

SYSCO COMPANY: A CASE ANALYSIS

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ABSTRACT

This is a case study about Sysco Company, the leader in the food service company. The case provides a good example of a business-to-business operation in a changing wholesale food industry. It is best used in a principles of management or strategic management course.

INTRODUCTION

The recession has negatively impacted household incomes and consumers have been decreasing restaurant visits since 2008. Increased fuel costs increase the costs of preparing and distributing food products. The food wholesale distribution industry is in a mature stage and expected growth over the next five years is predicted at less than two percent. The industry structure is beginning to change and food trends are constantly changing. Sysco's revenue for the third quarter 2012 was reported at \$10.5 billion, a modest increase from the \$9.8 billion revenues reported for first quarter 2011. Increasing food costs, modestly improving demand, and no significant industry growth are cited as reasons for the small increase in revenues (Kaplan, 2012). How can Sysco Company continue to maintain and grow revenues in this environment?

CASE OVERVIEW

Founded in 1969, Sysco Corp. is a wholesaler of food and non-food products. Its 400,000 customers include chef-driven restaurants (typically 1 location), multi-city restaurant groups, restaurant chains, hotels, hospitals, educational institutions, and entertainment venues such as cruise ships and sports arenas. In addition to food products the company sells non-food supply products to hotels and restaurants. It sells both branded and private-label products. A core strength of Sysco is its relationship with its customers. The company has instituted a new online ordering system to aid customers, it works with customers to develop solutions to business problems, and it conducts thousands of business reviews annually. The company works with thousands of suppliers to ensure breadth in its product line. Suppliers may be local small farmers or large corporate enterprises.

The wholesale food industry is undergoing structural changes. With the advent of technology and the net profit pressure created by the recession, decreased restaurant visits by consumers, increasing fuel prices, and increasing feed prices the wholesale company is being squeezed out of the supply chain as retailers and manufacturers are entering into direct contracts.

There are many impacts by macro-environment factors on the food wholesale industry. The industry is highly regulated by the FDA and the USDA at the federal level and there are many state regulations that companies must meet. Household income levels affect the frequency of visits to restaurants, the

quantity of food purchases, and the types of foods purchased. Health concerns affect food trends. For example, consumers are purchasing less red meat and more fish and poultry products and high fat foods are less desirable. Threats of E. coli and salmonella contamination are a concern. The industry is in the mature stage and growth expectation in the next five years is less than two percent.. Global competition is increasing as more companies are becoming global in nature, consumers in developing countries have more money to spend, technology allows consumers more access to information about food products, and exports and imports of food products is increasing.

SUGGESTIONS FOR USING THE CASE

The Sysco Corp. case is an example of a business-to-business operation rather than the more common business-to-consumer scenario, and focuses on the wholesale segment of the distribution chain in the food product industry. This case is ideally suited for a capstone business course such as Strategic Management, but may be useful in courses that discuss supply chains or manufacturing operations or general business principles such as a Principles of Management course. Students can conduct a SWOT analysis, financial analysis, Porter's Five Forces analysis, identify the business level strategy being implemented, and discuss macro-environmental impacts on the company. The case can be used for in-class discussion and application of course concepts, discussion and example of a B-2-B operation, small group activities, group presentations, or written case assignments.

Teaching Objectives

1. Evaluate the company's internal operations through a SWOT, resource analysis, and financial analysis.
2. Evaluate the external environment through analysis of the macro-environment/driving forces and Porter's Five Forces analysis.
3. Propose courses of action or recommendations for a company in a mature, low-growth, changing industry.

Suggested Assignment Questions

1. Prepare an analysis of the macro-environmental forces such as economic, political/legal, technology, global, demographics, and societal changes. Do these forces have a positive or negative impact on Sysco?
2. Analyze the changing structure of the food wholesale industry. What are the implications of these changes?
3. Prepare a Porter's Five Forces analysis. What are your conclusions about the competitive environment of the wholesale food industry?
4. Prepare a SWOT analysis. What information can be gained about the internal operations of the company? Identify Sysco's tangible resources, intangible resources, and organizational capabilities.
5. Prepare a financial analysis. How is the company performing? What are its future financial prospects?
6. Identify the business and corporate level strategies being implemented at Sysco.
7. What recommendations would you make to corporate managers?

REFERENCES AVAILABLE UPON REQUEST