

School Food Procurement

– Case Study



Education Boards

"The maximum benefit for the Board is to be achieved by maximising the number of school kitchens who are able to access the system. There is now a real possibility for the supplier and kitchens to virtually eliminate all paper based transactions. UNITAS has been able to adapt to specific complexities associated with the nature of supply to our school meals kitchens"

"A very versatile, user friendly and effective package that can significantly streamline the ordering, receipting, invoicing and payment processes"

Chief Finance Officer

"The response from the Kitchen Supervisors themselves has been astounding. Initially we expected some reservations, but their enthusiasm and eagerness to expand the project is amazing. "

Purchasing Officer

"The Unitas implementation team was excellent. Data conversion was smooth, training was complete, and the on-going support is always responsive. I have 190 schools, and we're now rolling it out to the ones not yet on the system as fast as we can "

Catering Manager



Happy Caters, Happy Eaters

School Food Services are distinctive in their primary function. To provide nutritional and appealing meals to growing children at a price their families can afford.

This particular implementation refers to schools whose purchases are specified and controlled by their area Boards. Catering operations for **one** of these boards purchase over £2.9m worth of food and supplies on 72,000 orders each year.

As in any business, attention to cost is critical. Regardless whether each kitchen prepares 50 or 500 meals, facility costs, payroll, utilities and insurance, will always remain fairly constant. Additionally, the administration cost to the Board of processing each order remains static regardless of whether the order costs £1 or £100. Each order must be sent, receipted, validated, entered, paid and analysed in the same manner. An figures alyst suggest that the cost of processing an order is on average £77¹ on top of the actual goods cost.

Although School Food Services have the advantage of knowing exactly where their customers will be at lunchtime, there are disadvantages unique to this area of the catering industry. Mandated nutritional guidelines shape menu options, yet economic considerations make it difficult to raise the price of meals. Storage space and receiving hours are limited, necessitating many small frequent orders. And finally, meals must be selected, served, paid for and eaten within 30 minutes or less.

School Food professionals are all too aware of the factors influencing their industry. However as they continually point out:

“Trying to find the time to investigate potential savings is a challenge in itself!”



¹ Aberdeen Group “E-procurement: Finally ready for Prime Time” 3/2001;
MSDW “The B2B Internet Report” 4/2000

Background

More Work, Less Time

The fundamental challenge confronting the School Food professionals is how to reclaim the time spent on low value administrative functions.

Our research shows that the average school Kitchen supervisor spends between 45% and 60% of their available hours ordering, receiving, reconciling and inventorying their food and supplies.

Fully reconciled, each invoice requires 18 minutes to process through the accounting system, almost 900 accounting administration hours in a year.

Experienced Food Service directors have identified 3 school food related functions that consume far too much time:

- Food & Supply Ordering
- Supplier Invoice Reconciliation & Payment
- Physical inventory

These 3 processes involve significant amounts of time-consuming data entry. Apart from the time involved, this creates significant opportunity for error. Morgan Stanley Dean Witter² estimates that up to 40% of all orders have to be re-worked because of errors, incompleteness or mishandling



² MSDW "The B3B Internet Report" 4/2000

Background

Food & Supplies – Repetitive Ordering

The School food ordering process is normally a scattered process. Individual Kitchen Supervisors review and devise their menus based on nutritional guidelines, check kitchen inventory, and prepare orders manually. These are then posted, faxed, delivered or telephoned to the supplier.

The average school food operation does business with 18 suppliers, and process 10 orders per week, approx 400 orders in total per year – per facility. Including the inventory review process, an average order requires almost 20 minutes to complete, 25 hours each week.

The supplier takes this same information and re-keys an individual order for each location onto their order entry system for delivery.

Including the verification process, reconciliation and order entry, each order takes about 15 minutes for the supplier to process.

Of particular consideration to School Food Professionals is the UK Governments' "UK Online" program. The overarching objective of this directive is "to make all Government services available electronically by 2005". In addition, an EC directive, "*eEurope 2005: An Information Society for all (May 2002)*" recommended that "by end 2005 Member States should carry out a significant part of public procurement electronically. Council and Parliament should adopt as quickly as possible the legislative package on procurement"



Background

Reconciliation & Payment

Supplier invoices are normally presented when delivery is made to the school. Although it varies 'by whom and where' these invoices are processed, there are some constants with regard to the difficulties encountered.

