

THE ADVANTAGES OF JUST-IN-TIME

By Mark Kelnhofer, MBA

Restaurant operators probably familiar with the term just-in-time (JIT) practices. However, they more than likely do not implement them. JIT practices for ordering and production can increase the efficiency of the restaurant location. Too many times, restaurants attempt to run their production or ordering off of a sales mix report or their experience. In many cases producing or ordering too much product opens the window for waste. The goal with JIT is to limit the window and keep the waste to a minimum.

Early in the morning the production team is producing product. However, in many cases, they are producing product in advance to their needs. This is an attempt to make product based on shelf lives and not necessarily if they need it or not. They will justify this by stating it has a 72 hour shelf life and more than likely the product will be used. In some cases, production occurs just by having inventory on the shelves. The dice has just been rolled and the potential for waste has been created.

With JIT practices, the goal is to produce only what you need. Based on a day specific mix and a forecast to determine what we need to produce for one day. What a huge shift of thought and discipline. Focus on daily needs and not necessarily on future needs. As an example, if there is a forecasted production need of a dozen lasagnas, the goal would be to only produce those dozen and nothing more.

In terms of ordering purchased inventory items, it becomes a little more complicated. However, the end result is the same: minimize the opportunity of waste. To obtain a JIT amount, there needs to be an established order schedule. Each order will have to last until the next one is scheduled to arrive. With some locations, an additional buffer or safety stock should be set depending on some other factors such as

night drops, distance from the delivering warehouse, dependability of the vendor (time and fill accuracy), etc. For example, if the location is in St. Louis and they are receiving shipments from a warehouse 500 miles away, it would be a gamble to assume the delivery truck is going to be on time, all the time (i.e. the truck could be late or breakdown). To prepare any order a physical inventory of product on the shelf needs to be completed. Without taking on hand counts, you will automatically be bringing in product unnecessarily. The discipline is only order enough to last you until the next order. With less product on the shelves the restaurant will experience less waste.

When applying just-in-time practices in the restaurant industry, the biggest hurdle may be the discipline to change and adopt the practices. Most restaurant locations may not ever have systems to provide them calculated suggestive orders and may be working with manually set pars. In order to reach just-in-time goals, you need to have a dynamically calculated pars that looks at the past menu mix (history) and the recipes of the mix. Combined with a forecast and an order schedule, you now have a powerful tool to reduce the inventory levels and waste.

Having dynamic pars for both production and ordering can have a major impact on increasing efficiency and the bottom line. The goal is to reduce the opportunity of waste and create a change of mindset to only produce and order what is needed. Just-in-time systems do require establishing a whole new level of discipline for the operations. Discipline of this nature can only improve the bottom line.

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