RESTAURANT HOSPITALITY

GO HALVSIES: Most pans on the line should be half-full to reduce spoilage.

9 INVENTORY BLUNDERS TO AVOID

Look after the bad inventory, and the good inventory will look after itself.

By Mark Samson: Getzler Henrich & Associates

Knowing how waste occurs in your restaurant can make the difference between success and failure. Even though inventory is the largest asset in the borrowing base formula (next to receivables), management is often detached from inventory control, relying too heavily on computer printouts and middle managers. In most cases, restaurant owners rely on nonshareholders or junior associates to purchase and look after one of their largest assets.

If you're spending more than you need to on inventory, and/or not identifying "bad inventory," your business is wasting money. And if the right person is not responsible for inventory, ideally a dedicated inventory manager, the business will continue to make wasteful mistakes. Not having the right person in charge of ordering is probably one of the biggest mistakes restaurants make today. ▶▶

PHOTOGRAPHY: MEDIA BAKERY

9 INVENTORY BLUNDERS TO AVOID

The role of the inventory manager is to maintain best inventory practices. When there is no inventory manager, however, the following problems start to crop up and become common sources of profit pressure:

1. Mistakes in production. One restaurateur we worked with had problems in overproduction on the line. Among the examples from a typical workday: Too many fries were being cooked and not used, and chefs had cooked 15 baked potatoes on a week day at 10:30 a.m. How many of these do you think were thrown away?

2. Purchasing excess inventory and product. Inventory is waste waiting to happen. Every product on the shelf has the potential to spoil, spill or get stolen. Inventories should be run at the bare minimum level to avoid running out of supplies. A good approach to this is having a different PAR (periodic automatic replenishment) level for weekdays and weekends.

Inventory is waste waiting to happen. Every product on the shelf has the potential to spoil, spill or get stolen. Inventories should be run at the bare minimum level to avoid running out of supplies.

3. Purchasing the wrong product. When the wrong product is purchased, it is not likely to be used, perhaps because it doesn't work in the current recipe, or the guests may not like it. Poor purchasing choices are often the direct result of not having an inventory manager.

4. Paying too much. Overpriced inventory is tough to move and affects the bottom line. As a manager, if you see that a product is not moving, or that its cost is out of line, it is your responsibility either to adjust the quality, adjust the price or remove the item altogether.

5. Poor receiving procedures. Inventory managers worth their weight should be meticulous in how your restaurant receives and records inventory. A good way to approach this is to implement a goods received journal, be it hand-written, printed or computerized. A roll-forward goods received journal, cut off and totaled each week, can give you excellent flash results in terms of a ratio of raw materials averages compared to revenue and cash needs.

6. Overstocking. The pan is half-full! In most cases, pans should only be half full on the line and in the expo area. Overstocking cheese, dressings, salad, sandwich lettuce, sliced meat and similar items causes the product not to stay at the proper temperature, which results in spoilage.

7. Failure to track high-ticket items. One restaurateur we know had a habit of not doing counts on his expensive steaks. Needless to say, many steaks were lost and/or wasted. Tracking the more expensive items on your inventory helps prevent theft.

8. Antiquated systems. Can you hear your employees saying, "This is the way that we've always done it?" You are unlikely to see any improvements in your overall costs with such an attitude. What systems need to be updated that would help you control waste better?

9. Not identifying bad inventory and its ripple effects. The minute management ignores slow or obsolete inventory, the business has taken the first step toward creating a liability. Old inventory has to be stored, counted, explained and financed. The objective is to identify bad inventory and deal with it in an efficient manner. Bad inventory, not liquidated or written down, means excess bonuses paid in years when profits were actually smaller. Bad inventory affects availability and the credibility of management with secured lenders. A good general rule to remember: "If you don't sell it, you eventually smell it."

Identifying and correcting these multiple problem areas for one recent client helped them add four percent to their restaurant's bottom line. Are you prepared to examine your inventory? **<RH**

Mark Samson *is a managing director of Getzler Henrich, a leading provider of turnaround, crisis management and corporate restructuring services to investors, businesses, and lenders. Mr. Samson has more than 30 years' experience working with U.S. and foreign retail, distribution and manufacturing companies. For more on Getzler Henrich, please visit www.getzlerhenrich.com.*