

The structure of pizza supply chains



This report hopes to give overview to the organisational supply chain of both Domino's and Pizza Hut; following a comparative analysis of the various methods used throughout the companies' supply chains; assessing their viability in adding value, reducing risk and producing optimal effectiveness & efficiency towards profiting.

DOMINO'S OVERVIEW

Founded in 1965 by Tom Monaghan; Domino's is the second-largest pizza chain in the United States (dominosbiz. com). As it stands, 70 percent of its revenue comes from home delivery service and around 30 percent is over-the-counter sales. Domino's also has a leading international presence; with 8, 533 franchise stores located in more than 60 international markets (datamonitor. com).

PRODUCTS

Domino's is as a pizza delivery company, which operates in more than 60 countries worldwide. The company's key product and services include: Beverages, Branded Merchandise, Desserts, Pizzas, Side Dishes and Home Delivery.

OPERATIONS

The company operates in three segments:

- Domestic stores
- Supply chain
- International

Domestic Stores

Dominos utilizes its company-owned stores to test new products and technologies, which might then be passed onto franchises. The Domestic Stores also generate a grounded income for the company while being able to maintain some core ownership.

SUPPLY CHAIN

Dominos utilizes a vertically integrated system manufacturing and delivering most raw materials to the stores; this system allows Domino's to leverage the purchasing power of thousands of company-owned and franchised stores nationwide keeping food costs down; increasing speed of service and improving sales/customer service.

International

The international operation of Domino's consists of 3, 469 franchised stores outside the United States. Domino's operates six supply chain centres internationally, which manufacture dough and distribute food and supplies. During 2007, the international revenues were estimated at \$126. 9 million. (wikinvest. com)

Procurement of raw materials

The gathering of raw materials is an important part of the Domino's business model as they are the producers of their own dough. This allows Domino's to maintain a competitive edge by lowering their costs and also ensuring product quality. Raw materials are gathered from local third party suppliers and are delivered utilizing cold storage trucks to the dough manufacturing

facilities. The dough is processed and then sent to the stores for the distribution and production (dominosbiz. com).

Distribution

The Domino's pizza dough is processed from the wheat through its own dough production plants, and then sent to the retail outlets again in refrigerated trucks (cold chain logistics) for assembly and sales.

Product assembly

Once the raw materials reach the store, product assembly takes place on a made to order basis. All non-valuable common products are manufactured into something, which holds perceived value with consumers (value adding). Through the in-store assembly line, toppings (vegetables, meat, sauce, cheese) are added to the prefabricated pizza base, it is cooked, and finally served to customers within a timely fashion. Methods of distribution to consumers (pizza) vary from in-store collection to delivery via courier.

Overview of the supply chain (Diagram)

PIZZA HUT OVERVIEW

Pizza Hut specializes in the operation of pizza restaurants and takeaway huts. Pizza Hut is a subsidiary of Yum! Brands, Inc. Its history dates back to 1958, when Frank and Dan Carney opened the first restaurant in Wichita, Kansas (datamonitor. com). In 1973, Pizza Hut expanded into international markets. Restaurants were opened in Islington, London as well as in Japan and Canada. Pizza Hut operates in 92 countries throughout the world. As of 2009, Pizza Hut had 7, 566 units in the US, and 5, 715 units outside the US (datamonitor. com).

CORPORATE STRATEGY

The overall corporate message is “ to satisfy our customer by offering them the best.” Pizza Hut utilizes the C. H. A. M. P. S (Cleanliness, Hospitality, Accuracy, Maintenance, Product quality and Speed) model to administer its checks and balances within its supply chain (pizzahut. co. uk). Finally Pizza Hut incorporates the 3F’s (Fun, Friendly and Familiar) guideline when dealing with customer service and employee management (media. corporateir. net).

PRODUCTS

The Pizza Hut restaurant chain specializes in the sale of ready-to-eat pizza products. The chain sells a variety of pizzas with a variety of toppings.

In some restaurants, Pizza Hut also offers breadsticks, pasta, salads and sandwiches (pizzahut. co. uk). Menu items outside of the US are generally similar to those offered in the US, although pizza toppings are often matched to local preferences and tastes.

SUPPLY CHAIN- Back end supply chain

The Supply chain of pizza hut consists of direct suppliers and indirect suppliers.

