



# 2018 SUPPLY CHAIN BENCHMARKING

## SURVEY HIGHLIGHTS



## PARTICIPANTS

2018



# PARTICIPANT PROFILE

2018



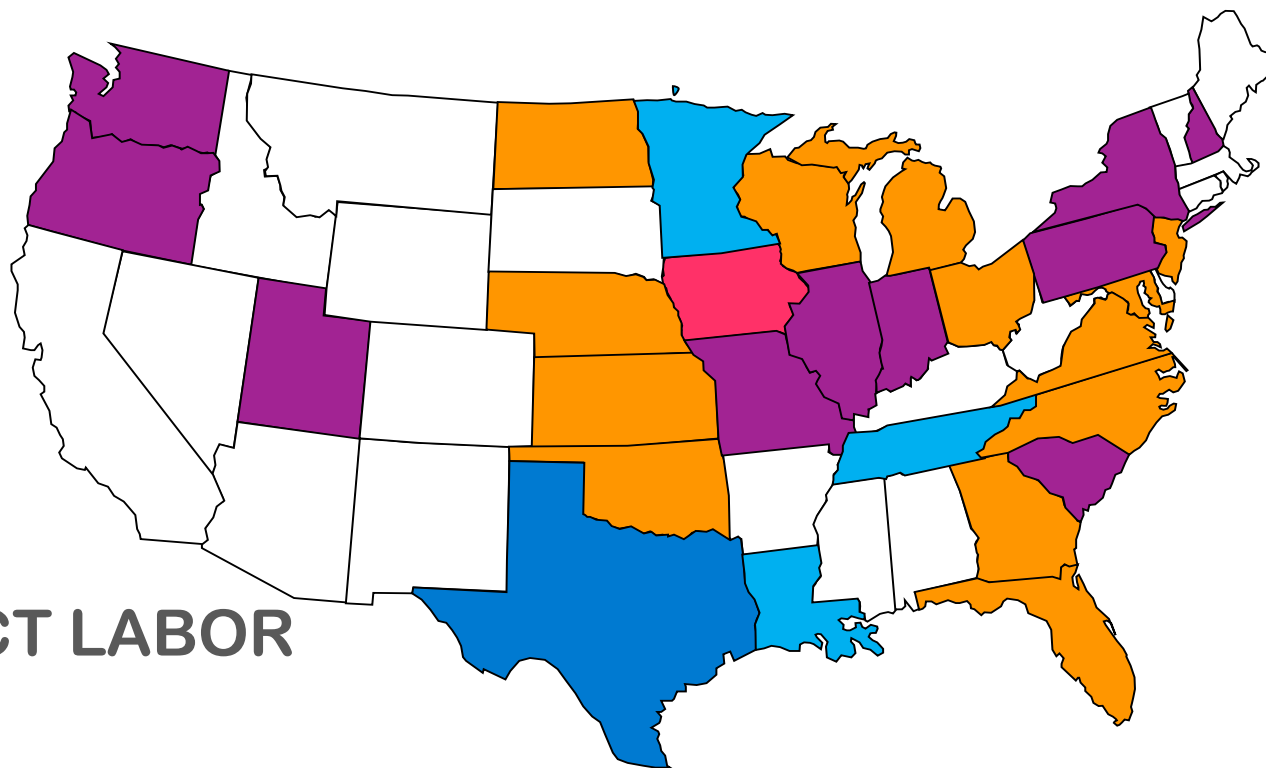
## 143 SURVEYS FROM 4 COUNTRIES

29 COMPANIES

71 FACILITIES

29% UNIONIZED

70% EMPLOY CONTRACT LABOR



- 1 SURVEY
- 2 SURVEYS
- 3 SURVEYS
- 4 SURVEYS
- 6+ SURVEYS

## 3<sup>rd</sup> SURVEY

2018

- We created a new (more comprehensive) distribution survey document and issued it to several Sr. VP's in the food industry to solicit their opinions on what they would like to benchmark and know more about. We received their valued feedback and incorporated into the new survey questionnaire.
- **Part A** consists of general facility information that typically remains the same throughout the year as well as costs associated with operating distribution centers, operational data, fixed and mobile equipment, technology and outlook.
- **Part B** is comprised of operational metrics, same unique four-week sample period as past surveys to provide historical comparisons.
- The goal was **not** to provide you with more data... But to provide precise operator actionable intelligence.
- As before the STUDY PARTICIPANTS WILL RECEIVE
  - ✓ **PERSONALIZED PRODUCTIVITY REPORT**
  - ✓ **FMI/ROFDA SUPPLY CHAIN INDUSTRY REPORT AND FINDINGS PRESENTATION**

