



PROCUREMENT BULLETIN

September 2016 Issue

In this issue of Premium Procurement Bulletin...

- [Case Study] Papa John's Successfully Reduces Freight Spend and Supply Chain Costs
- Increasing Food Recalls Strain Supply Chains
- [Case Study] Walmart's Online Grocery Shopping and Pickup Program Beats Amazon Fresh Food Delivery
- How to Fix Outdated Transportation Infrastructure in the United States

[Case Study] Papa John's Successfully Reduces Freight Spend and Supply Chain Costs

Papa John's has more than 3,000 franchise locations across the globe. A strong supply chain has been key to the company's success, but the company has also had its share of struggles. Take a look at how Papa John's overcame inventory control issues, increased the productivity of its supply chain, and reduced freight spend by 10 to 15 percent.

Situation: Papa John's Wastes Money on Spoiled Inventory



Image via [Flickr](#) by Random Retail

For several years, Papa John's relied on outside storage for some of its inventory. This resulted in some waste because it was hard to track the shelf life of its inventory. Sometimes the inventory expired before it was shipped to restaurants. This meant the company was spending too much on its supply chain and needed to come up with a way to increase visibility.



PROCUREMENT BULLETIN

September 2016 Issue

Papa John's also struggled with an increase in commodity prices, including that of fuel. Papa John's strives to use the best ingredients in its pizza, and it refuses to switch to cheaper ingredients if they aren't the same quality. Special edition pizzas with costly ingredients were putting a strain on the company's supply chain.

Approach: Papa John's Increases Supply Chain Visibility



Image via [Flickr](#) by PauLRivera Photography

Papa John's hired Manhattan Associates to review its supply chain and look for ways to improve efficiency and productivity. The company looked at Papa John's transportation procurement, warehouse management, and supply chain practices. Ultimately, Papa John's implemented a new supply chain process platform to standardize inventory control and reduce freight spend. This increased visibility across the supply chain.

Eric Hartman, [Papa John's Senior Director of Logistics](#), said, "Manhattan Associates' sophisticated Transportation Modeling software helps us better manage the variability and complexity of our extensive transportation network and maximize the performance of our transportation fleet, a vital part of fulfilling our brand promise of 'Better ingredients. Better pizza.'"



PROCUREMENT BULLETIN

September 2016 Issue

Impact and Advantage



Image via [Flickr](#) by insider_monkey

With a new warehouse management system, Papa John's no longer has to worry about wasted ingredients that have spoiled during storage. The company can now track inventory effectively and no longer has to store as many products simultaneously. This has greatly decreased the need for outside storage costs and inventory write-offs.

The new warehouse management system and partnership with Manhattan Associates has also helped Papa John's realize a 10 to 15 percent reduction in freight costs because the whole supply chain runs more efficiently through better visibility.

Because Papa John's has been able to lower its supply chain costs, the company is able to invest more money into its procurement department. For instance, Papa John's recently announced that it will spend [\\$100 million to remove artificial ingredients from its food](#). This includes removing trans fats from its famous garlic sauce and monosodium glutamate (MSG) from its ranch dressing.

Other companies can follow the lead of Papa John's by hiring a partner to analyze their supply chains. Sometimes a company can only realize cost savings, reduce spend, and limit overall supply chain costs with the help of a fresh set of eyes.

PROCUREMENT BULLETIN

September 2016 Issue

Increasing Food Recalls Strain Supply Chains

Listeria, salmonella, E. coli, and other foodborne illnesses have made numerous headlines in 2016, forcing companies to recall affected food products. This places tremendous strain on their supply chains. Take a look at what companies go through when they recall a product and how this affects their operations and the economy.

Food Recalls Are Health and Economic Problems



Image via [Flickr](#) by ted_major

Several factors contribute to the [spike in food recalls](#), but part of the problem is the increasing complexity of food supply chains and tightened food regulations. Some major food recalls that have prompted changes to food regulations are the salmonella-contaminated peanut products of the Peanut Corporation of America and the half billion fresh egg recall from Hillandale Farms and Wright Country Egg.

Food recalls are a public health issue, but they're also a major economic issue. Businesses can spend over a million dollars in direct costs to deal with a food recall, and that doesn't even account for the brand damage and possible litigation costs. Companies must pay to notify consumers, supply chains, and regulatory bodies of the recall.

Then, businesses must pay to remove the affected product from store shelves, and storage facilities. This places a major strain on a business's supply chain. Once they've contained the food recall, businesses also have the additional costs of researching why the problem happened and then implementing a solution to prevent future food recalls.

