



THE BIG PICTURE: WHY DATA MATTERS TO FOODSERVICE



If digital connection is the engine of tomorrow's economy, **data is the fuel that runs the machine.**

The sheer volume of data that we produce every day is nearly immeasurable. As we tap, touch, text, type and swipe our way through our lives, we leave a trail of data behind that smart marketers, developers, researchers and theorists have picked up and turned into a whole new industry that generates a whole lot of value and even more revenue.

The problem with data in the foodservice industry?

It's dirty and it's confusing. Why should operators care about this data?

SLOW TO REACT, TIME TO ADAPT

The foodservice industry, notoriously slow to react and adapt to technological and cultural shifts, is finally recognizing the vast potential that our industry's data operations represent for companies in all stages of the foodservice [supply chain](#) - including growers, [manufacturers](#), [distributors](#), [operators](#), consumers, analysts, purchasing organizations, technology companies and marketing organizations.

New companies in the restaurant technology space are designing their processes at the outset to generate ['clean' and 'usable' data](#) that can be analyzed or even monetized. This creates incredible value and insight for 'newer' players in the foodservice industry like restaurant delivery apps, meal delivery kits, [inventory management software](#), remote temperature monitoring applications and others.

CHALLENGES OF WORKING WITH DATA

There is an inherent challenge, however in working with data in, as Bryan Edwards, seasoned foodservice purchasing expert calls

“PERHAPS THE WORST ENVIRONMENT FOR DATA IN THE ENTIRE WORLD.”

In the long-standing history of the foodservice industry, data was a mere afterthought, if it was a thought at all. The products that an operator ordered from a distributor were usually cataloged into an order guide and then subsequently disregarded once invoices were paid. Similarly, guest preferences were recorded on a paper ticket that was skewered along with the remainder of the day's stained and greasy records of guest activity, stapled, and filed away to only resurface in a dumpster when the restaurant ultimately closed for good.

Several leading companies, however, invested over the last decade in building the infrastructure to make sense of all the data that the foodservice supply chain generates. These long-sighted efforts are now coming to fruition and finally providing stakeholders throughout the supply chain with incredibly valuable insights into their own businesses, as well as those of their customers, suppliers and competitors.

One of the biggest challenges comes from the fact that [manufacturers](#), [distributors](#) and even an [operator's](#) in-house processes could each have a different product code for the same item.

WHERE DATA COMES FROM

Every single transaction that takes place throughout the [foodservice supply chain](#), every

single scan of a product into a system of any kind, any order that any individual or system takes, every open/click/re-share or post of email, social or other digital content, every incoming or outgoing phone call, every time a thermostat or other digital gauge is altered, every time an item is entered into a POS system or sent out for delivery and thousands of other actions create an individual data point.

COMMON FOODSERVICE DATA POINTS:



RESTAURANT

- POS Entry
- Credit Card Swipe
- Inventory Check
- Employee Clock-In
- Online Order
- Social Media Mention



DISTRIBUTOR

- Inventory Receiving Scan
- Order Ticket
- Invoice Issued
- Payment Received
- Delivery Confirmation



MANUFACTURER

- Contract Signing
- Order Received
- UPC Scan
- Pricing Benchmark

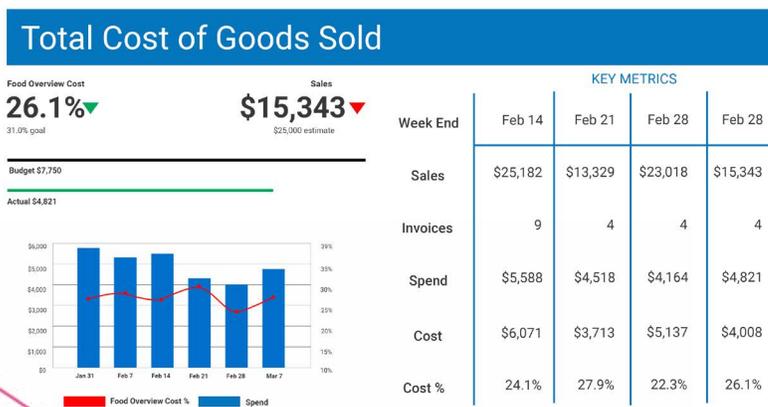


GROWER

- Order Received
- Head of Cattle
- Commodity Price
- Water Usage
- Weather Factor

Data sets lie in many different forms and places. From websites and social platforms to restaurant orders and loyalty programs – data can be found in almost any type of transaction where one system communicates with another. Think about it – that sure is a of data!

DATA DRIVEN DECISIONS



The challenge is understanding what do with this plethora of data, and how best to combine it - theoretically as well as logistically - to create a usable data set that is comparable and usable in terms of its ability to produce actionable insights and answers to companies' most pressing questions. When a data strategy is well-designed and executed, a world of opportunities may present itself for users, who are not able to combine purchasing data, production costs, materials acquisition costs, recipe costs, labor costs, pricing data and

other factors to complete a picture of the health of the business, including factors such as forecasting and expansion.