## SURVEY HIGHLIGHTS

2018

- The American Retail Food Distribution Industry has not changed in the last 3 years surveyed, let alone the past 30 years!
- Using the same materials handling equipment: pallets jacks, forklifts as we did in 1980 (DC and Store)
- Have added some technology: Voice Systems (1990); RF scanning (1993) to reduce paperwork and labels. Majority companies have a WMS in place

## SURVEY HIGHLIGHTS

2018

- Inventory turns have declined as most companies buy more product than they need because money is basically free!
- Still finger printing as much as 40% of the inbound product
- Associate turnover is extremely high and expensive
- Stores have to receive 40-60 DSD loads every day, creating significant paperwork and jamming the backrooms with product
- Number of items continues to grow

## CHALLENGES / OPPORTUNITES

- The world food industry is changing faster than most executives understand or comprehend!!!!
- Let's Look at what is happening.



## WHO IS THIS GUY?





## JEFF BEZOS

**RICHEST MAN IN THE WORLD!**



**amazon**

**WHOLE  
FOODS  
MARKET**

**amazon  
fresh**

**Does not operate  
with a  
1% net profit!**

- Bezos founded [Amazon.com](https://www.amazon.com) in 1994 after making a cross-country drive from [New York](#) to [Seattle](#), writing up the Amazon [business plan](#) on the way. He initially set up the company in his garage.<sup>[31]</sup> He had left his well-paying job at a New York City hedge fund after learning "about the rapid growth in Internet use," which coincided with a [new U.S. Supreme Court ruling](#) that exempted mail order companies from collecting sales taxes in states where they lack a physical presence.<sup>[20]</sup> Bezos' parents invested \$300,000 from their retirement savings into Amazon
- He originally thought he could outsource most business activities.....Today, he manages one of the most sophisticated supply chain systems in the world.....with millions of items, hundreds of DC's, owns Robots, Airplanes, Trailers and now Trucks.

## WHO IS THIS GUY?



## JACK MA

## GLOBAL RETAIL DISRUPTER



HEMA

**Does not operate  
with a  
1% net profit!**

Jack Ma applied for 30 different jobs and got rejected by all. "I went for a job with the police; they said, 'you're no good,'" Ma told interviewer [Charlie Rose](#). "I even went to [KFC](#) when it came to my city. Twenty-four people went for the job. Twenty-three were accepted. I was the only guy...".<sup>[24]</sup> In addition he applied 10 times for Harvard and got rejected

## HEMA SUPERMARKETS

NEW RETAIL EXPERIENCE



Hema is Alibaba's move into the retail food industry. Currently, there are 14 stores open with several hundred planned for this year.

## WHO ARE THESE GUYS?





## ALBRECHT FAMILY

## LEADING FOOD DISCOUNTERS



**TRADER  
JOE'S®**



- They are the leading food discounters in the world
- Discounters were laughed at when they entered the British Market. They now hold 12% share.



## WHO IS THIS GUY?



## ELON MUSK

### REVOLUTIONIZING TRANSPORTATION



**Does not operate  
with a  
1% net profit!**

Musk was severely bullied throughout his childhood,<sup>[39]</sup> and was once hospitalized when a group of boys threw him down a flight of [stairs](#) and then beat him until he lost [consciousness](#).<sup>[40]</sup>

Just introduced an Electric Tractor, that will cost \$150,000. Has orders from major players such as Walmart, Meijer, Sysco

## WHAT'S THE POINT?

**“Outsiders, who have no background in the retail food industry are now setting the future!”**

- Their focus:
  - Take care of customers no matter the costs.
  - Make shopping easier, interesting, interactive
  - Use tools: AI, Digital technology whenever possible/practical.
  - Provide transparency throughout the supply chain
  - Offer fresh product supported by speed in the supply chain
  - Execute at the lowest cost

