



THE FOODSERVICE DISTRIBUTION CONFERENCE & EXPO

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EFFICIENCY, TECHNOLOGY, COLLABORATION



Identifying Purchasing KPI's from an Operations Perspective

Session OP15

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Why is it Important

- Purchasing and Operations use different KPI's
- In some instances this KPI's run in contradiction to each other
 - Purchasing wants to maximize turns
 - Operations wants to maximize cases per pallet to reduce operational costs
- To achieve better operational efficiencies it is essential to have both these departments on the same page

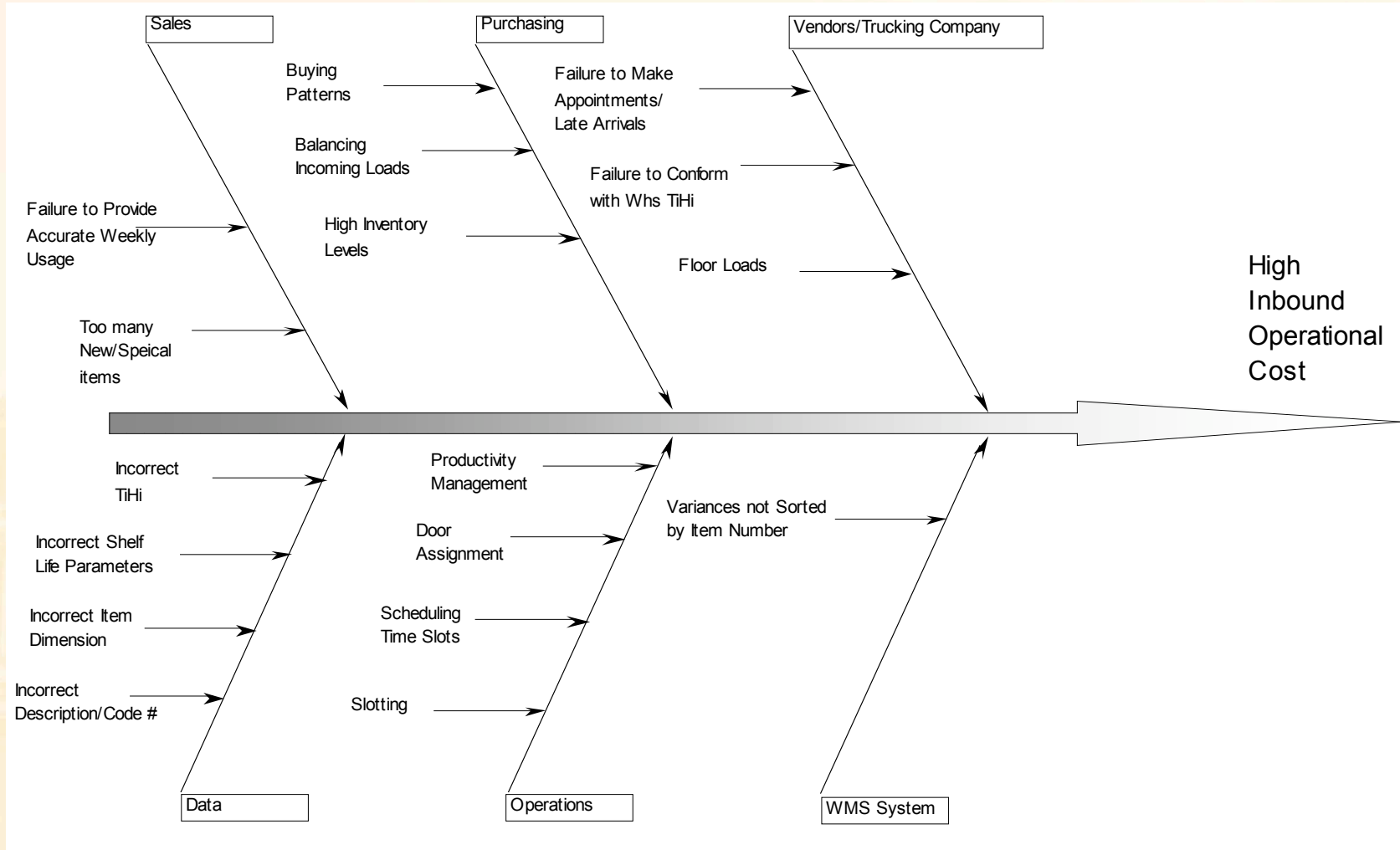
Process

- **Step I** - Identify the gaps between the two departments
- **Step II** – Establish targets
- **Step III** - Establish new procedures and KPI's in order to increase inbound efficiencies
- **Step IV** - Monitor the KPI's on a weekly basis

Identify Gaps

- Goal was to identify wasted steps, inefficient processes and unsubstantiated business methods caused by buying practices
- Brain storming session was conducted with key personnel from operations and purchasing
- This session lead to creation of cause and effect diagram

Cause and Effect Diagram



Identified Opportunities

- Balance Receiving
 - Minimize Inbound/outbound overlap
- Excess Inventory
 - Increase warehouse space utilization
- Accurate TiHi information
 - Buy in even layers to increase warehouse space utilization
- Shelf Life Override
 - Eliminate/minimize wasted steps
- Cases per Pallet
 - Reduce warehouse operational cost

