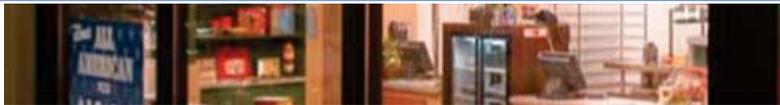




Axis Purchasing – Foodservice Supply Chain Basics



**White Paper – Supply Basics
Case Study – A Culinary School
Lowers Food Cost**

Axis Purchasing – Headquarters - (703) 310-7607

<http://axispurchasing.com/>


axis
PURCHASING

The logo for Axis Purchasing features a stylized graphic above the word 'axis' in a lowercase, sans-serif font. The graphic consists of a horizontal line with a dot at its right end, and a curved line that starts below the dot and arcs upwards and to the left, ending above the 'i' in 'axis'. Below 'axis' is the word 'PURCHASING' in a smaller, uppercase, sans-serif font.

There are many philosophies on how to get the best prices in food and supply purchases.

Short term versus long term? Bid or Consolidate?

From years of experience, Axis Purchasing has learned that the best approach is to work with suppliers and consolidate whenever possible in order to yield the greatest long-term savings.

To best explain this philosophy, we break down hard purchasing costs into two parts: The manufacturing cost of a product and the cost of delivery. Both have a dramatic impact on your budget and worked in tandem, will reduce your costs.

The following are the foodservice basics to lower food and supply costs, which provide more benefits to the organization than just cheap prices.

I. Product Pricing

Step 1: Combine Purchasing Power

The old adage “there is strength in numbers” is true, especially when applied to purchasing. When we join together, we become a “super buyer” with the clout to negotiate prices you could never achieve on your own.

For example, you may be a great negotiator and have probably hammered your suppliers to get the best price of any 20-store chain in the country. However, you do not get the deal that the 2,000-unit chain receives. No way.



Using collective aggregation and a Group Purchasing Organization (GPO) strengthens relationships with suppliers and provides access to better product prices. Be sure that the GPO is flexible and allows you to control key products, branding opportunities and the supplier relationships.

Step 2: Identify the Right Products

One can of tuna fish is about the same as the next, right? Without tight specifications, you may not be purchasing the best product for your desired results. You may be paying for albacore tuna when skipjack is a better specification. In addition, a supplier may substitute products, some of which vary in price significantly.

You may be paying more for a perfect looking US Fancy orange, even though the application calls for a peeled orange for a fruit salad. The extra money paid for a perfect skin goes in the trash and creates a lower Return on Investment (ROI).

One of the easiest ways to bring down food cost is to be sure you buy the right product for each purpose without over specification. Development of standards and allowable substitutions is critical.

Step 3: Improve Compliance

Great deals are only great, when properly utilized. With the best products identified and manufacturer direct agreements in place, (utilizing a GPO service), be ready to monitor results.

Check with suppliers for pricing and product availability, and monitor operations to be sure they are following specifications and purchasing from the right source. Be sure your people in the field are not “cherry” picking individual product prices and compromising an overall program. Understand both your operational needs and the delivery cost factors. When you hold both the supplier and operations responsible You save more than product costs.

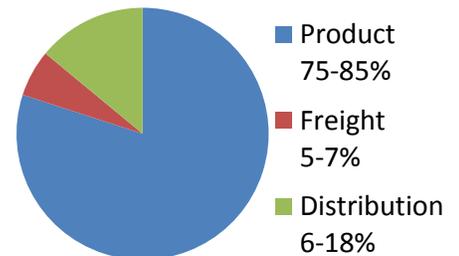
The result: Control of quality and lower costs.

II. Product Delivery

Step 4: Understand True Delivery Costs

There are many costs built into the price you pay a distributor including:

- Transportation from the manufacturer to the distributor
- Warehousing and storage
- Proper rotation
- Accurate picking
- Loading products
- Proper temperature control
- Tracking



Obviously, the more deliveries it takes to supply your operation, the higher the cost. As a rule, it costs your distributor \$50 - \$100 per delivery to select your order and drive to your location. Whether you get one case delivered or 100, that delivery cost is the same.

Therefore, the key is to maximize the number of cases in order to lower the cost per case. Take advantage of this efficiency and be sure your agreements contain incentives for drop size.

