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# UNIT: 01

## FOOD AND BEVERAGE CONTROL

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### 1.1 Introduction

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Ever-increasing competition in all industries demands that more and more attention is paid to the control of costs to ensure the survival of each business unit. In the long run a business will not survive unless it earns an adequate amount of profit in relation to its capital. It must be an extension of the financial and catering policies as laid down by the top management. In order to evolve a realistic scheme of food & Beverage control, it is essential to determine appropriate cost and profit target for all departments of a business. A Food & Beverage control system in itself will not cure or prevent problems occurring. An effective system is dependent upon correct up-to-date policies and operational procedures. But the system should identify problems and trends in the business. A food & Beverage control system will need management action to evaluate the information produced and to act upon it.

## 1.2 Objectives

After studying the unit, student should be able to:-

- Discuss about the food and beverage control.
- Understand the methodology of Food and beverage control.
- Understand the definition and elements of cost.
- Understand the Break-Even-Analysis.
- Understand the definition of sales.

## 1.3 F & B Control

Food and beverage department in a hotel, restaurant, or any catering establishment consists of closely linked system-the-Kitchen, restaurant, bar etc. In a hotel there may exist number of systems, all of these are reading together with the food and beverage facilities to form the total hotel system. The main aim of costing in a food and beverage establishment is to satisfy both the customers' requirements and the financial requirements. To achieve this objective a suitable food and beverage control system need to be developed which must avoid excessive costs without sacrificing the quality, quantity and competitive price of the varied product being marketed. Since in most of the food and beverage establishment the raw material and payroll costs, are the largest proportion of costs, the cost system aims to control these two costs effectively, at the same time meet the prescribed standards of profit and quality. A series of built-in checks covering entire catering cycles are required to have a proper control over the operating activities. The amount of control is basically related to

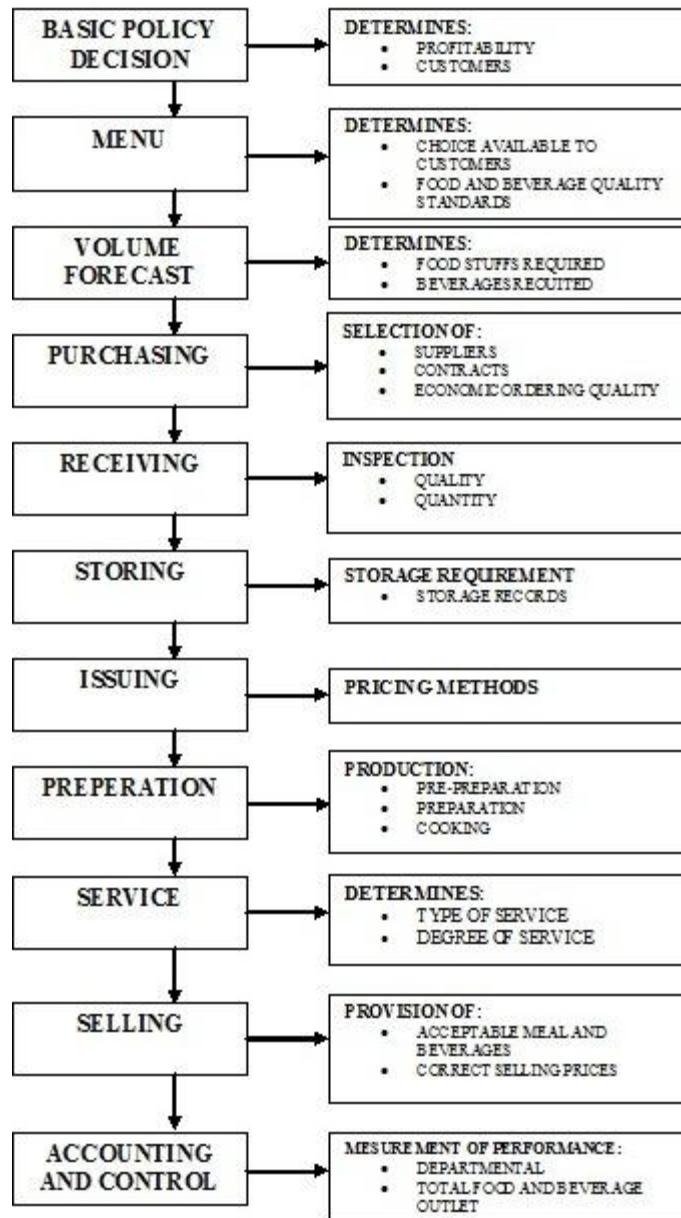


Fig. 1.1: Food and Beverage Control Cycle

the size of operation. In a large sized operation, with many selling outlets, employing a large number of staff and producing a large turnover would require sophisticated control system giving precise, detailed, up-to-date information as well as daily, weekly and periodic reports. A small unit operating by a sole proprietor could require a simple system to personally control each and every activity of the operation. All the departmental managers and staff as well as manager of the hotel must be well conversant with the system. A system should have provision for cost and price percentage analysis of each item, group of items and sales outlet. It is much more enlightening and important to achieve a comparison of the actual food and beverage cost with the potential food costs. The potential revenue and actual revenue should be identical but this is not so in reality. Any differences show a lack of control and needs through investigation to find and rectify any loopholes.

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### 1.3.1 Introduction of F & B Control

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Food and beverage control can be defined as the guidance and regulations of the cost and revenue for operating catering activities in hotels, restaurants, and other catering establishments. The main purpose of any business is to make profit. Profit not only is earned by sales, but also can be achieved by cost control, and whenever money is saved, money is earned. According to James Keiser, “Control works best when it is used with other management process, such as planning, organizing, directing, and evaluating”. According to him, there are two basic approaches:

1. Behaviouristic Approach
2. Traditional Approach

The traditional approach has two main aspects. One is directing personnel, or keeping an eye on things or by walking around to see whether he or she can correct what is not right or what is cost control break-downs. The other aspect of traditional approach is, measurement of performance with that desired or deemed attainable. This is the comparison aspect of the management scheme which is usually considered to have four parts:-

- **Establishing Standards or goals:** It can be expressed in different ways, for instance, a budget figure, a percentage figure, and a performance figure, such as meals served per server per hour.
- **Measurement of Performance:** It means measuring performance, and it is usually a quantitative figure, such as amount and percentage figure.
- **Comparison and Analysis:** Once the standard or goal has been established and actual performance is determined, it is possible to compare the two and a manager can find out the variance.
- **Corrective Action:** Once a significant variance is determined, the manager must take corrective action. Such action must involve more observation, personnel

changes, and different methods of operation among many others, or perhaps the standard is unrealistic and needs to be changed.

- Control is a process used by managers to direct, regulate, and restrain the actions of people so that the established goals of an enterprise may be achieved.

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### 1.3.2 Objectives of F & B Control

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The objectives of a food & beverage control are as follows:-

- **Analysis of income and expenditure:** The analysis is solely concerned with the income and expenditure related to food & beverage operations. The revenue analysis is usually by each selling outlet, of such aspects as the volume of food and beverage sales, the sales mix, the average spending power of customers at various times of the day, and the number of customers served. The analysis of cost includes departmental food and beverage costs, portion costs and labour costs. The performance of each outlet can then be expressed in terms of the gross profit and net margin and the net profit.
- **Establishment and maintenance of standards:** The basis for the operation of any food and beverage outlet is the establishment of a set of standards which would be particular to an operation. Unless standards are set no employee would know in detail the standards to be achieved nor could the employee's performance be effectively measured by management. The management would have set SOPs (Standard Operational Procedures) which should be readily available to all staff for reference. This can be aided by regularly checking on the standards achieved by observation and analysis and by comments made by customers and when necessary, conducting training courses to re-establish the standards.
- **Pricing:** Pricing is important to determine food menu and beverage list prices in the light of accurate food and beverage costs and other main establishment costs; as the average customer spending power, the prices charged by competitors and the prices that the market will accept.
- **Prevention of waste:** In order to achieve performance standards for an establishment, targets are set for revenue, cost levels and profit margins. To achieve these levels of performance it is necessary to prevent wastage of materials caused by such things as poor preparation, over-production, failure to use standard recipes, etc. This can only be done with an efficient method of control, which covers the complete cycle of food and beverage control, from the basic policies of the organization to the management control after the event.

- **Prevention of Fraud:** It is necessary for a control system to prevent or at least restrict the possible areas of fraud by customers and staff. Typical areas of fraud by Customers are such things as deliberately walking out without paying; unjustifiably claiming that the food or drink that they had partly or totally consumed was unpalatable and indicating that they will not pay for it; disputing the number of drinks served; making payments by stolen cheques or credit cards. Typical areas of fraud by staff are overcharging or undercharging for item served and stealing of food, drink or cash.
- **Management Information:** A system of control has an important task to fulfill in providing accurate up-to-date information for the preparation of periodical reports for management. This information should be sufficient so as to provide a complete analysis of performance for each outlet of an establishment for comparison with set standards previously laid down.

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### 1.3.3 Problems in F & B Control

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Food and beverage control tends to be more difficult than the control of materials in many other industries. The main reasons for this are:

- **Perishability of the product:** Food, whether raw or cooked, is a perishable commodity and has a limited life. The caterer, therefore, has to ensure that she buys produce in the correct quality and quantity in relation to estimated demand, and that it is correctly stored and processed.
- **Business Volume Unpredictability:** Sales instability is typical of most catering establishments. There is often a change in the volume of business from day to day, and in many establishments from hour to hour. This causes basic problems with regard to the quantities of commodities to be purchased and prepared as well as to the staffing required.
- **Menu mix unpredictability:** In order to be competitive and satisfy a particular market, caterers must often offer a wide choice of menu items to the customers. Predicting menu items preference on top of customer volume can be challenge. Effective forecasting as part of the total food and beverage control system is therefore necessary.
- **Food and beverage operation short cycle:** The speed at which catering operations take place, relative to many other industries, allows little time for many control tasks. It is not uncommon that items ordered one day are received, processed and sold the same or next day. It is for this reason that in larger catering establishments cost reporting is done daily or at least weekly basis. Perishable items cannot be brought very much in advance of their

need; and the problem of availability at times of produce relative to the price that can be afforded in relation to the selling price.

- Departmentalization:** Many food and beverage operations have several production and service departments, offering different products and operating under different policies. It is, therefore, necessary to be able to produce separate trading results for each of the production and selling activities.

### 1.3.4 Methodology of F & B Control

The Methodology of food and beverage control may broadly be envisaged under three phases:-

- Phase 1 :** Planning phase
- Phase 2 :** Operational Phase
- Phase 3 :** Post – Operational Phase (Management Control after the events)

The catering cycle is a model, which represents all the food and beverage activities performed by an organization and provides necessary directives to the owner of the catering establishments to follow the basics of food and beverage operations. The cost control cycle is a sequential flow diagram of the various issues of the food and beverage operations and management and is illustrated in Figure 1.1.

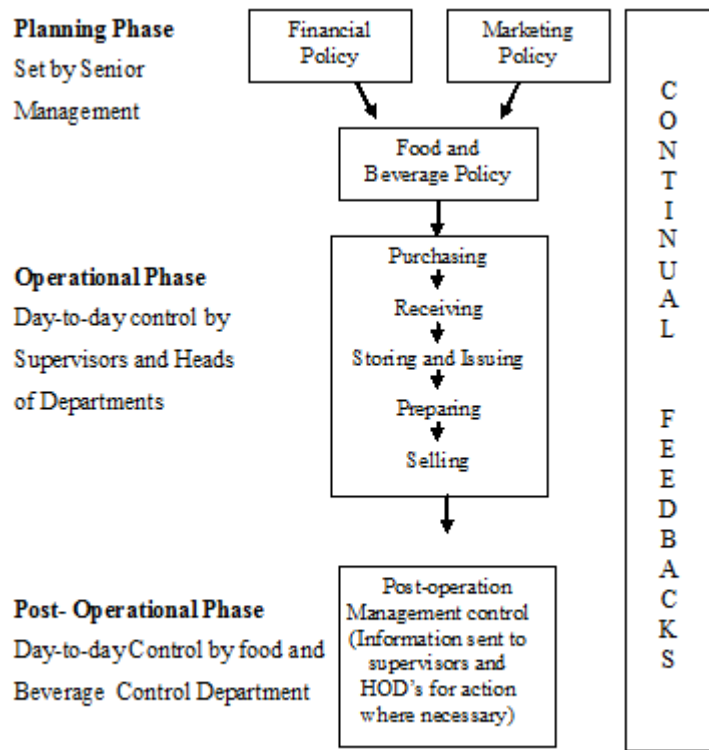


Fig. 1.2: Methodology of Food & Beverage Control

The planning phase of the cost control cycle deals with financial, marketing and catering policies of the establishment. Policies are predetermined guidelines set by senior management according to the goals of the catering establishment to achieve the service excellence, quality control, highest level of profitability, and delighting the guests for repeated business. Financial policies deals with all the decisions to be taken related with the finance such as the budget. The budget has been linked to a road map which gives an accurate route to be followed and serves as a guide to the travelers. The Marketing

policy defines the market to be catered for and develops marketing mix to satisfy the needs and wants of the target customers. It outlines the following:-

- Identify the target market the operation is intended to serve.
- Identify the market segment's to be exploited for achieving the desired market share.
- Developing the marketing mix (4 Ps- Product, Price, Place, and Promotion) to satisfy the needs and wants of the target customers.
- Designing the promotion mix (advertising, merchandising, sales promotion, public relations, and direct marketing) to facilitate marketing communication.
- Building the corporate image by meeting customer's expectations.

The Catering policy defines the main objective of operating food and beverage faculties and the methods by which such objectives are to be achieved. It outlines the following:

- **Outlet profile:** - Types of outlet, operating status, hours, décor, ambience, layout plan, covers, service, staffing etc.
- **Clientele Profile:** - Age group, sex, food habits, average spending, frequency of visit, etc.
- **Menu Profile:** - Types of menu, meals, cuisine etc.

The operational phase deals with establishing standards and standard procedures to exercise control in relation to the five main stages of the control cycle:

1. Purchasing
2. Receiving
3. Storing and Issuing
4. Preparing
5. Selling

Post operation management control phase base on comparing and correcting the activities held in operations. Need to observe the measurement of performances, preparation and comparison of various reports and statement, and need to provide information to HODS for further improvement. This phase give chance to take corrective actions on the basis of feedback, further forecasting and future planning.