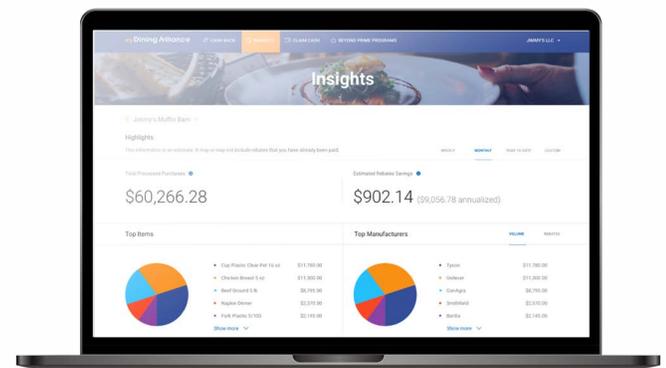
[Buyers Edge Platform](#) takes in raw transactional data from multiple sources and cleans and normalizes every line item to a single key data point. When purchasing data is cleaned, the ability to optimize contracts, reduce costs, and gain insight into foodservice and purchasing operations is made available. Customized reports are then configured by category, location, time frame, manufacturer or vendor. Easy-to-read dashboards compare purchasing data to commodity markets, monitor contract compliance, and update rebate claims and payments. With item-matching software, manufacturer's item-level data, and compliance analysis, billing, and allocation tools, [Buyers Edge Platform](#) provides a tremendous opportunity for foodservice operators and other stakeholders to take their businesses to the next level.

With insights and reporting, contract/rebate management tools and comparative benchmarking, operators can turn what once was pieces of paper into digital data that you can then use to analyze the health of your operation. Furthermore, the Buyers Edge Platform serves as a hub for data integration opportunities for [manufacturers](#), [distributors](#), and other [foodservice industry partners](#), who can utilize the Platform's massive database of foodservice purchasing data to gain insights into their own businesses.

WHY OPERATORS SHOULD CLEAN THEIR DIRTY DATA

Historically, foodservice data is dirty, disorganized, and convoluted. You have all these various numbers and codes that might indicate the same product: a manufacturer identification number, a distributor identification number, a GTIN, different pack sizes, different split cases, and different locations.

One single item may have 12 different codes. When that data is not cleaned and normalized, if there is no standard to which that data is grouped, it's really hard to pay the GPO rebates that the operator has earned,

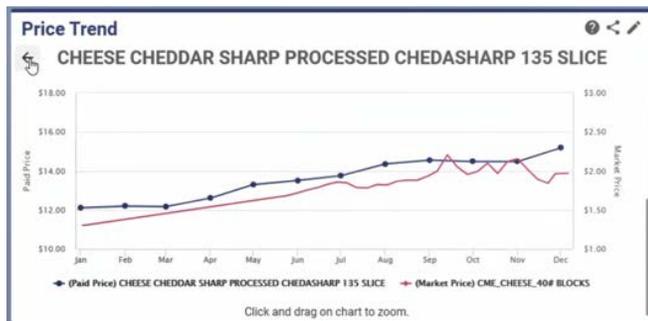


but also to verify pricing paid, compare pricing against contracts, determine if items received were accurate, verify deviations and many other things.

As a [GPO](#), we have a set of manufacturer contracts that cover 165,000+ individual line items. What we do is we look to identify every time one of our operator clients purchases that item. Every time that item appears on a purchase history or invoice for our operators, it pings our a data point in our system that says “Ok, they’ve purchased product X that earns Y dollars’ worth of rebate so attribute Y dollars of rebate to this operator. This rebate essentially gets set aside in a fund that on a quarterly basis, generates the operator a rebate check. A large number of those rebates get missed if the data is first thoroughly cleaned and normalized.

WHAT KIND OF INSIGHT CAN CLEAN DATA TELL AN OPERATOR ABOUT THEIR BUSINESS?

Data opens the ability to analyze an operation’s purchase history. How much did they order over a given time, how much they paid for those items, who they purchased it from, was the



purchase price paid compliant with their contracts or not, etc. How do these prices compare to the commodity market? Are they trending in the ways one would anticipate given what is happening in the commodity trade of those items?

It can also be incredibly helpful to [compare items that are purchased over a certain period of time, certain geographic locations, in certain categories, and from certain](#)

[distributors](#). This is basically impossible if the data is not clean or normalized. For example, if you’re buying cheddar cheese from two different distributors with two different codes and paying two different prices, that’s not going to immediately be apparent because of the vast disparity in the data. Once you realize that you’re purchasing the same cheddar cheese and normalize that code, now you can compare what you paid for that cheddar cheese from distributor X to what you paid for that cheddar cheese from distributor Y.

For multi-unit locations, this can be a major opportunity for cost savings. We especially find this when operators run out of a central management office. Think about it – how can an operator keep track of what their Florida restaurant is paying for a certain item and what their Vegas restaurant is paying for that same item all the way from their home office in Chicago unless they’re properly handling and managing the data that is generated by those transactions.

