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Service So Good

by

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I. Who and what is Kraft Foodservice?

- 1 of 7 operating units of Philip Morris
- Philip Morris is \$57 billion company, primarily tobacco and food
- Tobacco represents \$25 billion
Food and beer represent \$32 billion
Foodservice distribution represents \$3.5 billion
- Kraft Foodservice
 - Headquartered out of Chicago
 - 45 sales/distribution centers
 - Covers 95% of the U.S. market
- Fragmented, 4,000 distributors, very slow consolidation
- Top 5 (15%), top 50 (20%)
- Growth . . . slowed
- Last 5 years 5.4%, 1991/92 3.6%
- Low margin/a need to turn inventories, can have attractive return
- Some industry pressure on margins
- Finding other ways to compete
- Including service
- Answering question

II. Foodservice industry (as a distributor)

- Our customers
 - Restaurants, hotels, hospitals, caterers, etc.
 - We sell and ship an array of food and non-food items (from meat/chicken to cups and brooms)
- The industry
 - Approximately \$115 billion in 1992

III. A typical day

- Receiving
 - Warehouse 180-220,000 square feet (freezer, dry, 3 to 4 coolers)
 - 800 suppliers, 8,000 SKUs
 - Receive 28,000 cases a day
 - Put away/let down

- Sales force
 - 50 reps., 12 sales phone coordinators
 - 700 orders from customer base of 3,500
 - Orders taken today would be for delivery tomorrow
- Picking/selection
 - 700 orders equal 28,000 cases
 - Selected, staged, loaded on truck
- Trucks begin delivery early morning (2 a.m. sometimes)
- Between 55-60 trucks
- Trucks complete late afternoon
- Not unlike many industries
- Our complexity lies
 - Vast maze of transactions (products/vendors/customers)
 - Very short lead time
 - Traditional customer/supplier/employee habits
 - Overwhelming opportunities for error
- Don't understand why we as distributors
 - Failure to execute simple orders
- Customers . . . all we want is . . .
 - What I ordered . . . no outs
 - When I want it . . . Tuesday between 9-10:30 a.m.
 - In good condition . . . no damage
 - At the price promised
 - See little difference between distributors
 - To them we're all bad . . . why?
- Research shows
 - 1 out of every 2 orders has a problem
 - 50% of orders have some type of problem
- Customers' reaction
 - Become de-sensitized . . . don't have high expectation
 - High error rate accepted
 - Response . . . split the business . . . multiple
 - Insure back-up
 - Not cost efficient for an operator, but necessary (latest research 6 total distributors, 2 broadline)
- Our research also asked
 - What if, would you be willing . . .
 - Getting back to an earlier question
 - Is there a real, tangible value in having significantly improved service?

IV. How our industry views service

- Distributors talk about service
 - Service more "talk" than reality
 - Read periodicals - 98.5 - 99% service levels
 - Is it real? . . . Talking about fill rate.
- Customers view service much differently
 - Conducted research using an outside research firm

- Fairly comprehensive set of questions to get at:

- What they view as service

V. The opportunity

- The obvious

- Reliability, more of a customer's base
- Should help get new business
- Prevent some of our lost business

- The not so obvious

- Noise level
- Cost of error to distributor
- Don't care what number used, it's big
- Same true for cost to customer

- Our conclusion

- Yes, the opportunity is likely enormous, but
- Rethink fundamental way we conduct business
- Anything less than perfection is a customer disservice
- Measurement must be customer driven - not case driven.

VI. How we got started

- Defined service

- Perfect invoice
- 16 major errors (subs, sales)
- How we would track - how much detail - how often?

- Would location need support/help . . . Yes, but ownership must reside with the location/employee

- Lots of unanswered questions

- Selected two pilot locations

VII. How we implement SSG . . . Framework

- Kick-off meeting

- All employees
- Explain the how, what, where, when and why
- That it's a 3 phase process

- 1) SANDRA 90
- 2) CSI
- 3) MARKET

- Combination of team work and technology
- Introduce the transition team

- Our objective, which actually later became our mission

- Recognition by customers as leader
- National "brand" distinctly superior service

- What's a "brand"?

- Tangible, real
- Consistent

- Protected (barriers to entry)
- Well marketed, properly priced

- Our guiding principle

- Empowering, training
- Resources to perform job right first time

- Tracking - what's CSI

- Daily, department, individual
- Plastered everywhere
- I need help forms
 - Guaranteed response (200 in the first week)
 - Simple, but most effective tool
- Transition team
 - Each functional area (sales, operations, procurement, finance, human resources, systems)
 - Business knowledge, system knowledge
 - Facilitator for problem solving
 - Integrity of numbers
 - CSI tracking
 - Error resolution - Reactive Mode
 - Agent of change - Proactive Mode
 - Inter-department communication
- We explain the keys to success

Focus - Common goal, #1 priority

Ownership - What's their role

Teamwork - Group problem, inter-department

Change - Emotional roller coaster

Celebrate success

- The benefits

<u>Customer</u>	<u>Employee</u>	<u>Company</u>
What	Job easier	Satisfied customers
When	Job satisfaction	Market share
Good condition	Job security	Acct. penetration
Price promotion		Financial success

- Pass the challenge
 - Process not project
 - Forever

VIII. What have we learned to date?

- From employee's standpoint
 - It works/ownership
 - They like, they participate
 - It's achievable, no burnout
 - Breaks down functional walls
 - Who is the customer?
 - Lots of pride
 - New levels of achievement (selector 130K, customer service 37 weeks)
 - Defined the training needs of employees
- Remember we didn't tell them *how*, only what we wanted to achieve
 - Work with/ride with
 - Wall of fame
 - Committee/task force
 - Inter-location competition
- From customer's standpoint
 - Begin to notice a difference
 - At about 80% perfection, they begin to comment
 - Between 80-85%, we begin to tell them
 - Consistently over 85
 - Raised the level of expectations

- Good/bad (competitors' mistakes more evident)
- From company's standpoint
 - Culture/morale (better way to do business)
- Evolution of selling process
 - Took orders (green beans)
 - Talked portion cost
 - Total food cost
 - SSG - total operational cost
- From a visibility standpoint
 - Sign up boards
 - CSI tracking (also at headquarters)
 - Truck logos
 - Stickers for invoices
 - Coordinating/direct mail/food shows
 - Recognition programs (Toni's Tigers)
- From a structure standpoint
 - Location ownership
 - Transition team has really helped
 - Formed a SSG Council (functional)
 - Consistency
 - Share learning
 - Professionalize material (amortized)

IX. Where are we?

- Timing
 - First two pilot locations, 9-12 months
 - Now 8-10 weeks, 11 locations
- Continuous improvement process
 - Further external research (DSI)
 - CSI, DSI, VSI, CMI, Customer Feedback Rating
 - Added more training (Pro Customer, SST)

X. Next steps

- Feel good about results to date
- Will continue implementations
- Know we still have a lot to learn
- Hope someday we've really created a "national brand of distinctly superior service."
- And it's truly recognized by our customers across the entire United States