

## CASE STUDY

# DMS SLASHES COSTS, BOOSTS SERVICE LEVELS FOR UNITED SUPERMARKETS



United Supermarkets, a privately owned, regional grocery chain operating primarily in west Texas, was determined to move toward self distribution. The objective was to reduce costs and improve service.

After relying on a wholesaler to provide distribution services for many years, the company recognized it lacked key resources in-house to transition successfully and manage this new model. One crucial area of need for United Supermarkets was Demand Management Services (DMS), a multi-step, operational supply chain management process used to create a reliable forecast and a quality replenishment/ deployment plan.

## CUSTOMER CHALLENGE

The wholesale distribution model relied upon for many years by United Supermarkets lacked transparency and often resulted in excess inventory costs to support customer demand. The grocery retailer also experienced significant margin erosion due to wholesale markups. Moving to self distribution gives retailers more control over inventory and pricing, but also requires taking over processes previously handled by the wholesaler. To optimize the benefits of self distribution, United Supermarkets needed a partner that could perform demand and replenishment planning services. Knowing this was not an area of core competence, United Supermarkets engaged DHL Supply Chain to provide DMS in addition to building and managing its new distribution center in Lubbock, Texas.

### CUSTOMER CHALLENGE:

- Provide technology and expertise required for self-distribution
- Reduce inventory
- Improve customer service

### DHL SUPPLY CHAIN SOLUTION:

- Build and operate a distribution center
- Provide Demand Management Services
- Leverage expertise of the team

### CUSTOMER BENEFITS:

- 40.9 percent reduction of inventory days on hand
- 39 percent reduction of inventory dollars
- 4.6 percent increase in service level
- Product is available in stores
- Successful transition to self-distribution



## DHL SUPPLY CHAIN SOLUTION

DHL Supply Chain constructed a build-to-suit distribution center in Lubbock, Texas, with systems and processes to support this new self-distribution model.

Planning and executing DMS, which includes demand planning, replenishment, deployment and reporting services, was key to the cost and service improvements desired by the customer. Achieving reduced inventory costs and maximized service level in the competitive west Texas marketplace required the DMS team to provide a consistently accurate and reliable forecast. With United Supermarkets' vendor assortment consisting mainly of short lead time suppliers with rigid minimums, the selection of strategic planning parameters was paramount.

The DMS solution included extensive process customization and robust historical analysis. DHL Supply Chain was able to tailor its solution specifically to this environment and put together a highly-skilled, industry-experienced DMS team. The demand plan was developed by combining historical shipments, customer promotional plans, market intelligence, product availability, seasonality, trends and prior forecast accuracy. The demand planning group was responsible for performing independent management, coordination and data integrity control over historical demand data used for statistical forecasting.

Replenishment analysts were responsible for inventory management activities required to maximize customer service, while minimizing the customer's overall inventory investment. They used strategic safety stock targets and buying processes to achieve optimum inventory position to support customer demand. This team worked closely with demand planners, customer category managers and various trading partners to ensure the right inventory balance was maintained at all times.

## CUSTOMER BENEFIT

Replenishment plans for 490 vendors were developed, and daily recommended orders were interfaced to an enterprise resource planning system. With demand planning and replenishment planning working together to maintain the right inventory levels without sacrificing high customer service, DHL Supply Chain's performance on the key metrics of customer service level and inventory days on hand exceeded expectations.

Within the first two years, the project was able to:

- Reduce inventory days on hand 40.9 percent
- Reduce inventory dollars 39 percent
- Improve the service level gap from 94 to 98.6 percent
- The successful implementation and management of DMS helped United Supermarkets successfully transition to a self-distribution model. With lower costs and improved service levels, DHL Supply Chain helped United Supermarkets continue to assure customers of "a fair price, quality and freshness, outstanding selection, uncompromised integrity and unparalleled customer service."

## QUOTE

*"As market demand changes, a company's ability to detect it, understand it and respond to it is critical. Engaging us to manage this part of the supply chain allowed United Supermarkets to focus on growing sales and expanding into new markets."*

Monica Downfield  
Director of DMS DHL Supply Chain

**For further information**  
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