Supply Chain Optimization Best Practices

A foodservice industry best practice to deliver the right product, at the right time, in the right quantity.
In 2017, The International Foodservice Manufacturers Association (IFMA), in partnership with Kinetic 12 Consulting, HAVI and Datassential, championed the foodservice industry’s first supply chain best practice initiative, Supply Chain Optimization (SCO). The initiative, SCO, engaged 15 leading chain restaurants, 18 manufacturers and 8 distributors, in conjunction with the industry associations IFDA, FSMA, NCCR, GS1, and the NRA. The objective of SCO was to evaluate how to optimize supply chain practices across all key stakeholders and co-author best practices to benefit the total foodservice industry and its supply chain.

PURPOSE
The new SCO best practice initiative enables collaboration among all trading partners and is designed to foster more effective communication, improve visibility, and deliver tangible outputs to apply to your business and your trading partners. The goal is to solve today’s most pressing foodservice supply chain challenges for both core menu and limited time offers to ultimately drive enhanced consumer satisfaction.

This initiative builds off of previously developed IFMA Best Practice models, including the Operator Collaboration Model (OCM) and Joint Business Planning (JBP) that serve as the foundation for Supply Chain Optimization.

The Supply Chain Optimization Development Board

“We have discovered our greatest inefficiency is the amount of time spent in back and forth communication due to not having an efficient process that outlines how stakeholders work together. There is also a lack of true information sharing between all trading partners. Because of this, we designed this initiative to build off IFMA’s existing collaboration best practice—the Operator Collaboration Model (OCM). We look forward to making progress in these areas to benefit the entire foodservice supply chain.”
—LARRY OBERKFEEL, President and CEO, IFMA

“Getting the right product to the right place at the right time is crucial, not only for the supply chain, but also for a great customer experience.”
—DENNIS CLABBY, Executive Vice President, IPC-Subway

“As Chairman of the NRA Supply Chain Executive Study Group in 2017, we were able to utilize the process and tools created by the SCO best practice board and incorporate them into the NRA Executive Study Group conference curriculum to gain efficiencies, support operators and drive overall industry adoption.”
—STEVE PATTISON, CFO, Vice President Business Analysis & Risk Management, RSI-Burger King

“Some operators acknowledge that their primary focus was on their relationship with the supplier and did not share the same data and information with their distributor partners. Implementing the new SCO process and tools will correct for this and will create an opportunity for distributors to be an integral part of the collaborative process.”
—CRAIG SALADINO, President and CEO, Saladino’s Foodservice

“Utilizing the SCO tools and scorecarding process will enable us to become a more efficient and effective supplier to our key customers. We saw success with this during the pilot program and look forward to implementing it with other customers.”
—BRANDON ACHEN, Vice President of Supply Chain, West Liberty Foods

“We implemented the SCO process and tools with a key customer and chain operator and had great success. The SCO process allowed us to work together efficiently and effectively to support a LTD create a new menu item.”
—ANNMAIRE ALGIER, Account Manager, Kerry

“This initiative is designed to affect change and bring about solutions for the supply chain issues we all face. We are looking forward to collaborating with other operators, manufacturers and distributors and aligning on new standards that will ultimately bolster a more transparent and efficient supply chain.”
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Why the Need for Supply Chain Optimization?

The old “buyer–seller” relationship is no longer effective and doesn’t allow companies to tap into each other’s full value. With chain operators adding more new menu items and limited time offers to drive traffic, collaboration is the key to driving revenue growth. In fact, the top 230 restaurant and convenience store chains average 402 new items collectively per month! (Source: Datassential) While these new items may increase revenue, they can also stress the entire foodservice supply chain.

**FORECASTING AND SHAPING CONSUMER DEMAND WHILE OPTIMIZING INVENTORY IS COMPLICATED:**

- over forecasting demand can leave chain operators with millions of dollars of excess and/or obsolete inventory
- under forecasting demand can force chain operators to cancel the promotion and disappoint customers.

Furthermore, manufacturers and distributors are also not always ready for sudden swings in inventory and supply and can be greatly impacted by “the bull-whip effect.” Thus, the need for collaboration among all stakeholders. Common goals, sharing of data/insights, and working collaboratively to drive mutually beneficial solutions is the most effective way to overcome supply chain inefficiencies and inaccuracies, ultimately delivering positive sales results and consumer satisfaction.