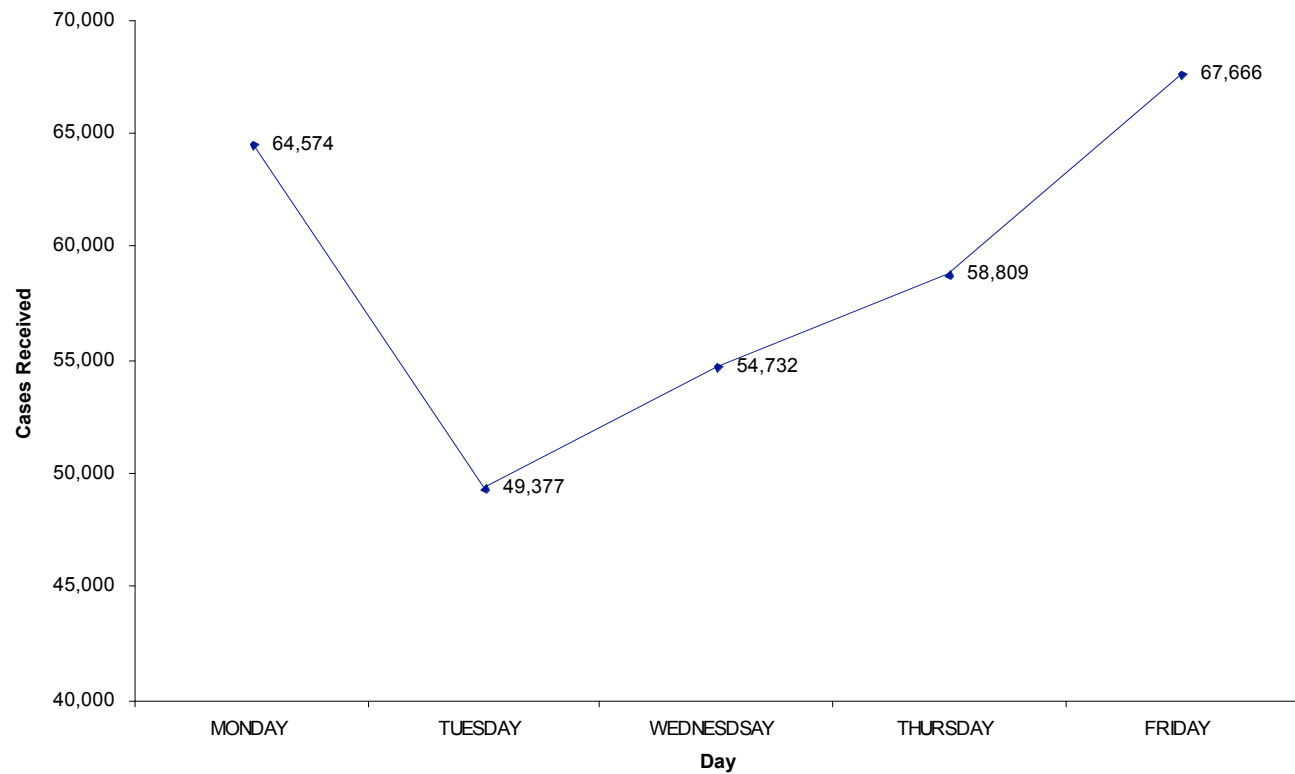
Balance Receiving

- Challenges
 - Inbound/outbound operations share warehouse dock
 - Overlap between two operations resulted in inefficiencies
 - Loss of productivity
 - Spikes in inbound schedule resulted in improper labor planning
 - Monday/Friday syndrome
- Target
 - To even out inbound schedule through out the week in order to eliminate/minimize overlap between inbound and outbound operations

