

# Meat Producer Case

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## Our Role

Analyze current supply chain strategy and provide recommendations on new processes to implement

Interviewed 25 leaders

Across supply chain and finance

People from different locations and divisions

## Goal

Make the supply chain process more efficient and less confusing across the organization as a whole.

Supply chain strategies are most effective when most, if not all, employees know what the strategy is and how it works

# Supply Chain Explained

Council of Supply Chain Management Professional definition:

“Supply chain is encompassing the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities.”

Functions include:

Transportation

Warehousing

Inventory management

Customer service

Procurement

Operations



# Our Suggestions

# Supply Chain Strategy

Currently only 4 strategic pillars

Implement a proactive strategy

Don't react

Be flexible

Don't be complacent

Invest in technology

Strategic sourcing

Prioritize Projects

Select criteria

One central document listing all projects and priority

Stronger discipline on project management

Start early

Weekly meetings

Project Name	Crucial	Not Crucial	Desired completion date	Completed Y/N
Project 1	Y	N	25-Nov	Y
Project 2	Y	N	1-Dec	N
Project 3	N	Y	30-Mar	N
Project 4	Y	N	29-Jan	N
Project 5	N	Y	5-May	N

	Do Now	Do Later
	Must be done immediately	Schedule for near future
Crucial	Project 1 Project 2	Project 3 Project 4
Not Crucial	Delegate	Delete or move
	Project 5 Project 6	Project 7

# Improving KPIs

## Current KPIs:

Important to Finance leadership: Profit before tax, Volume/revenue growth, Cost

Customer Service KPIs: Percent EDI, Order nonconformance, Fill rate, On time delivery, Order lead-time

## How to improve KPIs

Review them monthly, especially since highly seasonal business

Shorter Lead-Time KPIs to ensure freshness

- Order Cycle Time

- On Time Shipping

- Internal Order Cycle Time

Customer Service

- Sticking to indicated order minimums and delivery lead times

- Customer Survey



# Sales and Operations Planning Now

Framework but no full process

- From previous acquisition

- Potential of being overly influenced by sales goals

Operations and finance seem less important

Attempt at formal S&OP failed

- No upper management support

Forecasts were largely ignored/modified



# Sales and Operations Planning Opportunities

Know it won't happen in a day

Management support is necessary

Transparency, collaboration, and commitment to organization goals important

Monthly meetings with senior management

Weekly or bi-weekly meetings with different departments leading up

Meetings must include:

Demand representative, Supply representative, Finance representative,  
Upper management (executive or manager/director)

Meeting agendas: supply plan, demand plan, financial plan

How will they work together



# Inbound Transportation

At the moment vendors/suppliers manage the company's inbound transportation process.

Current initiative in-progress:

Project to manage the inbound raw materials that flow into the plants. Best Practice will allow the Food Producer to manage transportation cost separately from unit price and provides more visibility of transportation flows.

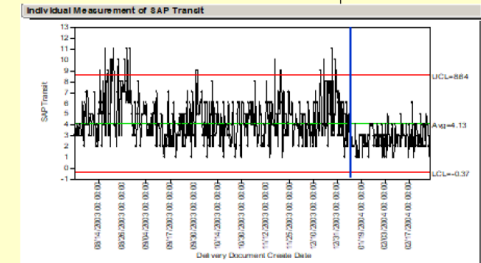
Best Practices Recommendation:

- Customer order minimums at 5,000 pounds are adhered to and help reduce stop-offs and transportations cost.

- Consolidating loads and maximizing the cube or weight per load.

- Using a modern TMS (transportation management system) with optimization capability to load and route trucks in the network.

Applying Lean/Sigma



	Before	After
Mean	4.51	2.93
Std dev	2.08	1.24

# Outbound Transportation

Throughout the Network: Food Producer has a complex network. DSD, 14,000 ship-to locations(ex: Dollar General). Flow through the network: 300,000 annual shipments, 7,000 weekly deliveries, 3,000,000 miles, and 5,000 customers.

