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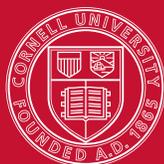
The Eight-Step Approach to Controlling Food Costs

Participants' Guide

Cornell Hospitality Tools

Tool No. 15, December 2009

by J. Bruce Tracey, Ph.D.



Cornell University
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Center for Hospitality Research
Cornell University
School of Hotel Administration
537 Statler Hall
Ithaca, NY 14853

Phone: 607-255-9780
Fax: 607-254-2292
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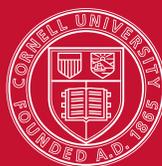
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Cornell University
School of Hotel Administration

The Eight-Step Approach to Controlling Food Costs

Participants' Guide

by J. Bruce Tracey

EXECUTIVE SUMMARY

Because food-service profit margins are so thin, restaurant managers must carefully control every cost and eliminate all possibility of waste. Chief among the sources of cost and waste is food, which can represent up to 40 percent of food-service costs. This detailed training program is designed to show managers how to control their costs, but it goes beyond that to create a focus on cost control and waste prevention throughout the food-service operation. The eight steps are ordering, pricing, receiving, storage, issuing, production, portioning, and cash collection. Building on these eight steps, managers learn how to engage their employees in controlling costs, with a goal of improving revenues and, ultimately, customer service. The eight steps apply to any type of restaurant, although specific techniques may apply only in certain types of food service.

ABOUT THE AUTHOR

J. Bruce Tracey, Ph.D., associate professor of management, has taught courses in human resources management for undergraduate, graduate, and professional audiences throughout North America, Europe, and Asia, winning several awards for his efforts. He has conducted research on a wide range of strategic and operational-level HR topics, including the impact of training initiatives on firm performance, employee turnover, employment law and leadership. He has presented his work at numerous regional, national and international conferences, and his research has been published in diverse outlets such as the *Journal of Applied Psychology*, the *Cornell Hospitality Quarterly*, and the *University of Pennsylvania Journal of Labor and Employment Law*. Recent sponsors for his research and consulting include Four Seasons, Hilton, ClubCorp and Uno Chicago Grill. He has also been cited in *USA Today*, the *Orlando Sentinel*, and other popular press outlets.



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Program Overview

One of the most important challenges for food service managers is controlling food costs, which can represent up to 40 percent of the total operating budget. By managing these costs effectively, your operations will become more efficient and achieve higher levels of production and service quality, which will result in higher customer satisfaction and profitability. This training program is designed to help participants learn about the most effective ways to control food costs in several types of food service operations, whether quick-service restaurants, contract food service facilities, or fine-dining restaurants. The program will address the major factors that affect food costs, and provide opportunities to develop skills that can be put to use immediately.

In addition to this participant's guide, the materials comprise a trainer's guide and a self-coaching workbook, which participants can use to facilitate further development and promote the transfer of training to the workplace.

Objectives

The primary objective of this program is to help food-service managers at all levels to understand the factors that affect food costs, and show them how to use ongoing, effective cost-control practices. Participants will learn an eight-step model for controlling food costs—ordering, pricing, receiving, storage, issuing, production, portioning, and cash collection—as well as methods for getting staff involved in the process.

Design

This program involves two phases. The first phase involves four formal sessions that cover the objectives noted above, two steps at a time. Each of these sessions take about 90 minutes each to facilitate (not including prep and break down time), depending on the participants' previous knowledge and experience. The sessions, which can be completed on the job or in a classroom setting, incorporate a variety of learning methods, including hands-on experiential activities.

The second phase consists of four weekly feedback and coaching sessions that should be conducted immediately after phase one has been completed. These post-training sessions provide an opportunity for trainees to discuss their efforts to apply what they have learned, obtain feedback from their supervisor, and set goals that motivate ongoing performance improvements.

Important Considerations

As with any program, it is critical to complete a comprehensive needs assessment to determine who will benefit most from participating in this program. In addition, it is important to keep in mind that not all topics may be relevant for your operation. Thus, the program can be modified to address your specific needs. It is also important to conduct a formal evaluation of this program, beyond a review of the self-coaching workbooks, to identify the extent to which participants have gained the necessary knowledge and behaviors that are instrumental for controlling food costs. And finally, be mindful of your unit's climate for learning and development. A strong value for training will help motivate participants to learn as much as they can and utilize their newly acquired knowledge and skills on the job.

Training Objectives

The primary objective of this program is to reduce overall unit-level food costs. In order to achieve this objective, it is crucial that managers and staff understand the factors that affect food costs, and utilize effective cost-control practices on an on-going basis.

At the end of this program, participants will:

- Understand the Eight-Step Model for controlling food costs and be able to demonstrate skills that are consistent with this model.
 - Specifically, at the end of this program, the participants should understand and be proficient in performing the following activities:
 - Ordering,
 - Pricing,
 - Receiving,
 - Storage,
 - Issuing,
 - Production,
 - Portioning,
 - Cash collection, and
 - Getting your staff involved.

Trainee Requirements

To realize the full benefits of this program, participants should possess:

- At least six months of food service operations experience,
- Basic math skills, and
- High motivation for learning and applying new knowledge and skills.

Trainer requirements

To facilitate an effective learning experience, trainers should possess:

- Strong operational knowledge and skills in the area of controlling food costs, and
- Excellent presentation and facilitation skills.

Optimal training group size: 8-10 participants

Introductory Notes

- Throughout this manual, there are highlights which provide notes and references to handouts. These are found in the following boxes:

 **Note**

These boxes contain notes and give you space to make notes of your own.

 **Handout**

These boxes contain reference information and exercises to help you learn more about the Eight-Step Program.

- To maximize your learning, take an active role in the training process by:
 - asking questions,
 - taking notes in this guide, and
 - offering ideas and suggestions.