## Amazon DC Robots



## C&S Newburgh, NY



## Kuecker's Solution



## Witron Meijer



## Ocado



No one wants to work in a Food DC, therefore look at these successful operations.  
Turnover costs are significant and expensive, look at new technologies



## Amazon Go Store



## INVENTORY OPPORTUNITIES

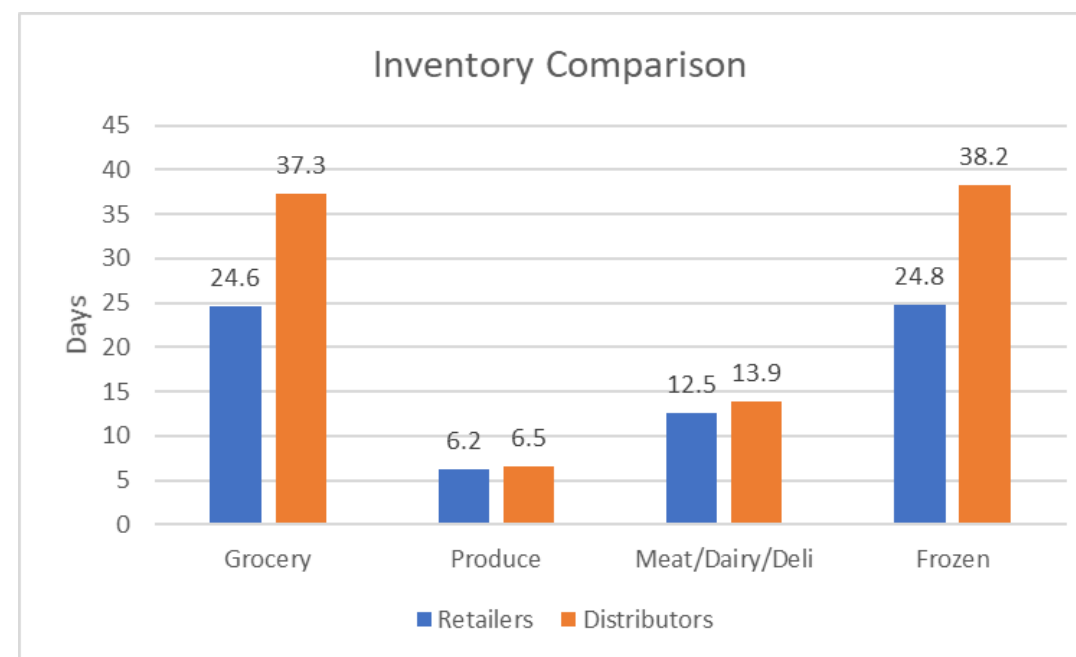
- Over half of the participating companies reported inventory cube exceeding 80% space capacity.
- 55% indicate that they are holding inventory in outside storage.
- As a result, many DC's are experiencing negative productivity issues and additional costs.



## INVENTORY OPPORTUNITIES

### Current Days/Supply by Product

	Retailers	Distributors
<b>Grocery</b>	24.6	37.3
<b>Produce</b>	6.2	6.5
<b>Meat/Dairy/Deli</b>	12.5	13.9
<b>Frozen</b>	24.8	38.2



### Expected Days/Supply by Product

- Produce <5 days
- Meat/Dairy/Deli: 10 days
- Grocery/Frozen: 14 Days

# LABOR RETENTION

People don't want to work in a food distribution center no matter what you pay.

- The work is hard.....boring.....physical.
- Not interested in working nights or weekends
- No longer viewed as a career!

**NET RESULT: TURNOVER: Over 83% identified a problem**

Turnover is expensive.....\$4-10,000 per employee due to hiring costs, drug tests, lost productivity, mistakes, damage, poor customer service.