The new SCO process and tools are designed to create collaborative communication, transparent data sharing, accurate and timely forecasting and inventory management, as well as evaluation and score carding among trading partners.
Vision for an Integrated and Collaborative Supply Chain

With the emergence of new data sources, a greater willingness to collaborate, and a desire for new insight-based win-win initiatives, the time has arrived for the foodservice industry to develop and execute a transformative supply chain optimization approach. By working together collaboratively, we are more informed, more efficient, and therefore more successful. This is the vision for this supply chain optimization best practice.

The Best Practice Development Process

In the Spring-Summer of 2017, 41 companies—suppliers, chain operators, and distributors—came together to form a Board to collaborate and develop best practices in foodservice supply chain optimization. Through a series of 4 one-day workshops, the Board worked together and built a toolbox of processes and frameworks to help develop win-win initiatives. Through creation of the toolbox, the team aimed to improve their supply chains and build implementation roadmaps to deploy within their organizations.
Our Challenge: Base-Line Survey Results

A base-line survey was issued to all participating companies with the objective of gaining a clear understanding of the challenges that this best practice should address.

**THE FIRST QUESTION ASKED WAS:**
Identify your greatest areas of challenge or frustration when it comes to Supply Chain Optimization interaction with suppliers, chain operators and/or distributors?

**THE TOP FOUR AREAS OF GREATEST SUPPLY CHAIN FRUSTRATION WERE:**
- Lack of open and collaborative communication
- Lack of accurate and timely forecasting
- Poor information sharing and a lack of transparency
- Poor inventory management

**WE ALSO ASKED:**
What is your single greatest supply chain opportunity, relative to interactions with supply chain partners?

**THE TOP FIVE SUPPLY CHAIN OPPORTUNITIES WERE IDENTIFIED AS:**
- Improving communications
- Lowering costs
- Managing LTOs more efficiently
- Forecasting demand more accurately
- Collaborating with channel partners effectively

These five opportunities then became the focus for what this industry-wide initiative must address.

As the Board began its work, participants recognized that enhanced collaboration among all partners (chain operator, manufacturer, distributor) was the key to an improved supply chain. For example, some operators acknowledged that their primary focus was on their relationship with the manufacturer and did not share the same data and information with their distributor partners.
The first task for the SCO Board was to define Supply Chain Optimization. Collaboration was a key component highlighted in the initial draft of the definition. Additionally, the Board included the deliverables and goals of the initiative to ensure focus on delivering consumer satisfaction.

While collaboration between trading partners does occur organically, the Board recognized the need to enable enhanced collaboration broadly across the foodservice industry by creating a toolkit for organizations to optimize supply chain collaboration. After developing the definition, the Board moved forward to develop these tools. The toolkit serves as a reference resource for all foodservice companies when integrating SCO into their organizations.
GUIDING PRINCIPLES: Collaboration, Trust, Transparency, Timeliness, Accuracy, Ownership, Accountability, Quality, Value, Leadership, and Innovation.

Integrated Supply Chain Optimization Model

Five elements make up the Integrated Supply Chain Optimization Model.
- Communication Map
- Data Standards
- Enablers
- Principles
- Collaboration Process

SCO Definition
A collaborative, transparent process and toolkit that consistently delivers the right product, in the right quantity, at the right price, to the right place, at the right time, to ultimately delight the consumer.

Collaboration Process
- Internal Alignment
- Align on Partnership
- Share Areas of Collaboration
- Identify Opportunities & Activate
- Review & Refine
**PROCESS:** Outlines an approach for stakeholders (chain operators, manufacturers, distributors) to be more effective and efficient through improved collaboration. The core elements include alignment on common goals, greater sharing of insights, issues and ideas for improvement, the creation of specific initiatives that will drive supply chain optimization and working together in a more transparent way to achieve success.

