

Sysco- A Fortune 500 Company

Introduction

Sysco is a food service company that falls into the Food Wholesaler section of the Wholesale Industry. The name Sysco comes from the Systems and Services Company. ("SYSCO CORPORATION") In 1969 John Baugh founded Zero Foods Company of Houston in Houston, Texas. One year later, Baugh convinced eight other food distributor companies to combine into one company, Sysco. Sysco went public in 1970 with hopes of becoming a national food service distribution organization. The idea of becoming a national distributor was promising since the original 9 companies were located all around the US. The following are the 9 original company's locations: Grand Rapids, Michigan, New York, New York, Houston, Texas, Louisville, Kentucky, Miami, Florida, Dallas, Texas, and Cincinnati, Ohio. ("Sysco Company Profile") To see a map of Sysco's current locations, reference Appendix A.

In 1970 Sysco made their first acquisition and they haven't stopped acquiring smaller companies since. According to MarketLine, Sysco has acquired nearly 50 companies since they began. The combined sales of the nine companies, mentioned afore, in 1969 was \$115 million ("SYSCO Corporation"). In 2015 Sysco's sales reached 48.68 billion dollars ("SYSCO CORPORATION"), which means the company's sales have been multiplied over 423 times over the last 46 years. Sysco is currently under the leadership of CEO, Bill DeLaney and Non-Executive Chairman of the Board, Jackie L Ward. Mr. DeLaney became the President and CEO in 2010, but he began his career within Sysco in 1987. Mrs. Ward has been a Sysco director since 2001. ("Our Management")

Internal Analysis

Sysco is the leading company in the Food Wholesaler section of the Wholesale Industry. Sysco utilizes a resource based view to establish their core competencies, which are listed below. Sysco has also focused on a dynamic capabilities perspective to adapt the tangible and intangible resources, listed directly below, overtime to create their competitive advantages.

Sysco's top resources include:

1. Finances
2. Management
3. Large List of Brands and products

Sysco has had the upper hand since its creation in 1970, when it had not only the financial backing of 9 companies but also the management teams from 9 different food wholesale companies. These resources started Sysco off strong and they have been determined to keep that lead and control on the industry ever since. Sysco continues to have increased financial resources, which was seen in 2015 when they hit over 48 billion dollars in revenue, clearly trumping US Foods revenue of 23 billion dollars. ("US Foods") Sysco also has an extensive list of Brands they carry in addition to their own privately owned label. This offers many products that range in both price levels, which allows them to appeal to a larger group of customers.

Sysco's Core Competencies:

1. Ability to keep up with top trends.
2. Supplier Relationships

Numerous brand names, allows Sysco to keep up to date with the different trends. Sysco's ability to offer products that are part of new trends is one of their core competencies. Sysco's other core competency is their supplier relationships. Sysco searches for the best suppliers they can find and once they have established a relationship with them, Sysco maintains and grows the relationship.

Sysco's Competitive Advantages

1. Customer Service
2. Quality Assurance

Sysco follows the motto "We do more because we know that when our customers are successful, we're successful." ("Customer Solutions") This says a lot about their customer service practices. Sysco offers customizable delivery options, hands on support, Sysco eNutrition and even eCommerce Solutions for all of their customers. These different options cater to the needs of the customer and reinforce the idea that they do more for their customers. ("Customers First") Sysco goes one step further in their customer service area when it comes to the quality of their products. At Sysco "Quality is more than a promise. It's assured." ("Quality Assurance") They prove this with their 100+ Quality Assurance professionals who maintain the most stringent standards in food quality, consistency, and safety. See Appendix B for a full SWOT analysis.