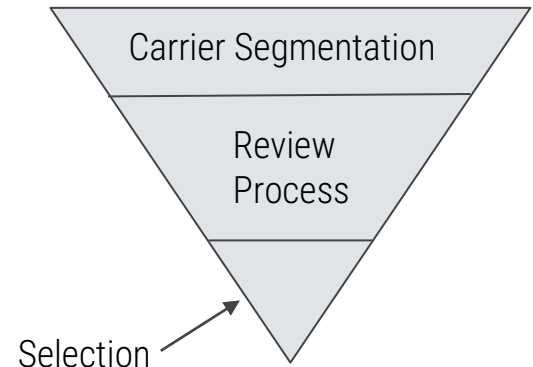
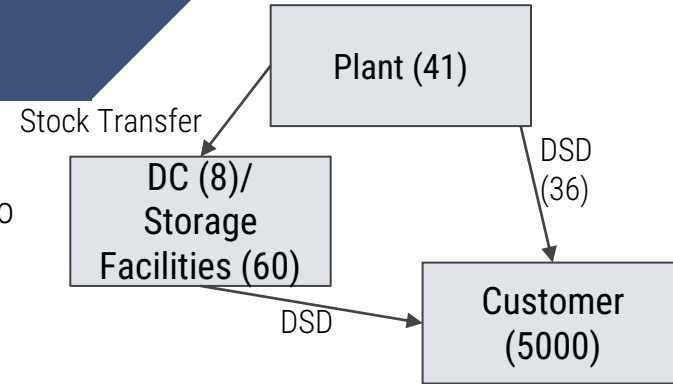
Current Carrier selected and loads tender:

- Carriers selected by the transportation team. Supply planning put together loads, transportation planners tendered the load to carriers listed in PO.
- Routed with a TMS->customer segmentation aligns with the profitability, indicates milk run or D2C(Economies of scale)depends on the service level provided.

Opportunities/ Recommendations:

1. Rates
2. Network Optimization
3. Backhaul
4. Trailer Utilization

## Physical Network:



# Warehousing

## Food Producers Current Operations

-DC get an EDI (Electronic Data interface) transmission in advance of the receipt that serves essentially as an ASN (automatic shipment notification). Upon receipt from the factory, pallets are scanned for quantity, UPC, and date. The DC prints pallet tags, does an RF scan, and executes a directed put-away.

## Opportunities/ Recommendations:

1. Network reduction: (8-4 DCs)
2. WMS reduction (2-1)- Accellos- High Jump
3. DSD-Case picking->Voice Picking (Accuracy, Time, Cost)
4. Profile/ Slotting formally
5. D2C increase, when network optimization is complete



# Physical Infrastructure

## Distribution Centers

8 major DC's with a strategic plan to reduce that number to 4  
50-60 cold storage centers

## Opportunities

More advanced warning of incoming receipts  
Lack of industrial engineers  
Lean and Six Sigma not formally used

## Serving Customers

Plants ship "direct to customer" shipments, and the goal is to continue to increase this. When the current network optimization is complete, the DC network will be dramatically different  
Food Producer does not formally segment their customers and apply different supply chain strategies to each segment.  
Recommendation: Food Producer should start performing a yearly customer segmentation analysis where they... Identify their customers, divide them into groups, articulate their needs, evaluate and prioritize the best segments and develop specific marketing strategies



# Customer Service

## Approach to customer service

Food Producer's customer service/order management team really tries to own their relationships with customers. They are organized by channel teams and have single point contact with customers, handling special requests, complaints, issues, etc.

## Metrics/KPIs

- Percent EDI
- Order nonconformance
- Fill rate
- On time delivery
- Order lead-time

## How good is it?

Employees say late orders were 6-9% depending on category, and yet fill rates were measure 98.5%.

