

# Pizza hut quality control



**ASSIGN  
BUSTER**

This is the key factor for a food chain like Pizza Hut. All the employees are at the back of the house i. e. the kitchen assistants are trained for that reason. They are given extra lessons to meet the quality standards set by Pizza Hut around the world. This strategy is essential in order to satisfy the CHAMPS (Cleanliness, Hospitality, Accuracy, Maintenance, Product, and Speed). This strategy is severely implemented in Pizza Hut in order to execute the quality standards. Different quality management team is also there at Pizza Hut. The shift managers have the charge to monitor whether the quality standards are met or not while there are a total quality management department at the main office in Karachi. This department has the duty to implement quality standards and also to know whether they are achieved or not

## **P-12: Discuss various method of inventory planning. (Generally)**

### **Inventory**

Inventory generally refers to the materials in stock. It is also called the idle resource of an enterprise. Inventories represent those items which are either stocked for sale or they are in the process of manufacturing or they are in the form of materials, which are yet to be utilized. The interval between receiving the purchased parts and transforming them into final products varies from industries to industries depending upon the cycle time of manufacture. It is, therefore, necessary to hold inventories of various kinds to act as a buffer between supply and demand for efficient operation of the system. Thus, an effective control on inventory is a must for smooth and efficient running of the production cycle with least interruptions.

## **Inventory Control**

Inventory control is a planned approach of determining what to order, when to order and how much to order and how much to stock so that costs associated with buying and storing are optimal without interrupting production and sales. Inventory control basically deals with two problems:

When an order should be placed? (Order level)

How much should be ordered? (Order quantity)

These questions are answered by the use of inventory models. The scientific inventory control system strikes the balance between the loss due to non-availability of an item and cost of carrying the stock of an item. Scientific inventory control aims at maintaining optimum level of stock of goods required by the company at minimum cost to the company.

## **Objectives of Inventory Control**

To ensure adequate supply of products to customer and avoid shortages as far as possible.

To make sure that the financial investment in inventories is minimum (i. e., to see that the working capital is blocked to the minimum possible extent).

Efficient purchasing, storing, consumption and accounting for materials is an important objective.

To maintain timely record of inventories of all the items and to maintain the stock within the desired limits.

To ensure timely action for replenishment.

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To provide a reserve stock for variations in lead times of delivery of materials.

To provide a scientific base for both short-term and long-term planning of materials.

## **Inventory Control Methods**

**ABC analysis:** In this analysis, the classification of existing inventory is based on annual consumption and the annual value of the items. Hence we obtain the quantity of inventory item consumed during the year and multiply it by unit cost to obtain annual usage cost. The items are then arranged in the descending order of such annual usage cost. The analysis is carried out by drawing a graph based on the cumulative number of items and cumulative usage of consumption cost

**HML analysis:** In this analysis, the classification of existing inventory is based on unit price of the items. They are classified as high price, medium price and low cost items.

**VED analysis:** In this analysis, the classification of existing inventory is based on criticality of the items. They are classified as vital, essential and desirable items. It is mainly used in spare parts inventory.

**FSN analysis:** In this analysis, the classification of existing inventory is based consumption of the items. They are classified as fast moving, slow moving and non-moving items.

**SDE analysis:** In this analysis, the classification of existing inventory is based on the items.

GOLF analysis: In this analysis, the classification of existing inventory is based sources of the items. They are classified as Government supply, ordinarily available, local availability and foreign source of supply items.

SOS analysis: In this analysis, the classification of existing inventory is based nature of supply of items. They are classified as seasonal and off-seasonal items.

For effective inventory control, combination of the techniques of ABC with VED or ABC with HML or VED with HML analysis is practically used.

#### **M-4: Explain the inventory planning of given organization (stock control method inventory control, cost & benefit inventory control, supply chain management).**

##### **Stock Control Method Inventory Control:**

It encompasses all raw materials, work in progress and finished goods with in the supply chain. As the base is prepared in the commissionaires and then transported to different retail outlets and the outlets keep the inventory stock of only three days because it is the perishable good so the inventory stock cost is reduced . As only the base is transferred to the store so in case of any particular item demand is increased it do not creates any problem.

##### **Cost & Benefit Inventory Control:**

The main raw material used in Pizza Hut is Pizza Base and Cheese. Proper planning and handling is required for the purpose of achieving the right quality of output. The total inventory (material cost) for Pizza is between 70-80 % i. e. material to sale ratio is 70 to 80%. So inventory control is most important part for efficient running of the organization.

## INVENTORY TO GROSS WORKING CAPITAL

Inventory to gross working capital ratio goes down in the year 2003-04 as compared to 2002-03. It increases in the year 2004-05, but there is a sharp increase in the year 2006-07. Keeping in view the above position, the firm should keep on giving due importance to inventory as to reduce costs.

## INVENTORY TURN OVER RATIO

This ratio has been decreased from 4.72 in 2002-03 to 3.81 in 2003-04 and then increased to 5.76 in 2004-05. Then it decreased to 5.69 in 2005-06 but it again decreased to 4.88 in 2006-07. On going through this ratio we observed that the firm was maintaining its inventory at most minimum level in the year 2004-05 and 2005-06 as the inventory turn over ratio was much high as compared to other years.

## INVENTORY CONVERSION PERIOD

It refers to the period that manufacturing unit takes to clear a lot of stock. There has been an increase in the inventory conversion period for the first year. It increases from 77 days in 2002-03 to 97 days in 2003-04, thus it remains constant in 2004-05. It is desirable to have a short conversion period because it will help in reducing the accumulation of inventories.

