

## FreshDirect LLC

23-30 Borden Avenue  
Long Island City, NY 11101  
www.freshdirect.com

**INDUSTRY:**  
Food & Beverage

**ANNUAL REVENUE:**  
250,000,000

**CONTACT US:**  
**Ironbridge Systems**  
1331 F St. NW  
Suite 815  
Washington, DC 20004  
Ph. 202.737.2104  
Fx. 202.737.2104  
www.ironbridge-systems.com

### BACKGROUND

FreshDirect LLC, the most successful online food distribution company, had a very interesting and strategic business model. They provided opportunities for residents of high density Manhattan to get far-fresh perishable food and other groceries conveniently and economically. The business grew rapidly to about \$100 million in annual revenues by 2004 from delivering about 3,000 customer orders at an average size of \$100 per order on a daily basis.

### PROBLEM STATEMENT

FreshDirect had significant opportunities for growth in consumer demand. However, the primary challenge was to scale the processes within their one plant in Long Island City in order to satisfy the demand. The Senior Management Team did not really have a good sense for the capacity of the plant. Further, processes were becoming longer as the bottlenecks became critical. The Impact of small errors were multiplying and making reliability a big issue, which affected customer service significantly.

### ISI SOLUTION

We approached the problem by first understanding the workflow within their 300,000 square foot plant. We developed a simulation to identify the bottlenecks and cause of errors. Based on that we developed two key modules:

- A model to forecast demand and growth by day of the week to account for variations, giving the production team the ability to proactively allocate resources
- An understanding of the optimal wave length to institute formal exception handling process for production

Today, FreshDirect has more than doubled its customer base and revenue with the same plant with no further deterioration in performance reliability.