- Late deliveries and out of stocks anger your customers

## LABOR SOLUTION

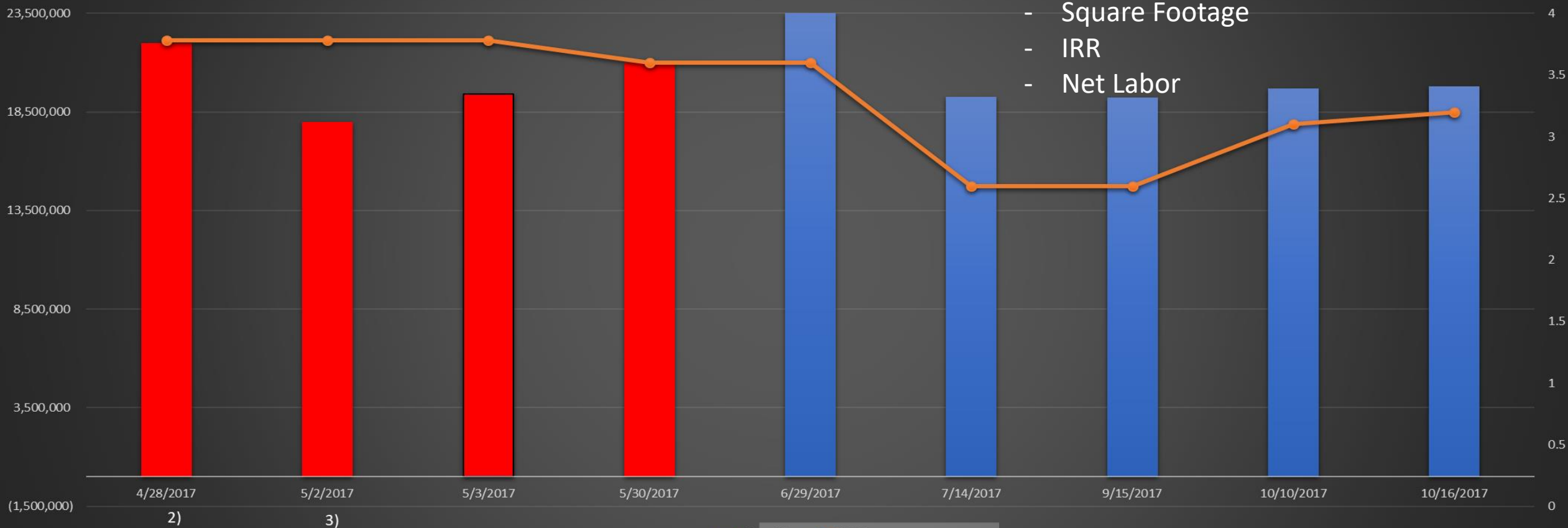
**Solutions: Automate..... Amazon/Alibaba use robots. Meijer, Target, Supervalu, Kroger, CVS use Witron or if you can't afford the capital investment to eliminate labor then:**

- ✓ Listen to your employee/associates.
- ✓ Have regular meetings to discuss what is going on.....daily, weekly, period.
- ✓ The number one reason people leave their jobs is supervision.....may require the company to utilize outside executives so that the group/employees will openly talk without repercussions.
- ✓ Every person who leaves should be interviewed (outside source) or given the opportunity to answer questions via survey monkey
- ✓ Respond to issues immediately. Do not over promise.
- ✓ Communicate with the associates on their terms.....smart phone. Set up email, website, snapchat, etc. so that they can send and receive information
- ✓ Operationally, move as many functional activities to day light hours. i.e. order selection.
- ✓ Employ job rotation weekly so that the daily grind varies.