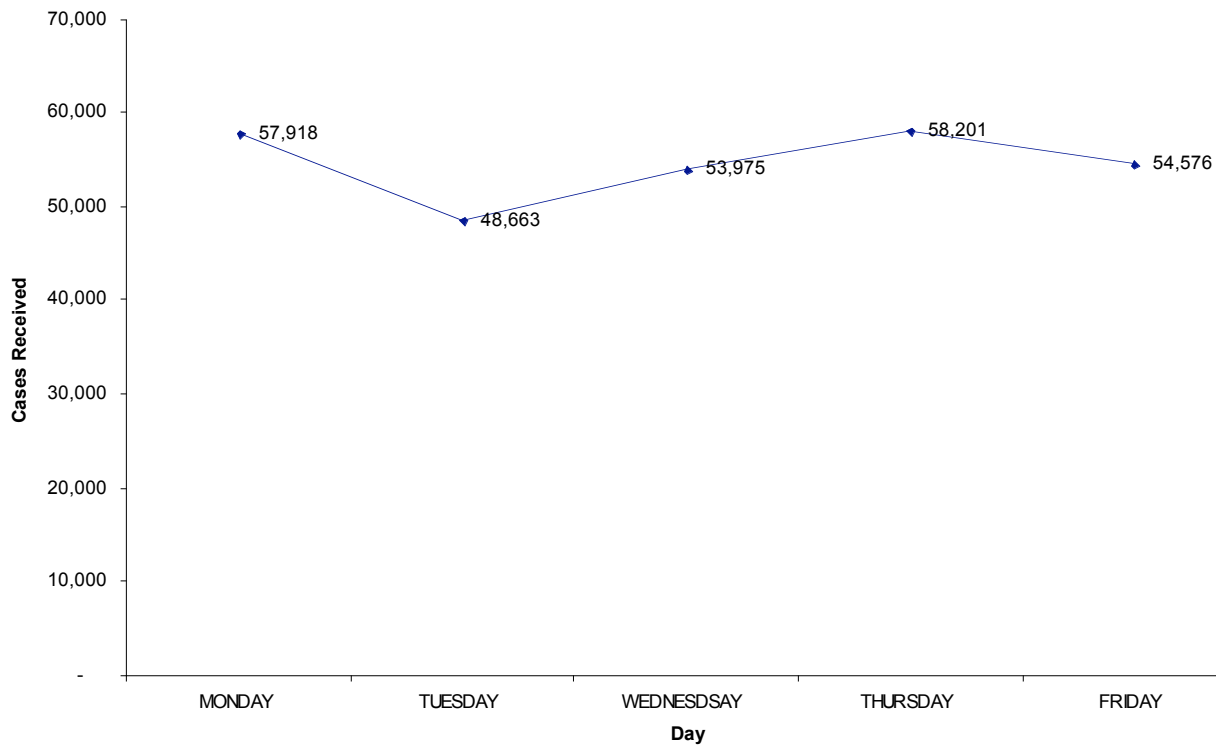
Balance Receiving

- Process
 - Inbound trend was studied
 - Reasons behind Monday/Friday spike were understood
 - Mostly it was dictated by buyer preference rather than business logic
 - Analyzed full truck loads vs. LTLs
 - It was easier to move full truck loads to different days rather than LTLs
 - Purchasing worked with vendors to move inbound loads to different days

Balance Receiving (Before)



Balance Receiving (After)



