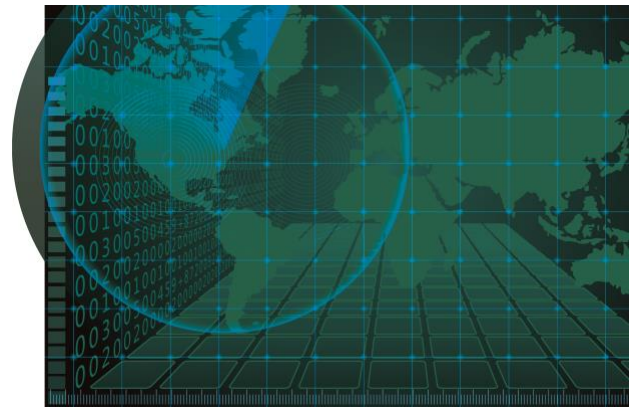


Product Sourcing: Giving Logistics a Seat at the Table

Challenge

A multi-brand, casual dining Restaurant Company recognized it was leaving money on the table in product sourcing negotiations because it lacked the ability to properly assess logistics costs. The Restaurant Company also knew there were unintended cost impacts occurring in the network due to its sourcing decisions.



Solution

The Restaurant Company's contracts are negotiated by in-house Procurement Managers who possess in-depth knowledge of the markets for which they are accountable. Logistics costs are of secondary concern for these managers. Unbeknownst to them, their siloed decisions were causing unintended cost impacts to the greater system. The Restaurant Company and Armada discussed a better way that would result in a more comprehensive approach.

Armada was already managing consolidation and transportation across the Restaurant Company's inbound supply network. The visibility this provided made these costs readily apparent and traceable to apply to the new sourcing alignments. Armada was tapped to bring the logistics expertise to these contract negotiations. In partnership with the Restaurant Company's Procurement team, a collaborative process was established to facilitate consideration of all cost components. This process was supported by a data template to collect relevant logistics data and

Solution (continued)

facilitate total landed cost optimization methodologies. When used together, the process and template provided a common platform for evaluating product award scenarios. In addition to dynamically calculating impacts to logistics costs, the best allocation of volume across suppliers to satisfy complex constraints could be derived, arming Procurement Managers with the cost impacts associated with various trade-offs.

Results

Now in their second year of applying this new methodology, the Procurement Managers are reporting productivity gains as a result of having more time to think strategically about their markets and relationships. They are also bringing a heightened level of focus to their negotiations, knowing they have the logistics support to make the right decisions for the business. In the first year alone, smarter negotiations generated 1% COGS savings over the prior fiscal year, through a combination of informed negotiations and mitigation of the network effects of siloed decisions. The Restaurant Company attributes these savings to this more comprehensive and collaborative process, giving logistics a seat at the table during its product contract negotiations.

About Armada

Armada creates innovative, fully integrated supply chain solutions that deliver competitive advantages and improve business performance for our clients.

Armada Solutions

Supply Chain Planning
Supply Chain Technology
Warehouse Solutions
Transportation Solutions
Global Logistics

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