

Supporting International Expansion: Bringing Visibility and Control to Europe

Challenge

A leading fast-casual Restaurant Company faced numerous supply chain challenges as it expanded into Europe. Challenged by no visibility and limited ability to source within Europe, the Restaurant Company also did not operate with the degree of centralized accountability for the supply chain that they knew would be necessary to lead the expansion. As a result, there was a high rate of stock-outs at the restaurants compounded by service and product quality inconsistencies. European operations leadership, focused on the consumer experience and strategic growth, was distracted by these daily operational issues. The Restaurant Company chose Armada to establish a scalable international supply chain and to be accountable for the end-to-end service, quality and financial results.



Solution

In 2012, with a clear understanding of the Restaurant Company's objectives, Armada embarked upon a multi-year, multi-phase initiative to modify the structure, function and control of the European supply chain.

Armada's global operations group conducted a significant amount of due diligence in a wide variety of areas to determine how to phase the initiative. What is the best way to transfer product from the U.S. to Europe? What is the best way to minimize duty and tax? Who should have responsibility for inventory ownership and transfers? Are trading partner operations and practices efficient? What are restaurant delivery requirements and service level expectations? Through a holistic approach, Armada found the answers to these questions, which identified wasteful practices and policy gaps where new approaches were needed.

Solution (continued)

A landed cost analysis also assessed savings opportunities. The combined approach and analysis formed the foundation for the transition plan.

The initial changes to the Restaurant Company's supply chain were completed by mid-2013. Armada took on the responsibility as the importer of record and was managing the ocean freight for all imported product. Increased inventory visibility and management processes were put into place with the distributors and several redundant handling steps (and related costs) were eliminated as a result of the new processes. Armada created additional benefit by leveraging the domestic supply chain consolidation channel to consolidate exports to Europe.

Completed in early 2014, the next phase of the transition plan converted the Restaurant Company's network to a push inventory model whereby Armada utilized restaurant usage information to replenish distributor inventory. By 2015, the supply chain evolved to a complete visibility and control model in certain countries. To support this concept, Armada contracted directly with distributors — with their sole focus being on restaurant delivery services. Inventory ownership is maintained by Armada until delivery of product to the restaurants. Armada now receives orders directly from the restaurants and bases inventory replenishment at distributors and restaurants on information one step closer to consumer demand.

Results

Through Armada's efforts of eliminating costs resulting from redundant handling, inventory ownership transfers and reducing import prices upon which taxes were based, the Restaurant Company recognized 5% COGS savings. Stock-outs have been reduced and the supply chain is now meeting service level requirements. The Restaurant Company is able to maintain focus on its domestic business where it is still experiencing significant growth — freeing up the equivalent of one person's time that had been spent managing Europe.

The next phase will focus on continued process improvements, in-country sourcing of items still exported from the U.S. and integration of European trading partners with the Restaurant Company's supply chain visibility tool to enhance visibility to operations. Armada will also provide ongoing supply chain engineering services to ensure the network design continues to be efficient and effective.

With Armada established as its lead logistics provider, the Restaurant Company is confident that it will have the right infrastructure in Europe to support growth and continue meeting financial, quality and performance goals.

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