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**Supply Chain Optimization Collaboration Process**

1. **Internal Alignment**
   - Define objectives for SCO partnerships
   - Assign ownership, expectations, timeline and resources

2. **Align on Partnership**
   - Utilize OCM model to assess existing relationships and desired relationship with partner(s)
   - Choose partners and align with them on SCO collaboration effort, timing and work teams

3. **Share Areas of Collaboration**
   - Utilize Communication Map and Data Standards to assess current communication and data flows
   - Share approach to key processes such as, i.e.: forecasting, planning, order management, fulfillment
   - Gain agreement on areas of collaboration

4. **Identify Opportunities & Activate**
   - Agree on specific opportunities
   - Develop initiative plans and define resources needed
   - Create scorecard to track results for all parties

5. **Review & Refine**
   - Develop approach to update meetings (timing, who’s involved)
   - Review execution against scorecard
   - Discuss status of relationships and new initiatives

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**Principles:** Collaboration // Trust // Transparency // Timeliness // Accuracy // Ownership // Accountability // Quality // Value // Leadership // Innovation
COMMUNICATION MAP: Defines over 70 communication flows between partners and identifies the nine data flows that are most critical to enabling supply chain optimization and establishing the format in which the data should be shared. Additionally, it makes the connection that in order to create a truly optimized supply chain, data should be shared in a format that is clear without the need for manipulation by the receiving party.
**DATA STANDARDS:** Outlines different types of data standards, a data management roadmap, key questions for partners to ask each other regarding data standards, and recommended data standards for the nine critical data flows established in the development of the communication map.

**SCORECARD:** Provides a measurement and evaluation tool to monitor progress against supply chain management goals.

In order for a best practice to transform an industry, it must be adopted by the majority of organizations. To aid the process of industry adoption, it was decided to conduct pilots with chain operators, manufacturers, and distributors to benchmark how well they are currently aligned to the best practices and how the tools could be applied to help improve their supply chain efficiency.
### Top 9 Data & Information Sharing Must-Haves

<table>
<thead>
<tr>
<th>Scorecard</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item Master Data</strong></td>
<td>Lack of integrated data, inconsistent data</td>
<td>Proprietary data system</td>
<td>Full GS1 integration and implementation</td>
</tr>
<tr>
<td><strong>Location Master Data</strong></td>
<td>Lack of integrated data, inconsistent data</td>
<td>Proprietary data system</td>
<td>Full GS1 integration and implementation</td>
</tr>
<tr>
<td><strong>Shipment Data - Inbound &amp; Outbound</strong></td>
<td>Limited visibility &amp; accuracy</td>
<td>Accurate and available as needed</td>
<td>Real-time visibility, High degree of accuracy</td>
</tr>
<tr>
<td><strong>POS Data - store level</strong></td>
<td>Lack of integrated data, inconsistent data</td>
<td>Proprietary data system</td>
<td>Full GS1 integration and implementation</td>
</tr>
<tr>
<td><strong>Inventory Levels</strong></td>
<td>Fluctuating levels, too much/too little, shortages, inefficient</td>
<td>Process or system has limitations that cause fluctuations</td>
<td>Just-in-time, maximizing turns, no shortages</td>
</tr>
<tr>
<td><strong>Purchase Orders - Restaurant/Distributor</strong></td>
<td>Ad-hoc, incomplete, fax/manual</td>
<td>Ineffective system, process or skills set</td>
<td>Timely, complete, electronic/EDI+</td>
</tr>
<tr>
<td><strong>Lead Times</strong></td>
<td>Minimal, insufficient</td>
<td>Sufficient with some lack of consistency</td>
<td>Sufficient, consistent and realistic</td>
</tr>
<tr>
<td><strong>Forecasting</strong></td>
<td>Ineffective system, process or skills set</td>
<td>Ineffective system, process or skills set</td>
<td>Integrated process, proven accuracy, timeliness, track record of success</td>
</tr>
<tr>
<td><strong>Capacity</strong></td>
<td>Poor understanding &amp; use, strained capacity</td>
<td>Acceptable with limited projections</td>
<td>Understanding, optimizing, predicting</td>
</tr>
</tbody>
</table>

