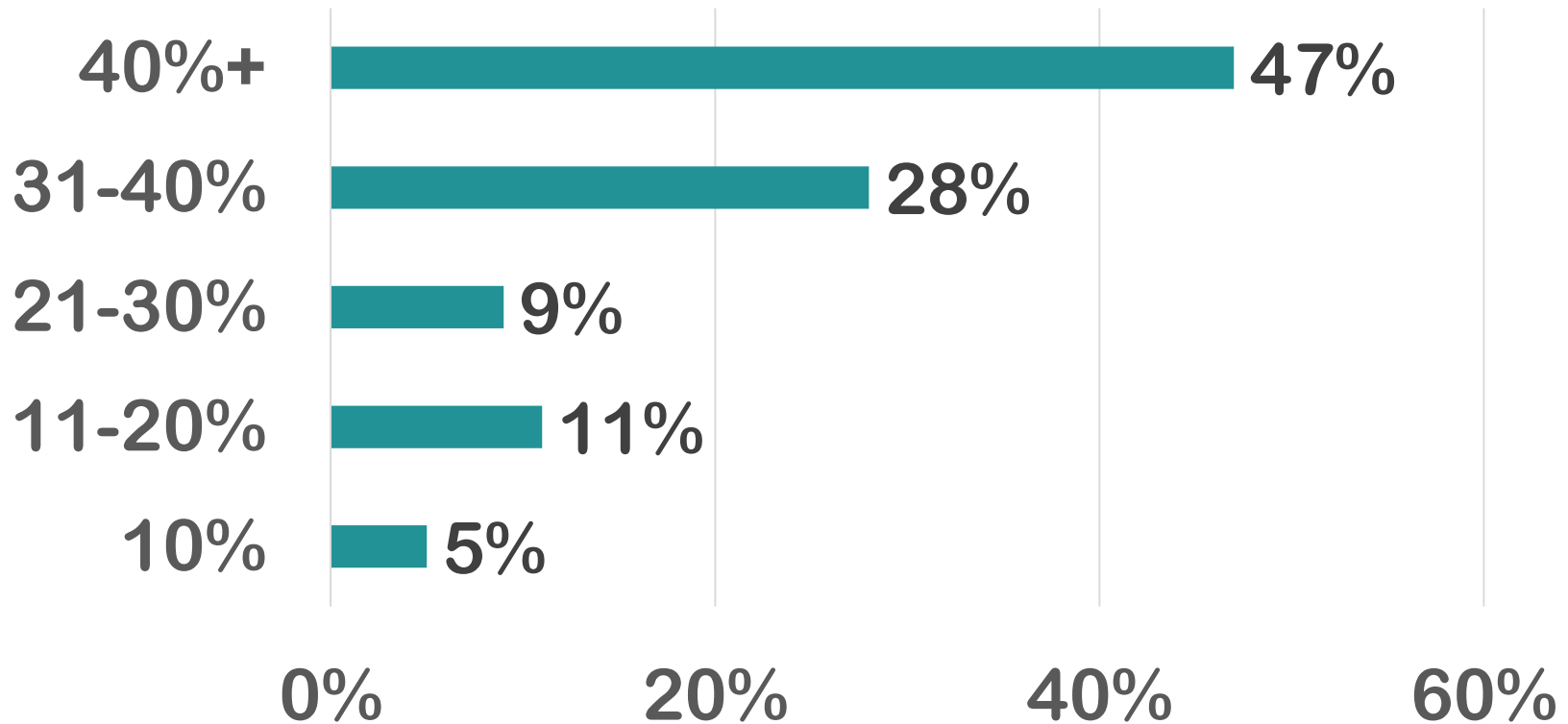




The average retailer appears to have more control over the orders they ship per week per location. This increases order size and provides more leverage for selection productivity.

