



## CLIENT CASE STUDY: APPLEBEE'S, INC.



### Customer Profile

Applebee's, Inc., headquartered in Lenexa, Kansas, develops franchises and operates casual dining restaurants in 49 states, one U.S. territory and 17 countries under the Applebee's Neighborhood Grill & Bar® brand. With over 1,900 restaurants, it is the largest casual dining restaurant concept in the world.

### Business Situation

With increasing consumer discrimination and more conscientious spending, the challenge of attracting and retaining guests in the highly competitive casual dining arena produces the need for sophisticated inventory management. Applebee's sought to implement an end-to-end supply chain management solution that would help the company increase cost control, improve product management, identify areas for process improvement and bolster the company's continuous effort to increase customer satisfaction and loyalty.

### Solution

Applebee's chose ArrowStream OnDemand as its supply chain management system because it provided an end-to-end solution that afforded access to total supply chain information and fully integrated supplier, distributor and restaurant data.

### Benefits

- Achieved steady product movement during promotions
- Integrated new technology with supply chain partners quickly and cost-effectively
- Reduction in costs to franchisees through overcharge recovery

## Access to Information Assures Guest Satisfaction with Efficient Product Movement

### Business Situation

Applebee's, a leader in casual dining, contends every day with grueling competition and consumers who have more choices than ever of how to spend their money. The company's number one priority is guest satisfaction, which is a critical component for building sales and loyalty. With these factors in mind, the Applebee's management team understands the essential need for timely, accurate and readily accessible information across the supply chain.

"Our marketing strategy uses limited-time promotions designed to drive traffic to our restaurants. We will have five to seven major promotions at a time and need to be able to immediately view variation in demand and supply across the country," explained David Parsley, CEO of Centralized Supply Chain Services, the purchasing cooperative for Applebee's Neighborhood Grill & Bar and IHOP restaurants\*. "We must make sure that we are efficiently getting the products to market so that we do not disappoint a single guest."

In addition to the critical role supply chain excellence plays in ensuring customer satisfaction and boosting customer loyalty, it is also an essential strategy for improving cost control. Like food services businesses and restaurants large and small nationwide, drastic fluctuation in food and commodities prices have wreaked havoc on the bottom line. To increase control over costs, Applebee's was determined to greatly expand its insight into product demand as well as supplier, distributor and restaurant data. In 2005, the Applebee's leadership team determined it was time to implement an end-to-end supply chain management solution that would significantly increase cost control, improve product management, identify areas for process improvement and bolster the company's continuous effort to increase customer satisfaction and loyalty.

### Solution

After analyzing multiple systems, Applebee's chose ArrowStream's OnDemand software as its supply chain management system. A proactive, Software as a Service (SaaS) supply chain solution, OnDemand provides Applebee's with 360 degree, real-time supply chain visibility. Backed by the ArrowStream Network of more than 2,300 trading partners, OnDemand is designed to allow businesses to make the most strategic, informed business decisions by providing immediate and comprehensive access to critical supply chain information. This innovative, Web-based solution has allowed Applebee's to:

- Synchronize retailer, supplier and distributor data to share purchasing and delivery data among trading partners for better control and faster issue resolution
- Track inventory on hand at each location and reduce unnecessary costs due to ordering too little or too much for a promotion
- Automate mission-critical processes within the supply chain for more accurate online reporting
- More accurately forecast supply/demand

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“With the access to aggregated information available with ArrowStream OnDemand, our franchisees have recovered \$1 million in overcharges. OnDemand gives us visibility into the system. Visibility is knowledge, and knowledge is power.”

- David Parsley, CEO of Centralized Supply Chain Services, the purchasing cooperative for Applebee's Neighborhood Grill & Bar and IHOP restaurants

*\*Note: Applebee's and IHOP's supply chain comprise one of the largest in the industry under the purchasing cooperative Centralized Supply Chain Services LLC. The cooperative was recently formed by the restaurant operators joining forces to leverage their size and scale to maximize their purchasing power.*

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## Benefits

### Steady Product Movement

ArrowStream OnDemand delivers complete information on supplier shipments, on-hand inventory at the distributor, as well as demand and fulfillment data at the restaurant level. This level of data allows Applebee's to have immediate visibility and identify trends being affected during the promotion, saving dollars and time.

For example, when Applebee's offered a promotion of a new hamburger, the item was selling at five times the rate on the West Coast than it was in the Midwest on the very first day of the promotion. With ArrowStream OnDemand, Applebee's immediately identified this striking difference in demand. The Applebee's supply chain management team redirected product movement to ensure sufficient inventory on the West Coast, achieving the critical goal of assuring customer satisfaction. In addition, the information allowed them to carefully watch Midwest promotional activity to ensure there was no lost revenue due to running out of product or inefficiency due to overstock. Applebee's could identify a trend in one day and immediately have access to information about where to source inventory.

### Quick, Cost-Effective Integration with Supply Chain Partners

Integrating the solution with trading partners was extremely simple due to ArrowStream's established and broad Network. As such, ArrowStream was already connected to many of Applebee's supply chain partners, allowing them to quickly and accurately link all of the data. In the case of Applebee's promotions, having access to this level of data enables more accurate forecasting for future promotions.

Additionally, because ArrowStream OnDemand is offered as software as a service, there is little initial investment and overhead, which allowed Applebee's to more effectively manage the process almost immediately.

“ArrowStream's knowledgeable people did a great job getting us started up so that we could rapidly garner the benefits of the system, specifically accurate forecasting,” said Mike Leikam, Chief Administrative Officer for Centralized Supply Chain Services, the purchasing cooperative for Applebee's Neighborhood Grill & Bar and IHOP restaurants\*.

### Reduction in Costs through Contract Management & Pricing Audits

ArrowStream OnDemand enables Applebee's to proactively manage their supplier and distributor contracts. Sophisticated reporting and critical date alerting ensure that the purchasing team has all the data they require to monitor the progress of existing contracts and to prepare for the renegotiation of expiring contracts. Once contracts are established, Applebee's then uses OnDemand to verify that their restaurants are invoiced at the correct prices.

With OnDemand, Applebee's has implemented an effective change control and workflow process that ensures all price changes are reviewed for accuracy before being automatically communicated to their third-party distributors — preventing billing mistakes before they happen. Through this process, Applebee's franchisees recovered \$1 million in historical overcharges within the first six months of implementation, as well as an additional million dollars on an annual basis.