



About the Client

Cafe Rio Mexican Grill is a fast casual Mexican restaurant chain with locations primarily in the Mountain West region. They've won over 60 awards and were most recently ranked the number one Quick Serve Mexican Restaurant in the Nation for the third year in a row. Cafe Rio opened their first location in 1997 in St. George, Utah and now has over 144 locations in 12 states.

Overview

Cafe Rio was introduced to Treya Partners through its private equity sponsor, Freeman Spogli, a leading investment firm in consumer industries and distribution with offices in Los Angeles and New York. This was Treya's first engagement with Freeman Spogli.

Cafe Rio engaged Treya in a spend management initiative that drove \$3.4M or 14% in cost savings across 8 primary spend categories representing \$24 million in baseline annual spend. Treya's project sponsors were Cafe Rio's Chief Financial Officer Shea Bodet and VP of Supply Chain Keith Karas.

SUMMARY:

The Challenge

- Pricing for many of the commodities - including Produce and Packaging - purchased by Cafe Rio was susceptible to pricing volatility driven by the market
- Long-standing relationships with strategic vendors were not optimized
- Innovative sourcing strategies had not previously been pursued
- Supplier fragmentation existed by region and due to supply constraints
- Extensive market evaluations and new vendor outreach had not previously been undertaken due to bandwidth constraints

CASE STUDY

Cafe Rio Mexican Grill

Treya created \$3.4 million in annual savings, which translates to an estimated \$44 million in enterprise value.

The Process & Solution

- Partnering closely with Cafe Rio leadership, Treya led innovative competitive bidding exercises, obtaining multiple sets of prices from bidders in order to determine the best pricing model for Cafe Rio on a category-specific basis
- Identified and introduced new suppliers to Cafe Rio
- Ran complex multi-category RFPs for Produce, Packaging, Chemicals, and Rice, pursuing a robust process that included sample provision by suppliers and quality testing and capacity evaluation by Cafe Rio
- Engaged in negotiations with incumbent suppliers by leveraging opportunities for volume consolidation and exploring ways to holistically strengthen partnerships
- Prioritized a data-driven approach, giving suppliers visibility into detailed usage profiles and business needs, as well as providing suppliers with targeted pricing feedback
- Ensured pricing was accurately tied to market indices in resulting agreements

The Outcome / Results

- \$3.4M+ or 14% in annual savings created on a \$24M addressable baseline
- \$44 million in estimated total Enterprise Value Creation
- Much business remained with incumbent vendors after sourcing activities, resulting in limited changes to operations and rapid savings realization

\$3.4M+ (14%)
in annual savings

The Challenge

Cafe Rio had grown in recent years and had historically not utilized a highly data-driven approach to procurement, largely due to bandwidth constraints. In some cases, there were long-standing vendor relationships in place and limited ability to transition suppliers due to Cafe Rio’s precise quality expectations. In some instances, contract language with incumbents did not formally tie pricing to the applicable market index. Treya was tasked with developing a project approach and strategy that would deliver savings through strengthening current supplier relationships where possible and pursuing competitive bidding where appropriate in a professional, respectful manner.

The Process & Solution

Treya ran several complex RFPs to create savings for Cafe Rio, working closely with its CFO and supply chain leader. By soliciting proposals from new suppliers as well as incumbents, Treya created a competitive landscape. During the RFP process, Treya worked with suppliers to understand their primary cost drivers. Multiple sources of value were created. For example, Treya tied the pricing of packaging products to the applicable indices to ensure future pricing follows market trends. Treya also identified suppliers’ lower cost alternatives to currently purchased SKUs. For each in-scope spend category, Treya presented Cafe Rio with several supplier award scenarios for consideration, with Cafe Rio leadership selecting suppliers that offered the best overall value.

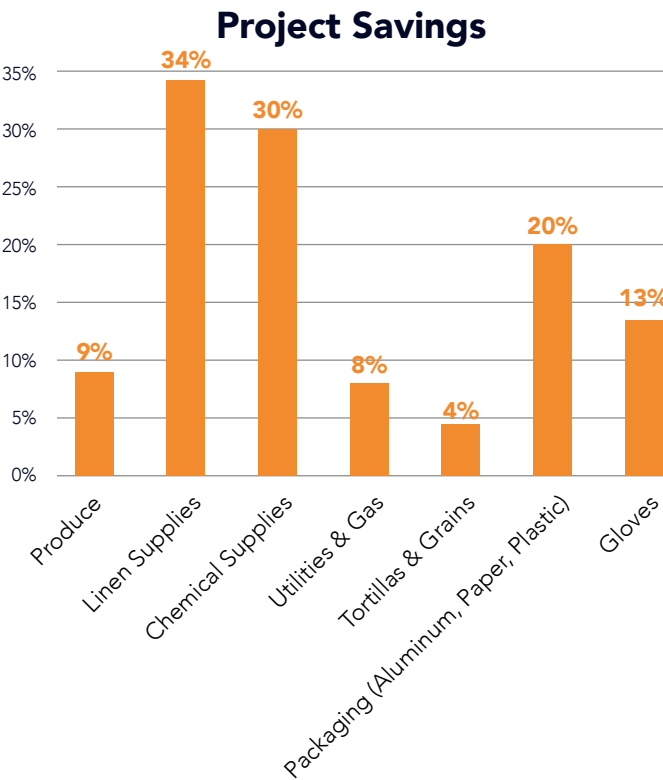


The Treya team’s data-driven methodology, collaborative approach, and flexibility enabled them to excel in our purchasing landscape. They delivered substantial cost savings by adapting to and navigating our environment successfully, while earning the trust and respect of our team.

Shea Bodet
Chief Financial Officer - Cafe Rio

The Outcome & Results

Treya’s strategic sourcing project delivered meaningful cost savings for Cafe Rio. Treya addressed approximately \$24 million in annual spend across 8 workstreams, including Produce, Linen Supplies, Chemical Supplies, Utilities and Gas, Tortillas – Chips / Strips, Packaging, Gloves, and Rice. RFPs and incumbent supplier negotiations resulted in the majority of the savings, with limited supplier transitions ultimately required. The project created \$3.4 million in annual savings, which translates to an estimated \$44 million in enterprise value.



About Treya Partners

Leading provider of Procurement Improvement services across the public and private sectors since 2006. Clients served include 15 state governments, multiple institutions of higher education, and over 50 private equity funds.