

Inbound Transportation Transformation

Chief Supply Chain Officer Forum

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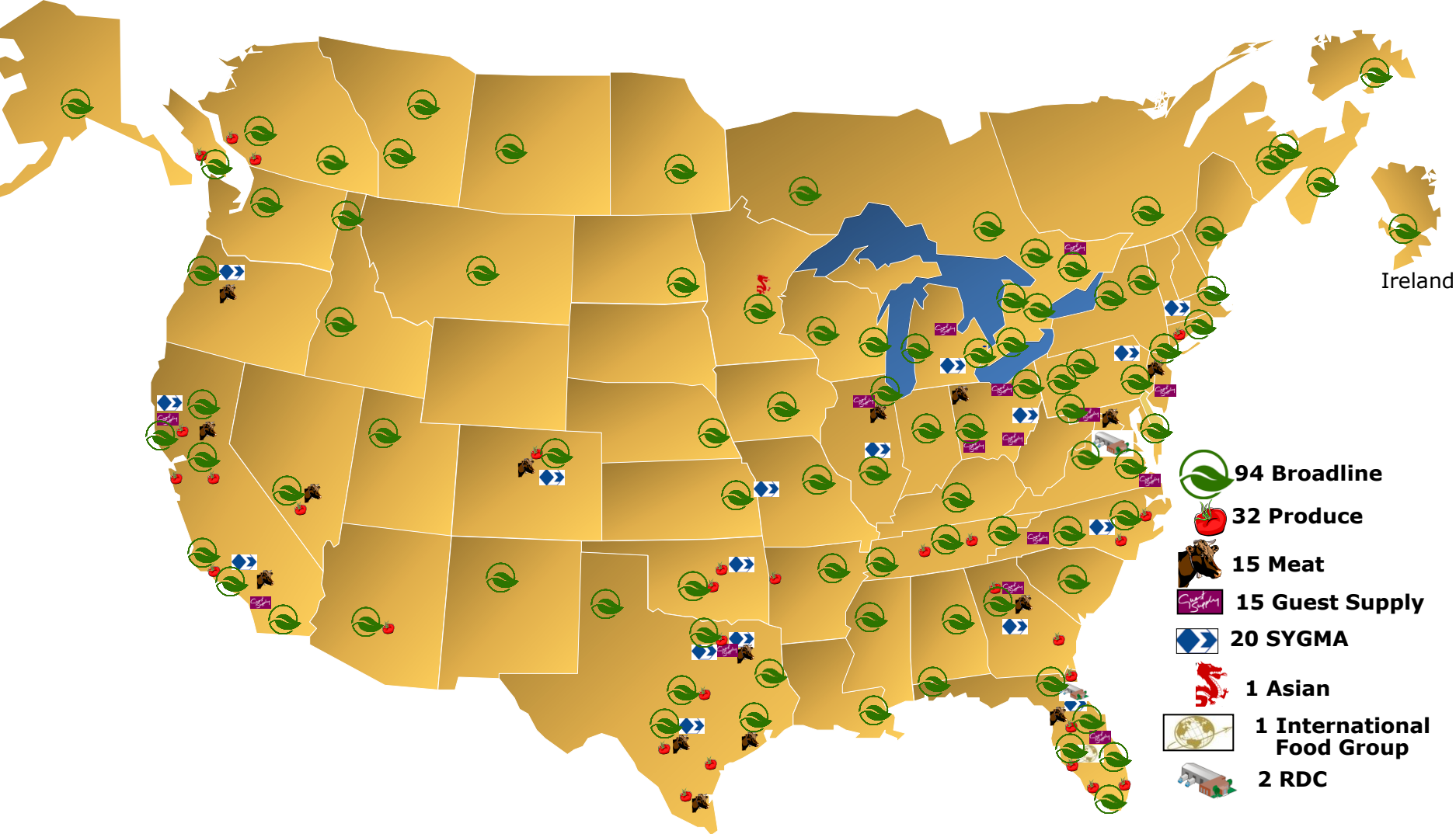