1. **Purchasing:** Purchasing can be defined as 'a function concerned with the search, selection, purchase, receipt, storage and final use of a commodity in accordance with the catering policy of the establishment'. The person employed to purchase foods and beverages for an establishment will be responsible for not only purchasing, but also for the receiving, storage and issuing of all commodities as well as being involved with the purpose for which items are purchased and the final use of them. Coordinating with production departments to standardize commodities and therefore reduce stock levels. Purchasing is not a separate activity. What how and when you buy must always reflect the overall goals of your establishment. Purchase the right product, right quality, right price, right time and from the right source.

2. **Receiving:** In large hotels, receiving is a specialized job. While receiving the food or beverage items check delivery note to see if the products delivered agree with it. Inspect products/ raw materials to determine if they are in agreement with the purchase order and specification. List all items received on the daily receiving report. Accept the products by signing the delivery note and returning the copy to the delivery driver. Deliver goods to the correct place.
3. **Storing and Issuing:** - The main function of this department is to store and issue food and beverages items that pertain to food and beverages operations of the hotel. Raw material should be stored correctly under the right conditions and temperature. A method of pricing the materials must be decided and adopted for charging the food to the various departments. The cost of items does not remain fixed over a period of time; over a period of one year a stores item may well have several prices. The establishment must decide method of pricing (actual purchase price, simple average weight and weighted average price) as per their convenience.
4. **Preparing:** A production system needs to be organized to produce the right quantity of food at correct standards, for the required number of people, on time, making best possible use of staff, equipment and material available. A method of predicting the number of Customers using the catering facilities on a specific day, and also of predicting as accurately as possible what items they will eat and drink. A method of controlling food and beverage costs in advance of the preparation and service stages. It is done by preparing and using standard recipes for all food and beverage items and also by using portion control equipment.
5. **Selling:** After the selling price is fixed, the price is verified with the cost price and the reconciliation statement generated. It is necessary to ensure that all items sold have been paid for and that the money is received or credit has been authorized. This is necessary to keep control of the number of covers sold and of the items sold. This may be done through a standard type of waiter's check system. The sales control is done with KOT and BOT for kitchen and bar, respectively, and tailed with the sales.

Post-operational phase of food and beverage control is concerned with three main points:-

1. **Food and beverage cost reporting:** Providing accurate and up-to-date data for the preparation of periodical reports on current operations.
2. **Measurement of Performance:** Monitoring performance and comparing actual performances with established standards.
3. **Corrective Action:** Taking the appropriate action to correct deviations from standards, where necessary. Proper feedback of information to management, future forecasting and future planning whenever required.



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### 1.3.5 Personnel Management in F & B Control

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F & B Control is a process by which managers try to direct, regulate, and restrain the action of employees. A manager of an organization cannot be in all places at all times to observe how all the staff members are performing. The observation is usually made by the records and reports, which are scrutinized on a daily, weekly or monthly basis to understand the goals, set by the organization and the fulfillment of the same. The success or failure of F & B control really depends on the staff. Ideally, if they know the standards, understand the system and what is to be accomplished, and have a real desire to carry it out, their intelligent cooperation with adequate instruction and supervision should ensure a satisfactory outcome. In large hotels full time clerical staff employed to monitor day to day operation. They may employ receiving clerks and storeroom managers. The job specification for these employees follows the typical pattern. It is divided into three broad areas of technical, conceptual, and human skills. For some positions relating to the buying activity, technical skill and extensive experience are very important. For other positions, a desire to learn may be the only requirement. The complicating factor is that purchasing personnel often have responsibilities other than purchasing, receiving, storing and issuing; thus, these other responsibilities may take precedence when a manager undertakes to develop overall job specifications. Entry – level purchasing that consists of an orientation to the job and the company, formal instruction, and on-the-job training (OJT). In addition, management training seminars and courses sometimes supplement in-house training.

#### CHECK YOUR PROGRESS- 1

##### Q-1 Define Food & Beverage Control.

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**Q-2 Discuss the problems in Food & Beverage Control.**

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**Q-3 Discuss Personnel Management in Food & Beverage Control.**

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### 1.4 Cost & Sales Concepts

Systems and procedures used by managers to ensure that the actual costs of doing business are consistent with the expected costs. Sales is the revenue obtained from the exchange of products or services for a value. Sales can be of two types-monetary and non-monetary. Cost-volume-profit ratio is based on how profits respond to prices, costs, and volume.

A cost-volume-profit graph describes the relationship between sales volumes in units to other expenses such as fixed expenses, variable expenses, total expenses and total sales. The graph also gives knowledge about how costs and profit respond to change in sales volume. The contribution margin ratio is the relation of total contribution margin to sales. The ratio can be used to estimate the implications of change in total sales on net operating income.

The Same ratio is also used in break-even analysis. The break-even point is that level of sales at which there is no profit or loss for the organization. It can be calculated using various techniques which are based on cost-volume-profit.

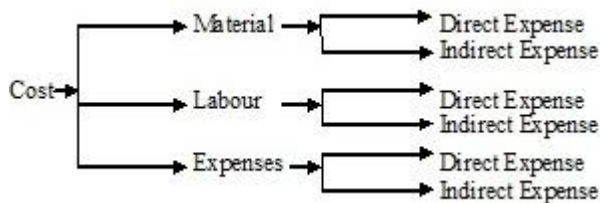
### 1.4.1 Definition of Cost

‘Costs’ is generally defined as a reduction in the value of an asset for the purpose of securing benefit or gain, however, in the food and beverage business, it means the price to the hotel or restaurant of goods and services when the goods are consumed or the services rendered. Costing is a specialized area which is gaining ground in many of the industries related with the processing and manufacturing of a product or rendering a service. It may be defined as ascertainment of costs relating to a suitable unit of output. The cost of any item may be expressed in a variety of ways as in units of weight or volume, or total value. The cost of chicken can be expressed as a value for 250 grams, or a value per individual portion. The cost of liquor can be expressed in terms of the cost per bottle, per drink or per ounce.

Cost includes as well as price, the cost of not going somewhere else, the cost of transport and time, the cost of potential embarrassment, the cost of having to look and behave in a required manner and the cost in terms of effort at work to earn the money to pay the required price.

### 1.4.2 Elements of Cost

There are broadly three elements of costs by nature of expenses-material, labour and expense.



**MATERIAL:** Material is a substance from which the product or dish or drink is made. Food and beverages are the most common raw materials or ingredients. Raw ingredient used for preparing any food item is known as material for food. Material may also

comprise semi-processed ingredients such as sauces or pickles which are used in the food industry. The material could be direct and indirect.

**Direct Material:** The direct material cost is the cost incurred for commodities which are used in preparation of food, for example, meat, fish, oils, herbs and spices. It is the cost which is an integral part of the finished product which is served to the guest.

**Indirect Material:** The indirect material cost is the cost which is ancillary to the business and is not an integral part of the product but is necessary for preparation. For, example, fuel cost such as gas or electricity used for preparing food and cleaning supplies.

**LABOUR:** It is the compensation given to employees for completion of a particular job for which they have been assigned and to convert the raw materials to the finished products to be served to the guests. It includes salaries, commission, bonus and wages which are paid to employees. The employees include workers, managers and supervisors. The labour cost can also be both direct or indirect.

**Direct Labour:** Direct labour includes chefs and cooks, and bar and beverage service staff who are directly responsible for preparation and service of food and beverage to guests. The salary or wages earned by direct labour can be identified with the particular product prepared, job, or the process.

**Indirect Labour:** Indirect Labour cost or wages is the labour employed for carrying out tasks which are secondary to the goods or services. For example, the storekeeper of F & B outlet and kitchen stewarding.

**EXPENSE:** All other costs excluding labour and material cost used in preparing a product or providing service are said to be expenses. An expense can be direct or indirect.

**Direct Expenses:** Expenses which are directly related or allocated to various cost units are called direct expenses. They are allocated to particular job or service rendered which are also known as productive responses. The hiring of a particular machinery or equipment for preparing certain dishes would come under this category.

**Indirect Expense:** Expenses which cannot be directly charged and are neither indirect wages nor indirect materials are said to be indirect expenses. Rent and taxes, insurance, depreciation, and repairs and maintenance are examples of indirect expenses.

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### 1.4.3 Classification of Cost

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The classification of cost is done on various bases such as behavioral in respect to the change in volume such as fixed costs and variable costs. For decision-making purpose of the management, costs are classified into opportunity cost, replacement cost, and sunk cost. The cost based on time period of assessment can be historical and budgeted cost. Other costs such as joint cost, outlay cost, and prime cost are based on the industry production process. The classification of cost is as follows:

- **Actual Cost:** Actual cost is the cost or expense which is actually spent. For example, the amount spent on buying the raw ingredients or materials for preparing a menu.
- **Budgeted Cost:** Budgeted cost is the cost which is expected for a particular period of time. For example, you might be expected total food sales and many forecast the cost incurred for purchasing ingredients for a month based on the sales. Later, comparing the actual cost incurred with the forecasted or budgeted cost will help in determining the cause of the difference.
- **Controllable Cost:** The cost that can be changed in a short period of time is known as controllable cost. The cost of food and beverage can be changed in several ways, in particular by changing the portion size or reducing some ingredients used for preparation or the quantity of each or some the ingredients or the quality of the ingredients.
- **Non-Controllable Cost:** Non-Controllable costs are costs which cannot be changed in a short period of time. These costs are usually fixed costs which include rent, taxes, depreciation and license fees.
- **Fixed Cost:** Fixed costs are costs which are not affected by changes in sales volumes. They do not have a direct relationship with the change in volume and so do not they do not change considerably with increase or decrease in sales. Examples are rent, taxes and insurance premium. Though fixed cost might change in due course of time, it is not related to the volume of sales.
- **Variable Cost:** Variable cost is directly proportionate with the sales and revenue generated. An example of a variable cost is the F & B cost. As sales increases, the cost of goods purchased increases. The F & B cost is variable cost which is linked with the volume of business made. The payroll costs include salaries, wages, and employee benefits which come under labour costs and are also variable costs.
- **Direct Cost:** Direct Cost is the cost of a particular department or a section and the manager concerned is responsible for the cost. The direct cost may increase

or decrease proportionately to the sales made during a particular period of time. Examples of these costs are food cost, beverage cost and wages.

- **Indirect Cost:** - Indirect Costs are the cost which are not directly related to a particular department and cannot be charged to any particular department, for example, energy cost such as electricity charges. They cannot be directly charged only to the kitchen or the service department and no departmental manager would be responsible for the same.
- **Joint Cost:** It is the cost shared between two joints or two departments; for example, F & B Production and service is the labour cost shared between beverage and kitchen departments. Mostly indirect costs are joint costs.
- **Outlay Cost:** Outlay cost is the financial expenditure incurred by an organization for improving the infrastructure, product, sales, etc. This is similar to modernization of a kitchen or renovation of restaurants. This cost can be recorded in the books.
- **Opportunity Cost:** Opportunity cost is the profit that is lost by an organization for choosing another option as an alternative venture using its available resources. It refers to the cost incurred by taking an alternative decision by choosing an alternative and thereby giving up something else. It is the value of the best alternative forgone, in a situation in which a choice needs to be made between several mutually exclusive alternatives given limited resource. An organization with additional cash can invest in various marketable securities.
- **Sunk Cost:** It is a cost that has already been met with and cannot be reversed or altered and is also referred to as started cost. Equipment which has been worn out after several years of usage and the buying of that equipment which could not be reversed is known as sunk cost.
- **Standard Cost:** Standard cost should be constant for a level or volume of revenue. It is the realistic estimate based on historical data. The standard cost of a recipe for a dish or cocktail or beverage can be prepared, finalized, and then standardized. After the dishes are standardized, the same is used as benchmarks to be compared with those prepared later.
- **Prime Cost:** Prime cost is the sum of food, beverage, and labour cost. It is the largest portion of all costs for a food service organization and is of concern for both managers and owners.

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#### 1.4.4 Sales Defined

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Sales can be defined as the revenue resulting from the exchange of products and services for a value. In the F & B industry, the dishes and drinks served are products and services

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of both bar and restaurant which are served for value. The value may be cash or a promise to pay in cash. These sales are expressed in monetary terms for the value of goods or services. The success of any business is totally dependent on the sales of product or services. If sales are not recorded properly, than a manager cannot achieve the expected target of profit. It is crucial to match the cost of production with sales to avoid or reduce pilferage and wastage. The selling price of a product or service is generally set by management. As regards to food and beverage item, the sales prices are printed on a menu or placed on signs appearing thought the food and beverage outlet. The sale price is mainly determined on the basis of cost. However, there are other considerations such as maximization of sales differentiated products, price sensitivity, excluding certain customers or to cater to a specific clientele. The main objective of a unit is to have profitability in business. The total must be greater than total costs. The manager is constantly aware of the costs of operating the restaurant and to keep them below sales.

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### 1.4.5 Ways of Expressing Sales Concepts

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There are two basic group of terms normally used in food and beverage operations to express sales concept:

1. Monetary
2. Non-monetary

#### 1. Monetary:

**Total Sales:** The total sales refers to the total volume of sales which is expressed in rupees.

**Total Sales by Category:** It refers to the total sales of a category compared to the total sale volume; for example, total dessert sale as compared to all dishes sold.

**Average Sale:** An average sale in business is determined by adding the individual sales and then dividing it with number of individual sales.

**Average Sale per Customer:** The average sale per customer is the total sale divided by the number of sales made, customers, or covers. It is also given as follows:

$$\text{Average Sale} = \frac{\text{Total sale in Rupee}}{\text{Total No. of Covers}}$$

**Average Sale per Server:** The total sale per server is the total sale amount for which sales are expressed in monetary terms for the value of

goods or services. The express value does not include taxes imposed by the state or local bodies. Tip is not included in the selling price. Sales expressed in terms of the quantity of units sold are very useful for purposes of control. For example, in a bar one would be interested to ascertain the number of drinks one expect to get out of a quart of liquor in order to determine on the basis of actual sales if any drinks were given away. The average check price is calculated for food per meal and for liquor each day. It is calculated by dividing the total value of all the sales for that meal or day by the number of customers. This will indicate how the menu is working, the effectiveness of all over all selling efforts, and determination of price.

