

# Ahold Delhaize's supply chain transformation

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**In 2019, global grocery retailer Ahold Delhaize announced it was investing \$480 million to transform and expand its U.S. supply chain operations in support of a new three-year strategy to move to self-distribution. In self distribution, the company insources many supply chain activities that were formerly outsourced.**



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Ahold Delhaize was formed in July 2016 from the merger of Ahold and Delhaize Group. With a very strong East Coast presence, the US operations generated over \$47 billion of the global retailer's revenues – over 60 percent of the total. Prior to the Ahold Delhaize merger, Delhaize did their own logistics and most of their own procurement. Ahold, on the other hand, outsourced about 70 percent of their logistics and procurement to C&S Wholesale Grocers, US largest wholesale grocery supply company.

In the U.S., 17 distribution centres provide fulfilment to over 2000 stores on the East Coast. 1.1 billion cases flow through this network every year. The warehouse network will expand to 26 facilities by 2023. In the deal announced in December, Ahold Delhaize USA will take back all the outsourced distribution centres over the next 30-36 months. Retail Business Services, the shared services group that has emerged subsequent to the merger, is responsible for this supply chain strategy.

“Moving to a self-managed supply chain will enable Retail Business Services to reduce costs for the local brands it serves, improve speed to shelf, deepen relationships with vendors and better position our companies’ distribution centres in the communities they serve,” according to Chris Lewis, Executive Vice President of Supply Chain for Retail Business Services . “These changes will enable us to take advantage of financial and strategic value within procurement, logistics and warehousing to provide the freshest product through the most advanced, efficient delivery network in the grocery industry. Once the transformation is complete, Ahold Delhaize will save \$100 million per year.”

### **Technology is key**

While good placement of warehouses helps reduce the miles trucks drive to fulfill orders to the stores, transportation management systems (TMS) also play a key role. Currently 1,000 trucks are traveling more than 120 million miles annually across the East Coast network. A TMS reduces freight costs in a variety of ways. For contracted carriers, the TMS leads to better negotiations of longterm contracts. The freight audit functionality makes sure the carriers are not being overpaid. But much of the savings in a TMS comes from better routing and insuring trucks are more fully loaded - these capabilities save money and reduce emissions. Retail Business Services has selected Manhattan Associates’ transportation management system. Retail Business Services is also in the process of selecting a common warehouse management system (WMS). A WMS increases picking efficiencies, which lowers labour costs. In making sure trucks are efficiently loaded and leave on schedule, having WMS and TMS solutions that are tightly integrated can improve synergies. While Retail Business Services has not made the final decision on who they will go with for WMS, Manhattan Associates’ WMS solution is in the mix. The transformation will save significant amounts of money, improve customer service, and aid Ahold Delhaize in reaching their sustainability goals. The transformation relies on technology, culture change, and new processes. Ahold Delhaize has not gotten the same plaudits for their supply chain efficiencies as Amazon and Walmart. This will begin to change these perceptions.

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