Before the program begins, you should meet with your supervisor to discuss the learning objectives. After you have completed the program, you will meet with your supervisor or training manager on a weekly basis for four weeks to discuss your efforts to apply what you have learned, obtain feedback, and set goals that motivate on-going performance improvements. You should plan to set aside 30 minutes each week to reflect and respond to the questions that are included in a Workbook that accompanies this manual, and then allocate an additional 30 minutes to meet with your supervisor or training manager to discuss progress and develop improvement plans.

Program Schedule

To facilitate this program, the following schedule is suggested:

Session	Time	Topics	Methods	Materials
1	90 minutes	Introduction to the 8-Step Model	The first two steps	Group discussion Presentation Skills practice—Handouts 1 to 5
2	90 minutes	Review of previous session	The next three steps	Group discussion Presentation Skills practice—Handouts 6 to 8
3	90 minutes	Review of previous sessions	The last three steps	Group discussion Presentation Skills practice—Handout: 9 to 11
4	90 minutes	Review of previous sessions	Getting your staff involved	Group discussion Presentation Action planning—Handout: 17
5	60 minutes	Review, coaching, and goal setting	Meeting with trainer or supervisor	Workbook
6	60 minutes	Review, coaching, and goal setting	Meeting with trainer or supervisor	Workbook
7	60 minutes	Review, coaching, and goal setting	Meeting with trainer or supervisor	Workbook
8	60 minutes	Review, coaching, and goal setting	Meeting with trainer or supervisor	Workbook

Session 1

Time



• 90 Minutes

Topics



- Opening activities
 - Introductions
 - Program overview
 - Expectations
- Introduction to the Eight-Step Model
- The first two steps
 - Ordering
 - Pricing

Methods



- Group discussion
- Presentation
- Skills practice

Materials



- Flip chart and colored markers
- Handouts 1 to 6
- Handheld calculators

I. Opening Activities

a. Introductions

Introduce yourself to the group by providing the following information:

- Name
- Where you work
- How long you've been with the company
- Biggest challenges in controlling food costs

b. Overview of the program

This program is designed to:

- Reduce a key operating expense in order to increase profit margins
- Increase customer satisfaction by enhancing standardization of unit-level practices

In addition, this program offers you an opportunity to:

- Reinforce what you may already know
- Gain new insights and learn about “best practices” for controlling your food costs
- Enhance your career opportunities and growth by proving you can control costs and operate profitably

II. Introduction to the Eight-Step Model



Handout

Handout 1 contains several questions about controlling food costs. How many of these can you answer?

- (1) What is our company's standard or goal for overall food costs (as a percentage of the total operating budget)?
- (2) What kinds of information should you always obtain when obtaining pricing quotes from purveyors?
- (3) Can you describe the process for determining the price of a single menu item?
- (4) What do you do if a purveyor sends you a "reasonable" substitute for an item you ordered?
- (5) What does "FIFO" mean?
- (6) What are some of the ways to control your costs through issuing (e.g., kitchen towels)?
- (7) What are the benefits from cooking from scratch?
- (8) How can you improve the production process to reduce your food costs?
- (9) What are some of the ways to prevent problems that stem from ineffective cash handling?
- (10) How can you get your staff involved in helping you reduce your food costs?

III. The First Two Steps: Ordering and Pricing

a. Ordering best practices

Best Practice 1: Order only what you need

Maintaining an appropriate inventory is one of the biggest factors in maintaining low food cost. In general, you should order in the smallest possible quantities to keep your inventory low, but keep in mind that you need to order in ways to save money. For instance, sometimes the savings for buying in quantity can be significant, but you must plan to use or share those items with another unit (and transfer the cost).

When you have excess inventory (over order), your staff will generally find ways to use it up. You will end up adding items (and cost!) to recipes simply because those items are there and it's better to use them than to throw them away. So, if an item is not there, they won't use it or throw it away! Additionally, excess inventory may increase the likelihood of spoilage, as well as invite employee theft.

When you don't have enough inventory (under order), you face other problems. One of the most important concerns is that you will be unable to meet the needs and requests of your customers. Also, you will find yourself going to the store to buy the items you need, which often means you will pay retail cost for the item. In addition, you may realize an increase in labor costs because you have to send someone to the store. This also creates operational disruptions and may result in product inconsistency.

Finally, be sure to set written par amounts for items in your unit, include these par amounts (pars) on requisition materials, and update those par amounts regularly. It is critical to know how much product you have on hand at any given moment. If you have correct pars for staple items (e.g., coffee, paper, condiments) you will not run out and not over order.

Key Issue: Order according to par and keep track of purchase orders so you can make sure your deliveries and invoices are accurate and meet your needs.

Best Practice 2: Know what is in your inventory

Keeping a close eye on your food stocks will help you maintain an adequate supply of food and determine whether your forecasts are accurate. In addition, inventory checks will help reduce theft and spoilage.



Handout

Handout 2 Sample Inventory Policy and Procedure

At the close of business every Tuesday of every week, the manager of every restaurant is required to perform an accurate physical inventory of all products on or about the premises, including but not limited to food, beverage, paper, and supplies. Requests for exceptions must be approved in advance and in writing by the CFO with a copy to an officer in the company.

Failure to perform the required inventory, estimating stock, or directly or indirectly reporting inaccurate data or using inaccurate pricing (a practice known as padding inventory), may result in termination of employment.

All products should be counted or weighed and priced per the most recent prices paid for that particular product.

Estimating inventory is not allowed.

Best Practice 3: Take advantage of competitive pricing

When ordering items (other than those from an approved contracted list), make sure you receive price quotes from at least two purveyors, and ensure you obtain the necessary specs:

- Product name,
- Intended use,
- Grade (e.g., USDA, trade association endorsement),
- Product size (which may include portion size),
- Packaging (e.g., size, type of packaging material),
- Product characteristics (e.g., color, trim amount, point of origin),
- Acceptable substitutions, and
- General instructions to bidders (e.g., payment procedures, delivery requirements).

