



DISTRIBUTION CONSOLIDATION

Saves \$40M

A major food company was experiencing problems with its direct store delivery (DSD) operations. The distribution network consisted of more than 100 company-owned and/or -operated DSD depots across the country. Many of the depots were small and located in isolated markets, and consequently experienced significant issues with inventory levels, order fill rates, and high operating costs.

The company conducted a comprehensive analysis and decided to consolidate the network into a smaller number of larger depots and expand truck shuttle operation to serve more remote customers. They hoped that these modifications would reduce inventory levels, improve order fill rates, and reduce overall operating costs.

WORKING WITH LIMITED RESOURCES



Although company employees were willing to increase their efforts to implement the project, they were already fully consumed by ongoing operating responsibilities. Without effective planning to execute this strategically important project, a successful outcome within the approved 30-month time frame would be difficult, if not impossible to achieve. Adding to the challenge, there was a strong desire to considerably shorten the schedule to 18 months to accommodate the company's plans to utilize the DSD network for other products.

With millions of dollars in annual savings at stake, time was critical. The company did not have an internal project management resource with the necessary skills and experience to lead the team and execute the project.

Initial progress was slow, and results were mixed. Three months into the project, it became clear that stronger project leadership was needed in order to organize and accelerate the team's activities. It was at this point that the company engaged IPM to manage the execution of the project.



PLANNING TO SUCCEED



Working collaboratively with the project team and other key stakeholders, IPM developed a comprehensive integrated project plan that included all of the required tasks for commissioning the new master depots and

closing the existing depots. Next, IPM led the team through an optimization process that reduced the schedule to the desired 18 months without jeopardizing customer service or production operations.

With IPM's professional project management leadership, the DSD network consolidation project was able to meet the accelerated project schedule. Results included:

- Annual operating savings: \$16 million
- Capital investment reduction: \$20 million
- Order fill rate: greater than 99 percent (improved from 96 percent)
- Schedule: 18 months, a 40 percent reduction from the original plan

