

2018 IFA

# LEGAL SYMPOSIUM

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# Supply Chain Links

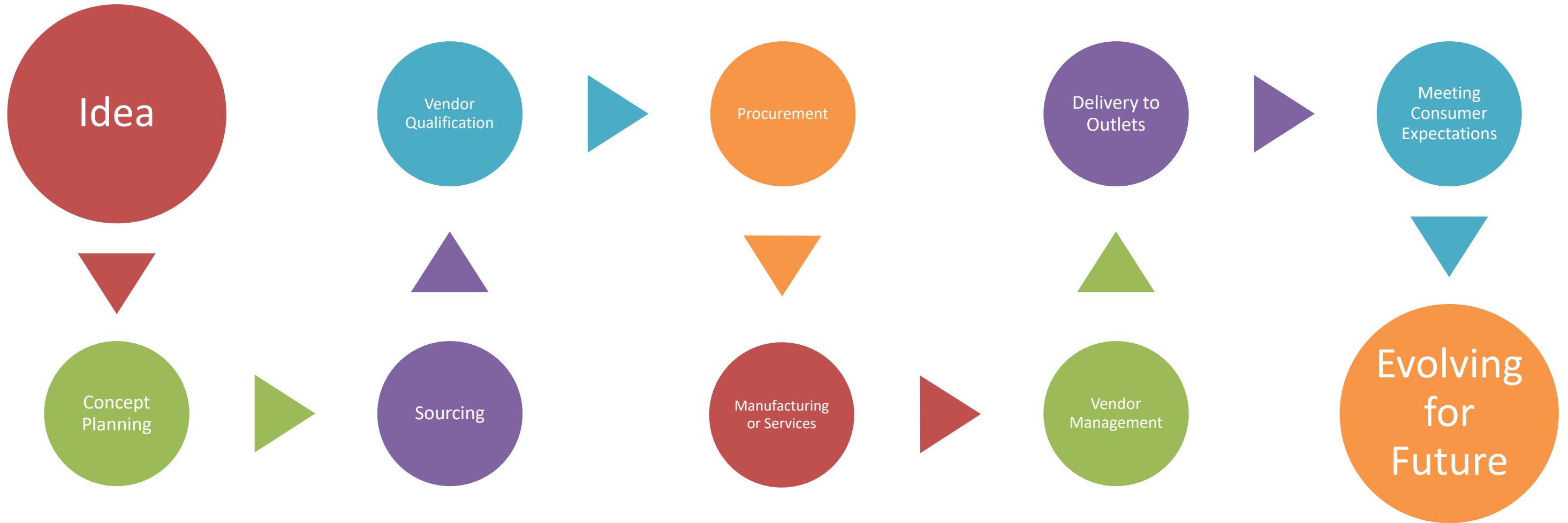
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# What Is the Supply Chain?

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# What's Driving Change? (Restaurants)



- Increased regulatory and product liability risk
  - Menu labeling, FSVP, food safety
- Changing consumer habits
  - OLO, health benefits, plant-based, ethnic cuisine/new flavors, smaller/more frequent meals, functional foods – **consumers want it all**
- Technology innovation and cyber security risk
  - Data science to improve supply chain performance
  - Avoid data breaches and cyber crime consequences



# What's Driving Change? (Retail)

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- Changing consumer habits
  - E-commerce, delivery services, new products – **consumers want it all**
- Increased liability and government oversight
  - Including risk to reputation
  - State Attorney Generals
- Technology innovation and cyber security risk



# What's Driving Change? (CPG/Products)

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- Consumers' demand for knowledge
  - Traceability and transparency
- Increased regulatory focus on *process* and *prevention*
- Automation of supply chain
  - Robotics, tests of driverless trucks, demand predictions



# What's Driving Change? (Franchise Systems)

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- Franchisee expectations
  - Support and communication
  - Supply chain integrity
- Need for flexibility
  - Ability to swiftly address changing market conditions



# Concept Planning and Franchise Systems

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- Feasibility
- Attractiveness to Franchisees (Willingness to Adopt)
- Acceptable Level of Risk for a Franchise System



# Vendor Selection

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- Ability to meet requirements of franchise system
  - Available capacity and willingness to commit supply
  - Uniformity of goods and services
  - Willingness to fit within existing or planned supply chain



# Vendor Selection

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- Willingness to share information, ideas, and intellectual property
  - Risks of sole source supply
  - Need for franchise system to obtain information and intellectual property on an ongoing basis
  - Willingness to continue to innovate and pass innovations to franchise system



# Vendor Selection

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- Ease of negotiation and contracting process
  - Willingness to have reasonable and customary agreements
  - Ability and willingness to “stretch” to meet evolving franchise system needs
  - Ability and willingness to provide reasonable and timely explanations for proposed changes



# Foodservice Broadline Options

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# Beyond Broadline Distributors

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- National Chain/Specialty Distributors
- Regional Distributors
- DMA (Distribution Consortium)
- Product Specific Distributors (i.e. produce)
- Locally Sourced Products

# Farm-to-Table & Amazon Speed

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- Consumer demands for locally sourced products and sustainable manufacturing and farming
  - Urban farming
  - Cost Impact
  - Safety/QA Considerations
- Evolving Role of Blockchain Technology in Supply Chain

# Evolution of RSI Supply Chain

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- **Level Zero** - Fragmented/Localized/Regionalized purchasing of products and distribution services (BK system pre-RSI)
- **Level One** - Consolidate purchasing and use system volume to achieve competitive prices from existing suppliers (RSI in 1992-93)

# Evolution of RSI Supply Chain

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- **Level Two** - Further product cost reductions by sponsoring approval of new suppliers with lower cost structure and strategic locations to reduce freight (RSI in 1994-96)
- **Level Three** - Implement longer-term purchasing strategies with the most competitive suppliers (RSI in 1996-99)

# Evolution of RSI Supply Chain

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- **Level Four** - Implement Distribution Management; expanding the scope of RSI to include ensuring supply at best cost to the back door of restaurants, including inbound and outbound freight contracting (RSI in 2000-2004)

# Evolution of RSI Supply Chain

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- **Level Five** - Integrated Supply Chain Management; develop and implement data collection/data management systems that provide visibility to daily restaurant sales and distribution center sales and inventory; implement promotion planning/inventory management systems (2004-2010)

# Evolution of RSI Supply Chain

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- **Level Six** - Improving supply chain efficiency and proactive cost management; collaboration with BKC, suppliers and distributors to re-engineer products and/or delivery processes to reduce costs while maintaining quality; apply new technology to enhance promotion planning and inventory management processes (Since 2010)

# Supply Chain Management Options

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- Centralized Franchisor Supply Chain
- Group Purchasing Organizations (GPO)
- Buying Consortia
- Cooperatives
- Hybrid Solutions
- One Size Does Not Fit All Situations

# Supply Chain Management: Business & Legal Issues

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- Forecasting and Demand Planning
- Commodity Purchases
- Key Performance Indicators/Pay for Performance
- Inspections and Audits

# Cooperative Considerations

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- Scope of Services
- Operating Agreement Between Franchisor & Coop
- Funding -who pays?
- Tax – IRC Subchapter T
  - Democratic Control
- Tradeoffs
  - Cost sharing vs. control
  - Transparency

# Managing Franchisee Expectations and Compliance

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- FDD Disclosures
- Franchise Agreement Requirements
- Maintaining Flexibility for Future Supply Chain Changes
- Strategies to Maintain Franchisee Satisfaction and Compliance



# Supply Chain Links

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