PROCUREMENT BULLETIN

September 2016 Issue

What Happens After a Food Recall



Image via [Flickr](#) by USDAgov

Regulatory scrutiny has increased the probability of food recalls. Most major distributors have faced a recall or had operations shut down temporarily for fear of a foodborne illness outbreak. This is a standard concern for food supply chains. Most problems are detected by routine spot testing by regulatory bodies, and businesses must always be prepared for a food recall.

After a recall, businesses see a decrease in normal sales because consumers switch to other brands. This switch is typically temporary, but some consumers stop purchasing affected food products for an extended time because of safety concerns. This can affect the whole food industry. For instance, the sale of peanut butter and spinach dropped significantly after the major food recalls in 2015. The [United States Food and Drug Administration](#) advised consumers not to buy bagged spinach. Consumers turned to other products, which hurt the spinach industry significantly.

PROCUREMENT BULLETIN

September 2016 Issue

How to Prevent Food Recalls



Image via [Flickr](#) by USDAgov

One of the most effective ways to mitigate the risk of a food recall is to implement traceability in a supply chain. This includes using a standard safety procedure for continued food testing at manufacturing and distribution facilities. Food can get contaminated in several points in the supply chain, so it must be checked at every touchpoint. Businesses can also create divisions to maintain batch integrity, implement more rigid cleaning and sanitation practices, and have practice drills with team members.

Food recalls will continue to be a concern for supply chains. However, new regulations and safety standards should help prevent many foodborne illness outbreaks from happening in the first place.



PROCUREMENT BULLETIN

September 2016 Issue

[Case Study] Walmart's Online Grocery Shopping and Pickup Program Beats Amazon Fresh Food Delivery

Online grocery shopping presents clear challenges to retailers. One of the biggest is that keeping grocery items cold during shipping isn't easy. Walmart decided to combine a store pickup program with online grocery ordering to combat the need for refrigerated delivery trucks. Take a look at how Walmart has made its online grocery shopping and store pickup program a success and how Amazon will have to work hard to compete.



Image via [Flickr](#) by IntelFreePress

Situation: Customers Want to Order Groceries Online

Online grocery shopping is appealing to customers because of the convenience factor. Shoppers no longer need to spend an hour or more browsing for groceries, and they're willing to pay a little extra for this service. There are some drawbacks for customers, though. For instance, customers lose the ability to hand-select produce, and order accuracy isn't perfect. Overall, however, studies show that [consumers are willing to switch to online grocery shopping](#) because of the convenience.

From a retailer standpoint, online grocery shopping costs more money to fulfill because it requires additional manpower. That's why most online grocery shopping programs charge a service fee and delivery charge. It also costs more money to keep orders refrigerated. Walmart wanted to find a way to offer online grocery shopping without all of the extra costs to the customer. That's where the store pickup part of its program comes into play.

PROCUREMENT BULLETIN

September 2016 Issue

Approach: Walmart Implements Online Grocery Shopping With Store Pickup

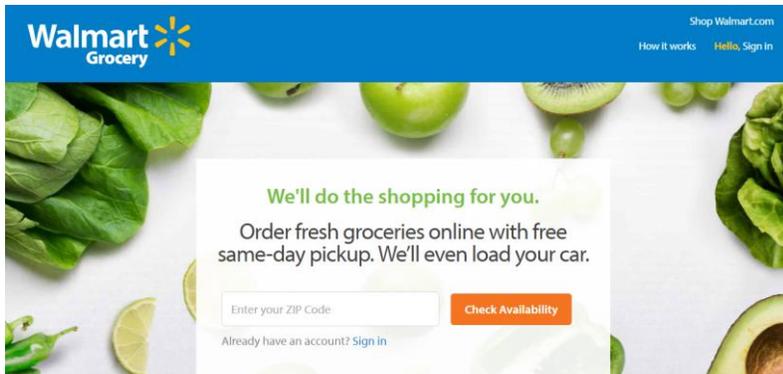


Image via Walmart.com

In September 2015, Walmart announced it would begin testing [online grocery shopping with store pickup](#) at several locations across the United States. If the program proved successful, Walmart would roll it out to more and more stores based on need. Almost one year later, customers are satisfied with the service, and it's expanding rapidly.

It's easy to use Walmart's online grocery shopping and store pickup service. You simply create an order online, schedule a pickup time, and then go pick up your order from your local Walmart store. You are required to spend a minimum of \$30, but that's easy to do when you're buying groceries.