## AUTOMATION COSTS

Proposal Pricing & Weeks of Supply

- Costs
- Square Footage
- IRR
- Net Labor



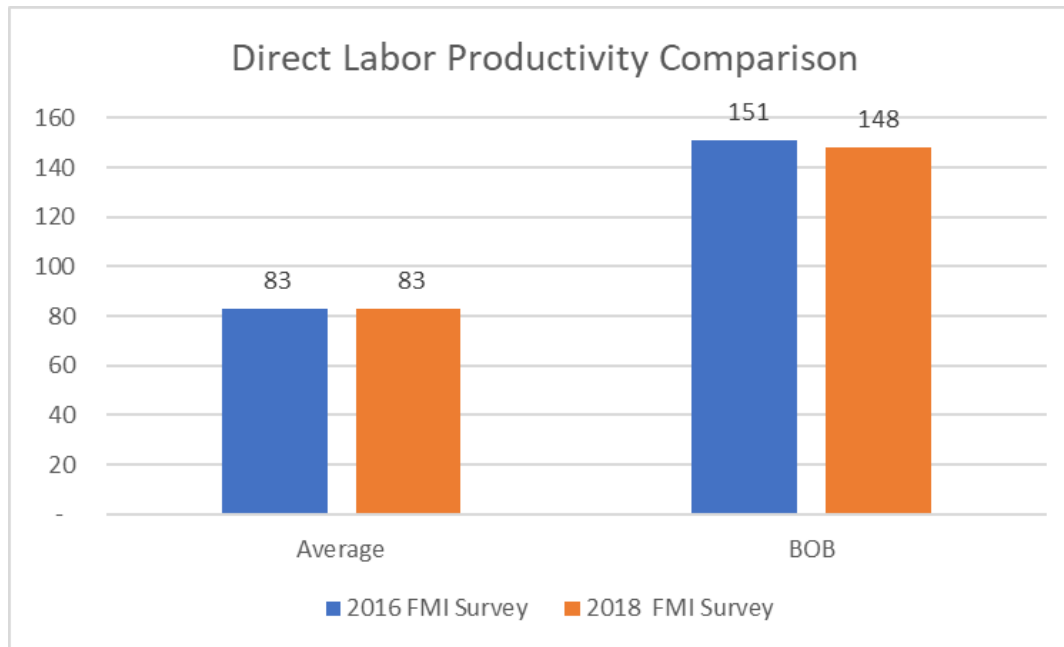
## COST FACTORS

- Food Retailers operate at far lower costs as a percent of sales vs. Food Distributors 3.21% vs. 2.50%

### Why?

- Food Retailers typically seek efficiency first; Control Delivery Schedules, Item Count, Manage assets/people based on costs.
- Food Distributors typically seek effectiveness first; that is, they take care of customers even when it is not financially practical. Carry more items in inventory. Unbalanced delivery times

## DIRECT LABOR RATES



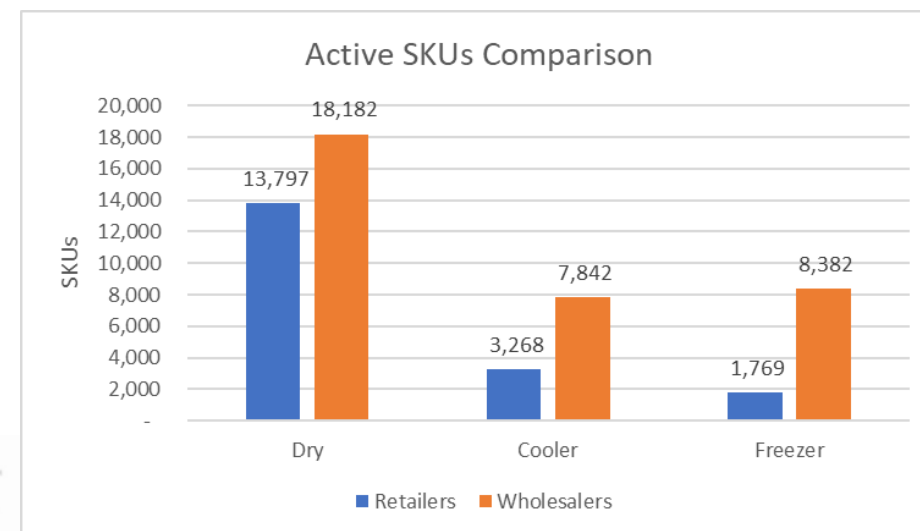
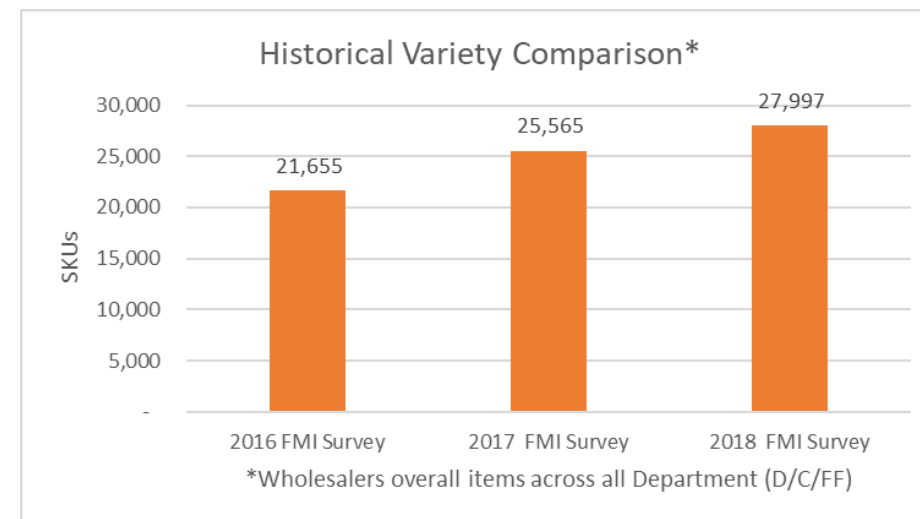
	Average	BOB
2016 FMI Survey	83	151
2018 FMI Survey	83	148