External Analysis

The major areas of a PESTEL analysis that immensely affect Sysco include: Political, Economic, and Technological changes. Sysco can be affected by political changes such as: FDA regulations, FSIS regulations and health inspections. If any of these areas are changed that can drastically affect Sysco's supplier relations and increase Sysco's expenses. Sysco can be quite susceptible to economic changes. Their product pricing can be affected by national price increases, they are also prone to being affected by changes in the unemployment rate as well as the national minimum wage. As technology continues to grow and change daily Sysco must stay up to date if they want to have a sustained competitive advantage. eCommerce is growing at a rapid pace and consumers are searching for technology they can work seamlessly with ease. This analysis only touches on part of the PESTEL. For a full PESTEL analysis refer to Appendix C.

Sysco has many competitors, US Foods, PFG Holdings, and Meadowbrook Meat Company are just a few. For a full list of competitors see Appendix D. The 3 afore mentioned companies can be considered Sysco's top competitors. US Foods utilizes a low-cost strategy, opening themselves up to an additional sector of the market that Sysco does not always reach. PFG Holdings offers similar products at relatively the same price point as Sysco, they differentiate themselves through their highly sustainable practices. Meadowbrook Meat Company is only on a national level, instead of an international level such as Sysco, but they pride themselves on their small-town charm and local customization. (Gaille)

Corporate Strategy

Sysco often practices tapered integration. Sysco has numerous suppliers, of which they had created strong relationships. Sysco purchases raw materials from the growers and then either sells them as they are or processes them into their own brand recipes. Sysco also outsources some of their products. They sell cleaning supplies, kitchen and restaurant equipment as well as paper products. All of the previously mentioned products are outsourced and Sysco just takes care of the marketing/ sales and the after sales service and support. See Appendix E for a full list of Sysco's products. Sysco has decided that they cannot properly leverage their core competencies to be able to fully vertically integrate so instead they decided to outsource what they can so they can put their time and energy into what they do best, such as, customer service.

Business Level Strategy

Sysco has 5 parts to their business strategy. First, they focus on partnership. They believe that partnerships with customers and suppliers can help with future growth of their differentiated capabilities. Secondly, Sysco looks to productivity. They have always been known for continuously improving productivity, which has helped lead to a highly efficient end-to-end supply chain. Third, are Sysco's products. "Sysco aspires to be the industry leader in product innovation and business solutions." They are constantly looking to expand their product line. Fourth, Sysco is all about expansion. As mentioned earlier in this paper Sysco has acquired dozens of companies. These acquisitions have allowed Sysco to expand the core business as well as expand their reach internationally. Finally, Sysco needs people. Sysco employees are the reason they have a competitive advantage in customer service. Without their people, Sysco would not be nearly as successful as they have been. ("Mission, Vision...") After looking at Sysco's strategy you can clearly see they focus on differentiation instead of low cost. If you compare the 5 areas that Sysco uses in their business strategy to Porters Five Forces you will see a significant overlap.

Global Level Strategy

Currently Sysco is operating in more than 90 countries worldwide. Operating in 90 countries seems like quite the feat, but 88.6% of Sysco's revenue comes from just the US. From 2014 to 2015 all international revenue decreased at an alarming rate. According to Sysco's International Food Group's website, All food exported internationally comes from Plant City, FL. This tells me that Sysco is using an International strategy. The fact that international revenue is decreasing could likely be due to either the use of an International strategy or the liability of foreignness. Sysco's products could not be properly translating across cultures which can be a large problem for an international company. ("Sysco IFG...")

