

Supplier Business Reviews

Checks and Balances Series

Another key component of having a checks and balances system with your primary supplier is the supplier business review. I call it the "state of the program" meeting, in which you can gauge the health of your supplier program, review critical aspects and targets, correct issues and set goals for the following quarter, six months or year of the partnership.

The review is also an opportunity for the supplier to discuss the relationship from his or her perspective. This includes whether business has been fulfilled adequately and what can be done to cure any potential concerns. This open dialogue is a great opportunity to get all aspects of the program on the table, discuss, resolve and move forward as successful partners.

Some of the key components of the business review are:

1. **Product mix and spend patterns** - Reviewing the breakout of purchases by category (in terms of percentages as well as dollar amounts) can be critical to the checks and balances. What are the standard percentages for chemicals, for produce, etc.? Are you continuing to hit those percentages, or was there a large increase or fluctuation in purchases that you may not be fully aware of? This element of the review process provides a "dashboard" for your purchases so that you can identify usage issues that may be occurring.
2. **Deliveries per week per location and sizes of drops** - How many times per week is your back door open? Is the first delivery very large, the second one large and the third one much smaller? Is your staff spending a great deal of time checking, receiving and putting away the first delivery of the week? If so, your supplier can help you spread that out in other deliveries throughout the week, especially if your volumes have been somewhat consistent.
3. **Descending dollar usage reports by item (company-wide and by location)** - These reports can be very helpful in tracking where opportunities exist for manufacturer deals that you don't already have in place, and other manufacturers that may be stocked with similar products at your distributor and have the same or better quality with lower pricing or stronger deals. Is there a critical item that has been substituted by your supplier? Identify any supply issues, and also identify approved substituted items for key and critical products.
4. **Menu analysis and optimization** - Many distributors now have the tools and expertise in house to help with these types of value-added services, quite often at no added cost to the restaurateur. They can also relay resources for local and national trends.
5. **Contract assumptions** - This is a great time to review your estimated annual purchases compared to previous years as well as drop sizes and deliveries per week. If you are exceeding the assumptions that were initially set up by the distributor, then it may be time to revisit the program with them for possible lower mark ups and margins. It is important to keep in mind that reviewing the assumptions could reveal some areas that haven't met assumptions, thus providing a venue for communicating and sorting out these issues.

6. **Average price per case** - Look at year-over-year to gauge inflation or product mix.
7. **Goals** - What do you want to accomplish in the upcoming year? If you could make one major improvement in your business, what would that be? How can your distributor help you be more successful?

Supplier business reviews can become an essential tool in your company's supply program success as they give you the opportunity to review, correct issues and plan for the future. A healthy partnership is the key to a healthy business.

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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