

### **Produce Logistics: Collaboration with Suppliers and Distributors to Improve Freshness and Reduce Costs**

#### **Challenge**

Stakeholders of a high-growth, quick-service Restaurant Company's supply chain were faced with multiple challenges with one of their fresh produce items. Their suppliers were challenged with managing inbound transportation to the distributors and could not consistently deliver a produce item that had a 21-day shelf life. The resulting impacts on distributor order and inventory management processes put the restaurants at risk of having either too much or too little of this fresh item.



#### **Solution**

The Restaurant Company recognized these risks could negatively affect the national roll-out of new core menu items. They enlisted Armada to facilitate collaborative discussions with key trading partners. Through these discussions, Armada was able to prioritize the challenges and design a comprehensive solution.

The first step was to review and understand the packing and shipping constraints evident at the supplier. The supplier only packed the item once per week, creating an inflexible order cycle for the distributors. Additionally, the supplier used traditional LTL methods for shipments to the distribution centers. The common practice of LTL carriers staging deliveries to optimize their own network created two challenges: long transit times, consuming precious shelf-life, and frequent changes to the delivery date of the purchase order, creating supply uncertainty.

## **Solution (continued)**

With a clearer understanding of the scope of the challenges, Armada devised a Transportation Solution. A sailing schedule was established outbound at the supplier with set delivery days at the distribution centers. The carriers now schedule order pick-up on packing day. A variety of methods were devised to enable truckload transportation including consolidating orders at origin to create multi-stop deliveries, combining orders with other nearby suppliers to create consolidated loads for delivery, and facilitating direct point-to-point shipments. This eliminated inefficient and unreliable LTL shipments while improving truckload utilization. The best method was then determined for each distribution center.

## **Results**

The solution provided the restaurants with fresher product and increased days of supply remaining, all while reducing the overall cost. Direct, more efficient routing decreased the transit time by an average of four days, returning nearly 20% of shelf life to the Restaurant Company. This is a significant gain based on a 21-day shelf life item. Freight costs were cut 25% while on-time performance at delivery increased. The combination of improved delivery performance and process stability enabled the distributors to reduce safety stock, thereby increasing inventory turns. Product obsolescence was reduced throughout the network. The net effect was a 10% reduction in COGS for this product across the network.

As a result of Armada's solution, the Restaurant Company expressed increased confidence in its Supply Chain Department's ability to source and deliver sensitive, fresh products. It also enabled the Culinary team to develop additional recipes using similar fresh products. Armada and the Restaurant Company continue to evaluate improvement opportunities, as well as extension of the process to other items.

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