Also, the data can be used to easily present disparities across different distributors or OPCOs. It can be valuable to determine if each distributor or OPCO is charging the price you contracted with a manufacturer. Multi-unit operators and large purchasers of foodservice products spend so much time and effort developing agreements with manufacturers but then they need the distributor to load or honor the contracted prices that were agreed upon. Without accurate tracking of the data, it can be impossible to uncover the pricing disparities.

ONCE DIRTY DATA IS CLEANED, WHAT CAN OPERATORS DO WITH THE DATA?

Presenting this data in actionable dashboards is hugely important in terms of helping purchasing executives identify areas where their contracts or supply chain can be improved. Similar to the way an operator is going to look at their top selling items and compare menu prices and the frequency with which guests purchased those items, operators can also look at their top spend categories and find opportunities to develop better supply chain efficiency. If an operator has the right dashboard for viewing their data, they can easily log in daily and look at how various categories are trending. If, for some reason, they were to see a spike in a particular category, such as frozen foods, the dashboards that [Buyers Edge Platform](#) offers, will allow them to instantly drill into that category and start to analyze the subcategories or products that are contributing to that spike in price.

Did a particular purchasing manager at a location buy a product that was off the contract?

Did a particular distributor or OPCO substitute a product that might be non-compliant with the spec?

Was there a commodity issue or supply issue that contributed to a drastic change to the price of that item that might warrant the removal of certain items or options from the menu?

Also, the data can help uncover areas where there may be opportunity to seek out contracts on certain categories. If an operator's bacon purchases are spread across multiple manufacturers, distributors, and product codes, it may be hard for them to recognize that they have enough volume that it would be worth pursuing a contract from a manufacturer at much better prices. By looking holistically at each product category and assessing the volume and prices paid, the operator can arm themselves with the necessary data to support the idea that they should seek out a contract from a particular manufacturer that will reduce their costs in that category.

Once that contract is in place, the data plays an important role. The contract can be loaded into a price verification system that will instantly identify any overcharges that are not compliant with contracts and bill back distributors for overage. Once the contract is in place and the prices have been verified, the data can be used to determine the impact of that contract. What were the total prices paid for those categories before the contract and how did those prices change once those contracts were in place? Carry that down, comparing it to the inventory and the number of items that were sold, you can draw a straight line between the contract, the COGS and the restaurant's profitability.

By collecting all this data from all of our many operators, normalizing it all against a huge database of millions of lines of purchase data, we are able to provide a great deal of value to each one of those operators in terms of their ability to dig into their own data and to the industry at large.

What benefits can operators gain by not only allowing a third party to receive their data but also analyze and present data?

Not only can operators gain margin by receiving cash back rebate money as well as deviated prices for the products that they buy, but they can also gain a lot of insight into their own purchases. If handled properly, this data can open the door to more efficient inventory practices.

If purchasing teams or restaurant operators focus on keeping a running inventory at the time of purchase, they can utilize their data as a reference point to exactly how much inventory they have on hand at any given moment. More importantly, they will even know what they paid for that specific inventory, when it was purchased and for how much.

This in turn leads to the ability to calculate more accurately their Cost of Goods Sold. Your Cost of Goods Sold is the key to managing your restaurants profitability. If it's too high, you know your food costs are out of control, and you can start the process to lower them. With your COGS in hand, you can determine where you're paying too much for ingredients - or if you're over ordering.

COMMITMENT TO TRANSPARENCY

With access to insights into operator purchase behavior, pricing trends, sales opportunities, and growth potential, working with a [GPO](#) such as [Buyers Edge Platform](#) can make the process of data integration smoother and more transparent.

We know for certain that the path to restaurant profitability passes through cost reduction, well-informed [procurement](#) and [technology](#) integration. When you have a lot of data flowing in, you can ignore it or make it work for yourself and your stakeholders. We chose to make it work - how? We provide that data to multiple stakeholders in the [supply chain](#). We have enough data to tell that a specific DIN number lines up with a specific MIN and we can normalize that so you can sit down and look at prices on products. Once you look at that through the lenses of the [Buyers Edge Platform](#), those 14 item codes become one and all that money attributed to the product gets combined and compiled and now you have a much easier data point.

| Category | Value |
|-----------------------|------------|
| Bread | \$678.66 |
| Dairy | \$837.24 |
| Dry Goods | \$3,860.05 |
| Food Packaging | \$752.90 |
| Proteins - Meat | \$1,672.43 |
| Proteins - Poultry | \$634.23 |
| Proteins - Seafood | \$1,233.91 |
| Vendor Prepared Items | \$75.67 |

| Item | Unit | Value |
|-----------------|------------------------|---------|
| YELLOW ONION | | \$13.23 |
| Yellow Onion | | \$13.23 |
| Cheney Brothers | \$4.55 ea (0.91 ct) | 1/5 ct |
| Case (\$0.00) | - 0 + | |
| Pack (\$13.65) | - 3 + | |
| Unit (\$0.00) | - 0 + | |
| Onion | | \$0.00 |
| Sysco | \$32.74 cs (\$1.64 ct) | 4/5 lb |
| Case (\$0.00) | - 0 + | |
| Pack (\$0.00) | - 0 + | |
| Unit (\$0.00) | - 0 + | |
| MEDJOL LETTUCE | | \$23.04 |





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