Sysco Overview

- ▶ Foodservice distributor. Serve restaurants, hospitals, schools, lodging and other eat away from home customers
- ▶ Distribute food products and related supplies and equipment
- ▶ \$38 billion revenues, Fortune 67, 17% market share
- ▶ 400,000 customers, 400,000 items, 46,000 employees
- ▶ Operations in US, Canada and Ireland
- ▶ Import 3.5% of products
- ▶ 60% of volume is frozen or refrigerated



Sysco Map – 180 Distribution Locations



Terminology

- ▶ **Broadline Operating Companies (Opcos)**
 - Largest part of Sysco's business – 80%
 - Each Opco is also a Distribution Center
- ▶ **Inbound transportation**
 - Suppliers to Opcos
 - Mainly for-hire carriers
- ▶ **Outbound transportation**
 - Delivery from Opcos to customers
 - Very large Sysco private fleet



Objectives of Reorganization

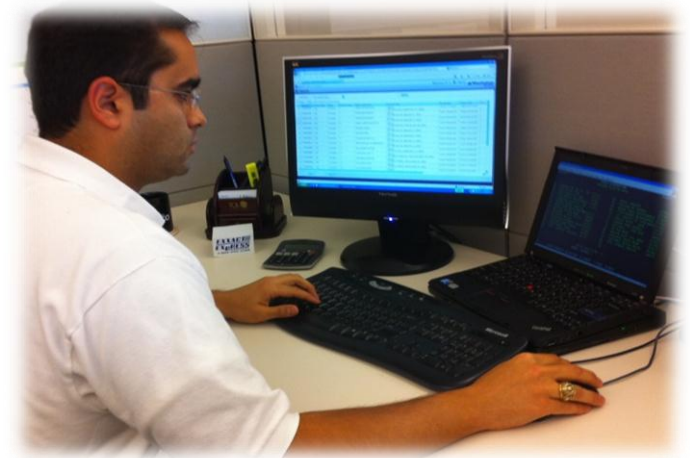
- ▶ Assure capacity
- ▶ Ensure predictable service
- ▶ Control costs
- ▶ Leverage Sysco's size
- ▶ Build organization and infrastructure which facilitates growth

Key Changes

- ▶ Centrally manage a function which was handled at each of 70 Opcos
- ▶ Establish new centralized functions:
 - National Inbound Transportation Center (NITC)
 - Carrier Development
 - Supplier Development
 - Optimization
- ▶ Place activities where most appropriate
 - Houston, Regions, and Opcos

NITC

- ▶ National Inbound Transportation Center
- ▶ Located in Houston
- ▶ Load planning and execution for US and Canadian Broadlines and SYGMA
- ▶ Staff of about 35
- ▶ Load Planners and Executers
- ▶ 7000+ loads per week



Carrier Development

- ▶ Capacity, predictable service, and cost
- ▶ National bids
 - Standardize terms with carriers
 - Lower costs through competitive bid
 - Lock in capacity
- ▶ More business with fewer carriers
- ▶ Advocates for carriers
- ▶ Mode shift to intermodal and rail

Supplier Development

- ▶ Convert suppliers from delivered to customer pick up
- ▶ Increase pick up from current 60%
- ▶ Perform analyses to determine equitable freight allowances and negotiate
- ▶ Collaborate with suppliers on ways to remove supply chain cost

Optimization

- ▶ Find ways to minimize cost
- ▶ Fill up trucks
- ▶ Multi-Opco loads
- ▶ Continuous moves
- ▶ National cross dock network
- ▶ Transportation / inventory tradeoff
- ▶ Change days of week and order frequency
- ▶ Use modeling tools to optimize network

Timeline

- ▶ Six months planning and gaining senior management approval
- ▶ Six months reassigning staff from Opco positions to new corporate positions
- ▶ Two years to move the function from the 70 US Opcos to Corporate
- ▶ Later the 18 Canadian Opcos were centralized over a 12 month period
- ▶ Then the 18 SYGMA DCs in about 6 months

Key Success Factors

- ▶ Absolute senior management support
- ▶ Clear and consistent vision and message
- ▶ Strong change management leadership

