QUALITY PURCHASING

- If a restaurant is to produce products of consistent quality, it must use raw materials of consistent quality.
- Therefore, it is important that the food controller, in co-operation with other members of the management team, draw up list of all food items to be purchased, and list in appropriate detail those specific and distinctive characteristics that will best describe quality of each.
- These carefully written descriptions are known as Standard Purchase Specifications. (SPS)

Definition of SPS

- A standard purchase specification is a concise description of the quality, size and weight or count factors required for a particular item.
- It is something which is particular to an establishment and which has been determined by its price structure, and catering policy of a firm.
- Once established, the specification must be strictly adhered to.
- Any alteration to a particular specification must only take place with the approval of the management.
- Once this S.P.S. have been written and agreed upon by the management team, they are often duplicated and

distributed to potential suppliers to ensure that each will fully understand the exact requirement of the restaurant.

Examples of SPS

- Table Apple(in Kg):

Bright brick red colour, no bruises, no holes or black spots, ripe and juicy,5-6 per kg. The diameter of the fruit when cut transversely should be at least 3.5” (In season from mid-August to January).

- Table Sweet Lime:

Yellow in colour, juicy, thin skinned, 5-7 per kg. Minimum diameter 3”. (In season from August to Feb).

- Beetroot:

Dark crimson colour, smooth without wrinkles, tender surface, free of cracks and scars, no stem and leaves attached.

(5-7 per kg)

Advantages of SPS:

- They force the management team to determine exact requirement in advance for any commodity.
- They are often useful in menu preparation, in that it is possible to use one cut of meat purchased according to specifications to prepare several different items on the menu.
- They eliminate misunderstandings between the supplier and buyer.
- Circulation of specifications for one commodity to several suppliers makes co-operative bidding possible.
- They eliminate the need for detailed verbal descriptions each time a commodity is ordered.
- They facilitate checking food as it is received.

Although specifications are written down at one particular time, they need not to be considered fixed for all times. If conditions change, they can be re-written and re-circulated.

ECONOMIC ORDER QUANTITY (EOQ)

- Economic Order Quantity is an important factor in controlling the inventory.
- It is a quantity of inventory which can reasonably be ordered economically at a time.
- Also known as Standard Order Quantity, Economic Lot Size or Economic Ordering Quantity.

In determining this point ordering costs and carrying costs are taken into consideration.

Ordering Costs

- Cost of getting an item of inventory and it includes cost of placing an order.
- Includes requisitioning, purchasing, ordering, transporting, receiving, inspecting.

Carrying Costs

- Costs incurred for holding a given level of stock.
- Includes costs of storage facilities, property insurance, and loss of value through physical deterioration, cost of obsolescence.

- Either of these two costs affects the profits of the firm adversely and management tries to balance these two costs.
- The balancing or reconciliation point is known as Economic order Quantity.

Computation of EOQ

- The widely used formula is

EOQ =√ {2ACp/Ch} Where,

A= Annual quantity to be used in units.

Cp=Cost of placing an Order.

Ch= cost of holding one unit for one year.

Example to Calculate EOQ

Suppose the annual demand for this product is 5000 units. The ordering cost is Rs. 20 per unit and the holding cost is Rs. 5/unit per annum. The EOQ shall be:

EOQ = √ {2ACp/Ch} =√ {2x5000x20/5} =√ {40000}

EOQ = 200 units