Case Study >>> Food Retailer

Lean & Green Improvement for the whole Supply Chain

Background

S A Partners was approached by one of the leading food retailers in the UK to carry out a comprehensive study of their supply chain and operations to minimise waste, reduce costs, improve flexibility, enhance availability and reduce environmental impact.

the Methodology

A team of executives from different functions along the supply chain was assembled to carry out "mapping" and identify key opportunities for improvement. They looked at the flow of the product in the supply chain from raw material production to product manufacturing to distribution and sales throughout the UK. A single Stock Keeping Unit (i.e. single line) was selected and the process was mapped in detail. A core team of executives followed lean thinking principles to identify waste and inefficiencies looking at both the physical and information flows. Some of the biggest gains along the chain were hidden in information flows such as generating and managing orders and communications which led to great waste reduction. The team went to the "work place" as much as possible, e.g. visited the manufacturing shop floor, retail store, distribution centres. The diagnostic phase took around 10 days over less than two month.

the Current State Analysis

Following a thorough analysis of the existing operations, the team identified the following key opportunities for improvement (sometimes by comparing the results to world class approaches using S A Partners knowledge of retail chains).

1. Many product specifications were misaligned to the needs of the customer (both immediate customers in the chain as well as the final consumer). There were many "quick wins" in this space eg creating a 5-10% saving in meat costs by reducing giveaway.
2. The product had a short life in the market. By reducing the time to market, the retailer was able to reduce costs significantly eg 10% lower in store waste and 3% higher sales from higher availability.
3. Reducing the number of touches in the supply chain. The team identified that the product was touched 43 times between manufacturing and the store, only 5 of which were adding value from the end customers point of view. The team designed a new supply chain operation which reduces the number of touches to 29.
4. Reducing demand distortion / amplification. Variation in demand (variation around mean) for this specific product at the retail end was only 26%. However, for the same product, variation in production of raw material at raw materials producer was 44%. This demonstrated great deal of "demand amplification" along the supply chain. Better joined up planning, promotional planning and control of inventory planning factors led to higher on shelf availability, higher labor productivity and cheaper purchasing of raw materials.
5. Optimizing store ranging and tray size create a more stable ordering pattern and reduces waste in store and increased sales

the Benefits and the Future State

More than 65 projects were identified, in total, for improving the supply chain. A supply chain continuous improvement (SC CI) office was established to manage implementation of all projects while enabling internal staff to take ownership of the projects and sustain change throughout the chain. It was also tasked to train staff wherever required.

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the Benefits and the Future State cont

The benefits delivered in the first year equated to a 2-3 % reduction in cost and a 3% increase in sales without any major capital investment was required. There is an identified stream of improvements that can be taken into the next year and the supply chain has begun to learn how to deliver improvements collaboratively.

the Lean and Green Benefits

By applying the principles of lean thinking the improvement team also delivered significant CO2 and water consumption reductions. Only for the single selected SKU more than 800,000 kilograms of CO2 were saved. This is equal to driving 5 million kilometres in an average size automobile which means surfacing the earth at the equator around 100 times. It was estimated that the overall savings, after roll-out could amount to much more.

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