### Principles Scorecard

<table>
<thead>
<tr>
<th>Definition</th>
<th>Damaged</th>
<th>Challenged</th>
<th>Neutral</th>
<th>Demonstrated</th>
<th>Established</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust</strong></td>
<td>Belief in the reliability of communications and shared data.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Collaboration</strong></td>
<td>Willingness of trading partners to openly and honestly work together toward a common goal.</td>
<td></td>
<td></td>
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<tr>
<td><strong>Transparency</strong></td>
<td>Open, honest, timely sharing of thorough information and data among all trading partners.</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Timeliness</strong></td>
<td>Data provided at a favorable or opportune time that meets the expectations of all stakeholders.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accuracy</strong></td>
<td>Complete, consistent and correct data across all information sources.</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Ownership</strong></td>
<td>Taking responsibility for the quality and reliability of the outcome, and the willingness to own the decision.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Accountability</strong></td>
<td>Responsible for the accuracy and completion of the task for which they agree to.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Quality</strong></td>
<td>Accurate and complete data and communication shared between stakeholders.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value</strong></td>
<td>Creating meaningful and the value of the outcome, and the willingness to own the decision.</td>
<td></td>
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</tr>
<tr>
<td><strong>Leadership</strong></td>
<td>Providing guidance and direction that results in positive interactions and outputs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td>Creating and leading positive change between stakeholders - ideas, processes, content, results.</td>
<td></td>
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</tbody>
</table>
Activating the SCO Process

After the SCO process, toolkit, and scorecards were developed, Kinetic12, HAVI, and IFMA kicked off four pilot programs to assess the SCO final deliverables: collaboration process and principles, communication map, data standards, and scorecards. The purpose of the SCO pilots was to fully assess the SCO deliverables in practical business situations involving all three business partners: chain operators, manufacturers, and distributors.

Pilot teams were created to replicate a true working environment among business partners and to put the SCO process and toolkit through a test and assessment. Kinetic12 and HAVI facilitated the process and managed the pilot tests to ensure the pilot objectives were followed and accurately scored. Four chain operators hosted the pilots with their selected manufacturer and distributor partners.

**THE PILOT TEAMS:**
- Subway-IPC, West Liberty Foods, and Saladino’s Foodservice
- Focus Brands, Unilever Food Solutions, and Merchants Foodservice
- Sonic, Rich’s, and Reinhart Foodservice
- Firehouse Subs and Coca-Cola Foodservice

The specific makeup of the SCO pilot teams consisted of multi-functional resources including multiple levels of management from all three participating partners.

The pilot process consisted of three meetings over a four-month period. Each meeting had a specific purpose and objective that required collaboration among the three trading partners as specific areas of the SCO process were tested and assessed. Prior to the first pilot meeting, each partner was required to complete an assessment of their business partners and how they scored against SCO best practices. The scoring focused on three key SCO areas: Communication Map, Data Standards, and the Collaboration Process, including the application and timing, within four defined phases:
  - Identification and Alignment
  - Planning, Execution
  - Analysis
  - Optimization.
There were 25 assessment questions across the SCO best practice areas that created a scorecard tool for Kinetic12 and HAVI to identify key opportunity gaps and strong alignment areas between partners. (See Pilot Scorecard tool.)

The initial pilot meeting included three trading partners and their multi-functional team members to ensure all areas of the supply chain process were evaluated and opportunity areas identified through the assessment to deliver the greatest chance of success and ROI. Action plans were developed to provide all three organizations a roadmap to successfully execute the action plans.

### Key Pilot Learnings

All parties involved in the pilots have begun to actualize the benefits and gains of SCO. The following is a summary of key learnings from all of the pilots:

#### NEED FOR EXPANDED FUNCTIONAL ALIGNMENT

Beyond the roles that were engaged directly in the pilot process, they identified the need for better alignment for many other functions:

- **Operator Brand Marketing**
- **Franchisee Community**
- **Third Party Logistic Companies**
- **Redistribution**

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**PILOT SCORECARD**

<table>
<thead>
<tr>
<th>Phase 1: Identification &amp; Alignment (prior to start of fiscal year)</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication Map</td>
<td>2.4</td>
<td>2.2</td>
<td>1.8</td>
<td>1.7</td>
<td>2.4</td>
<td>2.0</td>
</tr>
<tr>
<td>Data Standards</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.7</td>
<td>2.4</td>
<td>2.0</td>
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<tr>
<td>Collaboration Process</td>
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<td>1.8</td>
<td>1.7</td>
<td>2.4</td>
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</tr>
</tbody>
</table>

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**Phase 2: Planning (start of the fiscal year) 2013**

**Communication Map**

<table>
<thead>
<tr>
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<th>2.4</th>
<th>2.4</th>
<th>2.0</th>
<th>2.0</th>
<th>1.8</th>
<th>2.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Are the employees actively involved?</td>
<td>2.2</td>
<td>2.2</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>2. Does the team have a clear understanding of the expected timeline?</td>
<td>3.0</td>
<td>3.0</td>
<td>2.8</td>
<td>2.6</td>
<td>2.4</td>
<td>2.6</td>
</tr>
<tr>
<td>3. Is the communication and distribution plan understood by all stakeholders?</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>4. Is the plan for the next phase of the project clear and communicated?</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
<td>1.8</td>
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**Data Standards**