Be sure to develop good relationships with purveyors as well. A positive relationship might lead to a great deal!

Also, consider talking to local growers if available. A local grower might be able to provide you with higher quality produce at lower cost directly from the source.

Closely monitor market prices, particularly for perishables. Do not include items on your menus when costs become prohibitive. Substitute whenever possible. Also, consider avoiding expensive brand-name products when appropriate without sacrificing quality, as customers only see the end product at your operation.

Key issue: Do not sacrifice quality for price.

Best Practice 4: Use customized order guides

Use a customized order guide to achieve accuracy and efficiency. The guide should be organized into food categories (such as meats, dairy, grocery) that allow managers or chefs to look at items, consult the pars, and place the order. This helps maintain the proper level of inventory. A sample order sheet is found on the next page

Best Practice 5: Place orders using a seasonal cycle menu

Using a seasonal cycle menu maintains consistency while controlling purchasing activities, but also allows variety in the menu. For example, if you use a four-ounce chicken breast four out of every five weeks, you can present it in a different way each week (e.g., parmesan, spicy fried, cordon bleu, and Buffalo). This will allow you to use all of the product and keep your inventory low. Remember that while your menu will have items that are offered on a regular basis (i.e., a “static” menu), be creative and switch things up. That will make your customers happy, and keep things interesting for you.

Best Practice 6: Use purchasing programs if available

Order from specified vendors and use purchasing programs (automated, IT-based systems) to ensure quality and to guarantee contract pricing. Some purchasing programs provide access to items at guaranteed pricing. This stability helps to analyze and maintain proper food cost.



Handout

Handout 4: Calculating Par Stock

Par stock is the amount or level of a particular item that must be maintained in inventory between deliveries. To calculate the PAR stock for a given item:

- (a) Identify the amount of time between deliveries,
- (b) Identify the estimated amount used between deliveries,
- (c) Add a "safety factor," the minimum amount to have in stock in case of unexpected increases in demand or vendor stockouts,
- (d) Add the estimated amount used to the safety factor; this is the PAR stock amount, and
- (e) Record the PAR stock amount on an inventory control sheet or similar document.

Answer the following questions.

1. Suppose your restaurant uses 1.5 gallons of ranch dressing per day. The restaurant is open 5 days a week. You wish to have 3 gallons as a safety factor. The dressing is packaged 4 gallons to the case. The supplier will not break the cases. Deliveries are weekly.
 - a. What is the PAR stock, in gallons, of this item?
 - b. How many cases should be ordered if there are 5 gallons on hand?
2. Further suppose that you use 504 hamburger buns per week. The buns come in bags of 12, with 4 bags per box. You wish to have a safety factor of 24 buns, or 2 bags. Again, the supplier will not sell partial boxes, and deliveries are weekly.
 - a. What is the PAR stock, in boxes, of this item?
 - b. How many boxes should be ordered if there are 3 boxes on hand?

b. Pricing Best Practices

Make sure everyone knows how to price an item and a recipe—including your staff.

Consider creating a standardized recipe file. This file should include all of the information necessary to determine the total ingredient cost and suggested selling price for every menu item.

However, even though the costing and selling information will be provided, everyone should know how to calculate the ingredient cost and selling price for a menu item. In addition, do not assume that your staff knows how to take the list of ingredients and break it down into price per ounce.

Best Practice 1: Account for the Q Factors

It is important to account for the "hidden costs," or Q factors. The following cost categories should be added to the total cost of a menu item. The following percentages represent the approximate maximum for each area:

Paper	4.8%
Waste:	2.0%
Accompaniments	1.2%
Condiments	1.0%
Cooking Medium	1.0%

Total: 10.0%, or 1.10 Q-Factor



Note

Handout 5, on the next page, demonstrates the procedure for accounting for Q factors.

Best Practice 2: Consider ingredients and labor

Use raw rather than precooked items to save money where appropriate (e.g., wings, random chicken breast, raw four-ounce chicken breast). This practice will not only reduce food costs, but may also lower your labor costs by reducing the time required for prep and production.

Best Practice 3: Check and update menu boards regularly

Make sure your menu boards are priced correctly each day. This should be part of your daily pre-opening checklist.



Handout

Handout 5: Costing and Pricing Menu Items

Example: 100 Portions of Baked Ham Steak

Step 1. Calculate cost of ingredients

Ingredient	Amount	Price	Sub Total
Boneless smoked hams	30 lbs	\$2.25 per lb.	\$67.50
Pineapple slice	100 slices	\$0.10 each	\$10.00
Prepared mustard	8 oz.	\$0.25	\$0.25
Brown sugar	16 oz.	\$0.75	\$0.75
Ground spice	1 oz.	\$0.50	\$0.50
Raisin or fruit sauce	3 gal.	\$6.00	\$6.00
Total:			\$85.00

Step 2. Divide the total cost (also known as the "raw cost") by the total number of portions yielded. For 100 portions, divide: \$85.00/100 = \$0.85 per portion.

Step 3. Multiply the per portion amount by the Q factor.

The Q factor accounts for normal preparation and waste costs that cannot be figured directly into the raw cost. These costs include: paper, waste, accompaniments (e.g., crackers, dinner rolls), condiments, and cooking medium (e.g. oil, butter).

The Q factor in this example is as follows:

Paper	4.8%
Waste:	2.0%
Accompaniments	1.2%
Condiments	1.0%
Cooking Medium	1.0%
Total:	10.0%, or 1.10 Q-Factor

Thus, in this example: \$0.85 X 1.10 = \$0.94

Step 4. Calculate selling price

Once the Q-factor cost of an item is determined, divide that figure by the desired food cost percentage, say 35%.

Cost of Item/Desired Food Cost % = Selling Price

In this example: \$.94/.35= \$2.68

* Please note these prices are for example only and must be determined with a complete recipe cost analysis.



