

Taco Bell Uses Productivity to Lower Costs

Founded in 1962 by Glenn Bell, Taco Bell is seeking competitive advantage via low cost. Like many services, Taco Bell increasingly relies on its operations function to improve productivity and reduce cost.

First, it revised the menu and designed meals that were easy to prepare. Taco Bell then shifted a substantial portion of food preparation to suppliers who could perform food processing more efficiently than a stand-alone restaurant. Ground beef was precooked prior to arrival and then reheated, as were many dishes that arrived in plastic boil bags for easy sanitary reheating. Similarly, tortillas arrived already fried and onions pre-diced. Efficient layout and automation cut to 8 seconds the time needed to prepare tacos and burritos. These advances have been combined with training and empowerment to increase the span of management from one supervisor for 5 restaurants to one supervisor for 30 or more.

Operations managers at Taco Bell believe they have cut in-store labour by 15 hours per day and reduced floor space by more than 50%. The result is a store that can handle twice the volume with half the labour. Effective operations management has resulted in productivity increases that support Taco Bell's low-cost strategy. Taco Bell is now the fast-food low-cost leader and has a 79% share of the Mexican fast-food market

Sources: Nation's Restaurant News (January 15, 2001): 57 and Interfaces (January-February 1998): 75-91

Discussion Questions

1. *What exactly you understand from Taco Bell's OM strategy?*
2. *Do you agree with Taco Bell's low cost strategy?*