A restaurant may express sales per waiter. In order to know the efficiency of the service personnel and provide a basis for better scheduling, the sales per waiter is expressed as the number of customers served per waiter by the number of customers he servers. For the purpose of scheduling personnel, opening and closing hours and providing efficient service to customers, restaurant may calculate total rupee sales and the total number of sales per hour, day, week and month. Sales of the restaurant could also be expressed in terms of rupees or in numbers of persons served. A comparative study could be made to find out why one unit is more profitable than the other one.

All the food and beverage outlets are constantly attempting to increase sales in order that the profit may be maintained or increased. For a restaurant to succeed it must meet a sufficient number of the characteristics to appeal to a large market and hence to cover constant higher costs. Most of the customer to patronize one particular outlet due to the following reasons:-

- Location- Convenient
- Service and Style
- Products differentiated
- Variety of Menu items
- Acceptable Prices
- Décor-Pleasant
- Portion Sizes
- Product Quality

The selling price of a product or service is generally set by management. As regards to food and beverage items, the sales prices are printed on a menu or placed on signs appearing thought the food and beverage outlet. The sale price is mainly determined on the basis of cost. However, there are other considerations such as maximization of sales differentiated products, price sensitivity, excluding certain customers or to cater to a specific clientele. The main objective of an outlet is to have profitability in business. The total sales must be greater than total costs. The manger and cost controller be constantly aware of the cost of operating the restaurant and to keep them below sales. On daily basis, cost information may be collected and compared with the sales. Rate of



various types of costs to sales are calculated and compared to the ratios from previous period and Judgments are made as to whether the ratios are satisfactory. If required, remedial steps are taken to bring down costs. Remedial measures will be effective of the cost and sales information is current.

## 2. Non-monetary:

**Total Number Sold:** The total number sold is the total number of dishes, for example, menu items, sold in a given time period. The figures help us in many ways as it helps managers identify the popular and not so popular items. It also helps to identify the total number of specific items sold from historical data which helps to forecast and make decisions regarding purchase of raw materials and production thereafter.

**Cover:** A cover is term used to describe a single dinner regardless of the quantity of food he/she consumes. A guest can choose an elaborate menu in the breakfast or may opt for cereals and eggs to order with tea/coffee but it would be considered as a single cover.

**Total Covers:** It refers to the total number of covers/customers served in a given time period which could either be an hour, a meal period say lunch or dinner, a day, a week, or any such time period.

**Average Covers:** Average covers are determined by dividing the total number of covers for a certain time period by the desired numbers as follows:

$$\text{Cover Per hour} = \frac{\text{Total Covers}}{\text{Number of hours operated}}$$

$$\text{Cover Per Day} = \frac{\text{Total Covers}}{\text{Number of Days operated}}$$

$$\text{Cover Per Server} = \frac{\text{Total Covers}}{\text{Number of servers}}$$

**Sales Mix:** Sales mix is used to describe the relative quantity sold of the relative quantity sold of any item as compared to other items in the same category. The idea is to achieve the combination, or mix, that would yield the greatest amount of profits. The profits would be greater if higher margin items are sold more than the lower margin items as these would lead to a relatively large proportion of total sale. A shift in sales mix from higher margin items to lower margin item to a dip in total profits even through

sales may increase. Similarly, if it is reversed, a shift in sales mix from high margin item to low margin items can cause total profits to increase even through sales may decrease.

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### 1.4.6 Cost/Volume / Profit Relationship (Break Even Analysis)

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Cost Volume profit analysis (CVP) is a technique which is used to examine the relationship between the three elements of financial performance, mainly the sales and the cost associated with the volume and the profit. This helps us to analysis and understands how costs respond to various change in activity and the planning and decision making process. CVP helps to predict the sales in rupees and the volume required to achieve the desired profit based profit based on the known costs. Its main focus is on interaction among the following elements:-

- Price of Products
- Total Fixed Costs
- Volume or level of activity
- Mix of product sold
- Per unit variable costs

For planning and decision-making, it is important to look at the relationship among profit, sales, and costs and how it changes in different situations. A manager of an outlet may question which may directly have an impact on the profit. Consider the following examples:

- What will happen if the sales volume reduces/increases by 15%?
- What will happen if the vendor/supplier increases by 10%?
- How would the target market be affected if the selling prices are reduced/increased by 5%
- How much sales is needed to obtain a said profit?

For answering all these questions, it is best that we identify the type of costs and how they respond to changes in the levels of activity. Since variable costs is directly proportional to the volume of business increases, the cost also increases though the fixed cost remains constant (change by time). Considering the knowledge and importance of fixed cost and variable cost, if separated they can help to understand the relationship between costs, volume of activity, and the profits made. The costs cannot be kept as semi-fixed and semi-variable costs as they have to be changed to either fixed or variable costs. The CVP stress on the contribution margin is made towards fixed cost and profit. It is expressed by the following formula:-

$$\text{Contribution Margin} = \text{Sales Revenue} - \text{Variable Costs}$$

Contribution margin can also be said as the amount left from the sales once the variable cost is deducted that is available to contribute towards the fixed cost and the contribution is towards the profit.

**For Example:** A Restaurant name Food Garden, which has a set menu at a fixed price of ₹100 per customer/cover. In a particular month, the meal sales are between 6,000 and 9,000 Units. The Variable costs is ₹20 and fixed cost is ₹1,60,000. The contribution margin profit statement for Food Garden restaurant is given in Table.

Table Contribution margin profit statement for Food Garden Restaurant

Total Meals	6,000 (₹)	Units (₹)	9,000 (₹)	Unit (₹)
Sales revenue	6,00,000	100	9,00,000	100
Less Variable Costs	1,20,000	20	1,80,000	20
Contribution Margin	4,80,000	80	7,20,000	80
Less fixed costs	1,60,000		1,60,000	
Net Profit/Loss	3,20,000		5,60,000	

Therefore, the contribution statement presents the impact of sales volume of profit. Considering the relevant range, the selling price and variable cost have remained constant per unit sold as total fixed costs. The interpretation of the data for the manager is as follows:

For every ₹100 sold, ₹20 goes directly towards covering the variable costs which means that there is a contribution of ₹80.

Selling price – Variable cost per unit = Contribution per unit ₹100 - ₹20 = ₹80

Every time a meal is sold, there is a contribution of ₹80 towards fixed costs; once these are covered, the contribution goes towards profit. Food Garden has a fixed cost of ₹1,60,000. When it sells 6,000 meals, the total contribution is ₹4,80,000 and when it sells 9,000 meals, the total contribution is ₹7,20,000.

Therefore, we can calculate the profit or loss, if any, from the following formula:-

$$\text{Profit/Loss} = \text{Total Contribution} - \text{Fixed costs}$$

$$4,80,000 - 1,60,000 = 3,20,000 \text{ when 6,000 units are sold}$$

$$7,20,000 - 1,60,000 = 5,60,000 \text{ when 9,000 units are sold}$$

Therefore, if the total meal sale increases by 50%, the profit almost nearby doubles up as in the case of Food Garden, if the sales is reduced from 6,000 to 2,000 meals, the total contribution would be ₹1,60,000. Since the fixed cost remains constant for the restaurant and both the fixed cost and the contribution margin are the same, the total profit or loss would be zero as there would not be any profit or loss made by the restaurant on selling 2,000 meals. Where there is no profit or loss, it is known as breakeven point. As Break-even point is reached, the net operating income will increase by the amount of unit contribution margin for each additional meal sold.

**Contribution Margin:** Contribution margin is the amount remaining from the sales revenue after the variable expense has been deducted. It is the amount available to cover the fixed expenses and to provide profit for the period. If the contribution is not sufficient to cover the fixed costs for a period, loss would occur for the same period.

**Contribution Margin Ratio:** Contribution Margin Ratio is the contribution margin as a percentage of total sales. It could also be used in cost/volume/profit calculation. The ratio is given as follows:-

$$\text{Contribution Margin Ratio} = \frac{\text{Contribution Margin}}{\text{Sales}}$$

For Food Garden, if 6,000 meals are sold, the C M ratio would be as follows:

$$\begin{aligned} \text{Contribution Margin Ratio} &= \frac{\text{Contribution Margin}}{\text{Sales}} \\ &= \frac{4,80,000}{6,00,000} \\ &= 0.80 = 80\% \end{aligned}$$

In Food Garden where only meals are sold and there are no other products, the Contribution Margin Ratio is given as follows:

$$\begin{aligned} \text{Contribution Margin Ratio} &= \frac{\text{Unit Contribution Margin}}{\text{Unit Selling Price}} \\ &= \frac{160}{2000} \\ &= 0.8 = 80\% \end{aligned}$$

The C M ratio is extremely useful as it shows how; contribution margin could be affected by a change in total sales. As calculated here, for 6,000 meals sold, there is a C M Ratio of 80% which means that for every rupee increase in sales, the total contribution margin will increase by 80 paise ( ₹ sales x C M ratio of 80%). The net operating income will also increase by 80 paise considering that fixed costs do not change.

**Cost/Volume/Profit Equation:** In an establishment or an F & B outlet, there is a relationship between sales, cost of sales, cost of labour, cost of overhead, and profit. The relationship can be expressed as follows:-

$$\text{Sales} = \text{Cost of Sales} + \text{Cost of Labour} + \text{Cost of overhead} + \text{Profit}$$

Since the cost of sales is variable cost, cost of labour includes both fixed and variable, and the cost of overhead is fixed, then the equation can be restructured into

$$\text{Sales} = \text{Variable cost} + \text{Fixed Cost} + \text{Profit}$$

Some important Points to be remembered are as follows:

- In a normal range of business operation, there is a relationship between variable costs and the sales which remain constant. The ratio could either be in decimals or expressed in percentage.
- The fixed costs usually remain constant in rupee value though the sales value in rupee may be altered by a change in volume. The ratio between fixed costs and sales changes as volume of sales increases or decreases.
- When acceptable levels are determined and fixed for costs, they must be controlled so as to make the operation profitable.

**Target Profit Analysis:** The CVP Formulas can also used to determine the sales volume needed to achieve a target profit.

$$\text{Sales} = \text{Variable expense} + \text{Fixed expense} + \text{Profits}$$

**Variable Rate:** The Variable rate is the ratio of variable cost to the sales in rupees. It is calculated by dividing the variable cost by the sale in rupee and is usually expressed in decimal form.

$$\text{Variable rate} = \frac{\text{Variable Cost}}{\text{Sales}}$$

**Contribution Rate:** When the variable cost is known, the balance would be fixed costs and the profit. As there is an increase in sales, more amounts would be available to meet fixed costs and the profit. Therefore, it can be concluded that if the cost remains constant, there is an increase in sales because of the contribution rate, resulting in increase of profit. The increase is known as contributed rate/percentage/ratio.

Contribution rate is given by the following formulas:-

$$\text{Contribution Rate (C R)} = 1 - \text{Variable Rate (VR)}$$

**Break – Even Analysis:** Break–even analysis represents the relationship between cost, volume, and profit and is an important exercise in the business it depicts the following:-

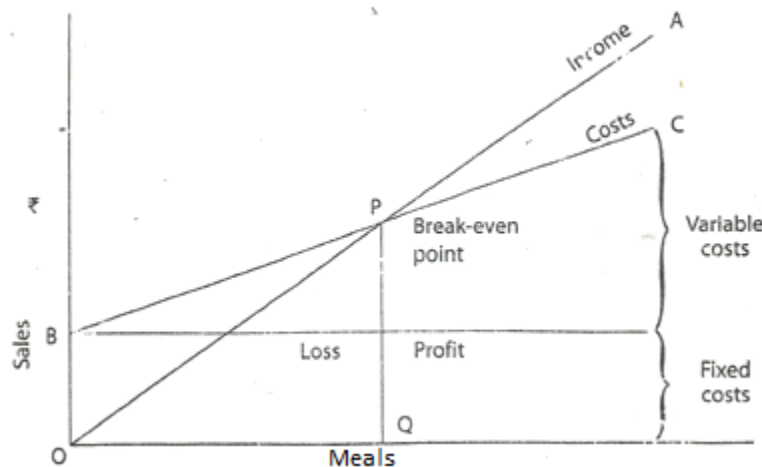
1. The Financial state of the business.
2. The profitability of the business at different levels of output.
3. The break-even point (i.e., the point at which neither profit is made nor loss is incurred)

4. The relationship between fixed, semi-fixed and variable costs and the contribution.
5. The margin of safety and the profit-volume ratio.

**Advantages of Break-even Analysis:** The advantages of break-even analysis are as follows:-

- It helps the management decide on the exact volume of goods to be manufactured.
- It helps the management decide on preparing or making or buying policies.
- It helps the management decide on the exact selling price of dishes or drinks prepared.
- It helps the management to take decisions regarding current and new production system.

Break-even analysis is a procedure widely used by production management and management accountants. It is based on categorizing production costs between those which are variable (costs which change when the production output changes) and those that are fixed (costs which are not directly related to the volume of production). Break-even analysis enables the relationship between fixed, semi-fixed and variable costs at specific volumes of business to be conveniently represented on a graph. This enables the breakeven point to be identified and the level of sales necessary to produce a predetermined level of net profit. The term break-even point may be defined as that volume of business at which the total costs are equal to the sales and where neither profit nor loss is made. The technique is based on the assumption that: the selling price remains constant irrespective of the volume of business; that certain unit costs remain the same over the sales range of the charted period that only one product (for example, a meal) is being made or sold; that the product mix remains constant in cost price and volume and that labour and machine productivity is constant. Nearly every action or planned decision in a business will affect the costs, prices to be charged, the volume of business and the profit. Profits depend on the balance of the selling prices, the mix of products, the costs and the volume of business. The break-even technique discloses the interplay of all these factors in a way which aids food and beverage management is



**Figure 1.3 Breakeven Analysis**

selecting the best course of action now and in the future. Pricing is a multi-dimensional

problem, which depends not only on the cost structure of a business and its specific profit objectives but also on the level of activity of the competition and the current business economic climate.

In figure 1.3, the line OA represents the variation of income at varying levels of production activity (output). The span OB represents the total fixed costs necessary in running the business. As the output increases, variable costs are incurred, meaning that total costs (fixed + variable) also increase. At low levels of output, costs are greater than income. At the point of intersection P, costs are exactly equal to income, and hence neither profit nor loss is made.