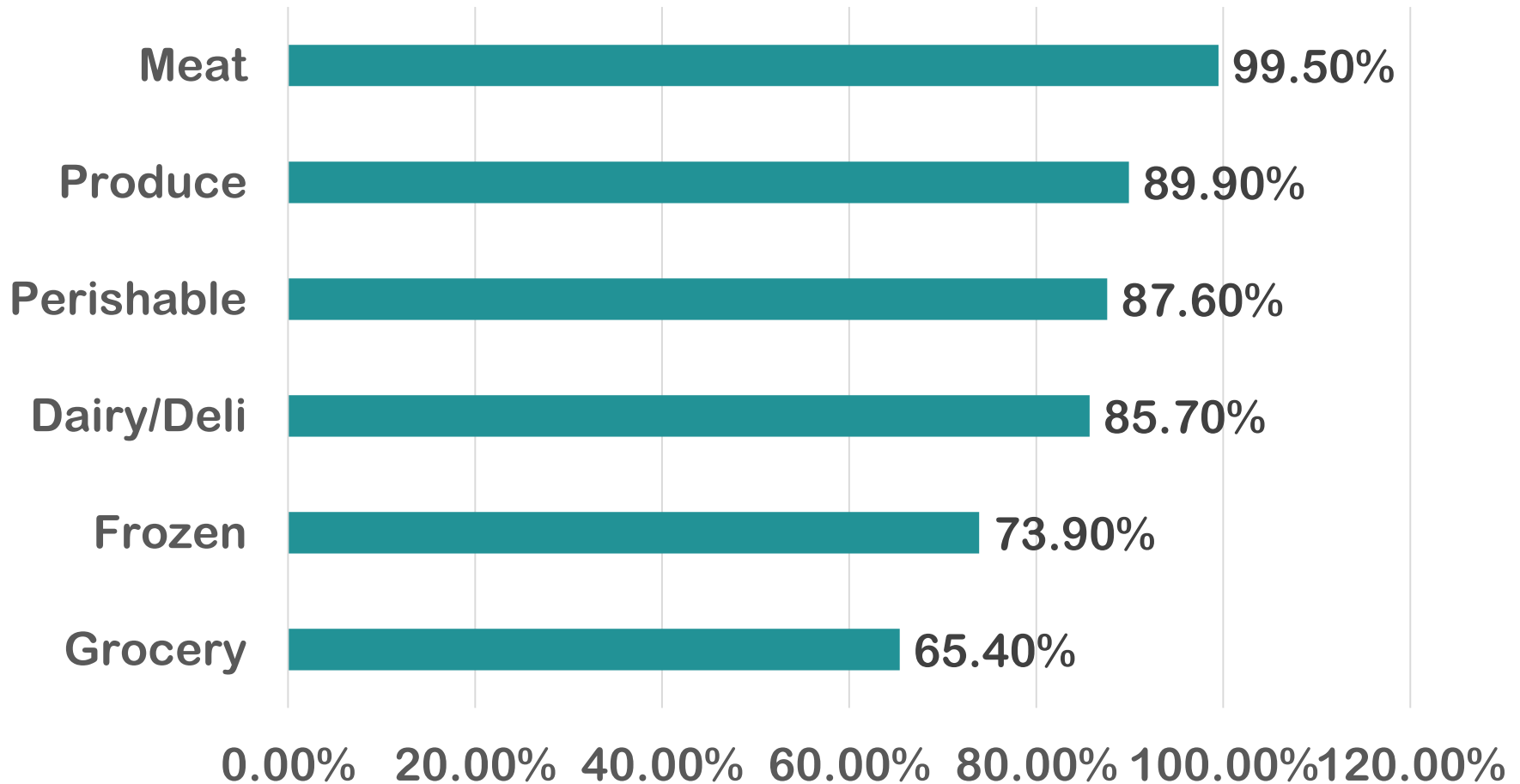
# Fingerprinting @ Receiving

## Percentage of Responses



# Cube Per Item

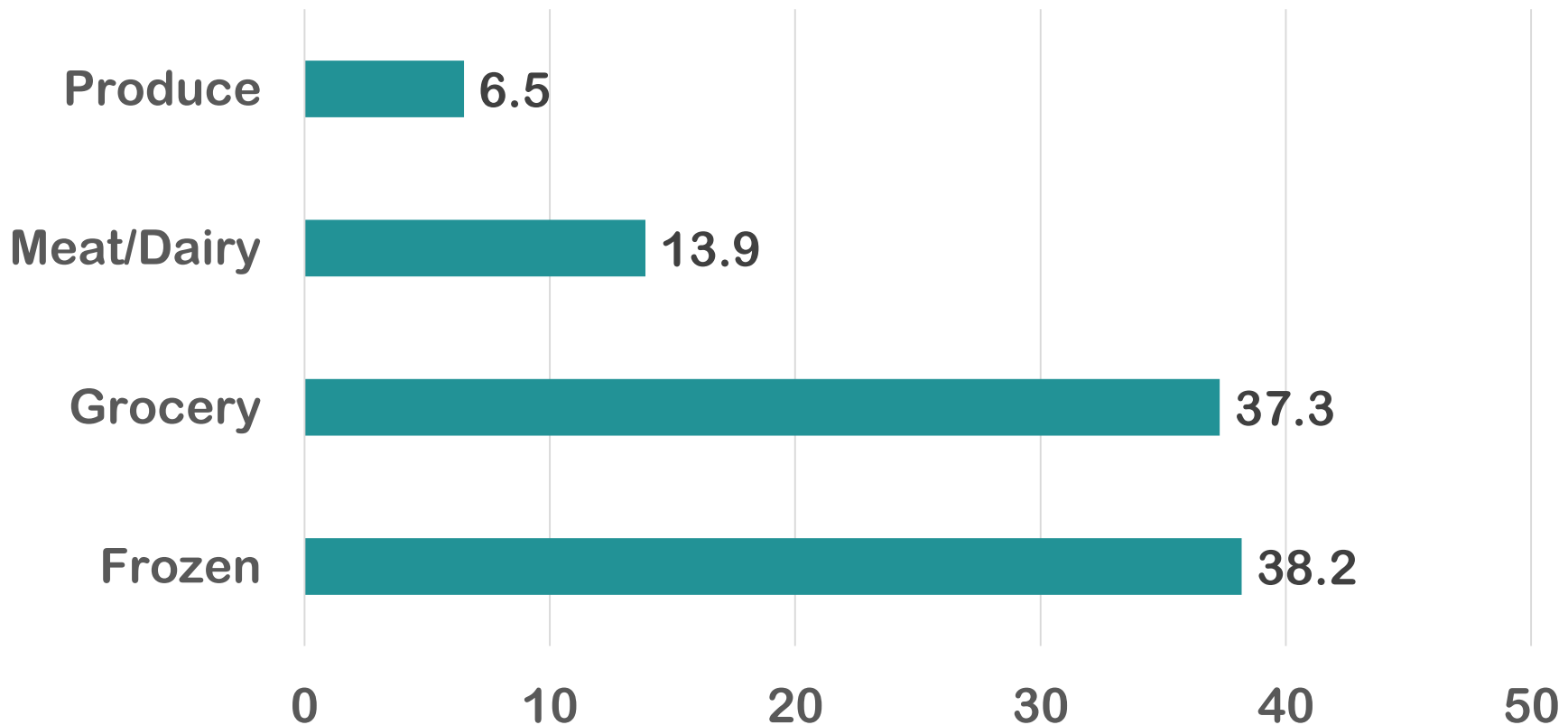
1 case = 1 cubic foot





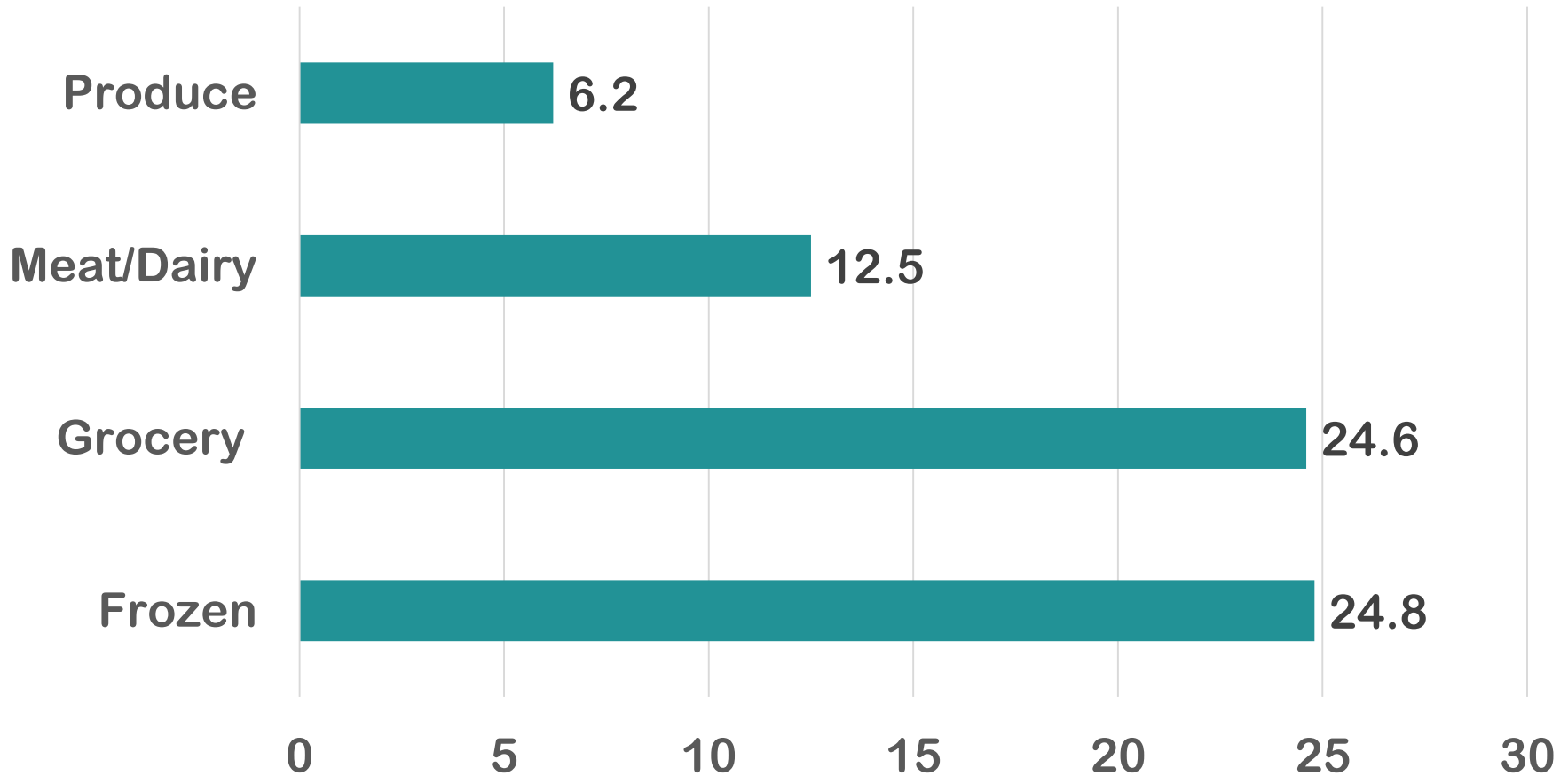
# Distributor Inventory Turnover

Number of Days of Inventory in the DC



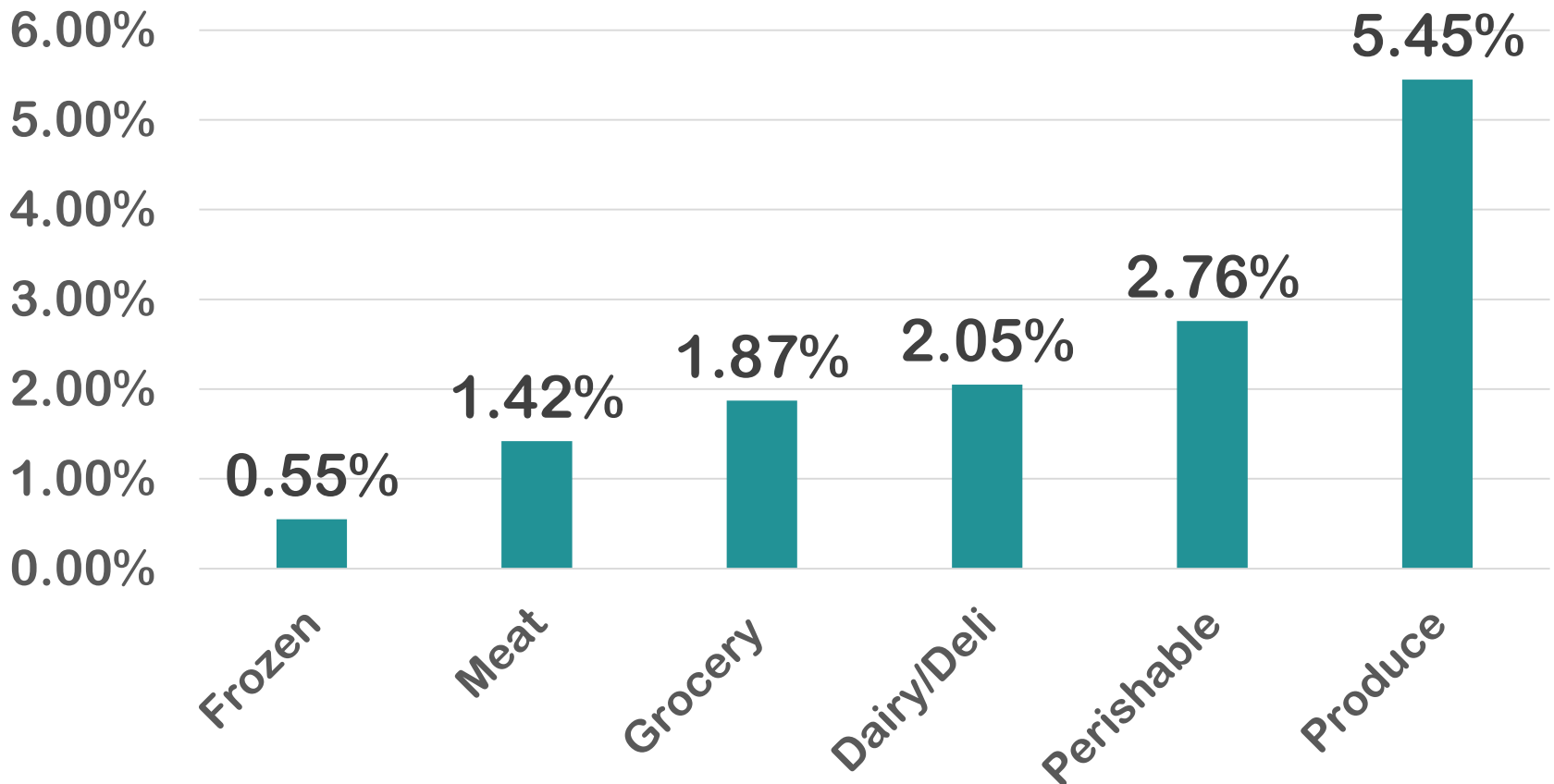
