



The Supply Chain Results Company™

Saving \$18 Million in Inventory Costs at Ryoshoku Limited

With the goal of centralizing and regulating its inventory management across the entire company, Ryoshoku began looking for a supply chain solutions provider. Ryoshoku executives found that i2 was the best solutions provider to help the wholesaler efficiently manage inventory and improve customer service. As a result of implementing i2 solutions, Ryoshoku has saved more than \$18 million through inventory reductions.

Logistics and distribution play a vital role in the food wholesaling industry. Wholesalers must carefully manage inventory to ensure that food is delivered fresh to their customers—while at the same time working to reduce the amount of capital tied up in inventory.

For Ryoshoku Limited, a processed-food wholesaler based in Japan, handling more than \$8 billion worth of items each year poses unique challenges. Following a strategy that employs regional distribution centers (RDCs) and front distribution centers (FDCs), about 70 percent of Ryoshoku's orders for its retailers are being packed in small separate packets, and the remaining 30 percent are distributed in cases. The wholesaler's FDCs handle the case distribution. The small packets are handled at an RDC's dedicated center for small packaging and are then sent to an FDC, combined with cases, and delivered to Ryoshoku's retail customers.

"We had been fairly successful in terms of efficient operation of the center systems," said Eiji Ichinose, Managing Director of Ryoshoku's Logistics Division. "However, new challenges emerged, such as efficient inventory management, prevention of stock shortage, and precise delivery of fresh food to our customers. This meant that we could no longer rely solely on the experience and intuition of our employees. Ryoshoku needed to reduce inventory and standardize the management system across the organization."

The wholesaler needed to move away from an error-prone human order management system and instead rely on the proven experience of a technology solution.



Challenges

- Reduce inventory
- Standardize inventory management system across company
- Prevent stock shortages

Solutions

- Create regional order management center
- Integrate and centralize ordering processes
- Ensure that individual employees have visibility into inventory and demand

Results

- Saved more than \$18 million by reducing inventory
- Improved ability to prevent stock shortages
- Increased visibility into inventory days

Company Description

Headquartered in Tokyo, **Ryoshoku Limited** is a wholesaler of processed foods. With nearly \$9 billion in annual sales, Ryoshoku employs more than 2,100 people.

Why i2?

Ryoshoku executives began searching for a supply chain solution to help it better forecast demand.

"Based on internal discussion focusing on efficiency, we decided that we wanted the system provided by i2," Ichinose said. "We considered doing our own system development, but we knew that would require a lot of preparation, time, and money."

i2's Contribution

With its implementation of i2 Demand Planner,[™] Ryoshoku has integrated and centralized its ordering processes in a regional order management center. In the past, ordering was done individually by the sales branches.

"The creation of the regional order management center has enabled Ryoshoku to gain more visibility into inventory days, to prevent stock shortages, and to ensure the freshness of every item," Ichinose said. "All of the demand and inventory details have become clearer for individual employees. Therefore, we can build on this and move in the direction of identifying other management issues within the company and try to make improvements. i2 solutions have had a great, positive impact on our company."

"After introducing i2 solutions, we have gone from carrying 10 days' worth of inventory to less than 8 days of inventory—saving us the equivalent of more than \$18 million."

—Eiji Ichinose
Managing Director, Logistics Division



Ryoshoku's Results

Still early in their implementation of i2 solutions, executives at Ryoshoku believe that, while they have already seen tremendous results, they have only achieved half of the improvements possible.

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Ryoshoku executives plan to expand the scope of i2 solutions to other areas of the company.

"Inventory management is done at individual distribution centers, and we have divided the nation into nine areas," Ichinose said. "Each area has one RDC for small packaging, and eight to 10 FDCs, which comprise the network for a respective area. In the future, i2 solutions will help us to create a mechanism so that the entire area will be centrally managed. Once we create that mechanism, i2 solutions will help us to go an additional step to share information regarding demand forecasting with our retailers and manufacturers so that we all can make improvements."



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