Handout

Handout 6: Sample Recipe

Easy Chili

Prep time: 15 minutes

Cook time: 10 minutes

Serves: 24

Ingredients:

- 6 lbs. ground beef
- 3 Spanish onions, diced
- 12 cups tomatoes, diced
- 6 pkgs. chili mix
- Water, as directed on mix packets
- 12 c. red kidney beans
- 1 lb. shredded cheddar cheese

Brown beef with diced onion. Drain excess grease. Add tomatoes, chili mix, and water to beef and onions. Cook about 5 mins. Add beans and cook till heated. Top with cheese to serve.

1. Assume that the items required for the above recipe were purchased at the following prices:

Item	Description	Pack	Price
129790	BEEF GRND 81/19 FRSH-4-10# IBP	4/CASE	73.60
200778	ONION SPANISH JUMBO 50# MARKON	1/CASE	18.00
246131	TOMATO DCD I/JCE MW 6-10 GFS	6/CASE	18.66
521183	SEASONING CHILI MIX 6-5.7Z LAWR	6/CASE	16.16
118788	BEAN KIDNEY RED LT 6-10 GFS	6/CASE	16.62
271411	CHEESE CHED SHRD FTNR 4-5#	4/CASE	53.00

- a. Calculate the ingredient cost for all ingredients

Ground beef:

Spanish onion:

Diced tomatoes

Chili mix:

Kidney beans:

Cheddar cheese:

- b. Calculate the total cost for one serving

Ground beef:

Spanish onion:

Diced tomatoes:

Chili mix:

Kidney beans:

Cheddar cheese:

Total:

Cost per serving:

Account for the Q-Factor:

- c. Assuming you are trying to maintain an overall food cost of 35%, calculate the selling price for one serving.

IV. Summary and Review



Note

Write down two things that you learned in this session that you will do differently when you return to work.

Session 2

Time



• 90 Minutes

Topics



- Review of previous session
 - o Overview of the Eight-Step Model
 - o Ordering
 - o Pricing
- The next three steps
 - o Receiving
 - o Storage
 - o Issuing

Methods



- Group discussion
- Presentation
- Skills practice

Materials



- Flip chart and colored markers
- Handouts 7 to 9
- Recent purchase order and accompanying invoice, from your restaurant

II. The Next Three steps: Receiving, Storage, and Issuing

a. Receiving Best Practices

Best Practice 1: Assign receiving to a specific employee

Giving the responsibility of receiving to a particular employee will ensure that that person is familiar with the procedures and products. It also increases accountability, because you'll be able to check with that person if there are questions or errors.

Best Practice 2: Check invoices line-by-line

Check for correct pricing and make sure that you have received everything that you paid for. Check for correct counts, correct weights, and correct items ordered. Only accept what you have ordered, and make sure you have the original purchase order when checking invoices.

Best Practice 3: Control substitutions

Do not allow vendors and purveyors to substitute without your knowledge. Make sure your vendors know that you will accept only what you ordered, and if it's not correct you will hold them accountable to make it right. This keeps your vendors as honest and hard working as you are.

Also, control the cost and quality of substitutions by asking vendors to provide detailed information about grade, size, packaging, and other specifications.

Best Practice 4: Ensure quality

Make sure that the quality is acceptable for all items you signed for. For example, suppose you ordered a 40-pound case of turning bananas. If they are they are either too green or overripe, send them back and arrange for the vendor to fill the order with an acceptable item. Ensure that refrigerated and frozen foods are at their proper temperature, and reject foods with ice crystals, which indicate that they have thawed and been refrozen.

Also, ensure that you receive proper credit for damaged, spoiled, or outdated goods.



Handout

Activity: Receiving Exercise

Using the purchase order and invoice provided,

- Verify that the items on the invoice match those on the purchase order.
- Inspect the selected items and determine whether the items meet your quality standards.

b. Storage Best Practices

Best Practice 1: Keep storage areas well-organized

Make sure all stock is well organized in the storage areas. This is the only way to truly know what you have on hand. This knowledge will help you control what you use and order, and ultimately help you maintain proper food cost.

Best Practice 2: Date items for FIFO stock rotation

A procedure of first in, first out (FIFO) ensures proper stock rotation, which results in less waste and spoilage and helps maintain product quality. Mark each item with the date it was received. New items should be shelved behind the stock you already have. With items have properly shelved, your staff will use items stored in the front first.

Best Practice 3: Properly store all stock

Make sure all stock is stored correctly, and conforms to safety and sanitation requirements

- Items such as canned goods, rice, and pasta should be kept in cool, dry places; 50 degrees Fahrenheit is an optimum temperature for dry goods, but 60 to 70 degrees Fahrenheit should be fine for most products.
- Frozen food should be kept at 0 degrees F or below
- Refrigerated items should be stored at 41 degrees F or below

According to the U.S. Food and Drug Administration, items such as meat and eggs can be kept safely refrigerated

for no more than seven days. Freeze items such as meat if you are unable to use them right away.

Have a thermometer on display to check cold storage temperatures regularly (at least once a day, preferably twice). It is essential to protect products from cross-contamination, and you should make sure all products are stored at the correct height above the floor. Make sure the more perishable items are stored at the coolest spot in the cooler or freezer, and allow sufficient space between packages for air circulation. Keep items away from inside walls.

All storage areas should be clean, sanitary, and organized. Turn off lights in cooler and freezer. Use remote thermometers and air curtains where needed to help maintain proper temperatures.

Best Practice 4: Keep all inventory secure

Lock walk-in coolers, freezers, store rooms when not in use. Lock public areas that may be subject to theft or tampering by customers. Protecting property from damage and theft is critical in controlling costs.

Sadly, some people will steal things if they can. People will break into coolers and ice cream freezers, and hoist themselves over a wall to get cups and supplies.