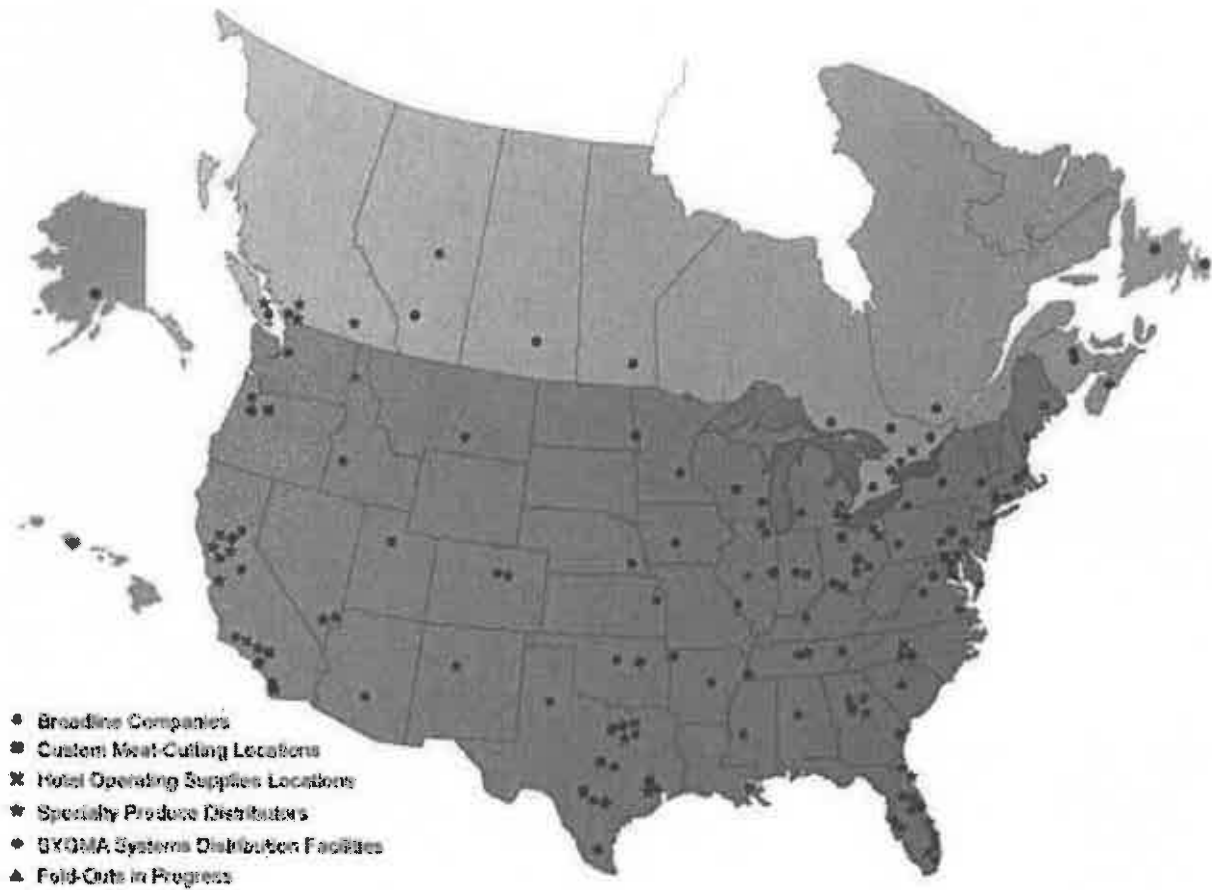
Recommendations

My recommendations for Sysco include:

1. Continuing to focus on customer service
2. Consider fully integrating some of their product line
3. Reevaluating how they do business internationally.

Sysco's competitive advantage clearly comes from their specialized customer service. I believe they should continue to put funding into maintaining and growing this competitive advantage. Although Sysco does not grow their own food, I think they could consider new ways of efficiently growing some of their own products to help reduce costs. Finally, I would suggest Sysco move from an international strategy to a localization strategy. This might be costly in the beginning but over time I believe it could increase international revenue drastically.

Appendix A:



Above: Map of all current Sysco locations. <http://kc.sysco.com/map/map.asp>

Appendix B:

SWOT Analysis

Strengths

- Sysco's supplier loyalty is far to none. The relationships they build with their suppliers are solid and long term.
- Sysco has incredible brand recognition. People feel a sense of comfort when they see a Sysco truck unloading at a restaurant because they have heard about Sysco's reputation.
- Quality Products are one of the things that has helped create Sysco's impeccable reputation.
- The amount of financial backing Sysco has is unreal. From the time Sysco was founded in 1970 until now they have always had plenty of capital to invest in bettering and growing the company.
- A company's leadership can make or break them. In Sysco's case it has definitely made them who they are today. Their top leaders are knowledgeable and have years of experience that help them to guide Sysco daily.

