Lee Plotkin works with restaurants to lower purchasing costs.

43 Shrink your purchasing costs

Consultant Plotkin offers ideas for supply chain savings

BY LISA JENNINGS

Skyrocketing food and fuel costs have forced operators to take a cold, hard look at their purchasing habits.

Lee Plotkin, founder of L.P. Enterprises Inc., works with growing restaurant companies to help them create or improve their purchasing or supply programs. Based in Richardson, Texas, Plotkin has worked with such chains as Cozymel's, Harper's Restaurant Group, Truluck's Seafood Steak & Crab Restaurants and Spaghetti Warehouse.

Plotkin offers the following tips for restaurant operators looking for ways to trim their costs:

- **Create strategic supply partnerships.** Many operators are so focused on the day-to-day, they never really take an active role in looking at where they are financially with what the supplier is offering. Ask your supplier to produce a volume report showing where they were when you began the relationship and where they are now. Are you being priced at the same level? Many times such prices don't reflect the growth the company may have experienced. Better pricing could be negotiated.

- **Consolidate.** This is a key to survival for many large companies. The more you can load up that truck, the lower the costs. Can you buy meat from a broadline distributor? Is it necessary to use a dedicated meat or produce company? Go to your supplier and say, "I'm willing to do this to put more on the truck, which makes you more profitable. How can you make that work for me?"

- **Don't spread your business around and bid every week.** Set up a "cost-plus" distribution program with your supply partner that makes financial sense. That's when an operator commits to a supplier for a high percentage of products in any category and they agree on a set markup schedule. If I give that supplier all of my business, with the appropriate checks and balances in place, that should bring savings to the bottom line. Also, remember that the more time you spend ordering and receiving product, the more it costs. It adds to labor expenses, and it doesn't usually yield the lowest prices. You probably also cut more checks with different vendors, and that costs money in processing.

- **Use your supplier's buying power.** Once you have the right supplier in place and feel comfortable with the pricing, work with them to identify cost reduction opportunities. Take advantage of things like manufacturing deals, rebates and the trading of products without reducing quality. The supplier can go back to its manufacturers in a stronger position to put together deals. Meet regularly with an appropriate manager or director at the supplier company.

- **Audit your supplier.** If you have a primary supplier relationship with a contract, you have auditing privileges. Ask that supplier to open his books to determine that he is in compliance with the agreement.

- **Identify long-term contract opportunities.** There will be more contracting opportunities that will protect operators this year than last. The past year was crazy, and manufacturers were attempting to protect themselves from high fuel costs, etc. If operators are willing to look at contracting certain high-moving items, they can set price on their end and then not raise prices for their customers. ■