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Sobeys Realigns Its Distribution Network

By Ed Treacy

Revamping the distribution network at the new Sobeys Inc. was one of the first initiatives the company undertook after its acquisition of The Oshawa Group Limited (OGL) in November 1998. After the merger, Sobeys became the second largest food distributor and the largest foodservice provider in Canada.

Prior to the acquisition, however, OGL had been in the process of redeveloping its supply chain. After recognizing the inefficiency of the current network, they recruited me in October 1997. I was hired by OGL as vice president, National Logistics, a newly created position with the mandate to set the strategy for the entire national supply chain – for both retail and foodservice operations.

The existing OGL distribution network was neither cost- nor service-effective. With the absence of any common systems or procedures, and basically too many distribution centres, the total supply chain wasn't running nearly as effectively as it could or should have been.



I began by establishing a national logistics team comprised of the supply chain heads at each of OGL's divisions and the consulting firm KOM International. A complete analysis of the national supply chain was done and the team began to develop the plan.

OGL's board approved the national logistics team's plan but, shortly before it was to be announced and rolled out to the company, Sobeys purchased OGL. The team began working on a revised plan and it was immediately evident that even more streamlining was needed with the amalgamation now causing a great deal of duplication.

The national logistics team, with the addition of the Sobeys Vice President, Distribution, Buzz MacCallum, prepared a new strategy and presented it to the Sobeys board shortly after the merger. The green light was given almost immediately and I was promoted to senior vice president, supply chain management.

Our vision was simple. We intended to minimize the total supply chain cost of moving product from source to customers, while improving service levels to those customers. This is what was required in order to run an efficient distribution system.

The first task was to concentrate specifically on retail distribution in Ontario, now the largest market of the new company. After the merger, Sobeys serviced more than 400 stores in Ontario under the banners Sobeys, IGA, Price Chopper, Price Check, Food Town, Foodland and Knechtel. The distribution network was comprised of five separate distribution centres in Malton, Etobicoke, London, Milton and Brantford, each stocking specific merchandise and servicing all of the above stores in Ontario. As a result, some of the products were being handled up to nine times prior to delivery and pallets weren't being managed as effectively as required. In short, the network was neither service nor cost-effective.

Working with the national logistics team, specifically with Tim O'Connell, vice president, Integrated Logistics, for the Sobeys Ontario division, we devised a strategy for the Ontario distribution network that was drastically different from what currently existed. Our goals were to lower costs, reduce total hours required for same volume, increase service levels, establish consistency and standardize systems, procedures, management reporting and business practices.

We proposed a plan that would meet their goals: close the Malton, Etobicoke and London distribution centres, expand the Milton facility and build a new facility in Whitby.

Our recommendation was to build two full service facilities that would stock all merchandise, and have those facilities strategically placed to maximize efficiency and transportation time. We recommended placing these two DCs on either side of Toronto so that Milton could service all of the corporate and franchised stores to the west and Whitby could service the stores to the east.

The Milton facility was to be expanded to 479,000-sq. ft., up from 145,000-sq. ft., and the Whitby facility built to 418,000-sq. ft., Both centres are optimally located to service the stores in the fastest, most effective way possible. The advantages to the retailers are enormous. They will be serviced from one distribution centre only, which will cut the service times substantially. The elimination of cross docking will ensure higher order accuracy. In addition, they will receive consistent, on-time deliveries.

The Milton facility is run by Axis (a member of the Tibbett & Britten group), with Thomson Refrigerated and Canada Cartage providing the transportation. In Whitby, Ryder Logistics runs the operation and the transportation is handled by Wilson's Truck Lines. Both facilities are fully operational as of the end of February.

We're confident that the new Ontario distribution network will meet the goals identified by the team and allow the group to carry out its vision.

Although the majority of the changes to the distribution network took place in Ontario, our team was also responsible for making changes to the rest of the country's distribution. In the West, the Calgary facility was expanded and the Winnipeg facility renovated, allowing for the closure of the Saskatoon facility. The result was again a more cost- and service-effective distribution system. In Quebec, where there are five distribution centres, the Montreal and Quebec City facilities were expanded to allow for potential growth. In the East, the acquisition

caused overlap in the retail side of the business and, as a result, the company divested some of its retail business. There are now a total of seven distribution centres in Atlantic Canada.

Other initiatives

Another major initiative we are currently implementing is the installation of the EXE warehouse management system in all of the retail and foodservice warehouses in the country. The system is commonly used to produce the best possible methods and practices.

It has now been installed in the majority of the distribution centres, with the remaining ones to be completed early in 2001.

In addition, Sobeys will be installing Engineered Labour Standards in most facilities over the next two years. The system will measure how much time specific assignments should take to complete against the actual performance.

The EXE System and Engineered Labour Standards with common best practices will increase productivity in the distribution centres and, in general, improve service and reduce cost.

We've come a long way in supply chain management, but we're not finished yet. We will continue to identify the best practices and methods in order to execute our vision and remain cost- and service-effective.

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Senior vice president, Supply Chain Management, Sobeys, Ed Treacy and Tim O'Connell, vice president, Integrated Logistics, for Sobeys' Ontario division, proposed a plan that would meet the company's goals: close the Malton, Etobicoke and London distribution centres, expand the Milton facility and build a new facility in Whitby. In Whitby (above), Ryder Integrated Logistics runs the operation and the transportation is handled by Wilson's Truck Lines.