## RAW MATERIAL INVENTORY TURNS OVER RATIO:

This ratio varies slightly from 3.05 in 2002-03 to 3.12 in 2003-04 and 1.0 in 2004-05. Again it increased to 2.4 in 2005-06. But in 2006-07 it sharply decreased to 1.57. It is better to have a greater raw material turn over ratio.

**WORK IN PROCESS INVENTORY TURN OVER RATIO:**

Taking a general view of this ratio over a period of five years it does not seem stable and comparable to another year.

**FINISHED GOODS TURN OVER RATIO:**

This ratio has decreased from 17.49 in 2002-03 to 12.6 in 2003-04. It showed a large amount of finished goods had remained idle for most of the period. The firm should devise methods to improve this ratio because this ratio adversely affects the other ratios.

**AVERAGE AGE OF RAW MATERIALS IN INVENTORY**

The analysis of five years does not reveal any bright picture of raw material in stock. Only in the year 2003-04 the average age of the raw material in the stock reduced drastically to 98 days. The firm should reduce the average age of raw material in stock for better utilization of material with less investment.

**AVERAGE AGE OF FINISHED GOODS INVENTORY:**

The period for which the finished goods remain in stores is almost constant except in the year 2005-06. The decrease in that year was due to less realization of payments. Management should take steps to reduce this period

**Supply Chain drivers of Pizza Hut:**

“Supply chain management is the factor that differentiates the winners and the losers in this business,” drivers play an important role in terms of the responsiveness and efficiency. We must examine the cross-functional and

logistical drivers of supply chain performance: transportation, sourcing and pizza and logistics.

### **Transportation:**

To deliver the base from the commissioners to different outlets they use the refrigerated trucks in which the base is kept and there is a control of temperature which they set according to the distance between the commissioner and the outlets. There are 70 trucks to supply the base across Pakistan. There is also a vacant space in which extra base is kept to fill the demand of a particular store. The company will not incur any additional transportation costs so long as the counters are along the highway or the truck's route. In this way they use their transportation and maintain their efficiency.

### **Sourcing:**

As we have seen above that the Pepporine mozzarella cheese is imported from Australia and Spain respectively so it will take time and increased the cost also so they have to manage but on the other hand to compensate the increased cost they maintain the local supply chain to reduce the cost like vegetables, wheat, tomatoes are imported from Pakistan so they provide the world class facility and taste by importing its main ingredient from Spain and Australia but other ingredients from local vendors.

### **Pizza and logistics**

It is wrong to conclude that running a pizza chain is easy by looking its front-end operations. Compared to the complexities involved in managing a supply chain, the promise of pizza delivery within 30 minutes or offering it free is a

child's play for pizza chains. " Supply chain management is the factor that differentiates the winners and losers in this business".

Pizza Corner imports all its potato requirements from Canada. The other major imports for Pizza Corner are cheese and olive oil. Pizza Corner imported potatoes land at ports in Karachi or the Karachi airport. The consignment is then transported to other parts of the country while cheese is imported from New Zealand and chicken or bread is sourced locally.

The inputs sourced from various places are supplied to the commissaries in reefers/refrigerated trucks for process and production of base material. The pizza dough and other items prepared in commissaries are then sent to the retail outlets again in reefers. " Based on the distance between the retail outlets and the commissaries, the temperature inside the trucks is fixed so as to set the dough to a required level when it reaches the outlets. According to Peshawar Outlet manager, retail outlets have to exhaust the processed dough within three days of delivery. However, due to some reason if they fail to do so, the entire quantity is discarded. The existing commissaries and the reefers will be put to optimum use as Domino's Karachi is now opening counters in Pakistan State Oil Corporation's petrol bunks. The company will not incur any additional transportation costs so long as the counters are the highway or the truck's route.

### **Responsiveness and Efficiency:**

As we have seen that pizza hut open their outlet in bulk in a particular city so they are responsive enough and they provide delivery within 30 minutes or offering it free is also to increase their responsiveness it is difficult to

maintain such kind of responsiveness because it will incur extra margin and the profit margin will decrease that's the main reason they open their outlet in bulk and if a particular customer order a pizza where pizza store is not available that store immediately call the nearest pizza corner to deliver that particular order to be responsiveness and if a particular product is not available they use to do transfer in and transfer out in which they take the product from different outlet.

### **Supply chain diagram of Pizza Hut:**

re is not available that store ditional transportation costs so long as the counters are the highway or the truck'toes

### **Pepsi Company and Cremica bakes**

Sauces

Bakes

Meat market

Dough

Vegetables

Filling

Topping

Ware houses

## **Delivery service**

### **Customer (pizza hut)**

**D-4: Evaluate and propose the best quality control technique for the given organization and explain why quality control is important for the organization.**

### **Flow Chart**

Purpose: Visual illustration of the sequence of operations required to complete a task

Define and analyze processes;

Build a step-by-step picture of the process for analysis, discussion, or communication;

Define, standardize or find areas for improvement in a process;

It is starting point for process improvement.

Most flow charts are made up of three main types of symbol:

Elongated circles, which signify the start or end of a process;

Rectangles, which show instructions or actions;

Diamonds, which show decisions that, must be made

It is a visual representation of process showing the various steps. It helps in locating the points at which a problem exists or an improvement is possible.

Detailed data can be collected, analyzed and methods for correction can be developed. A sample is shown below well list out the various steps or

activities in a particular job. Classify them as a procedure or a decision. Each decision point generates alternatives. Criteria and Consequences that go with decision are amenable to evaluation for purposes of assessing quality. The flow chart helps in pin-pointing the exact at which errors have crept in.