**SUPPLY CHAIN MANAGEMENT**

**Project Phase: 1**

**Supply Chain Metrics – Quick Service Restaurants (QSRs)**

***Submitted to:***

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**Chosen Quick Service Restaurant Operators in India**

* Devyani International Ltd. - operates KFC, Pizza Hut, and Costa Coffee in India.
* Jubilant FoodWorks Limited - Operates Domino’s Pizza and Dunkin’ Donuts in India.
* Restaurant Brands Asia Ltd. - operates Burger King restaurants in India.
* Sapphire Foods India Ltd. - operates KFC, Tacobell and Pizzahut
* Westlife Foodworld Limited: - operates a chain of McDonald’s restaurants in West and South India

**Key Supply Chain Performance Metrics for Quick Service Restaurants (QSRs)**

In QSRs, efficient supply chain management would mean the difference between staying in a fresh product environment, so to speak; driving the lowest possible costs; and leveraging assets for maximum returns. Five specific metrics are outlined to measure the performance and efficiency of supply chain but especially for QSRs:

1. **Inventory Turnover**

Formula: COGS/Average Inventory

Inventory turnover refers to how often a QSR sells and sells again the inventory in any given period of time. The more frequently you turn over the numbers, the better you are at managing your inventory. This is a crucial parameter in a QSR since there is lower shelf life on account of perishability. Efficient turnover minimizes waste and spoilage, reduces holding costs, and ensures customers receive fresh products. By focusing on inventory turnover, QSRs are able to avoid both stockouts and excess inventory. On one hand, they ensure that the demand of customers is met, but then, on the other hand, they also have the objective of efficiency in terms of operations.

1. **Cash Conversion Cycle (CCC)**

CCC= Inventory Days + Receivable Days – Payable Days

The CCC measures the time lag between the conversion of inventory purchases into cash, including efficiency in inventory management, accounts receivables, and accounts payable. Within the fast-paced environment of QSRs, a relatively short CCC signifies efficient and rapid responses to supply chain management of inputs to cash flows, consequently, freeing up capital that can be redeployed for operations. A quick CCC will reduce QSR reliance on external financing as cash flow from operations necessary for producing stability and flexibility in the chain is increased.

1. **Operating Margin**

Formula: (Operating Income/Total Revenue) × 100

The operating margin shows the percentage of profit generated after deducting all the business expenses except interest and taxes from revenues. Operating margin is important in QSRs where slight margins are expected, thus determining the cost effectiveness in supply chain. The higher the operating margin, the more competent the operating expenses like raw materials, labour, and logistics costs are managed. For QSRs, a healthy operating margin is vital for maintaining profitability with efficient cost control and fulfilling competitive pricing pressures.

1. **Sales / Working Capital**

Formula: Net Sales / (Current Assets−Current Liabilities)

This ratio captures the efficiency with which a QSR is generating sales with its working capital. The more the ratio, the more revenue is being generated with lesser capital employed in the daily operation of a company-that shows maximum utilization of resources. This is an important KPI for QSRs since it shows that the supply chain has the agility to support revenue growth without consuming too much working capital. The working capital efficiently saves the liquidity intact, thus helping QSRs respond promptly in case of spiking surges in demand or changes in investment opportunities.

1. **Return on Assets (ROA)**

Formula: [Net Income/Total Assets] × 100

ROA is the measure of how effective the QSR utilizes its assets in generating a profit, hence indicating whether capital investment, such as kitchen equipment and restaurant facilities, is well invested. For the QSR industry, wherein asset use plays a pivotal role in high throughput, high ROA means that the company extracts more value from its assets. A healthy ROA in the supply chain is a sign that investments in its facilities, technology, and equipment are generating returns, which goes for profitability in this capital-intensive business.

**Conclusion**

These five metrics—Inventory Turnover, Cash Conversion Cycle (CCC), Operating Margin, Sales / Working Capital, and Return on Assets (ROA)—are best suited to analyse the performance of the supply chain in QSRs. Together, they give a complete outlook on inventory management, cash flow efficiency, cost control, utilization of working capital, and productivity for assets. QSRs pay attention to these metrics as an insurance that its supply chains are efficient and resilient enough to meet demand reliably, control costs, and maximize returns on investment.