If your restaurant operates with multiple shifts, it is advisable to lock up everything and only issue what will be needed for each shift.

Best Practice 5: Take inventory regularly

It is recommended to take inventory once per week the most, and daily if you have a busy operation. When you know what you have, you will know what to order. Keeping regular track of inventory helps to isolate trouble spots, flag possible theft, and alert you to problems, as well as aids in menu planning. All these are critical elements that affect ordering and ultimately, controlling costs.

Tip: Instruct two people to take inventory. One writes, the other counts.

Best Practice 6: Keep storage areas clean

Dirty storage areas can lead to unwanted visits from mice and insects, which can damage stored food and become recurring problems. Clean spills thoroughly, and ensure that all storage areas are free of waste.



Handout

Handout 8: Cold Storage Exercise, Part 1

Inspect the cold storage area (walk-in cooler). In the space below, identify any improperly stored items or safety and sanitation concerns.



Note

Write down any violations that you notice.



Handout

Handout 9: Cold Storage Exercise, Part 2

On each of the cold storage “shelves” below, place the food items on the correct shelf.

Top Shelf

Shelf 2

Shelf 3

Shelf 4

Shelf 5

c. Issuing Best Practices

Best Practice 1: Hold shift managers and chefs responsible for issuing food products and other materials to each shift.

One of the key responsibilities for all managers and chefs is to know and keep track of par levels for all items for each area. This helps limit leftovers and maintain freshness and quality. It also allows you to monitor and control food production.

Key Issue: You get what you inspect and reward, not what you expect.

Best Practice 2: Control what you issue

For example, you may be able to cut your linen costs by issuing cleaning cloths and kitchen towels on Monday, and then keep the rest under lock and key for the balance of the week. You may then ask each employee how many cloths or towels they need each day. Once allocated, that’s what they get unless a special circumstance arises.

Keep equipment and small wares under lock and key. Hand out small wares if and when needed, and find out why they’re needed.

Keep a sign out sheet outside of storage areas, and require employees to keep records when they remove bulk items.

Best Practice 3: Keep a daily stock list

The shift manager should be responsible to complete a daily stock list to maintain proper pars. Check to make sure that the stock list has been filled out correctly. If not, find out why and correct the problem. This will help identify any problems, patterns, and potential theft or loss. Regular monitoring helps control inventory and ordering.

Best Practice 4: Make sure staff puts out only what is needed

Do not overstock the front of the house. As noted previously, extra inventory will get used. For example, use forecasts to determine the number of cups you will need. If you run out, replenish as needed. The more items available, the more they (i.e., customers) will take. For example, review past sales to determine how much coffee and iced tea to brew to minimize waste.

 **Note**

Missing box lunches

Suppose you had 12 box lunches left over from your lunch shift. You've made a plan to use the leftovers the following day, so you instruct one of your employees to store the lunches in the walk-in cooler (which doesn't have a lock). When you arrive the following morning, you find that the lunches are gone. What would you do?

III. Summary and Review

 **Note**

Write down two things that you learned in this session that you will do differently when you return to work.

Session 3

Time  • 90 Minutes

Topics

- Review of previous session
 - o Receiving
 - o Storage
 - o Issuing
- The final three steps
 - o Production
 - o Portioning
 - o Cash collection



- Group discussion
- Presentation
- Skills practice

Materials

- Flip chart and colored markers
- Handouts 10 to 16



I. The last three steps: Production, portioning, and cash collection

a. Production Best Practices

Group Discussion (5 minutes)

Presentation (15 minutes)

Best Practice 1: Follow a daily and weekly menu

Promote creativity, as discussed further below, but make sure you adhere to the menu that you've planned and use items you've purchased for the week (especially perishables).

Best Practice 2: Follow standardized recipes

As noted above, developing and following standardized recipes will provide consistency and allow you to control costs for every item.

Best Practice 3: Employ economical food production techniques

Control food costs by planning your menu and taking the time necessary to ensure that you are prepped and ready for production (e.g., allowing thawing time for frozen items).

Choose the most appropriate items for your recipes. For example, use whole eggs in recipes, which are less expensive than liquid eggs. Make your own hard boiled eggs, and make fried eggs instead of buying egg patties.

Best Practice 4: Cook from scratch when possible

Not only is making products in-house one of the most economical techniques, but store-made items can drive your top line sales. This includes such items as fresh-baked brownies, banana bread, and rice krispy treats. Think about the most popular items that move quickly.

Also consider making your own spaghetti sauce, steak sauce, gravies, soups, and chicken stuffing instead of buying them prepared.

- As an example of how to cook from scratch using the most economical item, one restaurant was making a chicken salad with cooked chicken salad chips (frozen) at \$3.20 per pound. It saved money and got better quality by switching to random chicken breast (frozen) at \$1.11 per pound.

Best Practice 5: Maintain accurate food production records

Using production records helps control your costs because you know how much to buy and how much of each item you will need. In addition, maintaining food production records is a reflection on how well you are performing in other aspects of food cost control (i.e., receiving what you order). Moreover, reconciling discrepancies is one of the best ways to control costs.

Remember to account for changes in the business cycle, such as reducing the amount of food produced during slower days, weeks, etc.

Finally, do not over produce. While some core items such as coffee, soup, fries may be critical and should not be allowed run out during service, it may be perfectly fine to sell out of other items near the end of service, especially if guests have other adequate options.

Handout

Handout 10: Food production record reconciliation

Compare the register tape (Handout 10s) and food production order record (Handout 10b, found on the next page), to identify as many discrepancies as possible.



Handout

Handout 10a, Register tape.

- Identify discrepancies between this tape and the food production record on the next page.

