

Bill's Building Blocks

Food For Thought

Restaurants have always been a fascinating supply chain study from the perspective of how they deliver both volume and mix. Banquet halls can serve up legions of “rubber chicken” platters while the side dishes from a big event seem to appear at later functions until they are used up. While some high end establishments offer a limited food selection, the local diner menu is the epitome of high mix. Last week my town held its annual “restaurant week” to drive some summer business into the downtown shopping district. Restaurant week means a fixed price menu, or in French: “menu à prix fixe”. If the management is smart, this fixed price menu will represent their best, most profitable cuisine. Outside of restaurant week, if you have to ask what the fixed price menu costs, you probably can't afford it. Let's look at how the supply chain DELIVER function is evolving as exemplified by the restaurant industry.

Local diners serve large portions from multipage menus. Traditional high volume, high mix (i.e. grocery, drug retail) has been suppliers-to-factory-to-distributors-to-retail stores. Everything is in stock for immediate delivery. Planograms drive shelf space, and inventory is replenished as it gets sold. Retail stores are struggling to stay in business.

Omni-channel fulfillment is one dynamic challenging traditional retail stores. Omni-channel is a little like a progressive dinner. Customers do drinks and appetizers, a main course, and dessert at three different locations. Retail customers sample the product in a store front. Then the retail customer shops on-line for the best price and delivery. Finally the retail customer picks up their product from a convenient delivery location.

Amazon and Alibaba represent an even bigger challenge to traditional retail stores. These are independent aggregators using sophisticated websites to take orders with direct delivery to the customer often through third party parcel carrier services. Amazon is now offering their Prime customers same day delivery. The restaurant equivalent is a food court where customers order through a kiosk and in a few minutes the particular kitchen delivers the food directly to the table. This is all about variety and convenience.

Today's supply chain network design challenge is how to combine the expected degree of product variety with immediate delivery while managing inventory levels not knowing the unit volume. People's shopping habits are changing, and this clearly impacts future of retailing. The new B8ta “retail-as-a-service” may be the cutting edge of such a shift.

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