- Supplier invoice information must be entered manually onto the Accounts Payable ledger in order to be processed for payment. These are usually manually allocated to the appropriate General Ledger account code for that school. In effect these orders are being processed twice. Once to receive the goods and again to process the payment.
- The vast volume of invoices being processed only allows for random spot-checking of the information being paid. This is particularly important for prices and delivery details as a small price difference multiplied over this volume of invoices can result in a vast difference overall.
- There are frequent delays in processing the payments when incorrect deliveries have occurred and a subsequent credit note is required. In most cases, payment for the full invoice is held, rather than paying for what was validly received. This can result in cash-flow issues for both supplier and customer.
- The contracts on which school food bids are based, allows for periodic changes concerning which supplier provides which product, as well as allowing price modifications throughout the life of the contract. This is difficult to control on a multi-distribution network.

The invoice reconciliation process itself is labor and paper intensive, fraught with redundancy and prone to error.



Background

Physical Inventory – may be more than just food

It is rarely cost-effective to track usage within the school food environment. Within the School board we are reviewing here, a monthly snapshot approach to inventory is used.

A physical count of all the product lines held in stock is performed, sometimes over several days, when time permits. The Kitchen supervisor transfers this information onto stocktake sheets, along with details of stock purchases for each week. These figures are then manually totalled and valued at the current individual unit cost.

Considering that an average sized operation can at any one point in time, hold as many as 150 product lines, this is quite a laborious and time consuming task. Conservative estimates from our reviews, assess that this can take anything from 7 - 10 hours to perform in total.

Additionally this data is evaluated by the Kitchen supervisor to produce Trading Accounts and Operating Figures for the month including details of the number of meals provided and the cost per meal. This information is then sent to Head Office administration, where this data is re-keyed to a separate system and given to the Area Manager.

The Area Manager analyses these pieces of information for each individual school. In the School Food sector it is vitally important that expenditure remains within budget levels and the Area Manager must investigate any variations to these. This analysis also helps them to determine staffing levels for the kitchens. If for any reason the cost per meal for the kitchen is above budget, the Area Managers transfer the kitchen onto a weekly inventory, increasing the work levels for both parties.





The Solution

The Unitas e-Business Solution is a web-based purchase management system designed specifically for buyers and suppliers. With over 30 years experience in the food sector, we are very aware of the processes, which consume the most time. The Unitas e-Business Solution automates, integrates, standardizes and streamlines these business processes.

Our solution utilizes a powerful, comprehensive and interactive database, which includes all the information required to: maintain on-line catalogues, process and order, reconcile receipts, consolidate payment information and keep track of inventory.

Offering distinct advantages over traditional client-server software implementations, access is available 24x7x365 from anywhere with Internet capabilities. Expanded access provides shared visibility to buyers, supervisors, management, head office and suppliers. This is particularly beneficial where there is an abundance of distributed users in remote locations. These users can now enter their information directly from their office desk and be included in the central processes.

As the Unitas e-Business Solution is a hosted Internet package, all the data and software reside at a centralized location, accessible via the Internet at any time. The cost of maintaining this solution can be spread over many users, thus providing a fully featured system at an extremely affordable price. The hosting approach also removes the requirement for cumbersome upgrades and software installations, which can interrupt business activities. Additionally, by being web-based, the Unitas e-Business Solution can easily expand and grow with your companies requirements.

Security and the Internet is always a hesitant topic. However with the Unitas e-Business Solution, all user data and communications are encrypted, while multiple permission levels limit user access. Additional systems on multiple computers ensure that your information is fully backed up and accessible at all times.





The Platform

Having considerable experience in the food sector, over time we had become very familiar with the complexity of the industry. We realized some time ago that only an Internet based application could offer the ease of access and affordability required to serve the needs of this complex sector. Baring this in mind, we used our food sector knowledge combined with our awareness of the rapidly developing IT industry in the development of a solution.

Most Food suppliers already have Internet access and are keen to have orders placed electronically. Our internet-based software facilitates integration with suppliers who have already invested in EDI packages or had internet-based ordering tools of their own. The ease of collaboration on this platform, offers the option of exchanging information with suppliers on a large-scale for the first time. This can dramatically reduce administration time and paperwork for both the customer and the supplier.

The Internet provides 24 hour, 7 day a week, 365 day a year access from any Internet ready location. The costs traditionally required to deploy client-server based software are removed completely as no installation is required at the individual clients.