BURGER	
CNT 4	\$12.57
CHZ BURGER	
CNT 3	\$10.17
3 CHX STRPS	
CNT 2	\$7.90
CHX/FISH SAND	
CNT 1	\$4.29
ADD ON	
CNT 2	\$1.00
BAKED POTATO	
CNT 6	\$17.94
(3) COOKIES	
CNT 2	\$3.00
FRIES/TOTS	
CNT 7	\$10.43
CHIX SAND W/CHZ	
CNT 1	\$4.79
GR SPEC FFSODA	
CNT 6	\$14.10
GRILL SPEC 299	
CNT 2	\$1.60
XTRA CRACKERS	
CNT 22	\$2.20
O RINGS	
CNT 5	\$11.45
SM HOTDOG	
CNT 1	\$3.50
1/4# HOT DOG	
CNT 3	\$9.48
GR CHEESE	
CNT 6	\$15.00

Handout

Handout 10b: Food Production Order Record

FOOD PRODUCTION ORDER RECORD

Example

Location -Any Location

Weather-Sunny/Warm

Date 00/00/00

MENU ITEM	SERVING INFORMATION				PREPARATION						USAGE/COMPARISON			WASTE		Portion	Value
	BULK QTY	# OF SERVINGS	PORTION SIZE	SERVING UTENSIL	1st SHIFT PREP QTY	LEFT OVER	2nd SHIFT PREP QTY	LEFT OVER	3rd SHIFT PREP QTY	LEFT OVER	TOTAL SERVED	REGISTER TAPE	+/- VAR.	Amount	Cost \$		
1/4# Hamburger	10#	40	4oz	Spat.	4	0	N/A		N/A		4	4	0				
1/4# Cheeseburger	10#	40	4oz	Spat.	3	0					3	3	0				
1/4# Bacon Cheeseburger	10#	40	4oz	Spat.	1	0					1	1	0				
Chicken Philly	10#	40	4oz	Spat.	3	0					3	3	0				
Beef Philly	5#	20	4oz	Spat.	0	0					0	0	0				
Fish Sandwich	3#	12	4oz	Tong	1	0					1	1	0				
French Fries	10#	23	5oz	Tong	8	1					7	7	0	1-order	\$0.42	\$0.42	
Chicken Tenders	5#	13	6oz	Tong	3	0					3	3	0				
Grilled Cheese	5#	53	3-sli	Spat.	6	0					6	5	1				
Grilled Chicken Sandwich	5#	20	4oz	Spat.	2	0					2	1	1				
Grill Special-Denver Burger	10#	40	4oz	Spat.	5	0					5	5	0				

Best Practices 6: Use leftovers appropriately

Forecast sales and production to reduce leftovers as much as possible. However, you can usually expect to have some leftover food. Planning ahead to utilize the leftovers appropriately will account for the costs you have already incurred and allow menu experimentation.

For example, if you have a carving station you will have meat scraps, which will augment chili, soup, casseroles, or deli salads. Stale bread can be converted into croutons, and leftover bagels can become bagel chips.

Key Issue: Using leftovers helps when you substitute a leftover for something else through menu planning. It can hurt your costs when you “add” leftovers to a recipe to “use it up.” You may have saved the item from the spoilage report, but you must then account for the cost of that leftover in the new menu item.

Best Practice 7: Prepare smaller portions more often

This can often save on overproduction and waste as long as you are not incurring additional labor. For example, when making cookies, mix up enough dough for several batches but only cook what you’ll need. That way, the cookies stay fresh and you’ll reduce waste and unused product. You can also freeze leftover dough if suitable.

Also, you can use a “2nd Shift Afternoon Planner” to check pars for evening shifts and to check production needs for off shifts.

Best Practice 8: Be creative

You can enhance perceived value with creative uses for food you already have on hand:

—Examples:

- Use broken pizza shells for garlic bread sticks or cinnamon sticks.
- Save all the chocolate chips out of the bottom—there’s often ½ pound of chocolate in the bottom of a box—which can be used for muffins, brownies, or chocolate drizzle.
- Create “specialty” chicken wings.
- Promote a “while supplies last” special using franks and beans with leftover hot dogs.

Challenge your staff to be creative and come up with new exciting ways to use , and make sure you reward them for their efforts!

Best Practice 9: Monitor spoilage

Track weekly spoilage by reviewing the spoilage reports. This may require constant reminders to staff to write down all spoilage! Doing so helps to point out trouble areas, alerts you quickly to areas of overproduction, and helps develop a corrective action plan.

Look in trash cans whenever possible and ask “Why is this here?” as often as possible. Talk to your staff about waste

and translate the waste into dollars so that they understand every day that food is money and when they throw out food they are throwing away money.

Key issue: Do not tolerate waste of any kind.

Best Practice 10: Teach your staff to use all usable products

This business is about pennies. To save money and make money, plan recipes and procedures to make sure to use all usable product (such as celery ends for soup, beef fat to make stock, ham ends for ham salad, and stock from cooked turkeys to make soup or gravy).



Handout

Handout 11: Creative use of leftovers

Identify as many different uses as possible for the leftovers listed below.

Meats

Carved roast beef

Roast turkey

Meatballs and tomato sauce

Starch

Mashed potatoes

Basmati rice

Pasta (spaghetti or similar)

Vegetables

Cooked greens

Cooked carrots

Soup

Creamy seafood chowder

b. Portioning Best Practices

Best Practice 1: Adhere to price and portion specs

Make sure you have a current price and portion list, so your employees and customers know the proper pricing for each item served.

Best Practice 2: Pre-portion whenever possible

Limit the possibility for waste and error by pre-portioning items. For example, slice turkey and portion it into 4-ounce portions for entrees and 2.5-ounce portions for the deli. Separate the portions with patty paper so that servers can quickly and clearly see one portion. This way you know exactly how many portions you have produced. An added benefit of pre-portioning is it saves time during busy periods and allows the operation to run more efficiently.