A break-even chart graphically represents the shifting levels of profit or loss made by different volumes of sales, level of accuracy owing to the scale of the graph, and the skill of the person preparing it. It is calculated with the following formula:

$$B/E = \frac{C}{S-V} = \text{units of output at the break-even point}$$

Where,

**C** -the total capacity costs, that is, the costs of establishing the particular production capacity for an establishment (e.g. this would include rent, rates, insurance, salaries, building and machinery depreciation)

**S** - sales price per unit

**V** - variable cost per unit

The break-even point can be calculated either by the equation method or contribution margin method and both methods provide the same result. The contribution margin method for calculating break-even point discusses that each unit sold provides a certain amount of contribution margin that goes towards recovering the fixed cost.

The Number of units required to break even is calculated by dividing the total fixed expense with the contribution margin.

$$\text{Break – even point in units sold} = \frac{\text{Fixed expenses}}{\text{Unit contribution margin}}$$

Instead of the unit contribution margin, the C M Ratio can also be used. The result obtained is the break-even point in total sales rather than in total units sold.

$$\text{Break – even point in total sales (rupees)} = \frac{\text{Fixed expenses}}{\text{C M ratio}}$$

$$\text{C M Ratio} = \frac{\text{Contribution Margin}}{\text{Selling Price}}$$

**CHECK YOUR PROGRESS- II**

**Q-1 What is cost?**

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**Q-2 Classify cost?**

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**Q-3 What do you understand from the term “Sales”.**

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## 1.5 Summary

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Control may be defined as a process by means of which managers attempt to direct, regulate and restrain the actions of people in order to achieve desired goals of establishment: financial success, preservation of the sound environment, promotion of better health etc. Controlling involves checking actual performance with the budgeted and forecasted levels so that any deviation from the path is rectified on time and steps are taken to prevent the problem from occurring again. It is also a process by which the operation in the establishment functions smoothly and profitably.

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## 1.6 Glossary

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**Break-even Point:** It is the level of sales where there is no profit or loss. It is a point where total sales equals total expense or the point where total contribution equals fixed expenses.

**Control Cycle:** A continuous cycle process of food purchasing, receiving, storing, issuing, preparation, again storing, serving/selling and accounting is said to be a control cycle.

**Contribution Margin Ratio:** It is a contribution margin as a percentage of total sales.

**Cost-Volume Profit:** It is the relationship between an organization's revenue, costs and the level of activity presented in a graphic form.

**Fixed Cost:** It is cost that is normally unaffected by changes in sales volumes.

**Opportunity Cost:** It is the value of the best alternative predetermined in a situation in which a choice has to be made between several mutually exclusive alternatives with limited resources.

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## 1.7 References/Bibliography

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- Miller, E.J., Hayes, K.D. and Dopson, R.L. (2002) Food and Beverage Cost Control, 2<sup>nd</sup> edn. John Wiley & Sons, New York.
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## 1.8 Suggestive Reading

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- Davis, B., Lockwood, A. and Stone, S. (1998) Food and Beverage Management, 3<sup>rd</sup> edn. Butterworth-Heinemann, Oxford, U.K.
- George, B. and Chatterjee, S. (2008) Food Beverage Service and Management. Jaico Publishing House, Mumbai

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## 1.9 Terminal Questions

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1. What are the various types of costs.
2. What is cost volume profit analysis? How does it help in planning a business operation?
3. What are sales? How are they classified?
4. Explain the objectives of food and beverage control?
5. What is breakeven point? Explain in short.

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# UNIT: 02

## FOOD CONTROL

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### Structure

- 2.1 Introduction
- 2.2 Objectives
- 2.3 Food Control
  - 2.3.1 Food purchasing control
  - 2.3.2 Food Receiving Control
  - 2.3.3 Food Storing and Issuing Control
  - 2.3.4 Food Production Control
  - 2.3.5 Food Cost Control
  - 2.3.6 Food Sales Control
  - 2.3.7 Standard Yield
  - 2.3.8 Standard Portion Sizes
  - 2.3.9 Standard Recipes
- 2.4 Beverage Control
  - 2.4.1 Beverage Purchasing Control
  - 2.4.2 Beverage Receiving Control
  - 2.4.3 Beverage Storing and Issuing Control
  - 2.4.4 Beverage Production control
  - 2.4.5 Beverage Cost Control
  - 2.4.6 Beverage Sales Control
- 2.5 Summary
- 2.6 Glossary
- 2.7 Reference /Bibliography
- 2.8 Suggestive Reading
- 2.9 Terminal Questions

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### 2.1 Introduction

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Food and Beverage control may be defined as the guidance and regulation of the cost and revenue of operating the catering activity in the hotels. An effective Food and Beverage control system is based upon correct up-to-date policies and operational procedures. This control system requires constant management supervision and action. The amount of control necessary is related to the size and complexity of an establishment. The management of any catering operation has to be fully aware of everything that is taking place within and outside the operation and, to be successful needs to be continually collect, analyse, and evaluate data and take any necessary steps to correct anything which is irregular to the standards set for the operation.

## 2.2 Objectives

After studying the unit, student should be able to:-

- Explain Food & Beverage control Measures.
- Explain Food & Beverage Receiving, Storing and Issuing control.
- Explain Standard Yield and Standard Portion Size.
- Explain the advantages of Standard Recipe
- Explain the Beverage Purchase Specifications.

## 2.3 Food Control

A Profitable food & Beverage operation is an operation that has solid controls and procedural guidelines designed to minimize waste, theft and perishability of those raw materials. One of the most important areas of food control is the kitchen. The production process begins and ends in the kitchen area. Preparation of food items and the production cycle are centered on the raw materials required to create various menu item selections. The production cycle begins with the menu and ends with the disposal or re-use. Maximizing food profits requires minimizing waste, theft and spoilage. The food control refers to directing and regulating the cost and revenue of any food service outlet. The cost of food might vary from 25% to 50%, depending on the type of catering – institutional or commercial. As the amount of money involved in an operation could be high, control measure have to be established.

Therefore, for a larger commercial establishment, more precise, accurate, and detailed information is required as compare to a smaller establishment. An effective control system can assist the management to identify problem areas and the course of the food establishment. The management has to

act on the problem area and the course of food establishment. The management has to act on the problem areas and come up with a solution, keeping the system under its strict supervision. In any catering establishment, the raw materials have to be processed so that the finished dishes can be served to the guest. There are various steps on each step there are control measures. As the process is continuous it is said to be a control cycle. The steps in a control cycle are shown in Fig. 2.1

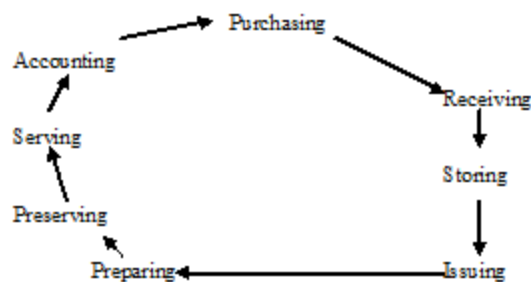


Figure 2.1 Control Cycle

For procuring things, the description has to be documented with specification detailing the desired quality, size, and weight of particular items. The standard purchase specification also includes the utility of the product and the product test procedure. In this process, supplier selection is also considered. A receiving procedure has to be laid

down with proper financial and security consideration so that the exact quantity and the right quality of goods are received. When storing food, proper inventory measures have to be taken. The product's quality has to be verified and stored as per the respective area. The stores should record all items received and all items which have been issued to production. The items to be issued have to be requisitioned and approved by the authority on which the items have been issued. When items are issued, care must be taken so that the product rotation is done properly. The authority concerned should match the issue with the usage and suggest items for purchase only when the inventory is depleted. All food items should be considering the forecast of sales. The mise-en-place should be done for all dishes to be prepared. Care must be taken so that there is minimum wastage of food items, where as the maximum nutritive value of the food is retained. The food is prepared considering the standard recipe which has been laid down for a particular dish. While preparing dishes, various portion control measures have to be taken so that the food is prepared as per the need. After the food is prepared, it may be refrigerated or stored in a deep free for future use. The food item is prepared and stored as per the usage and the rotation of the prepared food is complete as raw materials are ready. The food should be kept ready especial during peak items so that it can be served as and when the guests started ordering, considering the time taken for the food to be prepared from the kitchen and the time taken by the service personnel to serve the guests. The food served to the guests should be portioned and all portion control measures should be taken so that standardized food is served to them. After the food is served to the guests, bills have to be generated for the value of food consumed. Revenue management and revenue control measure should be taken care so that no revenue loss takes place at the cost of the expenditure undertaken.

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### **2.3.1 Food Purchasing Control**

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Purchasing may be defined as a procurement function concerned with search, selection, purpose, receipt, storage, and final use of commodity in accordance with the catering policy of the establishment. Food purchasing control involves the following:-

- Developing purchase specification
- Preparing an approved supplier list
- Determining appropriate order size
- Establishment appropriate receiving and storage procedure

Food purchasing control consists of developing standards and standard procedures for purchasing and outlines the following:-

1. Purchasing Policy
  - ❖ Corporate
  - ❖ Centralized or decentralized
2. Purchasing Research
  - ❖ Markets and materials
  - ❖ Marketing channels

- ❖ Price trends
3. Product Evaluation and assessment
  - ❖ Product testing
  - ❖ Yield testing
4. Food Purchase Specifications
5. Purchasing methods
  - ❖ By contract
  - ❖ By Quotation
  - ❖ By cash and carry, etc.
6. Clerical Procedures
  - ❖ Documentation
  - ❖ Information Processing

Once a menu is planned, a number of activities must occur to bring it into reality. One of the first and most important stages is to purchase and receive the materials needed to produce the menu item. Skillful purchasing with good receiving can do much to maximize the results of a good menu. It is important to determine yields from the range of commodities in use, which will determine the unit costs. Yield testing indicates the number of items or portions that can be obtained and helps to provide the information required for producing purchasing specifications.

Yield testing should not be confused with product testing, which is concerned with the physical properties of the food texture, flavour and quality. In reality, tests are often carried out which combine both of these requirements. Unless communication lines are set up to inform buyers of production needs and to inform receiving clerks, accounting personnel and others of orders and expected arrival times, poor buying and control occur. Management will establish many requirements that must be met in control: the routing of paperwork, payment policies, receiving procedures, check to ascertain quality.

Requisition and inventory control must be implemented. Control begins with the calculation of the amount and the writing of the specification. Orders are usually placed through a purchase order. This states the item or items required, amount, size, weight and other pertinent information. All purchase orders have numbers so that they can be quickly identified. Purchase orders should be signed only by an authorized person. One copy is normally held by the individual issuing it, one may go to the accounting department, and another to be receiving rooms. Copies are sent to the supplier. In some cases, it may be a requirement to have the purchase order signed and returned by some individual in the supplier's company so it is known that the order will be honored.

Regular purchase orders are for one single order to be delivered at a specified date. 'open delivery' purchase orders establish the purchase of items over a period of time.

Items needed daily or weekly are often purchased by open delivery orders. A purchase record may be maintained. This record may indicate what was ordered and from whom, as well as any other information that may need to be maintained. A purchase price record usually is maintained on cards to keep information on the price paid for a particular item.

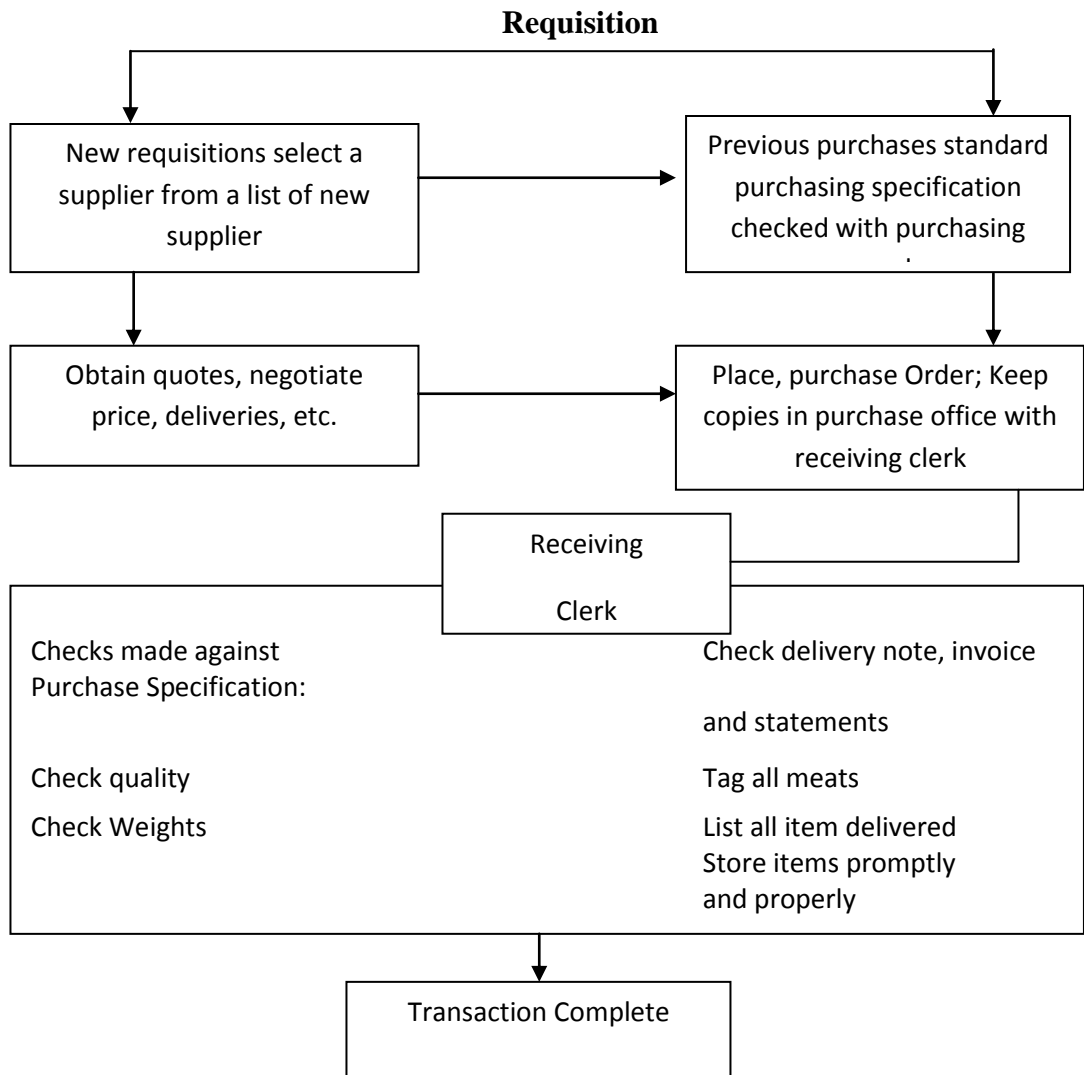


Fig. 2.2: Purchasing Control System

### 2.3.2 Food Receiving Control

All goods which come to the establishment are sent to the receiving department. The receiving department has to record all the items received and maintain the records in various files or books. Nowadays, all records are computerized and the details of each item can be easily queried. Records such as invoice, delivery notes, goods received note, and daily receiving report are maintained by the receiving section.

