

SYSCO MANAGES STOCK ACROSS 74 LOCATIONS

With Help From Manhattan

OPERATIONS

US Broadline and Redistribution Centres: 74

MANHATTAN SOLUTIONS

Replenishment, Demand Forecasting,
Warehouse Management, Transportation
Management, Transportation
Procurement, Labour Management,
Performance Management,
Supply Chain Intelligence



CHALLENGE

Sysco's stock managers needed multi-echelon systems to manage the company's demand forecasting and stock replenishment for its rapidly growing, ever-evolving business.

SOLUTION

Manhattan's solutions enable Sysco to forecast at the lower levels and project future orders between the customer-facing unit and the redistribution centre (RDC). System flexibility allows Sysco to move product from supplier manufacturing points or supplier distribution centres (DCs) into its RDCs, or directly into the warehouse network.

PROGRESS & RESULT

Sysco balances stock investment with customer service objectives to better manage working capital and improve cash flow. They achieved increased buyer efficiency (PO placement complete by noon), improved year-on-year stock DSO and reduced aged/obsolete stock levels.

'[The Manhattan] system is very flexible. We can move products from supplier manufacturing points or supplier DCs into our RDCs. We can also move products directly into the warehouse network of our operating companies. It's easy to switch from one supplier to another when the need or opportunity arises.'

RAY MORGENSTERN, SENIOR DIRECTOR, SUPPLY CHAIN, STOCK MANAGEMENT, SYSCO

NEW FLEXIBILITY FOR STOCK MANAGEMENT

at Sysco

425,000 CUSTOMERS EXPECT GREAT SERVICE

Stock managers at Sysco Corporation had a dilemma. They needed systems to manage the company's demand forecasting and stock replenishment. And they knew the company would be constantly changing. Should they improve the systems they had built in-house or buy new systems from a software provider?

More than 12 years later, Sysco still uses Manhattan's Inventory Optimization solutions to manage demand forecasting and stock replenishment. Sysco is now the largest food-service distributor in North America, with annual revenue of more than \$48 billion.

Sysco's customers include restaurants, travel services, schools, retailers, health care facilities and government organisations. Combined, they buy about 400,000 products from Sysco, including produce, dairy, meats, seafood, frozen, canned and dry foods, and beverages. Besides food, Sysco offers items such as paper goods and cleaning supplies.

Ray Morgenstern, Sysco's senior director of supply chain stock management, credits Manhattan with helping his company meet the exacting standards of Sysco's customers, who expect the company to fill their orders within eight to 24 hours.


SYSTEMS MANAGE STOCK LEVELS IN 74 LOCATIONS

Manhattan's forecasting and replenishment systems manage finished goods stock levels for what Sysco calls its Broadline business. Sysco's US broadline and redistribution network comprises a total of 74 facilities. Each US operating company serves as a 'forward warehouse' that ships to Sysco's customers.

Sysco orders its products from thousands of suppliers, both domestic and international. Goods flow from vendor to customer along one of three paths:

1. Vendor orders may ship to one of two RDCs. The RDCs, in Florida and Virginia, store stock and serve as break-bulk facilities. They ship multi-vendor, palletised loads to the company's operating companies in nearby states.

2. Vendor orders may ship directly to operating companies. This is the common path for locally produced items, for fresh foods and for operating companies that are a long way from the RDCs.



3. Some operating companies may order from others. This path makes sense when large operating companies buy enough volume to achieve economies of scale for smaller ones nearby.

'We and many other customers have solid relationships with Manhattan's customer services team. They know this side of Sysco's business as well as we know it. They're extraordinarily valuable, and they're a big part of the reason why we're so comfortable with Manhattan.'

PLANNERS GENERATE SKU-LEVEL FORECASTS AND REPLENISHMENT ORDERS

Teams of planners work at the company's Houston headquarters and in the operating companies. Collectively, they manage about 400,000 SKUs. Each operating company stocks from 6,000 to 15,000 items.

SYSTEM MANAGES MULTIPLE ECHELONS OF STOCK

The system works differently for the RDCs and the operating companies. Rather than forecasting demand for the RDCs, it rolls up the projected orders each RDC receives from the operating companies it serves. The system then places consolidated RDC orders with vendors.

When Sysco evaluated systems, they asked each software vendor a key question: Should they generate demand forecasts at both the operating companies and the RDCs? If so, how would Sysco reconcile discrepancies between lower-level and higher-level forecasts?

'We chose this system because it was the only one we saw that solved this problem,' Morgenstern says. 'It enabled us to forecast at the lower levels. And it projected future orders between the customer-facing unit and the redistribution centre. The maths and strategy were good.'

'This system is very flexible. We can move products from supplier manufacturing points or supplier DCs into our RDCs. We can also move products directly into the warehouse network of our operating companies,' he says. 'It's easy to switch from one supplier to another when the need or opportunity arises.'

NEW HUB-AND-SPOKE CAPABILITY ENABLES GREATER EFFICIENCY

As Sysco moves to the latest version of the Inventory Optimization software, Morgenstern says he looks forward to implementing a new capability called 'hub and spoke'. He says it will help improve efficiency at the operating companies that ship to other operating companies.

Such warehouses must manage a mix of both dependent and independent demand. They generate demand forecasts for their shipments to customers and roll-up orders from the Sysco operating companies to which they ship. Now they can combine both capabilities within the Manhattan solution.

MANAGEMENT OF WORKING CAPITAL DELIVERS BIGGEST BENEFITS

Morgenstern says Manhattan's IO system helps Sysco manage working capital and improve cash flow. It does so by enabling financial managers and stock analysts to balance stock investment against customer-service objectives. The system enables stock planners to set service-level goals by item and by location. It then calculates the right safety stock levels to achieve these goals. This capability can improve working capital by tens of millions of pounds.

'With increased buyer efficiency, we can now complete purchase order placement by noon. In addition, our year-on-year stock DSO improved significantly and we've been able to reduce aged and obsolete stock levels.'

Morgenstern also sees an opportunity for better forecast accuracy. He thinks Sysco can improve forecast accuracy by 2% to 5% by upgrading to Manhattan's Demand Forecasting solution.

As forecast accuracy improves, the Inventory Optimization system automatically reduces safety stock levels. As safety stock levels go down, stock investment decreases without compromising fill rates.

SYSCO ENJOYS A LONG-TERM RELATIONSHIP WITH SERVICES TEAM

'We and many other customers have solid relationships with Manhattan's customer services team,' Morgenstern says. 'They know this side of Sysco's business as well as we know it.'

'If I call them to ask how some functional capability would work and whether it's appropriate for what we're trying to accomplish, I know I'll get a straight answer,' adds Morgenstern. 'They're extraordinarily valuable, and they're a big part of the reason why we're so comfortable with Manhattan.'