Food Producer could benefit from using a CSAT (Customer Satisfaction) score, in addition to its other KPIs, to more rigorously track how satisfied customers are with their products/services

The sum of all positive responses, divided by the total responses collected, then multiplied by 100



# Supplier Collaboration

## Overview:

### 3 Stages of Collaboration:

- Both parties recognize that the potential power and benefits of the collaboration are very high. It involves senior executive support and both parties acknowledge the effort needed from both sides for this to work.
- Companies have a Supply Chain strategy that is dependent on collaboration. The partners now have mutual trust and share strategies. They also have a plan to sustain the relationship
- The parties share KPIs and measure success as a group. (Desired Stage)

### Ingredients of success at the rare 3rd stage:

- The SC leaders from both sides were very committed to the collaboration
- Mutually developed and shared key performance indicators
- The trust and willingness to share data openly
- A plan to sustain the progress

# Supplier Collaboration (Current Process)

Food Producer currently uses third party providers in its supply chain primarily for non-pork meat/miscellaneous raw and packaging materials, limited contract manufacturing, warehouse/distribution management, and for their transportation carriers. Food Producer manufactures the vast majority of their products. As one of the three largest meat producers in North America, Food Producer has sufficient scale to efficiently utilize internal Manufacturing.

Food Producer uses external carriers for a majority of their outbound transportation. The transportation team starting carrier segmentation (different levels of partnership with largest carriers). Carrier scorecards and review processes will mirror the partnership level. Food Producer's transportation practices (payment terms, respect for drivers, flexible systems, etc.) have enabled them to limit the negative business implications of the national driver shortage crisis.



## Current Issues:

Food Producer currently has employed 3PLs to manage the majority of their warehouse and distribution operations. This has been a significant issue within the organization. The majority of those interviewed feel that 3PLs are not capable of delivering the

- expected cost
- Quality
- customer service results.

Those within the organization believe that building a Food Producer managed warehouse/distribution would be beneficial to the organization. They are

Planning on creating and starting one in Indianapolis.

Inventory could be optimized with a more rigorous analysis.

Customer service issues and supply chain defects can be masked by inventory that sub-optimizes the supply chain.



**A subpar 3PL can take a real  
toll on your business**

*...and your bottom line.*



# Supplier Collaboration (Recommendations)

1. The Food Producer should go ahead and finish their startup mission of implementing a Food Producer managed warehouse/distribution center
2. They should train the suppliers on the new software to make them more efficient and run into less problems
3. Try not to put the blame on 3PL's and try to build the trust and work together to make sure everything runs smoothly.
4. Improve the communication and make sure the right hires are made to manage these new warehouses/distribution centers with the right priorities in mind
5. Be careful about the 3PL's the company chooses to pursue business with because that choice is more important than people realize



# Benefits

Companies that reach stage three drive better fill rates, lower inventories, and lower cost , and thus higher economic profit. Food Producer has sufficient scale to efficiently utilize internal manufacturing. Driven by recent acquisitions, the number of manufacturing sites required is high. Finding the right Suppliers and having a healthy, hard-working relationship is the goal that every company should strive to achieve. Improved communication with all parties is important to improve Better fill rates, lower inventory levels, and lower cost.



# Information Technology

Many people in the company have serious concerns about the current IT

IT resources in the company are lean and much has been outsourced to Fujitsu

“Coming here was like stepping back in time 20 years; competition has more IT resources”

The CIO reports to the CFO, not the CEO

New initiatives on the way

SAP (System Applications and Products in Data Processing) Project

Widely used enterprise resource planning software that creates a centralized system for businesses that enables every department to access and share common data to create a better work environment for every employee in the company

Although some people believe that the SAP project will not be implemented on time, the goal is to have the first phase of this project done by January 2017



# Barriers

Little evidence of a process to track competitive actions in the supply chain

Tyson, Sara Lee, Hormel, JBS (ConAgra), Kraft, will all make changes that could require Food Producer to have a proactive strategy. If they can't track the actions of their competitors they will not be able to compete

Little evidence of risk planning done for the supply chain

A lot can change politically, economically, environmentally, etc. in the blink of an eye, and without plans to know how to deal with those threats, the supply chain can be at a huge risk

One Food Producer will require highly disciplined project and change management to be executed successfully

This is the most ambitious plan in the value creation portfolio  
There needs to be a clear process for project prioritization



**Questions?**