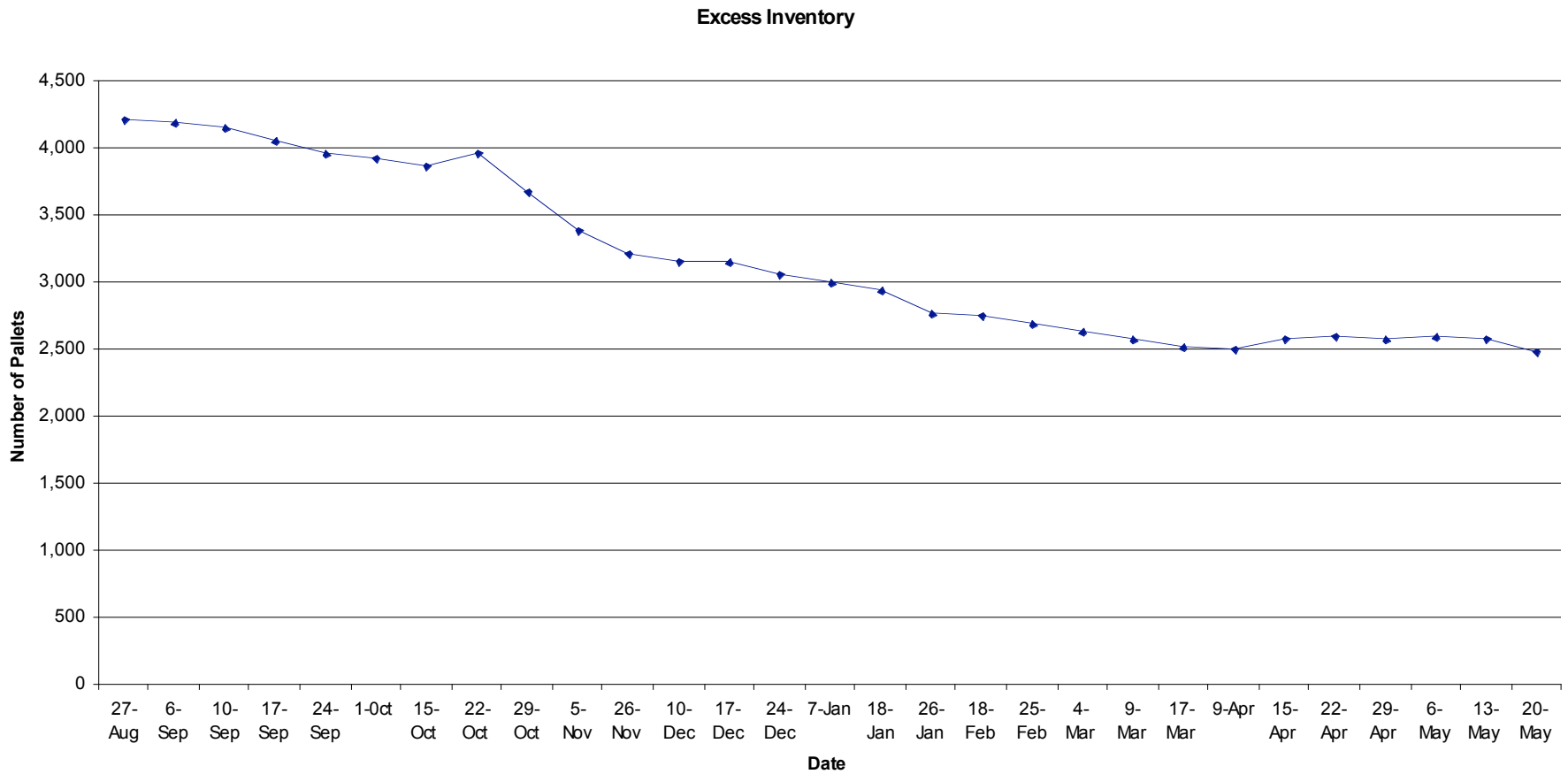
Excess Inventory

- Challenges
 - Results in inefficient utilization of warehouse space
 - Loss of productivity for putaway and replenishment operations
- Target
 - Eliminate pallets sitting in warehouse for more than 3 months

Excess Inventory

- Process
 - Identified the causes of excess inventory
 - Inaccurate forecast by sales
 - Buy-ins by purchasing department
 - Even if it saved just a penny a case
 - Sales team was challenged to move the product that was forecasted inaccurately
 - Buyers had to work with operations for any buy-ins
 - Operations consolidated/re-located pallets to increase space utilization

