

FOR LEADERS IN THE BUSINESS OF LINKING THE GLOBAL SUPPLY CHAIN

SUPPLY *Chain* WORLD

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Detour Gold

Detour Gold's supply chain supports its Ontario mine.

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The North West Company

The North West Company is improving service to remote communities.

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Walmart

Winds of CHANGE

WALMART CONTINUES TO LEVERAGE ITS SIZE AND SCOPE TO IMPROVE ITS SUPPLY CHAIN OPERATIONS. **PAGE 18**

FOOD & BEVERAGE



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BY DAVE SCHNITT

Behind the Scenes

The hidden supply chain driving today's services work.

What do you think of when someone mentions supply chain? Most commonly it's factories, sourcing and shipping. When people used to talk about supply chain, they would refer to how manufacturers got goods from suppliers to deliver products to customers.

Now, people think of the supply chain involving all steps businesses take to get goods or services from suppliers to deliver goods or services to customers. Not just the farm-to-fork process, but all steps needed to bring a dish to the table.

Traditionally, purchasing of goods has been managed closely, but there is greater opportunity for cost savings for services than for purchase of materials. The restaurant industry has opportunities for savings by using supply chain principles to focus both on the costs of services as well as putting focus on increasing accuracy and efficiency in the procure-to-pay process.

RAISING QUALITY

We have learned from the science of supply chain management (SCM) the importance of oversight and process flows of materials, information and finances as they move from suppliers to consumers. These principles can be used to raise the quality of processes and reduce costs and be applied to the supply chain that exists behind the scenes. As an intricate, precise and complex string of processes, financial processes must be efficiently maintained to keep businesses afloat. This is the modern supply chain at work.

Think of just the financial processes required for a large restaurant chain to operate. This includes processes like purchasing, accounts payable (AP) and payment processing. Even with modern accounting systems and advances in electronic payments, the share of the cost of these activities as a percentage of revenue hasn't really changed in the last 20 years for all except the *Fortune* 500.

As an example, when invoices from various vendors arrive at hundreds of restaurant locations, it's the responsibility of the staff at the managerial and corporate levels to keep the AP process working smoothly. In many cases, I've seen these processes go awry with managers who have paid invoices multiple times as a result of lacking invoice process controls. Angry vendors cut off an entire restaurant chain for missing one invoice. We've found that 4 percent of invoices received by our restaurant clients are duplicates and companies end up paying unnecessarily. Over time, such costs and wasted resources add up and create unnecessary risks.

FOCUS ON OPTIMIZATION

Automating and reengineering processes helps companies optimize process efficiency and controls. Consider

invoicing. Invoices come in a variety of ways. Vendors mail them to a PO Box we've set up for each client while others email them to a client-designated email address. Those that show up at client locations are easily faxed or emailed to us while others are received electronically directly from the vendors. Our Archimedes system allows us to automate the process while keeping a record of every invoice, together with a detailed audit trail so clients know the status of each invoice in real time. Our client teams in India and the Philippines use Archimedes to address exceptions and complete invoice processing quickly. Through automation and reengineering, we have been able to assure that invoices get processed in one day with 99.97 percent accuracy to cut costs up to 75 percent.

Across industries, the share of costs attributable to services versus raw materials is going up. Supply chain optimization traditionally focused on materials, so now a greater opportunity is in managing supply chain for services. As firms focus on services costs and managing the delivery of services to higher standards, this drives companies to focus on core competencies and where they add value to customers while optimizing and outsourcing other processes. Thus, spend on services is growing as a percentage of total spending, including spend on financial back-office activities.

This trend will be increasingly prevalent. While much material production has been automated, optimized and outsourced, the focus on services is next. The cost of managers and staff has increased in those areas, expanding the search for better processes and "white-collar" supply chain management. Changes are in store for how the internal supply chain gets done. 🌱

David Schnitt is president and CEO of IQ Back-Office. Schnitt has years of experience working with restaurant clients of all sizes.