The Collaboration Framework in action

Restaurant chain Bob Evans realized the value of collaboration in real, tangible terms.

The following case study demonstrates how using cross-functional, cross-firm teams can co-create value with key customers and suppliers, and that the value can be measured in financial terms.

Bob Evans Farms owns a full-service restaurant chain that operates more than 700 restaurants in 29 states of the US. The company also sells branded products to major grocery retailers. The company purchased ingredients from two suppliers – Supplier A, which worked in cross-functional teams, from whom they bought $16.7 million; and, Supplier B from whom they bought $18.5 million, but everything was managed between the sales person and the buyer. “We worked with Bob Evans management to document in financial terms the value that was being created and the cross-functional relationship that was creating significantly more value.” The large difference in the value created led the Executive VP of Supply Chain Management to state in the future: “Any supplier who wants to be viewed as strategic must have the willingness and capability to work in cross-functional teams and think in terms of value co-creation.”

The distribution of food to the restaurants was the second largest cost category for Bob Evans and the company used multiple distributors in a network that had evolved over time. Management decided to consolidate the distribution operations in a single provider and a national restaurant distribution request for proposal (RFP) was issued. Four suppliers who participated in the RFP were selected as finalists. A scorecard was developed to evaluate the capabilities of the suppliers and the selection criteria included potential to co-create value. Gordon Food Service (GFS), with sales of more than $6 billion, was selected even though two other distributors offered larger savings. Management’s decision was driven by the supplier’s comparative advantage in the ‘potential to co-create value’ and ‘financial stability criteria’. Two distributors would save more money than GFS when compared to the current system and the difference in savings between the distributor that quoted the lowest total cost and GFS was $2.7 million. If management’s decision was to be justified, the financial outcomes of the value co-creation opportunities with GFS had to be higher than $2.7 million per year.

Six months after the contract was awarded, GFS had managed an uninterrupted transition from the old distribution system to the new one, but little progress was being made toward the value co-creation goal of $2.7 million. Consequently, it was decided to use the Collaboration Framework to jointly identify initiatives on which to collaborate.

On March 22, 2011, a one-day collaboration meeting was held in Grand Rapids, Michigan. A total of 33 managers, from BEF and GFS representing functions such as sales, marketing, manufacturing, logistics, finance, IT, R&D, and purchasing participated in the meeting. GFS’s CEO, CFO and President were present, as well as BEF’s EVP of Supply Chain Management.
During the first full year after the day-long collaboration meeting, the combined before taxes profit impact was $4,365,799, of which Bob Evans received $3,334,390 and GFS received $1,031,409.

The co-creation of value opportunities have continued grow, to more than $7 million in year 2 with a goal of $12 million in year 3 and today form the basis for a lasting and mutually successful commercial relationship.