**Invoice or Bill:** As and when food or any item is delivered to the hotel, it should be always accompanied with a document, which supports that the items have been delivered. The document delivered is known as the invoice, which is similar to the bill. An invoice is a business document issued by a vendor to a purchaser, signifying the products and their quantities, approved prices for the products or services, which the vendor has already provided the purchaser with. An invoice also states briefly that if it is not paid in advance, the payment is due by the purchaser to the vendor as per the decided terms. A bill is a document which is generated for claiming the payment for goods either already supplied or just delivered. It provides the total price for services and goods delivered to a client, but for which no amount is paid and is presented in anticipation that payment would be made in full. An invoice is always prepared in duplicate is presented to the receiving clerk by the delivery person, who will expect the receiving clerk to sign and return the second copy. The invoice serves as an acknowledgement to the vendor that the establishment has received the products listed on the invoice. The original copy is, in effect, a bill which must now be routed to the accounts department or to whomsoever responsible for paying the bills. On receipt of the bill, the receiving clerk should rubber stamp the bill and verifies the information such as date, name of the receiving person, signature, price, and mention the bill is verified for payment.

<b>XYZ Suppliers Ltd.</b>				
<b>Invoice</b>				
No: _____		Date: _____		
To ABC Hotels				
Sl. No.	Description	Quantity	Unit Price	Amount
			<b>Less: Discount</b>	
			Total	
Signature _____				

**Table 2.1: Specimen of Invoice**



**Delivery Notice:** A delivery note comes along with each supply sent by the vendor. It mentions only the details about the quantity and does not disclose information regarding the rate or amount. The delivery note received is then tailed with the purchase order to confirm the quantity ordered. Two copies are prepared for the delivery note, which mentions that goods received are as mentioned in the purchase order and the delivery note. The original copy of the delivery note is taken by the receiving department and the duplicate copy is signed by the receiving department’s official which is sent back to the vendor by the delivery person.

**Goods Received Note:** For any well-organized organization, all material would be received by the goods-receiving department. The receiving department checks the quantity, quality and condition of items to be received against the copy of the purchase order from sent to it as well as the supplier’s advice note. If the goods are acceptable, a goods received note (GRN) is raised. The GRN mentions the date, vendors name, purchase order number, quantity and explanation of the goods. After it is prepared, the GRN is usually signed by the head of the department or any person who has been authorized to do so. The number of copies of GRN to be prepared depends upon the establishment. In general, five copies are prepared and distributed to the purchasing, accounts, receiving, stores and ordering department.

<b>ABC Hotels</b>						
<b>Goods Received Note</b>						<b>GRN</b>
NO: _____		Date Received: _____			Advice	
Supplier: _____		Note A/c: _____				
Sl. No.	Goods	Pack Size	Price	Order Quantity	Deliver Quantity	Comments
Received By: _____				Checked By: _____		

**Table 2.2: Specimen of Goods Received Note**

The food is divided into two different quantities as some food purchased is for immediate use, whereas some items are kept in the inventory until required. As per the controls, the food that are charged to the costs are known as directs and those charged to costs when issued from the inventory are called stores. Directs are those food items, which are extremely perishable in nature and are more or less purchased on daily basis for immediate use. These items are purchased everyday and are issued to the respective departments as soon as they are received and are included in the food cost on the date of delivery. The F & B controller of an establishment may categories the food into directs and stores as per the storage capacity available and usage. The receiving clerk daily report is prepared for all items received on a particular day. It is prepared by the

receiving clerk who records the data obtained from the invoice in appropriate columns on the report followed by totaling each invoice into one of the three columns under Purchase Journal Distribution- food direct, food stores and sundries. The food items are directly issued. The receiving staff should follow some form of standardized receiving, and look for sign of spoilage and adulteration. When the goods received are returned by the receiving clerk to the vendor with the returned quality and amount for the return goods, a debit note is prepared requesting for return of money. When there is a shortage of goods or if the goods are not as per SPS, the receiving clerk writes a credit memo/credit note mentioning the details and requesting the vendor to remove the goods mentioned in the bill. The credit note notifies the vendor about the misses or shortage and also explains the credit made in the account of the buyer with the reasons.

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### 2.3.3 Food Storing & Issuing Control

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The main aim of a food store is to ensure that an adequate supply of foods for the immediate needs of establishment are available at all times. Foods when accepted at the receiving department are categorized as perishable and non-perishable items. The perishable items go straight to the kitchens, where they would be stored in either refrigerators or cold rooms depending on the item. Perishable foods going direct to the kitchen are often referred to as being on direct charge in that they will usually be used within one to three days of delivery by the kitchen. Ideally, meat, fish, dairy products, fruit and vegetables, and deep frozen foods should be stored separately from each other. The non-perishable items go to a food store where they are unpacked, checked for any damage and placed on racking. All deliveries to be recorded in the foods received book and credit notes obtained for any variance between what is stated on the delivery note and what is actually delivered.

All deliveries of food to be entered into bin cards/ledgers on the day of the delivery. Maintain certain charges and credits for period inventory. Complete an inventory of all chargeable containers in the store. At set periods complete a full stock take of all food stores and food held in the kitchens and compare to ledgers. Prepare a stocktaking report and stocktake variance report.

Food products will require additional storage areas within your establishment:-

**Frozen (Freezer) storage areas:** Keep these units between (-18<sup>0</sup>c to - 23<sup>0</sup>c), and freeze storage foods quickly when received. Check the food's overall condition. Keep these units clean and maintained and ensure that the thermometer which monitors them can be easily read and is in good working order.

**Dry Storage areas:** Keep these items between (18<sup>0</sup>c to 24<sup>0</sup>c) and keep a good amount of dry, clean shelving at least 12 inches (300 mm) off the ground for hygiene and ventilation (never store dry foods directly on the floor). Keep bulk items like flour in wheeled bins for easy transportation. Keep it neat and well organized for stock checking and rotation purposes.

**Refrigerated Storage area:** Keep this area between ( 0<sup>0</sup>c to 2<sup>0</sup>c), Never allow warm foods to be place in the refrigeration and ensure that they are kept at least 6 to 10 inches (150 to 250 mm) off the ground. Clean them regularly, and insist that items placed in the refrigerator are properly stored, labelled, wrapped and rotated.

Perpetual inventory for period _____							
Name of Item _____							
1	2	3	4	5	6	7	8
Date Delivered	No. of Units	Unit Price	Date Issued	No. of Units	To Whom Issued	Returns to Storeroom	Balances

**Table 2.3: Specimen of Bin Card**

A bin card is a record of all food items, or other items, delivered, all items sent to the production areas. In the majority of catering establishments such items of food as meat, special processed meat, special processed meats such as hams, and fish such as smoked salmons, constitute the most expensive of the purchased foods. Because of this high cost it is not uncommon for units operating a detailed control system to set up a form of special control of these items.

Tagging expensive food serves many purposes:-

1. It aids the control of expensive foods.
2. It requires the receiving clerk to weigh and record each item, and to check against the specific purchase specification weight range.
3. It assists in obtaining a more accurate daily food cost percentage figure.
4. It assists in controlling the stock levels of these items.

These operations of tagging of expensive items are as follows:-

1. On receiving the items they are checked against the purchase specification as to being acceptable or not.
2. A tag is made out for each item received, with the main information being taken from the invoice or delivery note. The weight recorded on the tag is obtained by actually weighing each item individually
3. The tag is then separated along the perforation with the control office copies being sent direct to the control with the invoice or delivery note.
4. When the item is issued, at a later date, to the kitchen for use the tag attached to the item is removed and sent to control with the date of issue filled in.
5. The control office will usually operate a reconciliation of meat tags form, recording the tags received from the receiving department and from the kitchen.

Issuing of food take place at set time during the day and only against a requisition note signed by an authorized person. When the requisition is a large one it should be handed

in several hours before the items are required to allow the store keeper plenty of the time to collect all the food items together.

Location:- XYZ Hotel		Date-			
Area- Kitchen					
Quantity required	Items	Quantity Issued	Unit Price	Cost	Total Cost
3 Bottle	Vanilla	2 Bottle	100		200
2 Kilo	Sugar	2 Kilo	42		84
3 Kilo	Refined	3 Kilo	20		60
			<b>Total</b>		<b>344</b>
Requisitioned By:- _____					

**Table 2.4: Specimen of Requisition Form**

Issues of all food from the stores to be against authorized, signed requisition only. Entry to food stores to be restricted to authorized personnel.

### 2.3.4 Food Production Control

In a food production department the chef brings together material manpower and equipment to produce a product.

**He must produce:-**

1. When it is needed.
2. Within set specification of the hotel.
3. As economically as possible.

To do this he needs-

1. Understanding of production management techniques.
2. Technical knowledge of the products produced. Kitchen is like a mini production plant, but unfortunately the chefs are mostly trained for technical knowledge of product rather than production management. The chefs are trained as excellent cooks, but not as good managers. The chefs mostly rise from the ranks and so they lack management qualities and associate themselves more with the employees than the management. Management skills have to come from the chefs as they have to deal with material, manpower and equipment.

#### **Food Production Management Techniques:**

- (1) **Processing Instructions:** Standard recipes are an extremely important tool to be used in food production control. Almost all food service operations can use standardized recipes and/or standard procedures in food production. A standard recipe must list the exact amount of each ingredient, including spices, the order in which the ingredient including spices will be added, methods of cooking and portion size.

- (2) **Production Planning:** Forecasting is a pre control technique. It is an estimate of how much business you expect to do. A forecast can be for a meal period; for a day, a week a month or may be a year. Your activities of purchasing, producing, scheduling of employees etc. are based on forecasts made ahead of time.
- (3) **Production Control:** To control the proper flow of producing food items and step under the supervision of chef. It is everything you do to control the exact size of a portion it does not stand for the size of a portion as such it does not mean either large or small portion. It however means standardized size in terms of weight, volume or number. Standardized portions means that portion sizes of a particular item are constant. Management must relate the portion size to the price charged. If management fails to control the portion sizes it will lose revenue and the goodwill.
- (4) **Inventory Control:** Excessive inventories, particularly in the food service industry, are not good or advisable. You are dealing with perishable products or with products that have short shelf life. The longer you keep the same, the more chances there will be for waste, spoilage and shrinkage and that costs money. You should try and turnover your inventory as often as you can but you should make sure that your needs are well supplied. The important aspects of production and inventory control are forecast of sales, standard recipes, purchase based on forecast, kitchen and restaurant requisition based on forecasts. Scheduling of work and division of work are important parts of production control which avoids unplanned hasty production and work.
- (5) **Quality Control:** The prime objective of quality control is to help maintain or improve profitability by minimizing customers complaints and therefore to limit the resulting loss in revenue.

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### 2.3.5 Food Cost Control

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Food cost control is control as applied in establishments operating food facilities (hotels, restaurants, canteens etc.) with particular emphasis on the cost of food used. It is quite common to regard food cost control as something wholly negative a device for cutting costs in all directions. This is quite wrong. The object of food cost control is to ensure that costs are neither more nor less than they ought to be. Ever-increasing competition in all industries demands that more and more attention is paid to the control of costs to ensure the survival of each business unit. In the long run a business will not survive unless it earns an adequate amount of profit in relation to its capital. It must be an extension of the financial and catering policies as laid down by the management.

Control is a process by which managers attempt to direct, regulate and restrain the action of people in order to achieve goals. This is essential in the area of food and other costs

because of the many ways in which loss is possible at each stage in a catering operation. The process by which costs are regulated and excessive expenditure guarded against is known as 'Cost Control'. Beside the variability in costs due to different prices and quantities purchased and used, food is indirect to losses in many different ways as it passes through the production and service cycle.

**Factor Responsible for Losses:**

- (1) Lack of proper supervision at the point of receiving food from Suppliers.
- (2) Inefficient Menu Planning
- (3) Kitchen Production
- (4) Service of proposed foods
- (5) Clearing up

**(1) Lack of proper Supervision at the point of Receiving Food from Supplier:**

At this stage money can be lost through a number of channels.

- (a) **Improper Weight of Commodities:** Especially those which are loosely packed, perishable such as fruits, vegetables, meats etc. cereals and pulses in bags not checked for holes in them can also affect weight.
- (b) **Improper Weighing Equipment:** At the delivery point can affect the weights of food received, the mistake made in the recording of weights. Any extra weight recorded would push-up the price of each portion obtained from the food and vice-versa.
- (c) **Variable Quality of Foods received:** The quality of a food directly affects the number of portions obtained from a standard weight of the item. For example, apples of different sizes with irregular surface can lead to loss of a lot of money through excessive peelings, trimmings and so on. Similarly, vegetables like cauliflower with a loss portion of stem give less portions on the plate and therefore cost more per portion. Also cereals, pulses, legumes, etc. if adulterated with inedible material, or packed without cleaning can lead to losses in portion sizes.
- (d) **Pilferage at Delivery Point:** At this stage it is much easier to pilfer without actually taking out the food from the establishment. Cases have been known in which the supplier directly delivers to the staff outside the establishments, while the invoices are routinely recorded in the book of the establishment. On checking, the number of packs are in order, count perhaps each one slightly lighter than they should be. Minor differences in weights are generally undetected by an observer, especially when very large quantities are delivered.
- (e) **Inaccurate ordering:** Leading to longer storage time and losses through drying and spoilage.

