Supply Chain Optimization Best Practices Initiative

The industry’s first best practice initiative to transform foodservice supply chains
Disruptive business models.
Food safety concerns.
Competitive threats.
Market disruptors.
Consumer demands.

It was the recognition of these industry pressures in 2017 that led to the development of the first industry-wide supply chain best practices initiative—Supply Chain Optimization (SCO).

Led by the International Foodservice Manufacturers Association (IFMA), in partnership with Kinetic12 Consulting and HAVI, the journey consisted of a development board of 80+ brands including operators, distributors and manufacturers. In conjunction with industry associations—International Foodservice Distributors Association (IFDA), Global Standards 1 (GS1), and National Restaurant Association (NRA)—the board tackled challenges facing foodservice supply chains and co-authored best practices to benefit the total foodservice industry.

Spanning several in-depth workshops, the development board collaborated and drove the creation of the right set of best practices, indispensable processes, and practical tools to drive improved communications, data sharing standards, and supply chain visibility (track, trace, and transparency) improvements.

SCO DEFINITION

A collaborative, transparent process and toolkit that consistently delivers the right product, in the right quantity, at the right price, to the right place, at the right time, to ultimately delight the consumer.

PURPOSE

SCO best practices enable improved collaboration among all trading partners to foster more effective communication, improve visibility, and deliver tangible outputs to apply to your business and your trading partners. The goal is to solve today’s most pressing foodservice supply chain challenges for both core menu and limited time offers to ultimately drive enhanced consumer satisfaction.
Making the Case for All to Participate

When manufacturers, distributors and restaurant brands operate in siloes independent of one another, they can no longer optimize efficiencies. Consumer tastes are evolving, the market landscape is changing faster than ever and we need supply chains to catch up and propel us forward.

ADDITIONALLY, THERE IS INCREASED:

- Pressure on supply chains due to exponential increase in SKUs and LTOs
- Complexity of sourcing locations and distribution routes
- Desire for food transparency and product information
- Food safety pressures driving a focus on reducing liability risk
- Industry-wide pressure to reduce food waste

The Supply Chain Optimization Development Board
SCO Phase 1—Building the Foundation for Trust and Collaboration

While collaboration between trading partners does occur organically, the board recognized that at the foundational level, there emerged a need to enable enhanced collaboration across the foodservice industry. This led to creating a best practices toolkit to enable all trading partners to improve communication, employ transparent data sharing, and drive more accurate and timely forecasting and inventory management.

“Imagine the growth and cost savings an industry this size could achieve if all parties worked together to root out inefficiencies and improve communication and visibility along the supply chain.”

—LARRY OBERKFELL, President and Chief Executive Officer, IFMA

To get a complete overview of SCO Phase 1, download the whitepaper at scofoodservice.com

Toolkit for Building Trust and Collaboration

COMPONENTS OF THIS TOOLKIT INCLUDE:

• Guiding Principles
• Collaboration Process
• Communications Map
• Common Data Standards
• Scorecards
  - Data Must-haves
  - Guiding Principles
  - Evaluation (Pilot)
• Integrated Supply Chain Optimization Model
This Integrated Supply Chain Optimization Model highlights several important elements that work together to drive a more collaborative and transparent supply chain.

A FEW WORTH NOTING INCLUDE:

• The Collaboration Process outlines an approach for all trading partners to more effectively and efficiently align on common goals, shared insights, issues and ideas and create specific initiatives that will enable a more transparent path to successful collaboration.

• The Common Data Standards offer key questions for trading partners to ask each other, recommend data standards for non-critical data flows established in the development of the communications map.

Integrated Supply Chain Optimization Model

Five elements make up the Integrated Supply Chain Optimization Model:
- Communication Map
- Data Standards
- Enablers
- Principles
- Collaboration Process

SCO Definition
A collaborative, transparent, process and toolkit that consistently delivers the right product, in the right quantity, at the right price, to the right place, at the right time, to ultimately delight the consumer.
The next phase of Supply Chain Optimization Best Practices emerged out of input from the SCO Phase 1 Development Board citing visibility as a key area that needed more focus across trading partners. The board identified a lack of collective visibility into what is happening at each point along the supply chain resulting in each partner’s limited ability to anticipate change and proactively respond to events. The Romaine lettuce crisis as well as consumers demanding more information about what they are eating, and the skyrocketing amount of food waste only reinforced the need for additional best practices around visibility.

A new set of development board members consisting of manufacturers, operators, distributors, and key stakeholders worked together to create our industry’s next set of SCO best practices. The starting point for this group was to align on a vision and definition for visibility, including the 3Ts as strategic pillars—Tracking, Traceability, and Transparency.

To achieve the stated SCO visibility vision, the board explored various aspects of sharing data that has value to its trading partners and mapped out “must-have” data elements such as item master data, location master data, inventory levels, and forecasting data.

**Toolkit for Enabling Trust Through Greater Visibility**

**THE FOLLOWING SET OF DELIVERABLES WERE DEVELOPED:**

- SCO Visibility Vision and Definition
- Visibility Maturity Model, Roadmap, and Scorecard
- Cost of Visibility Analysis Tool
- Visibility Activation Model

The Visibility Maturity Model emerged as a way to help trading partners better understand how developed the visibility capabilities are and areas of needed improvement.

The group also recognized the need of a formal methodology to build ROI around visibility initiatives as costs associated with visibility failures aren’t often well quantified. This led to the Cost of Visibility initiative that looks to build a standardized model to quantify not only costs to maintain greater visibility (e.g. implementing GS1) but also quantifying the cost of visibility failures (e.g. efficiency in executing a recall).
Key Learnings from Piloting Best Practices

Several companies have participated in pilot programs such as Subway-IPC, Focus Brands, Sonic, Firehouse Subs, and more. These pilot programs enable us to capture and act on improvements along the way.

HERE ARE A FEW AREAS OF LEARNING THAT STAND OUT THUS FAR:

1. **Incorporating structure greatly increases the efficiency of collaborative planning:**
   Collaborative planning is necessary to identify the root causes of issues and expose optimization opportunities. Organizations achieve more benefits when they use a common process and standard tools to enable collaborative planning as opposed to doing it using a more ad hoc approach.

2. **It should start with understanding how mature your organization is:**
   Before an organization starts collaborating with key trading partners around supply chain optimization, it should understand how developed its internal capabilities are as well as what it is able to do well and what areas need improvement. Tools such as the Visibility Maturity Roadmap and Scorecard can help organizations build that understanding.

3. **Organizations can create a competitive advantage around Supply Chain Optimization**
   The need for an optimized supply chain only increases as consumers demand to know more about their food and limited time offers continue to grow and proliferate. Organizations that can effectively ensure that their products will be at the right place, in the right quantity, at the right time will be sought out as valuable partners by others in the industry.

**Tips for Getting Started**

YOUR STARTING POINT TO REVIEW AND STRENGTHEN YOUR CURRENT SUPPLY CHAIN MANAGEMENT CAPABILITIES AND PROCESSES:

- Implement a supply chain collaborative planning process with key trading partners with clear process steps, inputs, and deliverables along with documented roles and responsibilities.
- Benchmark your organization’s current visibility across your supply chain using the SCO Maturity Scorecard.
- Assess your current ROI model on visibility investments and limited time offers to drive more informed decision making.

**CONTACT US**

Get a deeper dive into the best practices, processes and toolboxes developed by your industry peers, specifically for foodservice supply chains.

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