Excess Inventory



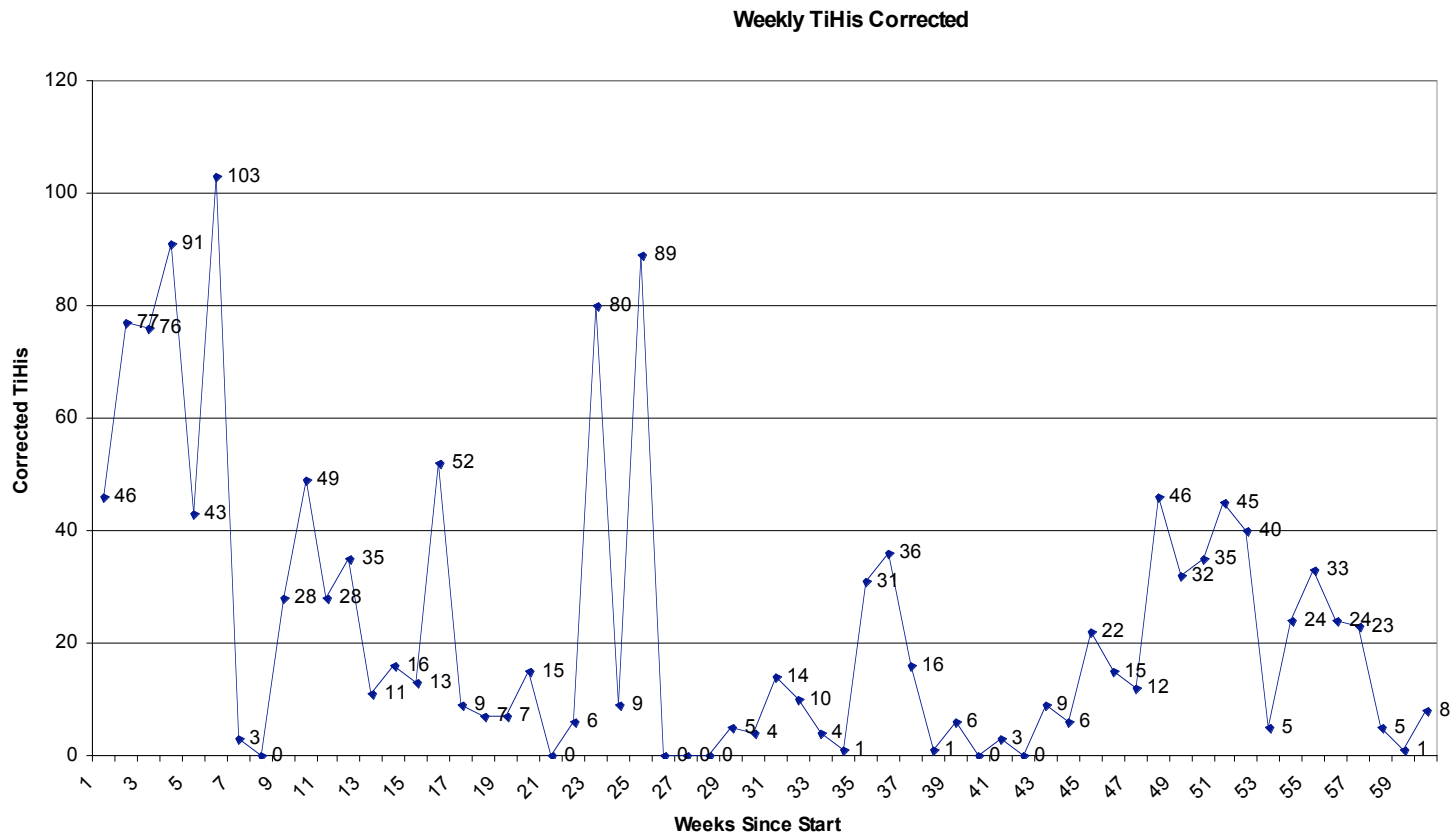
TiHi Information

- Challenges
 - Inaccurate TiHi information resulted in inefficient buying practices
 - Uneven layer pallets
 - Inefficient space utilization and product slotting
 - Productivity loss during putaway operations
- Target
 - Correct TiHi information in the system and establish a process to identify potential TiHi issues during receiving

TiHi Information

- Procedure
 - Receivers were held accountable for all the TiHi information associated with an items
 - Process was put in place to correct the warehouse and vendor TiHi information as soon as it was caught by our receivers
 - TiHi change information was passed along to the buyer so that they can make the necessary changes on their side
 - Correcting TiHi information on E3