- (f) Over charging by supplier or clerical errors.
- (2) Inefficient Menu Planning:** Unplanned or poorly planned menu for customers requirement can cause unnecessary wastage of ingredients, and there by push of food cost subsequently loosing profit margins. This can happen when:-
- (a) Menus are planned without the use of standard yield recipes. They can be financially disastrous, because the number of portion obtained are not predictable each time a dish is prepared.
  - (b) The menu planners own tests rather than those of the customers are projected on the menus which land up with dishes unsold.
  - (c) Portion number for each dish on the menu are improperly forecasted. They can lead to one dish being completely sold out in the middle of service time while others remain unsold.
  - (d) There is an imbalance of high and low priced dishes on the menu, food cost increase lowering the margin of profit.
  - (e) There is little or no flexibility in menu plans to incorporate left over foods, food costs increase unnecessarily.
  - (f) An item is used for a dish for which items not ment originally it can push up food costs. For example, an expensive cut of meat used for mince; or a dessert (table) fruit used in fruit salads or food cooked desserts.
  - (g) Dishes are placed on the menu only because they can be easily prepared by the staff, without attention to quality or customer choice and acceptability.
- (3) Kitchen Production:** The tools, equipment and techniques used in the cutting, trimming and cooking of food can make or break the establishment in items of profitability. Losses in this area need for greater control than any others because they can occur in not so obvious ways like:
- (a) Poor peeling or hemming, affect the number of portions obtained for a unit purchase of food.
  - (b) The Suitable of cutting and chopping vegetables or meat for each dish will affect the volume of the prepared dish and hence its selling price. For example, cutting vegetable too finely when large pieces would be Just as effective for its presentation, would reduce the volume of the prepared dish, unnecessarily reducing the number of portions for service.

- (c) Using improper cooking methods leading to excessive weight losses and reduced selling portions.
- (d) The art of garnishing completed dish to make them attractive to the customer means receiving cost quicker through more sales. A very tasting dish presented in a sloppy manner can put off customer quite easily.
- (e) Picking of food or excessive indulgence on the pretext of tasting it, before dishing out for service can be a major cause for increasing food costs. It all the staff handling food costs. If all the staff handling food standard picking every tastable ingredient at all stages of production, it is not hard to imagine the effect on the customer and the cash box.

**(4) Service of Prepared Food:** Food cost is increased in this area through:-

- (a) Improper availability of portioning equipment.
- (b) Lack of training in portioning correctly at the service point.
- (c) Insufficient temperature control in holding equipment leading to unnecessary losses in portions through the evaporation of moisture and through shrinkage.
- (d) Picking of foods and pilferage when service is slack.
- (e) Method of service also affects the portions on the customer's place, and also the loss in spoilage while serving.

**(5) Clearing Up:** Food can be lost if clearing up methods are not planned properly. Food from serving dishes not used up completely can be utilized to staff. This can only be done if completely separate sets people clear service dishes. A food cost control system basically require the use of standard recipes; Purchase specifications operating policies and procedures which help to control the above mentioned losses at every stage of handling; preparation and service. Policies for customers, cash control and security also play in important role in controlling cost.

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### 2.3.6 Food Sales Control

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The Payment for food may be made in many forms such as cash, foreign currency, credit cards, cheques, traveller's cheques, luncheon vouchers and signed bills. The sales summary report prepared at the end of the day helped produce the total cash and credit sales made on that day. It helped compare sales of each day with that of the same day in the previous week. The sales in F & B are documents by writing it down by the head chef. Through Property Management System (PMS) is used and all orders are typed, the guests can also directly order with the help of a tablet. Which shows a brief description of the dish in the menu? The order is then sent to the Kitchen this is known as KOT



(Kitchen Order Ticket). Whenever there is a sale of a particular dish from an outlet, the same should tally with the number of dishes served from the kitchen. The KOT of a dish should tally with the dish sold for a period of a day.

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### 2.3.7 Standard Yield

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The standard yield of a particular food product is the usable part of that product after initial preparation, or the edible part of the product after preparation and cooking; for example, the standard yield for a whole fillet of beef is the number of fillet steaks that will be available for cooking and final sale to the customer after the fillet is trimmed and any unwanted meat removed. Any usable trimmed meat should be taken into account with the standard yield.

In large establishments buying in large quantities of food per week, standard yields may be available for almost all the commodities meat, fish, vegetables, etc. In smaller establishments standard yields may only be determined for more expensive cuts of meat or fish such as whole fillets, salmon, etc. The development of standard yields by an establishment has a number of advantages:

- ❖ Standard yields determine the most appropriate and advantageous size/weight to buy a particular commodity in.
- ❖ They assist in determining the raw material requirements for the production level anticipated from the production forecasts, and therefore act as an aid in the purchasing of the establishment's food stuffs.
- ❖ They act as a 'double check' for the purchasing department. Should an unsatisfactory delivery of meat, for example, be made to an establishment and is unnoticed at the receiving bay, this delivery is subject to a second 'checking' procedure in the kitchen where the meat should yield a standard number of portions.
- ❖ They act as a safeguard against pilferage or wastage occurring in the kitchen as the actual and potential yields can be compared and this acts as a measurement of the efficiency of the production department.
- ❖ Finally, they are an aid to accurate food costing for particular dishes offered on an establishment's menu, as the cost factor can be established.

Usually yield tests are performed on food bought. As purchased and need to convert to ready to cook. Items received already pre-portioned do not need any yield tests. Some foods you received ready to cook might need yield tests.

Yield tests tell you:

1. Yield of kgs, liters, gms., portion and so on..
2. Cost per kg., liter, gm., portion and so on. Yield tests are pre-cost technique because before you serve an item you determine its cost. Yield tests are pre-control technique because you know the cost of the item and you can adjust the menu selling price before serving the item. Many of the items you purchase are not immediately ready to use when you receive them. They

have to have pre-preparation work done. This adds to the cost of the item because it will cost you some things to have your employees trim, peel or do some work on the items after you receive them.

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### 2.3.8 Standard Portion Size

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The Standard portion size is the quantity of food that would be served to the guest each time the food is ordered. It is also the fixed quantity of food fixed by the management for the selling price mentioned in the menu card. The price is usually fixed in consultation between the head of the departments of service and kitchen. Each item in the menu can be quantified by three process either by weight, volume or by the numbers or count.

**Weight:** This is usually expressed in grams and is mainly used for portioning of meat, fish, and vegetables.

**Volume:** The measure used for portioning liquids is expressed in liters or milliliter and is mainly used in soups, Juices sauces and milk.

**Number of Count:** It is a measure for portioning items such as eggs, bacon and prawns.

#### **Advantages of Portioning Food:**

The Advantages of Portioning food are as follows:-

- ❖ The standard portion reduces customer displeasure as it is the cause of loss of customers as well as sales.
- ❖ The standard portion also reduces the rift which may happen between the service personnel and the chefs as regards the portion size.
- ❖ The standard portion also helps to reduce excessive cost as the cost of ingredients varies with the quantity served is more than the designated portion. Since the selling prices does not change with that portion served the food cost increases.

#### **Equipment used in portioning Food:**

The different types of equipment used in portioning food are as follows:-

**Scoops:** There are various sizes of scoops for different portions, most commonly used for portioning ice-creams.

**Ladles:** They also come in various size used for portioning soups, sauces and gravies.

**Portion Scales:** They help to portion vegetables meat, fish and poultry which are weighed and portioned.

**Measuring Cups:** They come in various capacities, usually used for portioning liquids. Chopped vegetables and shredded cheese can also be measured with these cups.

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### 2.3.9 Standard Recipes

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A recipe can be defined as a written or a printed list of ingredients and quantities of the ingredients with the method or procedure by which the dish has to be prepared. A standard recipe is prepared by each establishment so that when preparing the food, the chef prepares the dishes with the same ingredients, quantity, and method. It helps maintain the quality of the food, retain the taste and appearance, and ensure customer acceptance. It may also include the cost of ingredients, which will add up to price the cost of the dish and its nutritional value. Nowadays, due to dietary concerns, some guests may want to know the ingredients with their nutritional value for a particular dish. Sometimes, even cooking time and temperature are also mentioned and finalized on testing. A photograph of the final dish is also included in the form so that the chefs preparing the dish can refer to it and present it uniformly. The standard recipe may be in a card from displayed in preparation area or in laminated plastic so that they are durable.

#### **Points to Remember for preprinting Standard Recipe:**

Important points to consider while preparing a standard recipe are as follows:-

- ❖ Decide on the desirable yield. A finalized recipe should have the number of portions and portion size.
- ❖ List all ingredients in the recipe in the order in which they are used.
- ❖ Decide whether to use weights or measures or both. Weighing is always precise and is a better alternative than measuring. Before weighting the liquids, their density must be standardized.
- ❖ Abbreviations must be acceptable and consistent to eliminate any confusion.
- ❖ All quantities used for preparing a dish should be expressed in a way that it is practical to follow the same during preparation. For example, spices must be sparingly used and measuring spoons should be used.
- ❖ Recorded procedures should be detailed, concise, and mentioned in exact terms. Use of ambiguous statements such as one cup of whipped cream should be avoided as one cup of whipped cream can mean either that quantity of cream that has been whipped from which one cup is required or one cup of cream, whipped. When mixing is required, the method of mixing must be mentioned-whether by hand or machine-and the time and speed, if a machine is used. State the size and type of pans or bowls needed and always list exact temperatures, cooking times, and other necessary controls.
- ❖ Standard recipe considered directions of portioning, type or size serving dish, portioning equipment required, specification of the expected number of portions to be produced and size by weight or volume, list of garnishes and sauces required.

#### **Advantages of Standard Recipe:**

The advantages of standard recipes are as follows:-

- ❖ A Standard recipe, regardless of who is preparing the item, or to whom it would be served, has the same appearance, cost and taste. The consistency in operations provided by the standard recipe is the central point of control and marketing systems.
- ❖ The Managers of the establishments should know that the standard recipe will yield a specific number of standard sized portions. It is less likely that too many or two few items will be prepared.
- ❖ Since standard recipes indicate the desired equipment and required production time, managers can schedule employees for food production, the number of batches the dish is required to be prepared by them for a particular number of dishes, and the equipment necessary to prepare them.
- ❖ Minimum supervision is required. The employees or chefs only need to follow the recipe as mentioned. of course, managers should routinely evaluate the quality of items produced and ensure that standard recipes are accurately followed.
- ❖ If the chef is unwell does not show up, a product can still be produced in the same way if a standard recipe is available; however, inexperienced employees will be less efficient and might make errors.

**Disadvantages of Standard Recipe:**

The disadvantages of a standard recipe are as follows:-

- ❖ Resentment may arise among bartenders and cooks to put their recipe on paper. As many recipes are considered ‘secret recipes’ which are traditionally passed on to the next generation, they may not share all the ingredients and proper quantity.
- ❖ Creativity of cooks and bartenders is not considered. There is very less chance for innovation.

A Standard recipe contains name of the dish, quantity, portion size, method of preparation, ingredient used and recipe cost. A standard recipe of a dish can be prepared as per the format mentioned below:-

<b>XYZ Hotel</b>		
<b>Standard Recipe</b>		
Recipe for:	Recipe No.	
No. of portions :	Date:	
Portion Size :		
<b>Serial No.</b>	<b>Ingredients</b>	<b>Quantity</b>
Cooking Method:-		
Cooking Time:-		

**Table 2.5: Specimen of Standard Recipe**

There are computerized standard recipes being prepared which include the rate, value, cost, selling price cost percentage. The advantage of a computerized standard recipe is that the image of the food is added and same plating of the food can be done by all the chefs.

**CHECK YOUR PROGRESS- I**

**Q-1 What is Bin Card.**

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**Q-2 Explain the importance of Food Control.**

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**Q-3 Discuss Standard Recipe.**

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## 2.4 Beverage Control

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Beverage control refers to control of liquor (including non-alcoholic beverages) during purchasing, receiving, issuing and selling. The control measures used are:-

- ❖ Keeping less expensive drinks as house-brands
- ❖ Avoiding over buying
- ❖ Strict storing and receiving procedures
- ❖ Regular physical inventory of stores
- ❖ Periodically preparing operational statements
- ❖ Control checks and BOT (Beverage Order Ticket/Token)
- ❖ Regular bar inventory
- ❖ Using standards measures
- ❖ Following standard bar recipe cards for cocktails

### Reason for extra Control over Beverages:

- ❖ Pilferage is common among staff for personal consumption. The lure of alcohol can be compelling for some staff.
- ❖ Unauthorized Complimentary drinks are served to customers in the expectation of extra tips.
- ❖ Failure to record sales: The staff may not raise a check for the beverage served and pocket the cash.
- ❖ Bar Staff have been found to carry their own liquor from outside and serve it in the hotel at higher rates. This eats into the bar sales.
- ❖ Inexperienced bartenders are often found to over pour or under pour drinks.
- ❖ High spillage and breakage is another reason for extra control on beverages.
- ❖ The bartender may be careless in discarding bottle before emptying.
- ❖ Pouring less than the standard measure and selling the excess personally.
- ❖ Diluting white spirits such as gin, vodka, and white rum with water. This increase the quantity and allows the bartender to pocket sales.
- ❖ Claiming 'damage by accident' by showing broken empty bottles. The liquor is of course not wasted and is sold without will to pocket cash.
- ❖ Over charging guests on number of drinks. This is resorted to if the guest seems drunk.
- ❖ Using the same bill for more than one customer. This act in hotel parlay is more commonly called 'check playing' and is a a very serious offence. The modus operandi is quite simple. For example, if a table for two orders two beers and leaves without taking the guest copy of the bill, then the same bill for two bears is given to the next customer if the order is the same. The sale of course is not registered.
- ❖ Using peg measures of lesser capacity. Short pouring as well as over pouring could be reason for suspecting fraud in a bar.

### Control Measure Taken:

- ❖ Less expensive drinks should be kept as bar-brand or house brand. This lowers the beverage cost and results in increase profits.

- ❖ Overbuying beverages should be avoided as it can result in dead stock.
- ❖ Strict procedures for receiving and storing need to be in place.
- ❖ Regular physical inventory of stores needs to be taken.
- ❖ Operation statement should be prepared periodically, the statement is prepared considering the inventory taken, store issues and sales.
- ❖ Proper control on checks and BOTs need to be made.
- ❖ A regular and strict bar inventory must be taken and overage or shortage must be accounted for.
- ❖ Standard measures to be used in the bar. The law requires a bar to use Jiggers authenticated by the 'weights and measures' department.
- ❖ The barman must follow 'standard bar recipe cards' for cocktails.
- ❖ Daily sales figures must be cross-checked with issues made and popularity or items sold report.