Step 5: Orchestrate Your Deliveries

How can you manage your shipments better? Consolidate. Broadline distribution is the best option, because they carry a wide variety of products, so you can increase the number of cases per delivery. Consolidate dry, refrigerated and frozen items and include paper goods and cleaning supplies, along with your meat, dairy and produce.

With the right manufacturing agreements and a good distribution contract, you get the best of all worlds: Low product cost with the optimum distribution cost for your operational requirements.

In addition, you will benefit with increased “soft” savings. For example, by consolidating with one qualified supplier, you will discover that fewer deliveries require less labor and hassle on operations. Results include:

- Fewer labor hours waiting at the dock for multiple trucks.
- Reduced dock door openings lessen your chance for theft.
- Diminished administrative costs with reduction of payments, credits and price matching.
- Records in one place for better accountability. As an example, in a recall, you know your one supplier can segregate their inventory, take responsibility and help to avoid potential lawsuits.

Lower costs and peace of mind is a combination that is hard to beat!

Case Study of a Multi-Unit Operator

The Axis Purchasing program can save operators big money on purchases throughout the year with contract pricing, rebates and supply analysis programs. In conjunction with emerging or established multi-unit operators and their purchasing managers, Axis Purchasing can tap into a group buying pool of nearly \$10 billion.



An example of how Axis Purchasing can save money for multi-unit operators is the case of a culinary school, which has numerous campuses throughout the United States and Canada. ¹

Together with Axis Purchasing, the school found that there were multiple ways to save in a systematic approach – without giving up control over quality standards or operational excellence. Savings started immediately and have grown consistently.

¹ To maintain its privacy, the school has chosen not to be identified by name. Interested parties can contact John Krebs for a reference, testimonial, or additional information.

What Axis Offered

The school is firmly rooted in culinary traditions, emphasizing progressive techniques and trends. It provides a broad range of hospitality and restaurant management skills to run a food operation from front to back. Included in the program are restaurants and dining programs serving the public with the same demands as a real foodservice organization. As with other clients, Axis Purchasing offered the school:

1. The ability to use contract pricing to effect savings on what it normally buys and procures for the operations across the country.
2. A way to tap into rebates to benefit from the volume purchasing of a collective of nearly \$10 billion in spend for foodservice and hospitality venues across the country.
3. Collaborative distribution platforms.
4. Value-added product analysis program to investigate additional ways to maximize its procurement program and find commodity items that would allow the school to save even more.

Big Savings

As a result of working with Axis Purchasing, the school saved 9.6 percent through contract pricing and an additional one percent through rebates. This translates to savings of nearly \$700,000 on \$7.1 million in managed purchases.

The first phase of the savings derived from contract pricing resulted in little change to its preferred portfolio of products. This is a unique distinction from traditional GPO programs, as Axis works with existing supplier relationships.

A sourcing manager at the school said that with the Axis program: *"I've been able to increase the opportunities to reduce costs with a functional partner. Axis now is a part of our team, adding resources and expertise."*

Through its rebate program, Axis Purchasing secured nearly one percent in savings from the manufacturing community back to the school, netting more than \$60,000 to offset internal management costs.

"Our program takes advantage of the purchasing infrastructure that is already there," says John Krebs, President of Axis Purchasing. "We work with products supplied by broadline distributors, and hand-in-hand with our clients to help them lower their food and supply costs without compromising quality. Our programs are self-funding with no cost to the members."

About Us

Axis Purchasing focuses on increasing your purchase and operational efficiencies; we bring the right product, at the lowest cost with the most efficient vehicle to your operation.

We offer a \$10 billion group-purchasing portfolio built on 350 foodservice manufacturers – many that you use right now. Our program includes rebates, contract pricing and a deep analysis of your purchases so we can offer options. You maintain complete control, keep your distributor and there are no out of pocket expense. If we save you money, we keep a small percentage as an administrative fee.

We are a consortium of experts that complement your existing staff. Our advanced skills include food, disposable and equipment purchasing, multi-level distribution (systems, broad-line and produce), and operations.

Our happy customers appreciate our true value, not just cheap prices. That is why we have quickly grown to thousands of foodservice locations. Find us at www.axispurchasing.com or call TODAY to learn what you have been missing.