The Direct suppliers of Pizza hut are:

Pepsi Company

Regional dough production companies (Pizza base)

Secondary materials (meat, vegetables, sauces) come from a Dominos warehouse that purchases on a “ Commissary” basis. The purchase is via indirect local suppliers:

Local Meat markets

Vegetable markets

Sauce companies

All of the direct material is requested daily based on a manager’s forecast; cold chain transport systems are used to deliver on a next day basis. Indirect materials are purchased by the warehouse and are delivered on a weekly basis (pizzahut. co. uk).

Making the sale – the product to the consumer

Once the supplies from primary and secondary sources are stocked within the establishment, it is time to put all the pieces together and make the transfer of sale to the consumer.

Pizza hut at this point takes orders from its walk-in and telephone/text/internet clientele. The assembly line style of taking orders and preparing food ensures efficient orchestration of this process. The process is meant to take no longer than 15 minutes from placing an order to serving the customer.

(scribd. com)(<http://www. iqra. edu. pk/>)

COMPARE, CONTRAST, AND ANALYSIS – Looking at the Value Chain

Inbound logistics/Outbound logistics receiving, warehousing, inventory orders

Both Pizza Hut and Domino's had efficient and effective methods of transportation with an emphasis on maintaining product value (Hopkinson, 2011). There were slight differences – Both companies utilized cold chain logistics to maintain product freshness, however Pizza Hut had more emphasis on maintaining indirect stock within its cold storage facilities. Having more stock in storage allows Pizza Hut to handle fluctuations in demand increasing their capacity, however it also increases costs and places the company at more risk of having an excess surplus and not enough demand IE: the Bullwhip Effect/Forrester Effect (quickmba.com). Stock is managed by the individual managers of both Pizza Hut and Domino's. Suppliers & warehouses estimate the orders utilizing prior data. Both Pizza Hut and Domino's utilize the same/similar ordering methods – with the only difference being in Domino's producing its own dough.

Cold chain logistics

For both companies, cold chain logistics, transportation, and storage-based services are utilized; this is a very important part within the supply chain. An unbroken cold chain is an uninterrupted series of storage and distribution activities which maintain a given temperature range. Both Domino's and Pizza Hut utilize cold chain logistics to help extend and ensure the shelf life of their products, maintaining value within the supply chain (icmrindia.org).

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Operations/Outbound logistics value-creating activities inputs-to-product.

Pizza Hut, with their cold train transportation and storage facilities, has very little operational cost in comparison to Domino's. Domino's has a considerable operational cost and time due to their manufacturing facilities; however, this also decreases their overall, which also reduces their overall costs. Utilizing a vertically integrated supply chain system, Domino's produces their core products such as dough; utilizing raw materials (wheat) they purchase in large quantities at lower costs. Domino's and Pizza Hut both show core integration between Outbound logistics, which is generally towards the end of the Value chain, and Operations as production relies on a model of made to order mass customization; the production of their core product is done on site - consumers gain the feeling of customization which is in fact limited - This adds considerable Value to the supply chain.

Marketing/Sales/Service purchasing the product, advertising, pricing, etc.

All marketing is done through corporate headquarters subdivided via territories IE: Europe, Americas, and China etc. Marketings for both companies are targeted to the tastes within each country, aligning their product line accordingly IE: Indian Spicy Pizza etc. This method integrated with made-to-order mass customizable products and friendly/fast service; increases the Value proposition: (Value = Benefits / Cost) directly (Hopkinson, 2011).

Make-To-Order Model

To reduce inventory and increase flexibility, both Domino's and Pizza Hut utilize Make-to-Order systems giving consumers the feeling of choice, whilst maintaining a set structure of offerings.

Technology Development technology used to support the value chain

Inventory & stock analysis systems are integral at both chains in order to avoid demand mismatch, without these systems capacity could potentially be exceeded or underestimated. The solution both companies have taken is daily stock analysis carried out by the individual managers coupled with technological stock tracking systems (Christopher, 2005).

Conclusion

The function of a supply chain is measured in terms of their profit, average product fill rate, response time, and their capacity utilization. Both Pizza Hut and its competitor Domino's have a strong functioning supply chain. The only suggestion could be to reduce overhead, but not to the point that there is no room to grow or to handle fluctuations in demand. A Higher capacity utilization for both companies would decrease risk because costs are reduced, but it would also hamper gain if future demand rose beyond the supply available.