

Tricon's purchasing arm aims to 'Instill' buying confidence

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LOUISVILLE, Ky. (April 23, 2001) - Unified Foodservice Purchasing Co-op LLC, the purchasing and supply chain management arm of Tricon Inc., soon will use the power of the Internet to track the purchase of everything from chicken and cheese to salsa and soda.

Jointly owned by the domestic franchised and company-owned KFC, Pizza Hut and Taco Bell restaurants, UFPC oversees purchasing, contract negotiation, distributor compliance and program management for Tricon. The co-op will roll out purchase-tracking and data-analysis services from the Redwood City, Calif.-based ASP provider Instill Corp. as part of its ongoing supply chain-optimization initiative, Daniel Woodside, president and chief executive of UFPC, said.

"This is the beginning phase of a planned long-term relationship," Woodside explained. "Phase one is monitoring the activity between distributors and the restaurants. Phase two will monitor the supplier-to-distributor relationship."

Woodside said UFPC would "ultimately use Instill to monitor 55 to 70 distributor locations."

According to Anthony Wilson, president and chief operating officer of Instill, "operators are interested in finding answers to questions, such as 'What's my drop size?' 'What's my compliance?' 'Am I getting the prices I contracted for?' The purchase-tracking and data-analysis system locates the answers to these major issues and allows operators to drill down into the data to find out what is actually happening [with their purchasing]."

Although UFPC has "been performing this type of monitoring internally for some time" the co-op found the process "quite labor intensive," Woodside said. By turning to Instill, UFPC expects to "improve the accuracy and speed of the monitoring process without having to add staff," he added. "When you are dealing with 24,000 units, monitoring what is going to the stores is quite a challenge." Woodside said turning to "a monitoring and information source," such as Instill, would help UFPC address "one of our biggest challenges: dealing with forecasts for promotions."

According to Andy Cohen, Instill's vice president of marketing, the company will begin collecting data from UFPC and its distributors sometime later in the spring and expects to generate reports on the company's purchasing performance by the end of the summer.

"We will give UFPC all-around visibility and control of its purchasing," Cohen said. He explained that Instill would provide UFPC with "a series of tools that collect data electronically from their distributors. Then, using artificial intelligence tools, [they] automatically consolidate the data into one standard product code." Cohen added that once the data have been coded, they are "parsed into an Oracle database" and provided to UFPC via a Web-based application that is capable of generating 40 different types of reports on UFPC's purchasing activity.

Cohen said Instill is looking to provide its customers with a significant reduction in food costs by controlling off-contract purchasing and optimizing contracts.

"UFPC wants to know its operators are buying the right things," Cohen said, noting that "rogue purchasing is very common in the foodservice industry and is not only a financial issue but also a food safety issue." As an example, Cohen cited one unnamed operator who discovered only after

implementing purchase tracking that some of its unit managers were buying "a type of turkey that was off-spec."

UFPC/Tricon is the second major quick-serve operator to implement Instill's purchase-tracking tools. The Independent Purchasing Cooperative, which handles the supply chain for the Milford, Conn.-based Subway sandwich chain's 13,000 franchised units, has been using the system for two months, according to IPC's chief executive, Jan Risi.

"The power of the information is greater than I thought it would be," Risi said. "We basically did this for the audit process, and we are finding errors."

Risi explained that IPC had Instill capture all of its purchasing data going back to September 2000 before going live with the system. By doing so, Risi said she was able for the first time to calculate accurately the patronage rebates that were mandated by IPC's bylaws and paid to its members based on the amount of their total purchases.

"In previous years we had just given all the members the same amount," Risi explained. "Now I can base the rebate on actual volume."

Risi added that the purchase-tracking system revealed some unexpected revelations. "I didn't know we were using so many different distributors," she said.

Estimating the cost savings on food purchasing for IPC at "a minimum of 2 percent," Risi pointed to the savings opportunities made possible by accurate purchasing information.

"Because we now know what is going to the stores from our distribution points, we've been able to identify opportunities for negotiating on items that we previously didn't have contracts for, because we didn't know how much we were really using," Risi said. "We are also able to do real forecasting now. We had a lot of guesswork going on here."

According to Cohen, more accurate forecasting eventually will allow operators, such as Subway and Tricon, to work together with their suppliers and distributors to institute more efficient management of inventory.

"[Operators] will know what is in stock and what is selling where," he said.