

ROBUST SUPPLY CHAIN MANAGEMENT

By Mark Kelnhofer, MBA

Smaller chain restaurant companies tend to operate on systems that do not track the product from the moment it comes in the door to the moment it is actually sold. In many cases, actual item level detail is non-existent. Purchases typically are recorded generically by category (i.e. meat, seafood, etc.). Systems that do track the product from the purchase to the sale can assist greatly in improving the bottom line.

Robust supply chain management cannot start without a base of accurate recipes (see out article “*Obtaining Accurate Recipe Costs*”). The recipes can drive the supply chain to new horizons. Ultimately, the recipes can assist in just-in-time management practices and can facilitate a much more efficient supply chain. Without the recipe base, the restaurant operation is only grasping at what product is required to operate efficiently.

In correlation to the submission of orders through EDI, a calculated purchase requirement is the ultimate just-in-time tool. Many restaurants work off of manually set pars that very well could be bringing in too much product. The goal of just-in-time practices is to bring in only what you need and nothing more. Having excess inventories due to manually set pars creates waste just by being accessible by employees. It creates the opportunity for waste. Employees sometimes remove product from shelves and conduct more prep production simply because it was on the shelves. In an industry where purchased product, in many cases, has an extremely short shelf life, your operation does not have the luxury to just create production.

EDI systems are available for most major food vendors. Anytime some work is removed from the restaurant store operations efficiency improves

and it allows for a higher concentration and focus on really what counts—the experience the guest receives. In many cases, physical inventories are taken by hand, orders are created manually on paper and then eventually entered again in a website. The process can be a tedious one. With a more robust system in place, on hands would have to be reviewed and the order created and submitted electronically. This is a much more efficient use of time versus the more labor intensive one described right earlier. In many cases the related invoice is also sent electronically and inventories increased upon receipt.

An additional benefit to the restaurant operations is purchased volumes are now being captured in house. No longer would you be at the vendor’s mercy to obtain such reports. It allows your internal purchase team to now negotiate competitive bids for various contracts. Creating long term contracts for higher volume items through a competitive bid process can only improve the company’s bottom line.

A hurdle that needs to be crossed is the Executive Chef needs to follow stated recipes. Furthermore, the Executive Chef needs to concentrate on improving the execution of those recipes by his or her staff. This means the creative aspect of the restaurant belongs at the corporate chef level and not at the store operations level. At the store level, the Executive Chef should only be purchasing standardized products that relate to corporately designed menu items. There is inherent inefficiencies in purchasing outside of any standards. Again, a higher level of initial discipline will effect the bottom line in a positive way.

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