TiHi Information



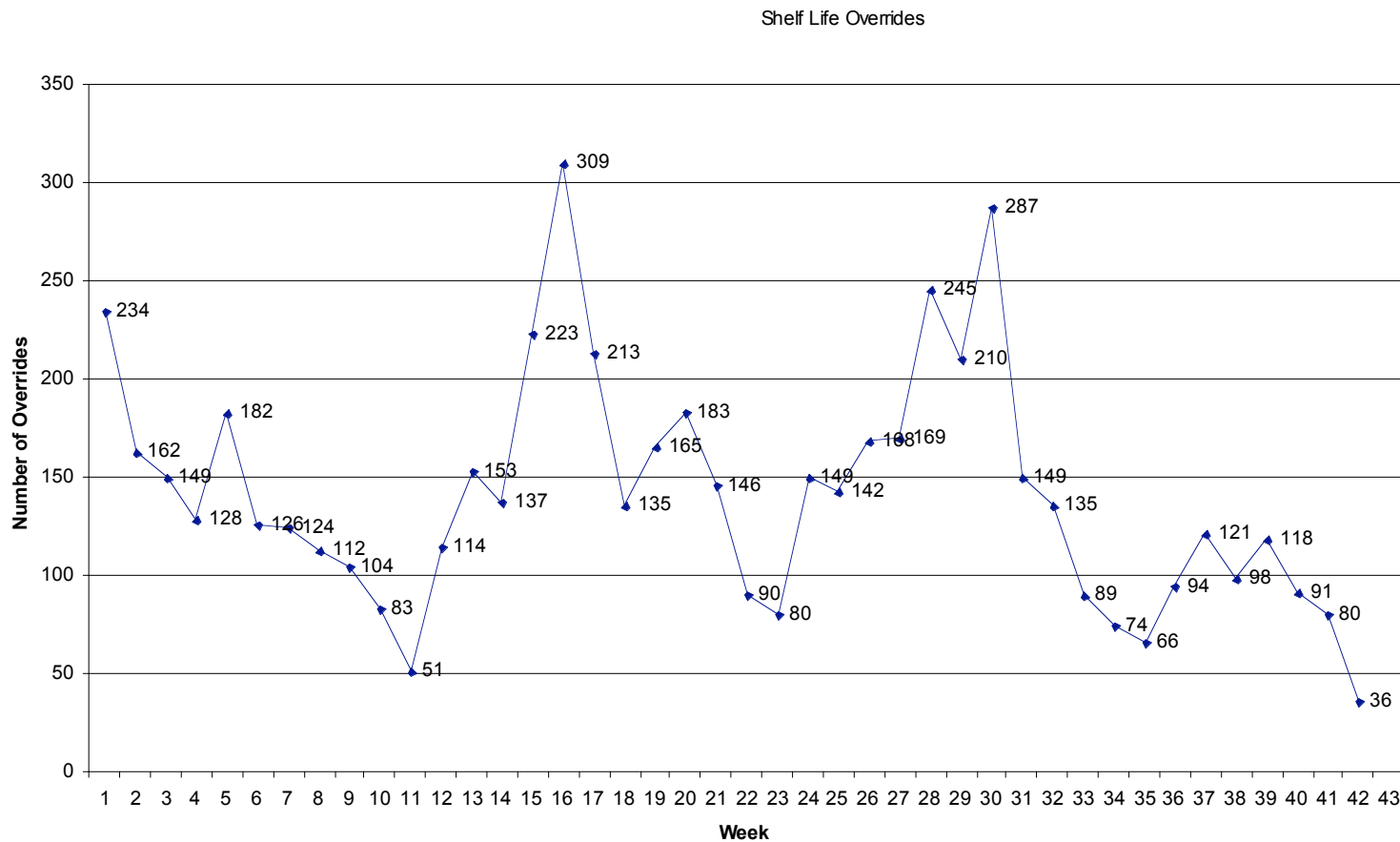
Shelf Life Override

- Challenges
 - Resulted in extra labor during receiving
 - Receivers got into a habit of ignoring this warning since for the most part it had to do with incorrect setup
 - Resulted in more shrink
- Target
 - Eliminate overrides because of incorrect parameter setup

Shelf Life Override

- Procedure
 - Monitored all the overrides for 7-8 weeks
 - Shelf life parameter setup for items was corrected during this period
 - Receivers were held accountable for overrides
 - Receivers were made to see their supervisor in case of an override
 - Cause of every override was understood before receiving the product in the system
 - Short dated product was refused and sent back to the vendor