Impact and Advantage



Image via [Flickr](#) by JeepersMedia

Competitor [Amazon is working on a fresh food delivery program](#) to accompany its Prime Pantry program, which allows shoppers to order anything available at a grocery store. In contrast, Walmart's approach focuses on store pickup instead of home delivery. This adds a little bit of work for the customer, but it costs less than delivery and refrigeration. It's a win for both Walmart and its customers because Walmart saves money and transfers this savings to customers.



PROCUREMENT BULLETIN

September 2016 Issue

As Amazon works on its online grocery ordering program, Walmart may need to make changes to stay competitive. However, store pickup has proven successful so far for Walmart. Customers don't mind driving to their local Walmart to pick up an order. Amazon must devise a way to keep products refrigerated and fresh until customers can put the products away. This is a challenge Walmart will not have to deal with unless it implements home delivery at some point in the future.

PROCUREMENT BULLETIN

September 2016 Issue

How to Fix Outdated Transportation Infrastructure in the United States

Infrastructure across the United States is crumbling. Roads, highways, and bridges need serious attention. However, legislators don't always agree on how to fix the widespread problems or how to pay for them. As a result, poor infrastructure is taking a toll on supply chains in the United States, with no long-term solution in sight.

Current State of American Infrastructure



Image via [Flickr](#) by KOMUnews

As [60 Minutes](#) reports, one in every nine bridges in the United States is considered structurally deficient due to corroded steel or crumbling concrete. That's nearly 70,000 bridges that require replacement or repair across the nation, with dangerous bridges found in every state.

American infrastructure is falling apart because organizations and agencies haven't made substantial investments to fix the problem. With the exception of a small stimulus program, nothing comprehensive has been done. Even the gas tax, which could help fund infrastructure projects, hasn't increased significantly for decades. Politicians haven't spent the money to improve roads, bridges, airports, seaports, or other transportation infrastructure across the nation.

PROCUREMENT BULLETIN

September 2016 Issue

Programs to Improve American Infrastructure



Image via [Flickr](#) by kevin dooley

In December 2015, President Obama signed the [Fixing America's Surface Infrastructure Act](#) (FAST Act). It provided \$305 billion to improve infrastructure safety in the United States. This stimulus program is an excellent idea in principle, but it needs better funding to make a significant difference to American infrastructure. The Fast Act puts money into the highway trust fund, but it doesn't implement a user fee in the form of a gas tax.

Many people believe that lawmakers need to increase the gas tax to pay for continual infrastructure growth and repair. However, a gas tax increase is a hard sell in Congress because raising taxes is never a popular proposal. Some people propose increasing the gas tax on diesel fuel because trucks do the most damage to roads. Others suggest increasing the tax on alternative fuels. This is because electric cars and hybrids don't contribute an equal amount of money for road use, as they don't require as much gasoline.



PROCUREMENT BULLETIN

September 2016 Issue

Benefits of Investing in American Transportation Infrastructure



Image via [Flickr](#) by Nicholas_T

Investment in transportation infrastructure could boost the American economy significantly. The [McKinsey Global Institute](#) reports that an investment of 1 percent GDP would boost annual output for several industries by up to \$320 billion. This would also create 1 to 2 million jobs in construction.

Modern infrastructure systems reduce the cost of doing business because they decrease the amount of time necessary to move products from one place to another. This lowers fuel expenditures and boosts overall productivity. [Business Roundtable](#) reports that an investment in transportation infrastructure is critical for international competition and improving supply chains in the United States.

The Fast Act is a good start for improving transportation infrastructure in the United States, but there's still much more to do. A higher gas tax is one possible solution, but legislators must propose more innovative options and get support from citizens and businesses. Without a comprehensive plan, the United States will soon have thousands of unsafe bridges and roads to navigate.



PROCUREMENT BULLETIN

September 2016 Issue

Related Procurement Events

Successful Project Management

- 26-30 September 2016-Kuala Lumpur, Malaysia
- 6-10 November 2016-Dubai,UAE
- 5-9 December 2016-Singapore

Download the full details:

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Certified Enterprise Risk Management Specialist (CERMS)

- 14-15 November 2016-Kuala Lumpur, Malaysia
- 7-8 December 2016-Hong Kong

Download the full details:

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Certified Procurement & Purchasing Specialists (CPPS)

- 24-27 October 2016-London,UK
- 13-16 November 2016-Dubai, UAE
- 28 Nov-1 December 2016-Singapore
- 12-15 December 2016-Hong Kong

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Certified Corporate Compliance Specialists (CCCS)

- 6-9 November 2016-Dubai, UAE
- 6-9 November 2016-Hong Kong
- 12-15 December 2016-Hong Kong

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