<table>
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<tr>
<th>Data Standards</th>
<th>2.0</th>
<th>2.0</th>
<th>1.8</th>
<th>1.7</th>
<th>2.4</th>
<th>2.0</th>
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<tbody>
<tr>
<td>1. Are the data and information shared on the expected timelines?</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
<td>1.8</td>
</tr>
<tr>
<td>2. Is the format of the data agreed upon by the partners?</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
<td>1.8</td>
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<tr>
<td>3. Is the format of the data and information that can be used to track progress?</td>
<td>2.0</td>
<td>2.0</td>
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<tr>
<td>1. Are all partners aware of the expected timelines?</td>
<td>1.0</td>
<td>1.0</td>
<td>0.8</td>
<td>0.6</td>
<td>0.4</td>
<td>0.8</td>
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<tr>
<td>2. Has the impact of the delivery processes (e.g., data accuracy, timing) discussed?</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
<td>1.8</td>
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<tr>
<td>3. Are updates to the production and delivery plans shared on the expected timelines?</td>
<td>2.0</td>
<td>2.0</td>
<td>1.8</td>
<td>1.6</td>
<td>1.4</td>
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**Phase 2: Execution**

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<td>1.4</td>
<td>1.8</td>
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**Summary of Key Learnings**

- **NEED FOR EXPANDED FUNCTIONAL ALIGNMENT**
  - Beyond the roles that were engaged directly in the pilot process, they identified the need for better alignment for many other functions:
  - **Operator Brand Marketing**
  - **Franchisee Community**
  - **Third Party Logistic Companies**
  - **Redistribution**
COLLABORATIVE PLANNING IS CRUCIAL
Collaborative planning sessions (like the pilot workshops) are necessary to force transparency around issues and needs, and to expose supply chain optimization opportunities.

- Nothing can replace a face-to-face meeting.
- Open-forum workshops reveal truth and lead to collaborative solutions.
- Quick wins were identified by engaging in an open dialogue around efficiency opportunities.

TOTAL COSTS OF LTOS ARE NOT CLEAR
Total enterprise costs related to LTOS are not always clear and not shared with all relevant stakeholders, potentially misrepresenting the success of an initiative.

- Supply chain hard costs (e.g. obsolete inventory) and soft costs (additional time to manage fire drills) are not always factored into an LTOS financial performance assessment.

LTO LIFE-CYCLES ARE NOT FULLY MAPPED
The LTO life-cycle is not properly mapped and understood by all parties leading to missed opportunities for improvement.

- Many opportunities were identified around the launch and the phase out of the LTO.
- Each operator has different/various LTO strategies and rhythms that need to be understood by trading partners.

Activating SCO Best Practices with your Supply Chain

GET YOUR ORGANIZATION ENGAGED WITH ACTIVATING SCO BEST PRACTICES.
RESOURCES AVAILABLE TO YOU INCLUDE:

- Starting Point Recommendations
- Find SCO Resource Center & Toolkit at www.scofoodservice.com
- Training available through IFMA’s Core Training Curriculum
STARTING POINT RECOMMENDATIONS

The following recommendations can be used as a starting point to review and strengthen your current supply chain management practices and process. Working from a standardized process and engaging in collaboration with key business partners is a key enabler for success.

- Implement a collaborative planning process for internal and external resources with clear roles and responsibilities
- Utilize the SCO communication map tool to develop a communication process and rules
- Conduct Post Mortems on LTOs to ensure key learning is applied to the business plan and future promotions
- Build a comprehensive RACI model to create responsibility and accountability for all partners
- Map LTO Lifecycle to enable consistency specific to an operator’s approach to LTOs
- Understand the Total Cost of LTOs to drive informed decision-making around LTOs and core menu

Contact any of the following to learn more about IFMA training programs, how your organization can execute SCO Best Practices or to learn about SCO 2.0.

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Watch for details of Supply Chain Optimization 2.0 launching in the fall of 2018:

“ENABLING TRUST THROUGH VISIBILITY AND TRACEABILITY”