Shelf Life Override



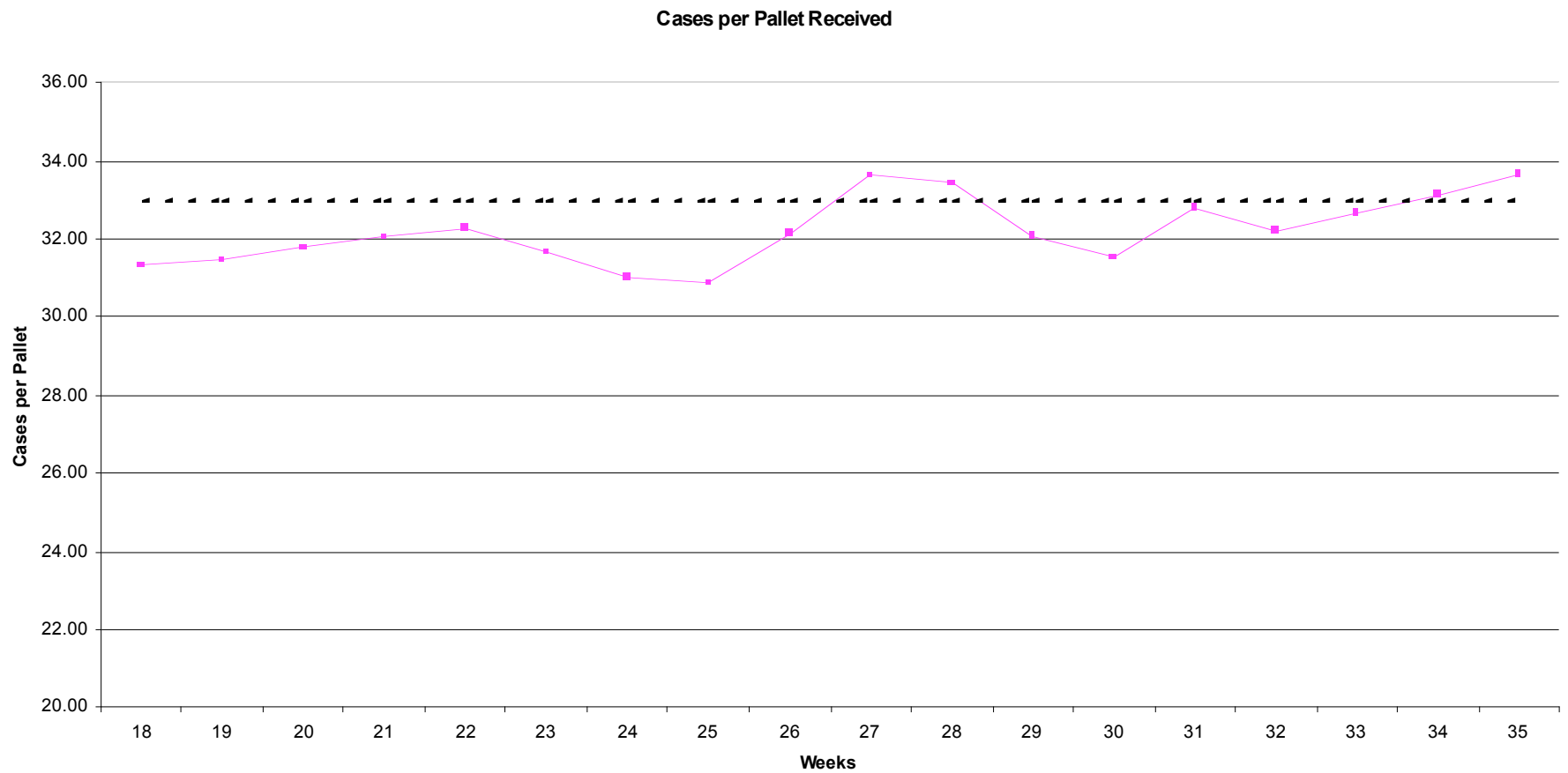
Cases per Pallet

- Challenge
 - Buyer were buying partial pallets of product multiple times a week
 - To increase number of inventory turns
 - Resulted in excess labor
 - Lump multiple pallets
 - Receive multiple pallets
 - Put-away multiple pallets
- Target
 - Eliminate/minimize buying partial pallets of product multiple times a week

Cases per Pallet

- Procedure
 - Buyers went through the setup for all the product that were scheduled to be bought multiple times a week by vendor
 - Correcting item TiHi data was a re-requisite to this project

Cases per Pallet



Conclusion

- Purchasing KPI's are designed to run their department optimally but can have a negative impact on operations
 - Buying partial pallets multiple times a week to increase turns
- Purchasing buying and inventory management practices control the success of Operations team
 - Buy-ins to save penny on a case
- In order to be successful in today's competitive environment it is important to have KPI's for Purchasing department that would create efficiencies in the warehouse



Questions??

Thank You

The background of the slide is a faded, golden-yellow image of a city skyline. In the foreground, a large steel truss bridge spans across a river. The city buildings in the background are partially obscured by the bridge's structure and the overall faded effect. The text 'Thank You' is centered in the middle of the image in a black, serif font.