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### 2.4.1 Beverage Purchasing Control

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The purchasing of beverages aims to purchase the best quality of item at the lower price for a specific purpose. Beverage sales is an important function and a valuable source of income in hotel and restaurant business. An effective purchasing control of beverages is essential. For purchasing of beverages the different sources of supply are as follows:-

- (1) **Cash and Carry and Retail Outlets:** These are many beverages sales units in major towns where purchasing by cash and carry method is prevalent. These establishments offer a limited range of wines, spirits and beers.
- (2) **Suspended Dept. /Business:** The leading beverage companies/breweries invoice the hotel for its opening cellar stock. The payment is made on subsequent invoice. The first invoice is 'suspended' until the account is closed.
- (3) **Cellar Stocks and Suspended Debt Accounts:** In this method the supplier stocks the cellar free of charges as per its monthly par stock requirements. All opening stock levels are recorded in a cellar ledger. At the end of every month stocktaking is made and all items issued from the cellar are charged to the hotel.
- (4) **Wholesalers:** There are many wholesalers who offers a very wide range of products, a regular delivery service and post-sale service. Many wholesalers offer free printing of wine lists and promotion material for your bar. Large companies offer continuity, competitive prices and regular deliveries.
- (5) **Wine Shippers:** There are some firms who buy beverage in the company of origin and supervise the shipment of it to its destination. They supervised in a particular region and offer a limited in a particular region and offer a limited range of high quality beverages as well as specialist advice.

- (6) **Direct Buying:** This can be done by visiting the wine-growing regions and tasting the wine at vineyards. The various wine grower’s consortia and the suppliers hold annual or bi-annual testing where owners and managers can taste the wine and make arrangement of buy at ex-cellar price. Shipping costs, excise duty are paid separately to the supplier.
- (7) **Auctions:** Auctions are useful for buying large quantities or conversely for buying extremely small parcels of fine wine or spirits. They are suitable both for large hotel companies and bars which was to include a small number of fine wines on their lists.

While preparing a wine list, the acceptability of customers, must be given due consideration. The methods of purchasing beverages will depend upon type of customer, type size and location of the establishment the storage facilities available and the purchasing power of the buyer. A standard purchasing procedure ensures supply of ingredient and each item is purchased at the option price. There are three types of alcoholic beverages: beers, wines and spirits. The requirement for each will differ from place to place, depending on clientele and nature of operation. All alcoholic beverages are comparatively expensive to purchase and as such involves a large amount of cash. A market study can be conducted to analyse the tastes of potential customers. It will avoid to maintain an inventory of items that move very slowly. The purchasing of beverages is the responsibility of Beverage Managers. He has to note down the beverage purchase specification for the establishment. Specification for beverage are simpler to write and to understand since each one of them is having a brand name, name of the producer, each having a consistent quality and quantity standard of content for each selling unit, e.g. bottles, kegs, cans, barrels etc. A purchase specification for beverage must include:-

- ❖ Vintage
- ❖ Brand name and manufacturer
- ❖ Size-Magnum, Bottle, Half-bottle

Hotel XYZ Beverage Purchase Specification				
Vintage	Specification	Size		
		Magnum	Bottle	Half Bottle
1995	Champagne			
	.....			
	.....			
	Wines			
	.....			
	.....			
	Beer			
	.....			
	.....			
	Liquour			
	.....			
	.....			

Table 2.6: Specimen of Beverage Purchase Specification



All beverages are purchased in sealed containers. So long as bottles and kegs remain sealed, their content will not deteriorate if stored in proper temperatures. The life beer is short, for wines is many years and for whisky it is indefinitely. Unlike food items, beverages need not be purchased for use on the day received. The frequency of purchasing policy of the management will depend on typing up of money in inventory, availability, delivery schedules, local and state regulations, and determination of quantity of items needed between ordering dates. In case the operation is having a perpetual inventory system, the figure that reflects experience readily available. If this system is not in use, either reference can be made to bar requisitions for preceding monthly or past invoices or bills to which the number of units on hand may be increased. The operation should maintain Perpetual inventories of stock. Perpetual inventory cards or book will often show a desired par stock for each item, which will often be equal to approximately 150 percent of the quantity customarily used during a period. The minimum figures given in the card will indicate a order point and maximum will reflect management’s decisions of the limit to which the number of units on hand may be increased. Quality determination is a very important factor in the beverage operations. The quality for alcoholic beverages is a function of several factors including price, customer preference, age, advertising etc. All alcoholic beverages used by a bar operation could be conveniently divided according into two call brands and pour brands. A call brand is that which is used only if specifically requested by a customer. A pouring brand is one that is used whenever the customer does not call a call brand. The stock level will basic depend on the size of the hotel, type of property and the size of storage facilities available. The basic objectives to ensure sufficient stock, readily availability and avoiding unprofitable blocking up of capital. In most of the hotels the rate of stock turnover varies between twelve times and twenty-six times a year depending whether the average stock held equal to one month’s supply or two week supply. These forms are prepared in duplicate. The original is forwarded to the purchase agent in the accounting department. If required purchasing agent may get the approval of the management before placing any orders.

A purchase order is prepared in quadruplicate:-

- Original**-to the firm from which the beverages have when ordered.
- Second Copy**-wine steward to confirm that the offers have been placed.
- Third Copy**- Receiving clerk to know what deliveries to expect and determine the correctness of the qualities and brands delivered.
- Fourth Copy**- kept by the purchasing agent.

<b>Hotel XYZ</b>				
<b>Purchase Order</b>				
To _____				
Date: _____				
_____				
Please ship the following supplies				
Quantity	Unit	Item	Price	Amount

**Table 2.7: Specimen of Purchase Order**

**Purchasing Control Procedure for Beverages:**

- ❖ The Purchase request may be prepared by the F & B controller and forwarded to the purchase agent/officer.
- ❖ The Purchase officer/agent makes out purchase orders and submits them to management for approval.
- ❖ A copy of the Purchase request is given to the receiving clerk as authorization to accept the goods from the purveyor as indicated on the request.

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**2.4.2 Beverage Receiving Control**

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All Stock and equipment of the bar is expensive and if mistakes go unnoticed at the point and time of delivery, and a supplier is paid for items that the bar has not received, this will result in reduced profits. There is also a risk that poor stock control receiving system actually encourages dishonesty, which leads to suspicion amongst employees and the eventual deterioration of workplace relationships. A comprehensive system which includes establishing standards for receiving stock and beverages can counteract these threats and should be adopted and actively operated to the point of delivery for the bar. Access to the main storage areas should be restricted to authorized staff members and not staffed by people with little or no specialized knowledge. All goods received have a monetary value and it is essential to ensure that this value in goods is properly accounted for and received. Most bars/ cellars make crucial mistakes here by taking short cuts:-

- ❖ Take the necessary time to inspect the delivery dockets.
- ❖ Check the items on the docket correspond with the items in the order book.
- ❖ Any inaccuracies with the delivery must be communicated to the manager in charge for a quick decision.
- ❖ Examine the stock for best before dates, breakages or missing seals.
- ❖ Note any discrepancies for re-checking purposes, and never sign any delivery dockets until you are fully sure that the order for delivery is intact and correct.
- ❖ Carry out 'spot checks' during and after the stocks are received to ensure that staff members and delivery personnel are operating in a professional and ethical manner.

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**2.4.3 Beverage Storing and Issuing Control**

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Beverage supplies must be stored until needed, secure against theft and deterioration. Storage process in cellar/bar consists of four main parts which include placing the products in storage, maintaining their quality, safety and security and determining the stock's value. Storage areas must be kept clean, tidy and clear of any litter in the passage ways cellar/Bar adopt a F.I.F.O. (First in First out) system for rotating your stocks, especially perishable foods or beverages with a short shelf life. This means that the oldest stock is always used first and new stocks are stored beneath the old stocks. Remember that stock is money, so ensure that your stock is given the attention and respect it deserves. Storage of beverage is ideally separated in to five areas:-

- ❖ Main Storage area for spirits and red wine (13-16° C).
- ❖ A refrigerated area of (10 °C) for storage of white and sparkling wines.
- ❖ A cold room for kegs (3-16 °C), with the temperature depending upon the beers stored.
- ❖ An area at a temperature of 13°C for storage of bottled beers and soft drinks. A small amount of bottled beverages is sometimes stored in the cold room. This practice ensures that the beverages are cold and ready for immediate service when transferred to the bar service area.
- ❖ A totally separate area for empties.

Beverage storage area locked and to issue a single key to one person, but make a second key available in the safe or a secure location to be signed out when the nominated person is away from the bar. In some bars we also decide to install electronic code entry locks, which control the items at which the doors to the storage areas were unlocked and or relocked, or a CCTV (Closed Circuit Television Cameras) in and around the storage areas for additional security and monitoring. The issue of any stock should be recorded on a requisition form, usually from an authorized member of staff, for example Senior Bartender, Bar Manager, informing store keeper or purchasing manager of low levels of items. Using the requisition book depends on the size of the company. A requisition system is a highly structured method for controlling issues and in beverage control a key element in the system.

<b>Hotel XYZ</b>							
<b>Beverage Requisition form</b>							
<b>Bar:- ABC</b>						<b>Date:</b>	
<b>Bin, Bottle Code No.</b>	<b>Quantity</b>	<b>Unit, bottle Size</b>	<b>Item/s</b>	<b>Cost Price</b>		<b>Selling Price</b>	
				<b>Unit Value</b>	<b>Total Value</b>	<b>Unit Value</b>	<b>Total Value</b>
Cost and Sales Price							
Add: Other requisitions Less : Credit							
Total							
Received By: _____ by: _____						Requisitioned	

**Table 2.8: Specimen of Beverage Requisition Form**

Hotel XYZ Bin Card						
Bin No: _____						
Size: _____						
Type: _____						
Date	Received	Issued to Bar				Balance
		A	B	C	D	

Table 2.9: Specimen of Bin Card

Hotel XYZ Cellar Inward Book						
						Date: _____
Date	Beverage	Delivery or Invoice No.	Bin Code No.	Bottle	Halves	Other sizes

Table 2.10: Specimen of Cellar Inward Book

Issuing of beverages should take place at set times during the day and only against a requisition note signed by an authorized person, for example head barman, banqueting head waiter, etc. Ideally when the requisition is a large one it should be handed in several hours before the items are required to allow the cellar staff plenty of time to assemble the order together. Requisition notes are usually made in duplicate, one copy being retained by the cellarman so that entries can be made to the cellar records and then it is passed to the control or account office, while the second copy is retained by the person who originated the requisition and handed in with the daily takings and other control documents. The pricing of issues for beverages is different from that for food in that two prices are recorded, the cost price and the selling price. The cost price is recorded to credit the cellar account and for trading account and balance sheet purposes. The selling price recorded for control purposes to measure the sales potential of a selling outlet using the basic formula:

Opening Stock + purchases – closing stock = Total Beverage Consumed

Total Beverage Consumed = Beverage Revenue

It should be noted that the above formula may be calculated for the value of stock and purchases either:-

- (1) At cost price in order to compare the usage with the actual sales and to ascertain the profit margin and beverage gross profit.

- (2) At Sale price in order to compare potential sales with the actual recorded sales.

It is usual for the beverage revenue to be different from the sales potential figure because of such factors as a high percentage of mixed drinks being sold or full bottle sales being made over the counter of a bar.

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### **2.4.4 Beverage Production Control**

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In bar we have to follow beverage production control systems and techniques which help to establish standard procedures for the preparation, size and production method for all your beverages. If your bar can keep control in this area you will have a significant opportunity to maximize your profits on all your products. Some of the systems and techniques which will assist you in creating beverage production control are as below:-

- ❖ Setting a standard drink size for beers, spirits and wines: Agree a size, but this decision could be set by your local government rules.
- ❖ Adopting standard food and cocktail recipes; containing defined, specifically measured ingredients and strict methods of production agreed by management.
- ❖ Standard Glassware, Crockery: choosing a standard glass size for your wines, beers, cocktails, coffee and food items.
- ❖ Hand held measures, jiggers and optics:- These dispense devices and equipment help to control the exact measurement of alcohol according to your bar or government requirements. Ensure this requirement is not damaged and or been compromised and crucially that the equipment dispenses the correct intended amount.
- ❖ Production planning or volume forecasting: It is the forecasting of the volume of sales for an establishment for specified period and the detailing of the volume of sales for each outlet such as a dispense bar, cocktail bar, cash and inclusive function bar, etc.
- ❖ Maintain par stock in the establishment. A standard par stock is a predetermined number of bottles of each item and brand used in a particular bar, and the size of the par stock is calculated to be sufficient to meet the demand for a busy day plus a safety factor. The main purpose of a standard par stock is to help determine the average daily consumption of a bar, to assist with requisitioning, and to promote good control over the stock.
- ❖ Automatic beverage dispensing machines-Controlling Standard Portion Sizes is to use automatic beverage dispensing machines. The drink size is pre-set and the drink automatically measured. Each drink can be metered by the selling outlet. This helps with inventory control and the calculation of estimated bar revenue.

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### **2.4.5 Beverage Cost Control**

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Since no controls can be made without some cost, the cost becomes comparatively insignificant. Some preventive measures include locks in front and back entrances,

stores, and refrigerators when the outlets is closed, positioning of cashier's desk so that the guests do not leave without paying. Recruitment of an F & B controller and trained staff also involves cost. Computerizing of the ordering and billing system also involves cost. The main purpose of cost control measure is to safeguard against any excessive cost and ensure that sales result in appropriate income. Before any new procedure of control is derived, the management should consider whether the savings made are more than the cost involved in the new systems, procedure, or people.

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### 2.4.6 Beverage Sales Control

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Sales can be defined as the revenue resulting from the exchange of products and services for a value. In the F & B industry, the dishes and drinks served are products and services of both bar and restaurant which are served for value. Sales are broadly divided into monetary and non-monetary. Monetary involves total sales, total sales by category, average sale, average sale per customers and average sale per server. Non-monetary involves total number sold, cover, total covers, average covers and sales mix. The way to control beverage sales of the establishment, their should need of beverage costs by setting a sales value on each bottle item carried in stocks. The revenue value of each bottle is based on the standard size of the drink. The sales value of each drink is called the potential (or standard) sales value. The system requires as a basis for its operation, established standards for a bottle code number system, drink recipes, drink sizes, glassware and par stocks. Whenever the bottle size, drink size or recipe change a new calculation must be made and recorded, as this can affect the price of a drink and should require the price to be reviewed. The various calculations which have to be made to establish the potential sales values are concerned with:

- (1) **Full bottle of Spirits:** The potential sales value of a full bottle of spirits, etc. which at times may be sold over a bar is equal to the selling price established by management. As little handling is involved in selling a full bottle, its price will usually be lower than when sold by individual glass.
- (2) **Spirits, etc. sold by the glass:** The sales value for a bottle of spirits, wine, etc. which is to be sold by the glass is calculated as in the following example.