Weaknesses

- Due to Sysco's high quality products, they are not always an affordable option. This limits them from reaching a small subsection of the industry that cannot afford to purchase from Sysco.
- Sysco seems to have a lack of international expertise. Their declining revenue internationally is causing them problems that they have not figured out how to fix yet.
- The majority of Sysco's products are either outsourced or tapered integrated. This can increase the cost of products that Sysco can produce on their own.

Opportunities

- Sysco has the ability to acquire companies. Especially companies that specialize in an area Sysco lacks in.
- Sysco has already made tremendous leaps and bounds in terms of sustainability, but there is still plenty of room for growth.
- As technology changes, Sysco can change with it. This allows them to continue to hold a sustained competitive advantage.

Threats

- Bad weather or a new pest that is introduced to an area can kill a crop very easily. This is something Sysco must always be prepared for.
- Sysco does a large amount of importing and exporting. Any changes in tax regulations concerning importing and exporting can have the potential to severely impact Sysco.

Appendix C:

PESTEL Analysis and Examples

Political -Sysco has very recently been influenced by the governments involvement. I am referencing the disapproval of Sysco's attempt to buy US Foods. In June of 2015 a federal judge ruled against the deal Sysco has set in place to purchase US Foods. US District Judge Amit Mehta issued a preliminary injunction due to concerns about competition being hurt as a result of the merger. Instead of fighting the decision CEO, Bill DeLaney, chose to cut their losses and move on.(Gasparro)

Economical -Sysco's revenue increased 4.7% from 2014 to 2015. The US accounted for 88.6% of total revenues. This is highly likely due to the economy's current stability. The United States unemployment rate is currently at 4.9% which is relatively low. 4.9% is one of the lowest unemployment rates the US has seen since 2009 when unemployment skyrocketed to upwards of 10% due to the recession. ("United States Unemployment...") With more people working, there is more money that is being spent on wants not needs, such as eating at restaurants. This in turn helps Sysco, since they will supply more food to the restaurants, increasing revenue.

Sociocultural -Sysco does not directly interact with the end consumer. This can be problematic when attempting to use certain demographics to determine how to adjust their products and selling techniques. Sysco must instead base it off of each individual restaurants demographics and history of orders. Therefore it is helpful to have so many offices nationally to help with local customization in the US.

Technology -As mentioned earlier when talking about customer service, Sysco has an eCommerce site as well as eNutrition. eNutrition is a web-based database containing all of the nutrition information for the food products Sysco distributes. CAKE is a Sysco company that focuses on technology solutions. CAKE powers a point of sale system, waitlist and reservations and online ordering. ("Technology Solutions")

Environmental -Sysco is very focused on sustainability, specifically working towards Integrated Pest Management, Energy management, Hunger relief efforts and recycling. ("Sysco Sustainability") Sysco publishes a Sustainability report each year that lists all of their accomplishments within the ever-growing area of sustainability. Sysco also looks for environmentally conscious suppliers.

Legal -I was unable to find any previous cases where Sysco has been sued for anything other than questionable pricing on a contract with the Department of Defense back in 1998. If Sysco were to ever violate any of the regulations set by the FDA or FSIS they would be brought to trial which could extremely damage their reputation as well as negatively impact their bottom line profit though the use of damages they must pay.

