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Determining Inventory Management Policy for Perishable Materials in Roemah Keboen Restaurant

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Abstract

Roemah Keboen is a company engaged in restaurant industry that faces an inventory management of wasted materials because the materials have shelf life or expired time and can perish on a fixed time. This study was conducted to find appropriate policy to improve Roemah Keboen inventory management and solve the problem that Roemah Keboen faces. The step to improve inventory management of Roemah Keboen starts from describing the business process of Roemah Keboen. By describing each process, the root causes of the problem can identified and analyzed. The root cause occurs in Roemah Keboen is the executive chef conducted the responsibility of determining the amount of materials ordered and timely scheduling of orders in a subjective manner. It makes the wasted materials number is on high level. The proposed solutions are based on periodic review policy and continuous review policy. The best policy selected after calculating the total cost of each policy and comparing the two policies as well as considering their outdated and lost sales cost. Overall, the continuous review policy gives a lower cost after the policy is compared with the periodic review policy and current system.

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Inventory Management; Root Cause Analysis; Roemah Keboen; Periodic Review Policy; Continuous Review Policy; Waste Materials; Expired Time

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1. Introduction

Inventory is one of the aspects that can be calculated in every business (Chopra and Meindl, 2010). Inventory is both a financial asset and an operational risk to any business. It is a cornerstone of customer service and a complexity in production efficiencies that directly impacts the cash flow, profit and loss accounts, and overall balance sheet. The short-lived materials make the company should manage their inventory to meet the best performance in fulfilling demand from customers. Error estimation would cause a company make a loss with an overstock that is not used for a business activity or low in stock also can make company's loss because the company cannot fulfill a customer demand.

The problem which is closely related to finding ordering policies for perishable goods is by finding suitable issuing policies. The solution to solve the problem that occurs in Roemah Keboen restaurant determines an optimal inventory management policy to decrease the number of waste materials and the total cost that is spent. The policy that is developed for solving the problem is based on the periodic review policy and continuous review policy.

2. Research Methodology

There are some systematic steps used by the author in doing the research. It starts from problem identification, literature review, research method, data collection, data processing and analysis, and conclusion and recommendation. The first step that the author takes is to do the initial research by identifying the general problem in the company that can be used as the topic of the research. After knowing the general problem in Roemah Keboen, the specific problems were then identified during the initial research. The problems identification was based on the existing information. The problems that occurred at Roemah Keboen are there are many materials that wasted. Theoretical foundations were used to analyze the data, evaluate the problem, and give the solutions and recommendations to the company to solve its problems. The materials of the literature review of this research were collected from some media, such as books, websites, and journals. The theories that were used in this research are Inventory Management, Business Process, and Supply Chain Management. The data collected in this research are based on primary data and secondary data.

The data were processed to describe the business process in Roemah Keboen and the gap performance in Roemah Keboen in order to find the root causes of problems. After that, all of those data were used to propose the solutions. The solutions were based on the theoretical foundations and were made for solving the problems that occurred in Roemah Keboen. The solutions were also made to improve the inventory management in Roemah Keboen. The conclusion is to answer the objectives of the research. After that, there are several recommendations that could be implemented to improve the performance of inventory management of Roemah Keboen.

3. Data gathering and Analysis

3.1 Business Process

The first process in a business process is planning. The planning process includes menu and inventory planning. Menu planning is the process where the executive chef estimates demand from the customers. After that executive chef will plan the amount of inventory that he must order to suppliers. Starting with the gathering of inventory data from the kitchen division, the kitchen division will update the last amount of their materials data daily to its executive chef. The executive chef will then predict how much they need wet materials for next day and how much and what materials will be listed by the executive chef.

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