

Tracking Your Supplier Program

Checks and Balances Series

Once your supplier program is in place (or has been up and running), it's very beneficial to institute a series of ongoing checks and balances for the business. I call this having "peace of mind" so that you and your primary suppliers can focus on the partnership aspects (lowering costs, improving quality, etc.). There are several key aspects to focus on:

First, manufacturer deals (allowances, contract pricing and deviations).

- To clarify, *allowances* are a certain amount the manufacturers are willing to discount their pricing per case or per unit off of the list price.
- *Contract pricing offers* are fixed prices for a specific period of time that are typically delivered to your suppliers (but can be pricing without freight included, like for french fries). These prices remain the same for the term of the manufacturer contract regardless of whether the market is higher or lower.
- *Deviations* are simply discounted delivered pricing to your suppliers that is lower than what the market pricing would be. It is most often based on your volume.

I suggest asking your suppliers for a list of all manufacturer deals in their system for your restaurant company. Request verification that the deals are (1) in place, and (2) that they are rolling over upon expiration. Without this confirmation, valuable cost savings could be falling through the cracks. Ask your suppliers to send you an excel spreadsheet which includes all of the manufacturer names, product descriptions, type of deals, what exactly the deals are and the start and expiration dates. I also recommend that you assign someone in your enterprise to actively manage these items as your checks and balances. Although supply partners can have good intentions and good internal systems, it's been my experience that human error can occur and these types of deals can fall out of their system. It really makes it much easier when there are two sets of eyes on your deals, and it provides that extra level of assurance.

Secondly, request a quarterly business review with your supply partners to cover other key aspects of checks and balances, such as:

- **Supplier incentives:** Growth incentives, delivery incentives and early pay incentives can add up to substantial savings. Request a report detailing each and their impact to your organization. Or, if you are falling short in some areas, ask your suppliers to show you where that may be occurring.
- **Manufacturer deals:** Have your supply partners bring volume reports to show the impact of those deals. Has your volume increased substantially to where another level of savings may be warranted? Which items have strong volume and no deals in place that your supplier could start working on?
- **Fill rates for deliveries:** Review out of stocks, special orders and fill rates on your deliveries to grade your supply partner. Assist them in working on solutions.
- **Program assumptions:** Have you exceeded the sales projections that your supplier utilized to formulate your current program? They are typically listed in Supplier Master Distribution Agreements. It may be time to revisit.



Lastly, we reviewed Audit Privileges in our last newsletter. Periodically having your supply partners open their books to ensure that they are in compliance (based on the terms of your agreement with them) provides comfort that the program is in place and on the right track. When you have peace of mind that the key financial aspects are covered, your supply partners can then become more vested in other aspects of building your success.

Thank you for following my Checks and Balances series. I hope you find my tips to be helpful, and please don't hesitate to reach out to me with any questions!

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