

FOODSERVICE A CONTROL APPROACH PROFITABILITY



EDWARD E. SANDERS
TIMOTHY H. HILL

Foodservice Profitability

A Control Approach

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With this in mind, this text presents very detailed technical explanations and justifications for the use of these control systems. One of the primary goals of this project from the beginning has been to create a volume which can be used both as a textbook in an academic setting and a technical guide and manual in an industry setting. Students who seriously consider and become aware of the necessity of these concepts will be in a very advantageous position when being considered for industry recruitment, and will be impressive in their positions as they implement these concerns and get results.

This book is designed to provide accurate and authoritative information with regard to the subject matter covered. It is provided with the understanding that the authors are not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

An Expression of Appreciation



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Food and Beverage Operation: Cost Control and Systems Management, Second Edition (Prentice Hall, 1989) by Charles Levinson has been referenced in chapters 1, 3, 5, 10, 11, 12, and 13.

.....

Chapter 1, "The Control Process," provides a general explanation of the control process, the operating environment of a foodservice operation, functions that generally occur, and cost relationships between the menu, the level of service, labor, and technology. The aspects of the internal and external environments that influence how management and employees perform their duties are introduced. The evaluation of controls, the value of information, and the type of information that is available to manage a foodservice establishment is also discussed.

Chapter 2, "Food Cost/Food Cost Percentage," includes more detailed purposes and functions of cost control. The examples and explanations provide comprehensive applications to every type of foodservice operation.

Chapter 4, “Requisitions and Transfers,” discusses the documents used to order food and nonfood items and track the movement of products from one department or unit to another. Their specific uses and applications are shown by examples in the accountability cycle.

Chapter 6, "Receiving Merchandise and Processing Invoices," covers the knowledge and accountability required to document the receiving process, and to record the invoices for tracking and timely payment.

INTRODUCTION

Chapter 8, "Food Production Control," covers identifying the quantities to produce in order to meet customers' needs, then informing the cooks how much to prepare, and finally monitoring the presentation to ensure proper portioning.

Chapter 9, "Menu Sales Analysis," describes the process of comparing the amount of each menu item sold in relation to all menu items sold. Menu items are categorized by profitability and popularity, and subsequent decisions are made.

Chapter 10, "Beverage Cost/Percentage," discusses all the ingredient costs for preparing alcoholic beverages. The principles of control for menu development, purchasing and receiving, tracking product movement, producing, and serving are similar to those for foodservice operations.

Chapter 11, "Bar and Inventory Control," covers efficient receiving, storage, and usage, beginning with the liquor storeroom inventory and ending with customer pouring and cash accountability. Also, the application of automated bar systems is considered.

Chapter 12, "Beverage Production Control and Service," starts with standardized recipes and management decisions regarding pouring and other procedures. Employee theft can be prevented by using systems that account for the number of drinks sold and properly managing inventory. Complying with state laws and posting house policies that both employees and patrons can read and understand is also essential.

Chapter 13, "Controlling Payroll Costs and the Cost of Employee Turnover," discusses a primary concern of foodservice owners and managers, beginning with payroll cost, which may be controlled by establishing budgets, using work schedules, and monitoring actual costs. The process can be accomplished either manually or electronically. Employee turnover is discussed, along with reasons and solutions.

Chapter 14, "Measuring Staff Performance and Productivity," describes methods of examining the quantity, efficiency, and quality of work, as well as dependability and responsibility of employees. Sales per hour, covers per hour, person hours, mishaps per hour, and shift, month, and annual production charts are discussed.

Chapter 15, "Control Practices Applied to Human Resources Issues, Wage Laws, and Working Conditions," discusses the critical factors that affect sexual harassment prevention and compliance with the Americans with Disabilities Act, the Equal Employment Opportunity Act, the Family and Medical Leave Act, the Immigration Reform and Control Act, and the Occupational Safety Health Act. The importance of identifying hazardous chemicals with Material Safety Data Sheets is discussed, as is the Tax Equity and Fiscal Responsibility Act (TEFRA) and the Tip Reporting Alternative Commitment (TRAC) for tax reporting. General working conditions, employment of minors, and workers' compensation insurance are also addressed.

Chapter 16, "Monitoring the Sales Process," explains how to monitor sales by cash, check, and credit/debit cards, along with proper control of customer guest checks, either manually or electronically. Accounting for accuracy, theft prevention, measuring productivity, sales tracking, inventory control, and waste prevention are also discussed.

Chapter 17, "Pricing and Sales Forecasts," discusses two basic methods: the food (or beverage) cost percentage method and the contribution method.

