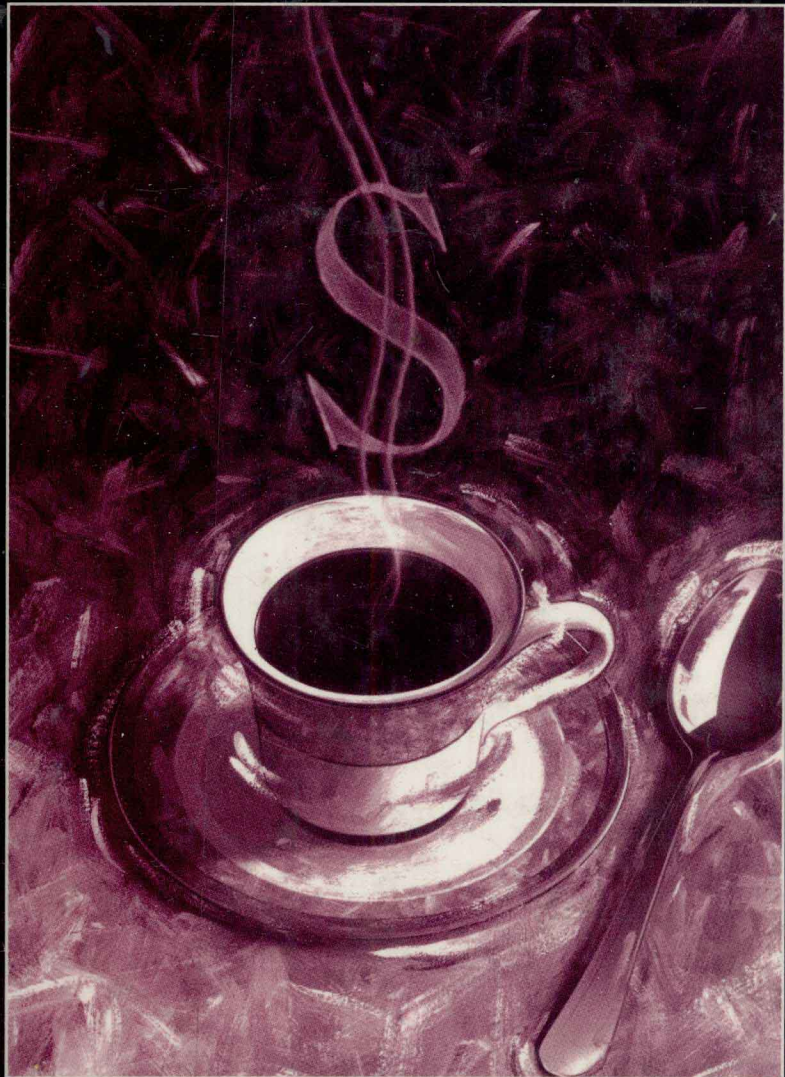


CONTROLLING AND ANALYZING COSTS IN FOODSERVICE OPERATIONS

3rd Edition



James Keiser / Frederick J. DeMicco

THIRD EDITION

Controlling and Analyzing Costs in Foodservice Operations

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Controlling and Analyzing Costs in Foodservice Operations

Preface

Twenty years have passed between the submission of the manuscript for the first edition of this book and this edition. Much has happened in the interim. The reception and adoption of the book have been most gratifying. The developments and changes in the food management field have been most amazing and rapid. Fifteen years elapsed (admittedly too long) between the first and second editions, but only four between the second and third.

Goals and Coverage

The original goal of the book was to have a text for a course in cost control that I developed at Penn State. But as the book began to be used elsewhere, in general foodservice management and specialized foodservice financial management and accounting courses, the goals have expanded along with the content. *Controlling and Analyzing Costs in Foodservice Operations* provides a strong basis for foodservice management based on the concept of costs. In doing so, it covers personnel, accounting, marketing, forecasting, financing, menu pricing, and property management as they affect costs.

As is pointed out in the first chapter, a foodservice commercial operation can make more money only by increasing sales or reducing costs. Increasing sales is often very difficult, but controlling costs is usually very feasible. Lowering costs through better control can often help increase sales through better pricing or values. An institution that does not have to produce a profit has more resources available to clients and employees through better cost control.

New in the Third Edition

The third edition continues the format of the second edition in dividing the book into three sections. The first section covers control as a management function, management information systems, forecasting, and menu

pricing and control. The second section covers labor, food, and beverage control and property management; cost management; and controls. The third section is devoted to control through financial means, such as internal control, cost accounting systems, financial statements and their analyses, budgetary control, and cost–volume–profit analysis. Although the various chapters present an integrated whole, each chapter is free-standing, and different instructors may use different sequences in their classes.

The third edition stresses the importance of the contribution ratio and how management decisions should be based on their effect on the operation's contribution margin. From the first chapter, the student is made aware of the relationship between costs, volume, and profits.

The third edition also has a greatly expanded emphasis on the role of computers in foodservice management and control. Although many new computer printouts are offered, the book stresses that knowing the underlying necessity and reasons for a computer printout is more important than just knowing about a printout.

In this revision there is a general updating and upgrading of material throughout the book. Areas where significant new material has been added include food management information systems, total quality management (TQM), indirect payroll costs (especially in health costs), insurance costs, preventive maintenance in property management costs, using new approaches to cut production costs (such as cook/chill or kitchenless kitchens), comparative and vertical (common-size) analysis in financial statements, menu engineering, capacity management of the food delivery system (flexible capacity strategy and smoothing demand strategy) in forecasting, and dram shop liability in beverage-cost control.

Acknowledgments

I have been most fortunate in having collaborators to help adapt the book to new developments. Dr. Fred DeMicco has shared his considerable expertise in foodservice management, especially as related to computers. Many other have made significant contributions, but I would like to thank especially Professors Peter Yersin and James Dougan and graduate assistant Robert Conn of Penn State's School of Hotel, Restaurant, and Recreation Management. Contributors from industry include Dr. Robert E. Kilgore, Mike Duffy, Brad Krakow, and John Alexander of the CBORD Group, Inc. of Ithaca, New York; Mark Lipsitt of Computrition, California; Susan K. Smith, R. D., of Cleveland Range Inc.; and last but not least Jerry M. Stein, formerly of USDA and now a consultant to the industry. We are grateful for their continuing support.

A work such as this requires support from one's family, and appreciation must go to my wife, Josephine; Fred's wife, Kristen Cyphers

DeMicco; and his four young daughters, Courtney, Kyleigh, Lauren, and Kendra.

Bonnie Henninger deserves much credit for typing and preparing the manuscript.

Finally, I would like to thank the following people for reviewing the manuscript: Cheri Suttle, Virginia Polytechnic Institute and State University; Janet W. Gloeckner, Colorado State University; and John R. Dienhart, Kansas State University.

JAMES KEISER
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