## ITEM COUNT

- 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



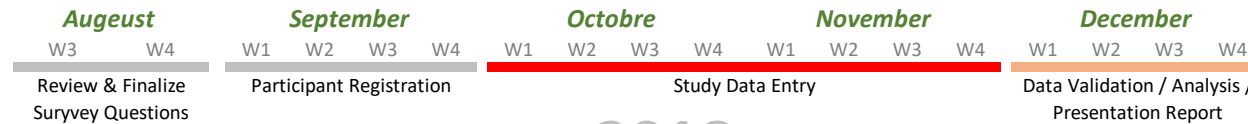
# FINANCIAL IMPLICATIONS

- A. Retailers are far more efficient than food distributors for various reasons
  - Order size, inventory levels, number of items, controlled schedules, Their entire focus is on cost controls.
- B. Improve cash flow by reducing the amount of inventory carried.
- C. Analyzing the true costs of DSD.
- D. Everyone needs to offer in house online shopping solutions. The services currently offered will disappear or be bought out
  - ie., Target buying Shipt.

## NEXT STEPS



2017



2018



- ✓ **FMI/ROFDA SUPPLY CHAIN INDUSTRY REPORT**
- ✓ **FMI SC FINDINGS PRESENTATION**
- ✓ **PERSONALIZED PRODUCTIVITY REPORT**

## WHAT WE DO



**DISTRIBUTION NETWORK  
OPTIMIZATION**



**WAREHOUSE  
OPTIMIZATION AND  
TRANSFORMATION**



**PRODUCTIVITY  
BENCHMARKING AND  
ANALYSIS**

## WHAT'S NEW

**ENGINEERED STANDARDS  
SERVICES**



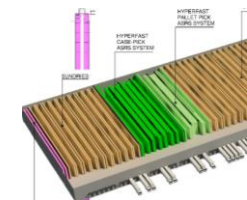
**KSI CONFERENCE**



**TRANSPORTATION  
AUDIT IMPLEMENTATION**



**FACILITY DIGITAL MAPPING**



## KSI CLIENTS

**WinCo  
FOODS**



**metro**



**Imperial**  
Bag & Paper



**DELHAIZE**  **AMERICA**

**SF SHERWOOD**  
FOOD DISTRIBUTORS



**BROAN**  
NuTone

FAMILY-OWNED AND OPERATED  
**UPPER LAKES FOODS**  
EST 1967



**weis**



**IGR**   
**W. Lee Flowers**  
and Company

## KSI AFFILIATIONS



**ROFDA**



**UNITED FRESH**  
PRODUCE ASSOCIATION



APPLIED LOGISTICS



syncontext



# 2018 SUPPLY CHAIN BENCHMARKING

## COLLABORATORS:



# THANK YOU!





## LABOR AVAILABILITY

1

**KSI can help you do more with less  
people, drive performance with fewer  
people is a reality today**