# Retailer Inventory Turnover

Number of Days of Inventory in DC

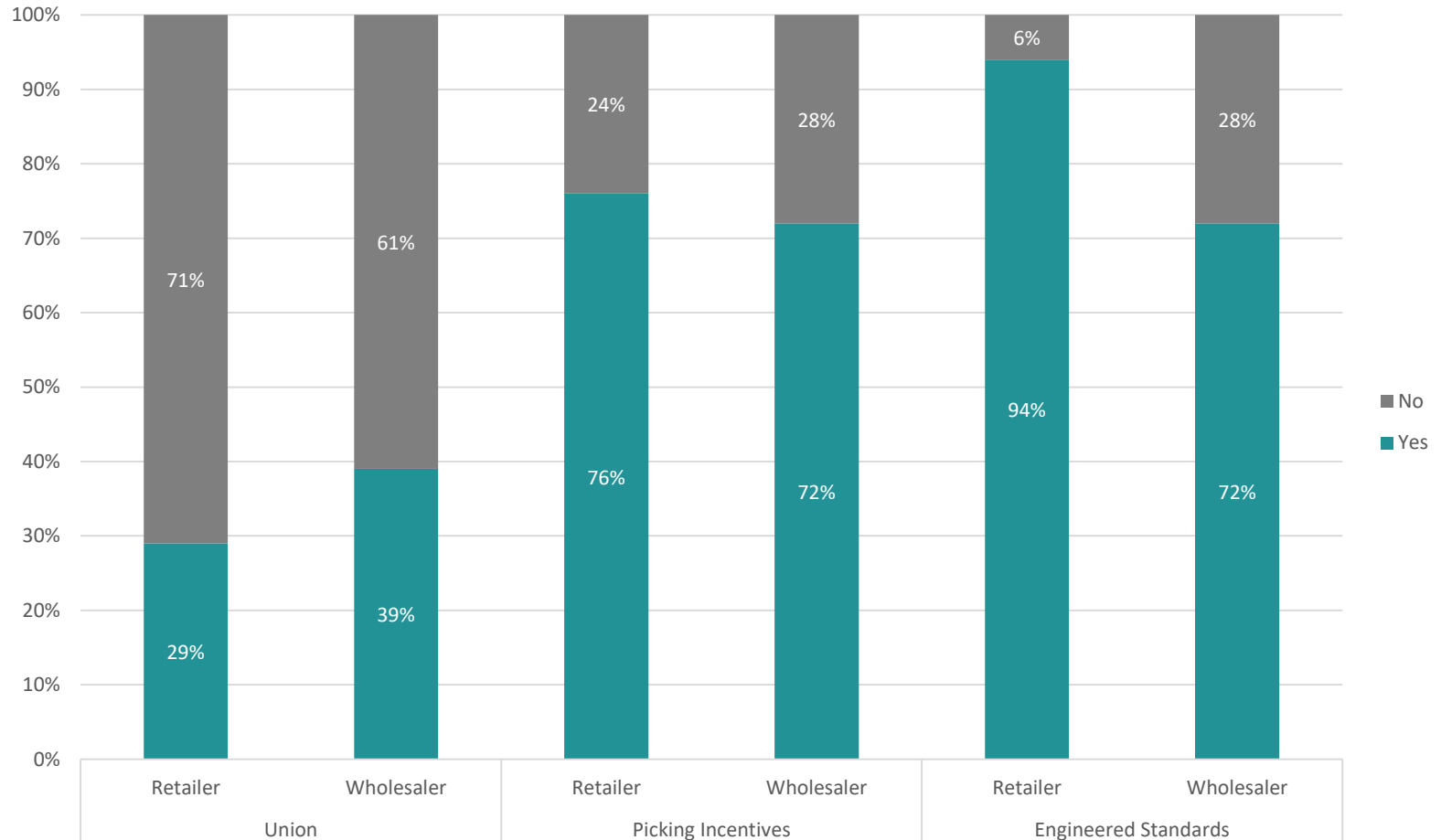


# Cross Docking Product

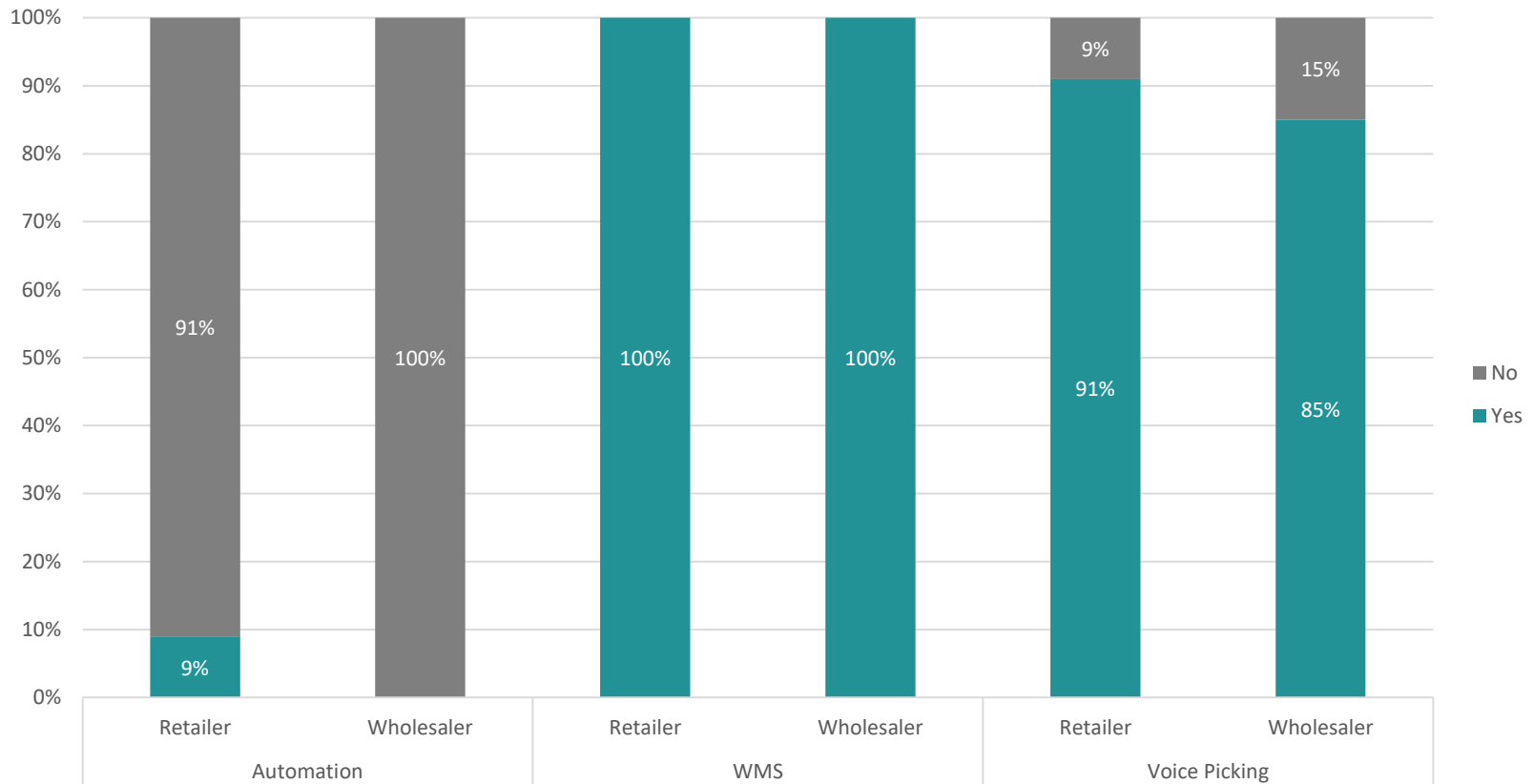
Volume of Cases Handled



# Practices – Adoption Levels



# Practices – Adoption Levels





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## ABOUT KSI |



For over 35 years Keith has provided top quality supply chain solutions to Fortune 500 companies which has contributed to his distinguished reputation today as a highly respected global supply chain consulting leader and trusted advisor well known to the industry. His contribution to the development of Productivity Benchmarking data analysis, insights and reports has provided substantial benefits to ROFDA members and the Food Industry as a whole. He is a sought after industry speaker, has authored industry magazine articles and has published white papers on a broad range of topics on Supply Chain and Logistics.



## WHY IS BENCHMARKING LOGISTICS IMPORTANT?

**BENCHMARKING IS THE BEST WAY TO KNOW HOW YOUR COMPANY'S OPERATIONAL COMPETITIVENESS IS POSITIONED AND HOW TO GET TO THE TOP RANK. (BOB)**

- Increase supply chain profitability - reduce operating costs by implementing best of breed practices
- Uncover improvement opportunities – eliminate inefficiencies by scrutinizing your activities
- Justify costly operational improvements
- Quickly identify industry trends
- Enhance internal productivity monitoring – benchmark your productivity level throughout the year
- Drive revenue growth by providing the service that keeps customers satisfied and attracts new ones.
- Identify additional revenue opportunities by differentiating the way you deliver your product or service.