

Finger Lickin' Procurement

Who'd have thought that a fast food chain would create so much passion, angst and column inches all about my world of supply chain? But then, who'd have thought a fast food chain whose brand and key product ranges are based around chicken, actually runs out of ... well ... chicken (and lettuce and hash browns).

I guess if you are like me and KFC doesn't form part of your daily or weekly diet, then so what? Well, let's look at it from a different angle: not as an irate and hungry consumer, but from a business risk perspective.

How did DHL get the business? Simply, KFC went to market, moved from BidVest and awarded it to DHL. Actually a joint bid from DHL and QSL. It would, accordingly to the DHL press release "set a new benchmark for delivering fresh products to KFC in a sustainable way". Never a truer word said in jest.

The existing and new supplier both supply logistics and supply chain services to their customers – perfect, you'd think, but here is the first potential challenge: BidVest's core customer base is hospitality and restaurants; DHL is sector agnostic and isn't an immediate recognisable fit for moving food around the country. You would expect KFC's selection criteria weighting for a supplier's **cultural and strategic fit** with them to be high and DHL not to score well. The relationship with QSL, who are already known to deliver "multi-temperature one-stop shop" distribution, would no doubt positively impact the DHL score. However, DHL already had form with issues when it took over Burger King deliveries, thus any scoring on **quality, reliability and service** would again be lower on its own. QSL no doubt rescued those scores too.

The one warehouse that DHL had to supply to all of the KFC outlets was not fully operational or food certified for go live, creating a significant **compliance risk** for KFC and clearly it failed to deliver product on time to the KFC outlet increasing KFC's **operational risk** of not getting its product to its customers when they were demanding it.

90% of the outlets had to close with high **risk** of longer term **financial** consequences: customers ate at other fast food chains and there is still a risk they may not return to KFC in protest. The lack of deliveries was swiftly picked up by the media which was a real knock to KFC's **reputational risk**. Even the gesture to give away the undelivered chicken was met with derision due to the lack of warehouse certification. That said, KFC has largely been applauded for its PR response to try to claw back some of its reputation when it made KFC become "FCK, we're sorry". Clever.

In Procurement, we have all been the victims of criticism of our work. My quickest was 2 weeks. A new CIO who'd not been with the company as we thrashed out the complex terms tore the output to shreds on first reading.

Again, so what? What nuggets can be the take-away to avoid it in the future?

As long as:

- we follow a robust and transparent procurement process,
- we have joint teams with the supplier to project manage "go live",
- we recognise that problems do happen and contingency is contractually in place to mitigate,
- we don't abdicate responsibility, managing our supplier effectively and efficiently through the lifecycle of the relationship

your own customers won't go hungry whilst you are flapping in the wings to deliver.

If you'd like to talk to me further about any of your own procurement challenges that I might be able to help you with, including QA reviews of any procurement processes you have underway or contracts where the supplier relationships aren't quite where you'd want them to be, please do get in touch via email: beth@wallaceconsultingltd.co.uk.

References:

DHL Full Press Release:

http://www.dhl.com/en/press/releases/releases_2017/all/logistics/kfc_revolutionizes_uk_foodservice_supply_chain_with_dhl_and_qsl_appointment.html

QSL website outlining services: <http://www.quick-service-logistics.com/>

News Article: <https://www.theguardian.com/business/2018/feb/22/kfc-surplus-chicken-charities-store-supply-crisis>

News Article with KFC apology: <http://money.cnn.com/2018/02/23/news/kfc-apology-ad-shortage-chicken/index.html>