Also for prep, if you put 1 pound of meat in each pot of soup and you make five pots of soup per day, cook off the meat in bulk, cool it properly, and freeze it into freezer bags in 5 one-pound portions. Then, when you need the meat for soup, you take out exactly the correct amount needed for each recipe. This will help you be more efficient and control your costs.

Best Practice 3: Use correct type and size of service ware

Bowls, cups, and plates should be the correct size for your operation. As an example, use a 3.5-ounce bowl instead of a 4-ounce bowl for veggies and sides. You may pay a bit more for the bowl (e.g., \$.04 each) but you will save money. Here's an example of how that might work:

- Correct portion = 4 oz
 - \$.28 for veggies + \$.04 for bowl = \$.32
- Incorrect portion, if only 1/2 ounce larger:
 - \$.315 for veggies + \$.04 for bowl = \$.355
- Savings: \$.035 per portion

Make sure cashiers can clearly see and understand what is being served each day. This is often achieved by the proper use of service ware as a pricing code.

Best Practice 4: Use a portion scale

Measure chicken tenders and similar items by weight instead of per piece. Also measure carved meat by weight.

Best Practice 5: Use correct serving utensils, scoops, and ladles

As is the case with service wear, consistency in serving sizes is critical. Purchase and use 4-oz and 6-oz spoodles for correct portioning of pasta, for instance.



Handout

Handout 12: Portioning exercise

Failing to use serving utensils correctly can result in significant food-cost problems. As such, it is important to understand the proper use of your service equipment.

Scoops are ideal portion-control tools. Scoop numbers correspond to the number of portions it takes to equal one quart. For example, in a #16 scoop, there are 16 portions to equal one quart. A quart is 32 ounces, so a #16 scoop holds a 2-ounce serving, or sixteen 2-ounce servings per quart. A #8 scoop yields eight 4-ounce servings (1/4 cup) per quart. The amount in the scoop should be level to measure the correct amount.

Another common measuring tool is the ladle, which is used to serve liquid foods such as soups, stew, and sauces. The ladle number corresponds to the amount in liquid ounces. For example, a ladle #1 is 1/8 cup or 1 ounce, a ladle #2 is 1/4 cup or 2 ounces, and so on.

Serving spoons are not identified by number and serving size. Many serving spoons have no standard size or shape, so the amount each holds must be predetermined. This can be done by either measuring or weighing a serving and then placing it in the spoon. Share the serving size information of these utensils with those who serve the food to assure that they correctly measure the food before they serve it.

Implications of Poor Portion Control

Consider the following example, and determine the additional costs associated with serving more than what you're calculating.

At one particular account, 1/2 cup canned fruit (or 8 tablespoons) is offered on the line every day. Three hundred people eat almost daily, and 250 usually take fruit. Suppose the server rounds up the portion by about two tablespoons (that is, to 10 tablespoons) per lunch every day.

Assume the average cost of a case of fruit is as follows:

- Applesauce \$12.75—Cost per TB=.01 cents
- Fruit Cocktail \$25.25—Cost per TB=.02 cents
- Peaches \$24.00—Cost per TB=.02 cents

Further assume there are approximately 1,200 tablespoons per case. Answer the following questions:

1. What is the average cost per TB?
2. What is the cost per two TB?
3. What is the daily extra cost?
4. What is the extra cost for 250 days?

c. Cash collection

Best Practice 1: Control the environment

Make sure your registers or point-of-sale terminals are programmed correctly. As much as possible, have one button or key for each item. The more you leave up to the cashier's or server's discretion, the greater the likelihood of errors.

Make sure the items you offer on food lines are clearly delineated. Have food preparers mark any extras on wrapped sandwiches with a permanent marker, colored dots, or distinct packaging. It's important that extras, particularly those that can significantly add to your margins (e.g., bacon, cheese, guacamole) are identified and accounted for.

Customer theft may also be an important issue. Consider the following:

o What happens to the food before the customer gets to the register?

- How many strips of bacon can they eat while standing in line?
- Where can they hide to eat a slice of pizza?

Key Issue: Match your item reports with your production records.

Finally, your staff may work hard to please the customer, but their efforts may come at huge cost to your operation. Pleasing the customer can sometimes mean overportioning and undercharging. Monitor the environment carefully, especially the POS and cash handling areas.

Best Practice 2: Check cash reports daily

First and foremost, make sure that you and your cashiers and servers are familiar with the cashier and POS procedures, per the information above. Regularly review all policies and procedures.

Carefully inspect overrings. In particular, look for patterns, no sales, food refunds, and similar irregularities.

Question cashiers and servers about any concerns you might have. Let them know you are watching and that you care. They should care, too.

Watch the register or POS as much as possible; your customers will alert you to certain problems (e.g., "I never pay that much!"). Look for these types of reactions and investigate.

Best Practice 3: Think like your customers

Every day, try to think of what your customers are going to ask in regard to your daily menu, and develop a plan accordingly.

Consider the following:

- o Can I have a half order?
- o Can I add cheese to my sandwich?
- o Can I add bacon to my deli sandwich?

Key Issue: Eliminate guesswork and opportunity for theft as much as possible, and use clear signs and pricing.



Handout

Cash control exercises. Review the sample audit policy and the forms that are used to enforce it by referencing Handouts 13, 14, and 15 (below and on the next page). Reference and review your own policies and forms for cash handling and point-of-sales.



Handout

Handout 13: Cashier Audit Policy

Policy: Cashier audits must be performed twice per week—at minimum. Units with multiple shifts or cafeteria locations must execute at least three audits per week. Audits should be performed at varied times and random cashiers.

Objective: To eliminate or reduce the risk exposure to cash loss internally and externally through sound money control procedures.

Procedure:

- Run an "X" reading on register.
- Count all cash and log information on Cashier Balance Sheet
- Attach "X" reading to balance sheet
- Complete audit log and retain at unit. Will be subject to internal audit.