Appendix D:

Full List of Sysco's Competitor

Competitor Industry: Food Distributors							
Sysco Corporation							
Company Name & Symbol/Market	Last Sale	Net Change	Volume	Today's High / Low	52 Weeks High / Low	P/E Ratio	Market Cap
AMCON Distributing Company DIT: AMEX	\$ 56.50	-1.35 ▼	2,489	\$ 56.25 \$ 55.825	\$ 56.35 \$ 55.50	11.49	65,555
Cofco Holding Co. Inc. JVA: NASDAQ-OM	\$ 4.89	-0.13 ▼	70,105	\$ 5.0425 \$ 4.70	\$ 5.10 \$ 2.995	12.22	25,487
Core-Mark Holding Company, Inc. CORE: NASDAQ-OM	\$ 38.90	0.81 ▲	376,567	\$ 39.05 \$ 37.69	\$ 49.8889 \$ 31.54	34.27	1,795,352
Crystal Rock Holdings, Inc. CRVP: AMEX	\$.83	0.02 ▲	12,456	\$.839 \$.82	\$ 1. \$.495	11.66	17,727
Dominic's Pizza Inc. DPZ: NYSE	\$ 167.72	-1.37 ▼	814,108	\$ 169.60 \$ 166.51	\$ 172.62 \$ 101.61	41.83	6,663,810
G. Wile Food International Ltd. WILC: NASDAQ-OM	\$ 5.78	-0.15 ▼	4,955	\$ 5.90 \$ 5.7008	\$ 6.2999 \$ 3.315	20.57	72,266
Performance Food Group Company PFGC: NYSE	\$ 22.58	0.20 ▲	914,198	\$ 22.60 \$ 22.10	\$ 28.13 \$ 19.95	33.56	2,326,328
Prime Water Corporation PRWW: NASDAQ-OM	\$ 12.41	-0.11 ▼	120,349	\$ 12.58 \$ 12.38	\$ 14.90 \$ 7.39	62.65	323,164
Rave Restaurant Group, Inc. RAVE: NASDAQ-OM	\$ 2.18	0.03 ▲	17,706	\$ 2.25 \$ 2.12	\$ 7.74 \$ 1.66	N/E	39,232
SpartanHill Company SPTH: NASDAQ-OM	\$ 37.75	-0.01 ▼	159,012	\$ 38.015 \$ 37.10	\$ 38.18 \$ 17.66	23.45	1,414,908
SuperValu Inc. SVU: NYSE	\$ 4.88	0.04 ▲	2,541,922	\$ 4.93 \$ 4.82	\$ 7.17 \$ 3.84	7.89	1,504,136
Sysco Corporation SYY: NYSE	\$ 54.53	0.50 ▲	3,259,987	\$ 54.72 \$ 53.66	\$ 54.68 \$ 38.835	29.98	29,824,147
The Cluett Warehouse, Inc. CHW: NASDAQ-OM	\$ 14.65	0.10 ▲	126,306	\$ 14.25 \$ 13.95	\$ 20.79 \$ 10.31	1405	368,869
United Natural Foods, Inc. UNFI: NASDAQ-OM	\$ 48.89	0.43 ▲	568,055	\$ 49.66 \$ 47.795	\$ 52.18 \$ 29.75	19.64	2,479,192
US Foods Holding Corp. USFD: NYSE	\$ 24.52	0.40 ▲	861,175	\$ 24.67 \$ 24.055	\$ 28.83 \$ 22.18	N/E	5,489,333

<http://www.nasdaq.com/symbol/syy/competitors>

Appendix E:

Sysco is one of the largest distributors of food and related products in North America. The company's key products include the following:

Products:

- Food items:
- Frozen foods
- Canned and dry foods
- Fresh meats and seafood
- Dairy products
- Beverage products
- Imported specialties
- Fresh produce

Non-food items:

- Paper products (such as disposable napkins, plates and cups)
- Tableware (such as China and silverware)
- Cookware (such as pots, pans and utensils)
- Restaurant and kitchen equipment and supplies
- Cleaning supplies

The above is according to Business Source Completes company profile of Sysco.

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