SupplyVelocity®

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CASE STUDY

Value Stream Analysis – Field to Table **Save A Lot**

PROBLEM / CHALLENGE

This grocery retailer and distributor faced rising costs throughout its supply chain. It launched a field-to-table initiative to look at and develop a plan to eliminate non-value-added work in its buying process, stores and distribution centers. It chose to use Lean to approach this challenge and partnered with Supply Velocity to facilitate the process.

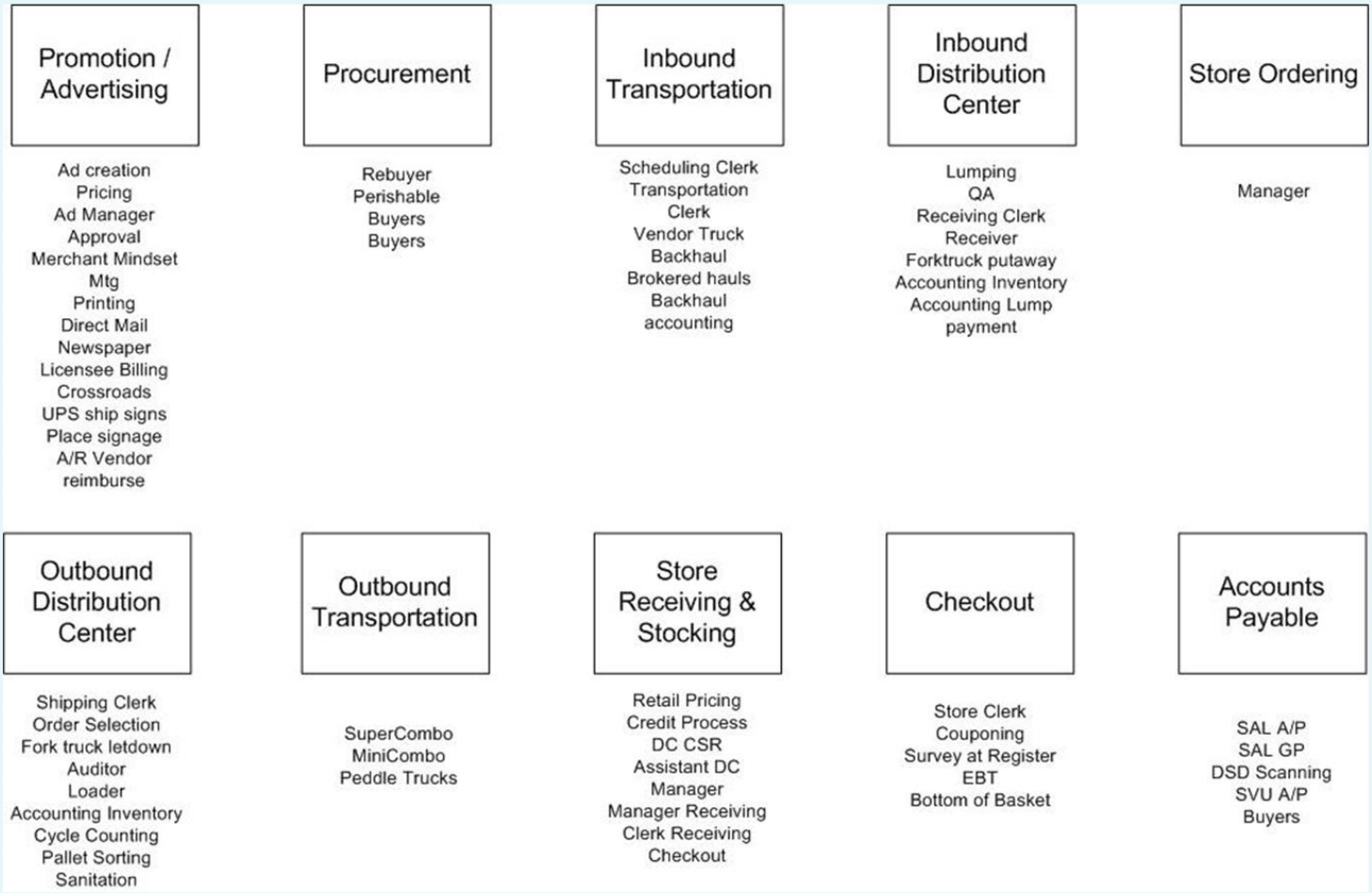
Value Stream Analysis

The first step of eliminating unneeded steps and reducing cost in the supply chain is to understand these costs. We used value stream mapping but altered this Lean tool to focus more on analysis of various costs in Save A Lot's supply chain.

IMPLEMENTATION DETAILS

- **Created a team from all functions in Save A Lot.**
  - Procurement, Distribution, Retail Operations, Accounting, Finance, Marketing
- **Mapped the Value Stream and created detailed list of sub-processes in in each major function**
  - See top of page 2 for Value Stream Map
- **Divided the team to quantify all costs in each function and sub-process**
  - Labor cost, transportation cost, waste, purchased services
- **Normalized all costs to 'cost-per-case' to rank improvement areas by greatest costs.**

FIELD-TO-TABLE VALUE STREAM WITH DETAILED PROCESSES



FOCAL IMPROVEMENT AREAS

- **Increase backhaul opportunities**
  - Save A Lot was lower than industry standard of backhaul % and each 1% = $417,000 in reduced transportation costs
- **SKU rationalization**
  - Save A Lot is a reduced SKU assortment grocery retailer but let its SKUs grow, reducing supply chain efficiencies
- **Increase store minimum case order**
  - Discovered stores order 57% of items one case at a time, increasing distribution center (DC) costs
- **Store checkout**
  - Store checkout times per item are 50% greater than competitor

RESULTS

- **Identified 37 areas for improvement**
- **Increasing backhaul to industry standard can reduce transportation costs by $8.5 million**
- **Increasing store-to-DC minimum case order quantity to 2 cases will reduce labor costs $360,000 in each DC**
- **Reducing store checkout time by 1 second can reduce store labor cost by $9.4 million**
- **25% of SKUs sell less than $25 per store**

Reference: Tony Botos, VP of Distribution
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PROCESS FLOW MAP OF PROCUREMENT AND TRANSPORTATION PROCESS

PARETO ANALYSIS OF SALES BY SKU