Identifying competing foodservice operations, their pricing, and their menu item sales forecasting is explained.

Chapter 18, "Self-Inspections, Customer Feedback, and Nonfood Inventories," discusses tasks that all too often do not get the necessary attention. Self-checks are important for proper completion of tasks according to set standards. Evaluations by customers from comment cards, shopper reports, and focus groups provide helpful information. Nonfood inventories, including paper goods, china and flatware, and equipment, also need to be considered.

About the Authors



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Ed is the founder of *Northwest Hospitality News*, a regional foodservice journal. He is a Certified Food Executive and a Certified Purchasing Manager; his professional career has included being chief operating officer for a regional chain of restaurants, an associate professor of business, and procurement director of a large-volume foodservice operation. He has a master of science degree in international management from The American Graduate School of International Management and a Doctor of Business Administration degree in management and organization. He was also the co-founder and director of industry relations for the Hotel, Restaurant and Resort Management Program at Southern Oregon University. His career has encompassed all aspects of the hospitality industry.

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1

The Control Process

Learning Objectives

After reading this chapter and completing the discussion questions and exercises, you should be able to:

1. Define *control*.
2. List and describe the two different types of environments that influence how managers and employees do their jobs in foodservice operations.
3. Relate the functions that occur in the front of the house of a foodservice operation.
4. Relate the functions that occur in the back of the house of a foodservice operation.
5. Identify the purposes of control systems.
6. Recognize that the types of control systems used in food and beverage operations will differ according to the type, size, and concept of the facility.
7. Describe the process of management control.
8. Relate what influences the development of a menu.
9. Identify and describe the relationship between the level of service and the dollar amount spent on labor.
10. Discuss what a reliable measure is as it pertains to management control.
11. Describe the two approaches to evaluation.
12. Understand the role of information in managing a foodservice operation.
13. Demonstrate an understanding of the impact of technology upon the costs of operating a foodservice establishment.
14. Name the different types of information documents used in foodservice operations.
15. Understand how to achieve foodservice operating goals in the most efficient manner.

About the Control Process

The control process affects every part of the foodservice operation. To understand the control process involves understanding internal and external operating environments, the need for control processes and procedures, the purpose of controls, the basic control process, the control process applied to costs and technology, the reliability and validity of control measures, the evaluation of management controls, the value of information, and types of information.

The control process within a foodservice operation sets forth efficient control techniques designed to maximize food and beverage sales, control expenses, manage employees, and maximize profits. This first chapter will overview and describe the principles and techniques of using information to operate foodservice operations effectively and profitably. A general understanding of the control process and the internal and external operating environments is needed in order to understand the setting in which foodservice operations take place. Subsequent chapters will elaborate, clarify, and show the practical importance of many of the concepts introduced here. Also, the importance of an adequate information system to support the operational and management control function will be outlined, and various types of information will be introduced regarding the operation of a foodservice facility of any type, size, and concept.

Control

A means of exercising authority over, restraining, regulating, verifying, or checking some function.

Cost control

The process of regulating, checking, and exercising authority over income, expenses, and the flow of products and services internal or external to a foodservice operation.

To **control** means to exercise authority over, restrain, regulate, verify, or check some function. It implies a method, device, or system that accomplishes one or more of these purposes. In the foodservice industry, the term **cost control** has come to mean control over all items of income, expenses, and the flow of products and services, which are both internal and external to a foodservice operation.

Every foodservice operation, regardless of its size, type, or method of service, must have some system of cost control. A system is a collection of things that work together to create a specified outcome.

Foodservice Environments

Internal environment

Involves the front-of-the-house functions, back-of-the-house functions, and management functions.

External environment

Includes factors such as government regulations, local market conditions, labor-force demographics, national economic conditions, supplier relations, new technology, and media.

All businesses operate within an **internal environment** and an **external environment**. The internal environment consists of functions carried on within the organization to achieve organizational objectives. Three functional areas constitute the internal environment and directly influence how managers and employees perform their duties. These areas include front-of-the-house functions, back-of-the-house functions, and management functions.

Factors in the external environment also influence how managers and employees perform their duties. Some external environment factors are government regulations, local market conditions, labor-force demographics, national economic conditions, supplier relations, new technology, and media.

The manager of a foodservice operation must recognize that these two environments exist and that the controls described later in this book are designed to help the foodservice operation succeed within these environments. Figure 1-1 shows these two environments and their relationship to each other. A brief overview of these two environments may be helpful.