

DOMINO'S PIZZA





Introduction

Domino's Pizza integrated its enterprise resource planning (ERP) system with a new forecasting and replenishment software package as a result of supply management issues.

Domino's Pizza in Ann Arbor, Michigan, is aware of the value of using fresh ingredients. The 18 DCs (distribution centers) operated by Domino's distribution business in the US are always stocked with fresh ingredients and never run out. These DCs provide ingredients including pizza dough, sauces, toppings, and even pizza boxes to more than 4,500 Domino's Pizza locations. The DCs used Excel spreadsheets and common desktop computer programs in 1999 to make projections for placing supply orders. The DCs frequently placed additional goods orders to establish a "backup stock." If the perishables in this safety supply were not delivered to the Domino's locations timely, the corporation would have to dump them. In some emergency situations, the DCs were further required to pay increased freight fees in order to get supplies at the last minute.



Improvement in Company's Forecasting Procedures

Executives at Domino's were aware that the company's forecasting procedures needed to be improved. In order for boosting Domino's inventory "turns" (the amount of time that inventory is stored at a DC), the company needed a real-time system.

It is critical to "pass over" this inventory as soon as possible because many of Domino's products expire fast.

Reduce out-of-stock ingredients to improve client service

Boost the effectiveness of the purchase process.

The stock should be adjusted for factors like bad weather and coupon campaigns.

Supply Chain Variability Forecasting

Dominos decided to use a supply chain management (SCM) software system to address this forecasting issue. Barry Smitherman, implementation manager for Domino's Pizza's distribution division, said, "We picked SCM because it is expressly developed to handle supply chain fluctuation and uncertainty." First, Domino's identified the software's two primary user groups. National buying managers from Domino's corporate headquarters, who negotiate yearly contracts with suppliers, made up one group. The purchasers from each DC individually made up the second group. The products that are sent to the Domino's Pizza locations must be secured by these purchasers



Demand Planning Software for SCM

The demand planning software for SCM was then used to enter the historical demand data from each DC. Future product forecasts are computed using this program by DC. The software's replenishment feature offers safety stock, an order date, and order amounts when a prediction is produced. The purchase function uses this information to build the guidelines for the best shipping arrangements. The recommended orders are forwarded to Domino's ERP (enterprise resource planning) system's purchasing department after being analyzed and approved. The order is then carried out by the ERP system

Ensuring Timely, Accurate Delivery

We no longer enter data from 18 distinct spreadsheets because of the SCM system's simplification of our purchasing processes, according to Smitherman. "Currently, 99 percent of our deliveries are successful (the right goods, in the right amounts, undamaged) and arrive on time on the first go. That indicates that there are hardly any stock shortages."

Domino's can now produce a genuine weekly forecast with the new system as compared to the monthly average report it could with the old version. Additionally, Domino's inventory turns have risen, and the company's safety stock levels are now under control. Dominos decided to add its equipment and supply section as a user of the program as a result of this division's success. Everything from pizza ovens and store signs to uniforms and promotional products is delivered by this division to Domino's outlets.

For More Info.

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