Handout

Handout 14: Cashier Audit Form

Cashier Random Audit Form

Time: _____

Unit: _____

Shift: _____

Reg # / Area _____

"X" Reading _____

Void/Overring _____

Charge Sales _____

Promo/Freq Diner _____

Net Sales _____

Closing Drawer Count

\$100.00	_____
\$50.00	_____
\$20.00	_____
\$10.00	_____
\$5.00	_____
\$1.00	_____
\$0.50	_____
\$0.25	_____
\$0.10	_____
\$0.05	_____
\$0.01	_____

Vending Refund _____

Total Cash _____

Less Beginning Bank _____

TOTAL DRAWER _____

Cash Over/Short _____

1. Cashier area clean? _____

2. Honor System? _____

3. Misc items near register? _____

4. All items pre-programmed on register? _____

5. Any coins in wrong bins? _____

6. Any bills in wrong bins? _____

Folded? _____

Bank faced? _____

Notes: _____

Auditor Signature

II. Summary and Review

**Note**

Write down two things that you learned in this session that you will do differently when you return to work.

Session 4

Time  • 90 Minutes

Topics

- Review of previous session
 - Production
 - Portioning
 - Cash collection
- Getting your staff involved
 - Stating expectations, setting goals
 - Monitoring performance, giving feedback
 - Rewarding positive behavior



- Group discussion
- Presentation
- Skills practice

Materials

- Flip chart and colored markers
- Handout 17



a. Best practices for getting staff involved

Best Practice 1: Clarify expectations and set goals

Letting your staff know what you want is an important first step. If the motivation or performance capabilities of your staff are low, you may need to take the lead on clarifying expectations and setting performance goals. If staff motivation and capabilities are higher, then you should probably use a more collaborative or consultative approach to clarifying expectations and setting goals:

For example, you could start by:

—Identifying a short list of items (say, 3 to 5) associated with reducing food costs that can be incorporated into an employee's daily work responsibilities, such as performing cold-storage inspections, inspecting deliveries, or menu pricing. Share your ideas and then identify who is willing to add the responsibilities to their daily routine. Make sure to identify:

- Specific tasks or goals to be accomplished (e.g., Susie will now help with cold storage inspections);
- Measurable results or goals that will be assessed (e.g., 100% accuracy of inspection reports);
- Time frame for task completion (e.g., all Tuesdays during March); and
- Identify incentives for goal accomplishment (e.g., one day of paid time off at the end of the month).

Alternatively, you could use a more “bottom-up” approach:

—Hold a short meeting to discuss improvements in controlling food costs. Start with the question, “If there was one thing we could do differently to help reduce our food costs, what would it be?” Then, you can proceed with the goal-setting process identified above.

Key Issue: Employees need to have input regarding their involvement in helping reduce overall food costs in order to boost their commitment and increase the likelihood that they'll do what you want.

Best Practice 2: Walk the talk

It's critical that a manager's behavior be consistent with his or her words. So, if you say it's important to inspect cold storage temperatures twice a day, do it twice a day. Make the records visible so employees can see you are serious about this issue.

Best Practice 3: When you see it, say it!

This is the principle of positive reinforcement. While goal setting is important, you also have to let your employees know that you care about their efforts and the results they achieve. Thus, when you see your staff demonstrating behaviors that help reduce food costs, praise their efforts! Noticing

and rewarding good work tells your staff that you care, and will reinforce their behavior so it occurs more frequently in the future.

Key Issue: As noted previously, processes that you inspect and reward are the ones that will occur. Recognizing contributions and providing meaningful rewards – financial and non-financial – will produce significant benefits. Employees will feel better about their jobs because they know they’re working for a manager who cares about their efforts, and managers will get performance that adds to the bottom line.

Best Practice 4: Focus on the team

There are many things you can do to enhance staff morale and team spirit:

- o Varying work duties can keep your employees interested in their jobs;
- o Giving employees some degree of control over their work responsibilities can enhance motivation and commitment;
- o Demonstrate the positive impact of team contributions to your operations;
- o Provide ongoing feedback about individual and team performance;
- o Stretch your staff by giving the challenging tasks, assignments, and projects, and be constructive and learning-oriented with they make mistakes;
- o Spend time with your staff on the line, during breaks, and so forth to build rapport; and
- o When problems arise:
 - Ask questions rather than offer advice to help your team develop their own ideas for solving problems and building commitment to change; and
 - Address individual team member concerns immediately:
 - Make sure you confront the employee in a private context (i.e., away from other staff and customers),
 - Be specific about the problem (e.g., “You were 15 minutes late today.”),
 - Point out the impact of the problem on the performance of others and your operation,
 - Ask questions about the causes and discuss remedies in a collaborative manner, and
 - Maintain an emotionally neutral demeanor; if you’re upset or angry, wait until you’ve cooled off before addressing the problem situation.

Key Issue: Employees will work hard for you if you work hard for them.



Handout

Handout 17: Involving Your Team

Directions

1. In pairs, identify four ways to involve your team in helping you reduce your food costs.
2. Develop an action plan for implementing one of your ideas. Be sure to answer the following questions:
 - a. What is my objective (i.e., What do I want to change or improve)?
 - b. What steps must be taken to achieve this objective?
 - c. How long is this going to take?
 - d. Who will be responsible for making sure this objective is met?
 - e. What kinds of resources (i.e., money, time, space, equipment, etc.) are needed?
3. Share your idea and action plan with the rest of the group.
4. After all the ideas and action plans have been present, complete the following:
 - a. Develop an agenda for sharing the idea and action plan at a pre-shift meeting with your team.
 - b. Practice facilitating the pre-shift meeting. Participants should be able to:
 - i. Clearly communicate the objective and specific role responsibilities for the team members
 - ii. Describe the means for monitoring progress, including the time frame.
 - iii. Discuss rewards or incentives for accomplishing the objective.

II. Summary and Review



Note

Write down two things that you learned in this session that you will do differently when you return to work.

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