



Driving EBITDA, growth and transformation in a captive distribution environment

Lowering the cost of food procurement and distribution at a major restaurant chain to drive value under increasingly challenging market conditions

The results

Transforming procurement and introducing a 'guest first' approach helped our client:

- Introduce industry best practices and people assessment tools to measure progress
- Bring new suppliers into the supply chain, creating competition and sparking innovation
- Generate downstream value optionality by preparing them for a major renegotiation to transition to a new food distributor agreement
- Achieve 5% in annualized procurement savings

This story is for food and beverage executives who:

1. Are at a strategic disadvantage and need to overcome a captive distribution channel
2. Need to improve EBITDA and cash performance while maintaining a premium quality product and service
3. Want to improve their procurement function to drive value in an increasingly difficult market

The challenge

This PE-owned restaurant business has 200 locations specializing in coastal inspired seafood and tacos. The restaurant industry is facing increasing pressure on margins due to sluggish growth, changes in guest expectations and demand, increased labor costs and legislative pressures. In response, the client challenged itself to dramatically improve the way it purchases goods and services and manages supply chain activities in order to reduce costs and be more competitive in the marketplace.

Based on Maine Pointe's highly successful track record helping similar companies drive efficiencies and cost improvements through strategic sourcing opportunities, the PE owners and client executive leadership team selected us to help achieve their goals.

Achieving cross-functional alignment and cultural change

In an industry where margins are slim and competition furious, the company had little strategic sourcing experience and was largely unaware of industry best practices. It lacked people, process, information, tools and templates, was reliant on largely manual process and the supply chain team tended to handle procurement opportunities through day-to-day tactics.

The company had more than 170 individual suppliers with many items under contract. Executives valued long-term supplier relationships and viewed their commitments to them as a key attribute of their culture. This had led to an environment where long-term suppliers felt entitled and resistant to innovation and internal stakeholders were unwilling to consider either revisiting these contracts or to begin negotiating within the contract cycle, regardless of potential savings.

Maine Pointe designed an implementation plan to achieve cost savings across a wide range of categories and equipped the company with the ability to negotiate itself away from a captive distributor. Applying a 'guest first' approach, we:



- Developed models and validated them through new market testing
- Created and delivered a supply chain resource assessment tool to measure the progress of the supply chain team over time against best-in-class standards
- Executed RFX processes to create and leverage a competitive environment
- Held a supplier forum to introduce new suppliers to the company and conducted targeted meetings with key suppliers this was well received by both existing and potential suppliers
- Implemented interactive training sessions to help them recognize best practices. This helped the company accept the need to go to market to improve competitiveness with a captive distributor
- Developed an approach and tool to execute an RFI and RFQ for their future transformation product to potentially change their existing captive distributor
- Brought innovative approaches and products from the supplier community that the client was unaware of
- Deployed our Leader and Organization Improvement (LOI) specialists to build a people supply chain assessment tool that links people's behaviors to Maine Pointe's TVO Maturity Pyramid™. The client plans to continue to use this tool going forward
- Broke down the false perception that their quality warranted a high pricing point

As a result of the work we did, the company has embraced the need to implement best practices. The PE firm has since introduced Maine Pointe to another restaurant organization that is in need of specialist support.

Lessons learned for other executives

- You can drive additional value even when constrained by an existing captive distribution environment
- Resistance to change and failure to challenge incumbent suppliers hinders measurable performance improvement
- Incumbent suppliers are not necessarily the best suppliers. High quality product does not automatically necessitate a high pricing point

Do you want to **professionalize procurement** and position your company to **renegotiate with incumbent suppliers**?

Are you battling against pressure on margins in your restaurant business?

Talk it through with one of our executives. Email info@mainepointe.com to arrange a call.

About Us

Maine Pointe is a global implementation-focused consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in both EBITDA and cash across their supply chain and operations to enable growth. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this **Total Value Optimization (TVO)™**.

Maine Pointe's engagements are results-driven and deliver between 3.5:1-12:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings.

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