Hardware costs can be reduced by effective utilization of existing clients in the individual depots. And because an internet-based application spreads the cost of hardware and maintenance over thousands of users in a way not possible with client-server applications, the software can be deployed very affordably.





Rollout

Streamlining all ordering

The functionality provided by the Unitas e-Procurement Solution, provides all outlets with a single platform from which to process electronic orders to suppliers – for all non-food as well as the food items. The method for delivery of these orders is automatically determined by the software and is instantly presented to the supplier in their preferred format – whether this is by fax, email or automatic integration into their existing Sales Order processing software.

The simplified and automated manner, in which orders are entered by the user, is one of the key benefits of the software. With many years experience in high volume telesales operations Unitas has specifically designed their e-Procurement Solution to facilitate usage by people with little or no computer experience. Product usage information is accumulated as orders are processed through the system, building powerful self-maintaining 'buying patterns' for each individual user/outlet. This allows rapid creation of a new order based on previous purchase information.

The system automatically generates sequential purchase order numbers, allowing rapid and accurate matching against supplier documentation. The required delivery dates chosen by the user are checked against the agreed supplier/product/location lead-time algorithm to ensure that the product can be delivered on the required date.

Complete visibility to authorised levels of users is available immediately an order has been placed, allowing management to track anticipated levels of expenditure, and anticipated delivery schedules.





Rollout

Eliminating the paper mountain

The purpose of the Unitas e-Procurement Solution is not simply a “shopping cart experience”. The full purchasing life cycle is covered within the application and the processes of ordering, receiving and payment are fully integrated throughout. This approach eliminates the multiple data entry and processing steps at ordering and payment stages. The data sets can also be electronically exported to the accounting systems to further reduce data input. In simple terms, by using the Unitas e-Procurement Solution, a single entry of the order can be processed straight through to payment on the accounting system.

The Unitas e-Procurement Solution approaches invoice reconciliation in a revolutionary style. Manual reconciliation of supplier documentation has traditionally always occurred at the delivery point, and we recognised that here was the most accurate point of contact for what has been actually received against each order and at what cost. By allowing the delivery points to input the actual receipt information against the order, we can completely remove or drastically reduce that time consuming task of re-entering the supplier documentation for payment.

Aside from the time benefits, the removal/reduction of this step, also facilitates the reconciliation process in various other areas. The payment values are based on the actual quantities received rather than the those on the supplier documentation.

Similarly, if fixed catalogue prices are used in customer/supplier relationship, the payment is raised at these agreed costs rather than those produced in the supplier documentation. This concept of paying for what was received rather than what was invoiced, removes the need for the time-consuming and costly documentation required to raise a credit or debit note to correct any errors.





Rollout

Streamlining Inventory

The Unitas e-Procurement Solution really makes the whole inventory process “a piece of cake”.

The system retains the opening stock figures from the previous inventory calculation. By accumulating the received product quantities and maintaining the current individual unit cost for each item, it dramatically reduces the time required to perform snapshot inventories. By simply entering in either the current stock or the actual usage figures, the inventory snapshot can quickly calculate a full inventory valuation to the piece level, if required.

The Unitas e-Procurement Solution also supports cycle counts, by product or warehouse location, to manage high value or vulnerable products. Cycle counts dramatically reduce physical inventory labour cost and enjoy wide private sector acceptance.

Entry of cash receipt and the number of meals provided, allows the system to automatically produce the Trading accounts and operating figures required for the month. Once entered and confirmed, this information is instantly available to all authorised users for analysis and comparison of facilities. Wastage or shrinkage can be easily identified by directors and any variations quickly identified. This data can also be electronically exported to the accounting systems to further reduce data input.





Enjoying the benefits – in the kitchen and the central payments office

"I was surprised how fast the ordering process is on Unitas. Instead of writing it out and faxing, I just entered the order on my computer and it went to the supplier automatically. It took less than half the time that it would normally. Re-orders take even less time"

Kitchen Supervisor(1)

"Entering what I actually received onto the system is so quick and easy. Now I know I'm paying for what I actually received at the price my manager agreed, rather than what the supplier decides to invoice me"

Kitchen Supervisor(2)

"The amount we have to input has been drastically reduced and as the receipting process also acts as the authorization to pay process, payment to suppliers can be facilitated much more promptly"

Board Purchasing Department

T: +44 (0)28 7032 0732

Email: sales@unitassoftware.com

www.unitassoftware.com