#### Potential sales value for a bottle of whisky:

Size of bottle 750 ml

Size of straight drink 30 ml

Selling price per drink Rs.100

Number of drinks per bottle 25

(As determined by management)

25 (Number of drinks) x 100 (selling price per drink) = 2500 (Potential Sales Value)

- (3) **Soft drink and Mineral water sales:-** The potential sales value of soft drinks, etc. depends on the pricing policy of the establishments. For example, it could be:
- ❖ A fixed price when sold on its own or when with another drink, for example, gin and tonic water.
  - ❖ At a lower price when served as part of a mixed drink, for example, a straight 30 ml drink of whisky may cost Rs.100; a split bottle of dry ginger may cost Rs.100; as a mixed drink whisky and dry ginger may be priced at Rs.150 and not Rs.200 as would be the case in fixed pricing.
  - ❖ The cost of soft drinks is included in the price when selling spirits.
  - ❖ It should be noted that if a lower or inclusive pricing system is adopted, adjustment must be made when preparing the control sheets so that an accurate potential sales figure is calculated.
- (4) **Cocktails:** If all drinks served to customer were sold as straight drinks or full bottles, it would be simple to calculate the potential sales value. When drinks are sold as cocktails containing two or more high selling price items it often requires an adjustment to be made when preparing the control sheet.

When the sales of mixed drinks on analysis are found to be low, there would be little need to go into great detail calculate the allowances for the various mixed drinks. It is only when the actual money taken in the bars differs from the potential sales value by say more than 2% that detailed analysis of sales and allowances needs to be done. The primary function of most sales system/point-of-sale system is to track sales. A good system will be able to record the following information in hourly, daily, and month-to-date increments as needed: product sales mix, revenue (per shift, sales period, or server), an open check report, and total revenue.

The beverage sales control system you devise to forestall all there little tricks should both reduce opportunity and pinpoint responsibility. You need a system that you can enforce that also leaves a trail behind when it is evaded. Then you must keep after it. Whenever it is evaded. Then you must keep after it. Whenever it is not full proof, you must keep checking up. If your employees know you are policing the system, they are likely to remain honest. Lax enforcement invites pilferage and, sadly, almost seems to condone it. Here is a suggested system:-

- ❖ To start with, use numbered guest checks with your bar's name or logo. Each bartender or server signs out a sequence of numbers for the shift and turns in the unused checks at the end of the shift. You keep the master list and check the used and unused checks. A missing check is a serious breach of work rules that justifies a severe penalty. Make this penalty very clear.





**Q-2 Discuss the Beverage cost Control?**

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**Q-3 Explain the Beverage Sales Control.**

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## **2.5 Summary**

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Control **is** the term used to describe that collection of interrelated and interdependent control techniques and procedures in use in a given food and beverage operation. Operating a regular and rigorous system of purchasing, receiving, storing and sales in a catering outlet help to control costs, achieve profit margins acceptable for the success of the business. No control system can genuinely claim to be 100 percent safe and secure, and it is crucial that the Food and Beverage Manager continues to identify problematic areas to control possible losses. In order to carry out a control system, food stocks must be secure, refrigerators and deep- freezers should be kept locked. Portion Control must be accurate. A bookkeeping system must be developed to monitor the daily operation.

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## 2.6 Glossary

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**Bin Card:** It is an index card which is used for recording additions and deletions from the product's inventory.

**Cost:** The amount of expenditure incurred on or attributable to a given thing.

**Fixed Cost:** The cost which remains fixed irrespective to quantum of output over a certain capacity of the organization

**Purchasing:** It is a procurement function concerned with search, selection, purchase, receipt, storage and final use of commodity in accordance with the catering policy of the establishment.

**Receiving:** Process of examining shipments to determine if they should be accepted or refused.

**Standard Recipe:** A standard of recipe is prepared by every establishment so that each chef/bartenders prepares the dish/drink with the same ingredients..

**Variable Cost:** The cost which tends to vary indirect proportion to change in the volume of output or turnover.

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## 2.7 Reference /Bibliography

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## 2.8 Suggestive Reading

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- Feinstein, H.A., and Stefaneli, M.J. (2012) Purchasing Selection and Procurement for the Hospitality Industry, 8<sup>th</sup> edn. Wiley India Pvt. Ltd, New Delhi

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## **2.9 Terminal Questions**

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### **Long Answer type Questions**

1. What are the various types of costs?
2. What is cost volume profit analysis? How does it help in planning a business operation?
3. What are sales? How are they classified?
4. Explain the objectives of food and beverage control.
5. Write in detail the elements of a cost and how cost is ascertained in a hotel.
6. Explain Beverage Control Cycle. Explain the importance of assigning responsibility for beverage purchasing.
7. With the help of a flow chart, explain the process of food control in a star classified hotel.

### **Short Answer Type Questions**

#### **True & False:**

1. Ounce system is used to control beverages.
2. The objective of beverage stock taking is to minimise pilferage.
3. A good menu should be acceptable to guest and must ensure profits for the management.

#### **Terms:**

1. Standard Recipe
2. Standard Yield
3. Portion Control
4. Standard Portion Size
5. Bin Card
6. POS
7. Lead Time

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# UNIT: 03

## LABOUR CONTROL

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### Structure

- 3.1 Introduction
- 3.2 Objectives
- 3.3 Labour Control
  - 3.3.1 Labour Cost Considerations
  - 3.3.2 Organizational Plan
  - 3.3.3 Job Analysis
  - 3.3.4 Forecasting and scheduling of Personnel
  - 3.3.5 Standards of Performance
  - 3.3.6 Payroll Analysis
- 3.4 Frauds in F & B Control
  - 3.4.1 Frauds in Purchasing
  - 3.4.2 Frauds in Receiving
  - 3.4.3 Frauds in Storing
  - 3.4.4 Frauds in Issuing
  - 3.4.5 Frauds in Preparing and Selling Stages of F & B Control
  - 3.4.6 Prevention of Frauds
- 3.5 Inventory Control
  - 3.5.1 Importance, Objectives, levels, Methods & Technique
  - 3.5.2 Perpetual Inventory
  - 3.5.3 Monthly Inventory
  - 3.5.4 Pricing of Commodity
  - 3.5.5 Comparison of Physical and Perpetual Inventory
- 3.6 Summary
- 3.7 Glossary
- 3.8 Reference /Bibliography
- 3.9 Suggestive Reading
- 3.10 Terminal Questions

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### 3.1 Introduction

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Labour Control is also important for productivity of an outlet or organization. Need to prepare organization chart for the delegation of the duty from the top to lower level of the staff. It is necessary to formulate a proper job description for each job title in the chart for gathering information. Scheduling of employees is an important part of management. Proper scheduling helps in obtaining better output from an employee. Thefts or frauds by employees may lead to a reduction in revenue levels and increase in F&B cost percentage. Frauds lead to loss in revenue of an establishment and proper

control is necessary to avoid them. Inventory management aims to minimize the possibility of disruption in the production schedule of an organization for want of raw materials and also keeps the cost involved low in maintaining inventories.

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## 3.2 Objectives

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After studying the unit, student should be able to:-

- Understand the Organization Structure and Classification of Organization.
- Understand the difference between Job Specification and Job Description
- Understand the Process of Job Analysis
- Understand the Payroll Analysis
- Understand the Frauds in purchasing, receiving, storing ,issuing and preparing
- Understand the Inventory
- Understand the methods and techniques of Inventory Control

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## 3.3 Labour Control

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Labour control is also important for productivity of an outlet or organization. Biometric system is installed in the hotels and restaurants to monitor the accurate timing of employee's arrival, exit from work, and breaks taken during the shift. In large hotels where the number of servers is higher, the labour cost of the establishment would be higher. An organization has to manage staff levels and control cost to maximize sales by minimizing cost.

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### 3.3.1 Labour Control Considerations

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The cost of labour can be calculated as the basic pay is the fixed salary which an employee receives that is stated on a daily, monthly or annual basis. If the employees are paid on a hourly basis, it is calculated by multiplying the hours worked with the hourly rate for the job. In addition to the basic pay, there are some allowances and fringe benefits; for example, vacation pay, medical insurance, cost of free meals, and sick leave. When an establishment prepares the labour cost objectives, the total employee benefit amount should be included while calculating the cost.

The Labour cost considerations are as follows:

- (1) **Physical Plan:** The layout of an establishment may be the criteria for the presence of more or less employees at the workplace. An efficiently designed establishment may lead to reduction in the number of employees required.
- (2) **Equipment Used:** An establishment which uses a particular type of equipment may help reduce the number of employees and hence reduce labour cost.

Automation and usage of computers and software helps in reducing manhours and increases efficiency.

- (3) **Location:** If the establishment is located in a high volume business area as compared to a less volume area, the efficiency of employees is said to be more. Similarly, a restaurant located in a business area will have a higher seat turnover and higher revenue as compared to a restaurant located in the outskirts of a business area.
- (4) **Unions:** Various establishments whose employees are covered by the union contract would have a higher labour cost as compared to an establishment which does not have a union. This happens because higher levels of pay and fringe benefits considerably increase the total labour cost.
- (5) **Government Legislation:** Often, an operation is effected by government legislations; for example, an employee has to pay a minimum rate for the number of hours worked.
- (6) **Menu:** A menu may be determined by the type of market and the number of dishes offered, the Kitchen time required to prepare the dishes, the style of service, and the availability of pre-prepared or convenience food available. A luxury restaurant would require a more skilled staff in the restaurant as well in the front of the house as compared to a fast food outlet.

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### **3.3.2 Organizational Plan**

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An organizational plan, is basically a ‘to do’ list of an organization. It lists out plan of work, programs and organizational growth over a period of time-six months, a year or five. The task involved, who is responsible for them, and when they’ll be done.

An organization plan helps to:-

- Set priorities for work
- Make sure tasks get done on time
- Focus on one thing at a time
- Share work among staff, board members & volunteers
- Make goals clear to investors
- Get a handle on big projects by breaking them down.
- See the big picture of what organization is doing.

#### **Definition of organization:**

‘Organization is the form of every association for the attainment of a Common Purpose.’

- Mooney and Reiley

‘Organizing involves the establishment of authority relationships with provisions for co-ordination between, both vertically and horizontally in the enterprise structure.’

-Koontz and O’ Donnell

When the objectives and plans of the firm are delineated, then the manager has to decide the basic set-up of the organization through which, the plans would be executed. Large system and small sub-system have to be established. The flow of information has to be ensured from one hierarchy to another. To carry out its vision, mission, objectives, and goals, every hotel requires a formal structure, known as the organization structure. This structure defines the company's distribution of responsibility and authority among its management staff and employees. It establishes the manner and extent of roles, power, and responsibilities and determines how information flows between different levels of management. For preparing on organization plan, the management has to formulate the staff hierarchical structure depending on the menu and dishes served, type of services provided, clientele and the expected number of covers to be served. An organization chart has to be prepared, which shows the delegation of the duty from the top to the lower levels.

**Organization Structure:** An organization structure should be designed to:-

- (i) Clarify who is to what and who is responsible for what results;
- (ii) Remove obstacles to performance caused by confusion and uncertainty of the assignment;
- (iii) Furnish decision-making and communication network reflecting and supporting enterprise objectives.

**Classifications of Organization:** Following four classifications are well known:

1. Organization classified on the basic of the levels of formality:-

#### Chart of Formal Organization

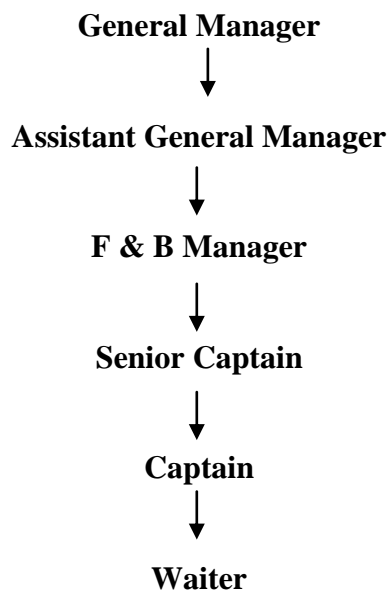
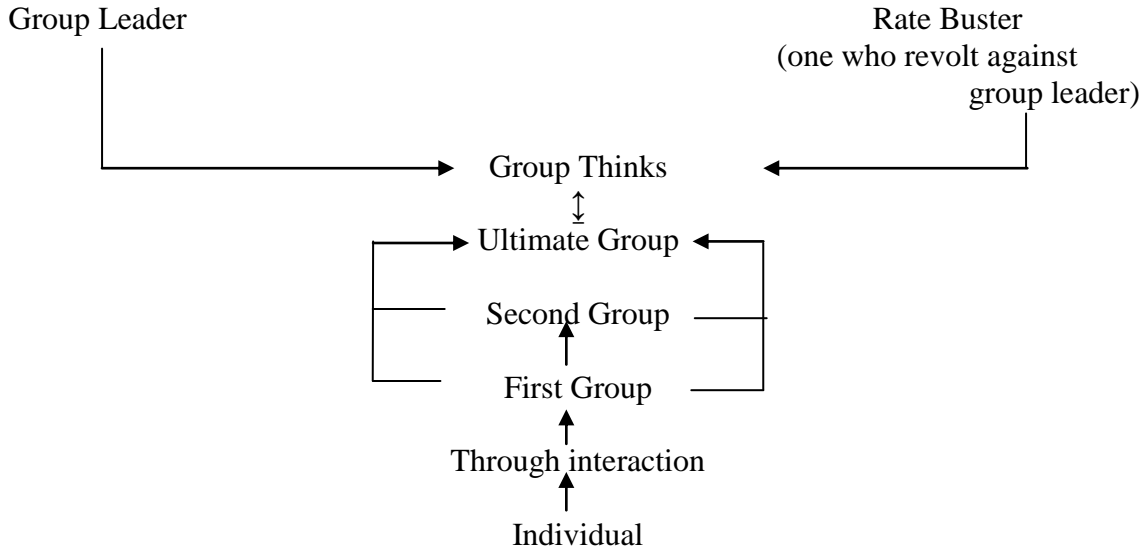


Figure 3.1 Formal Organization Chart

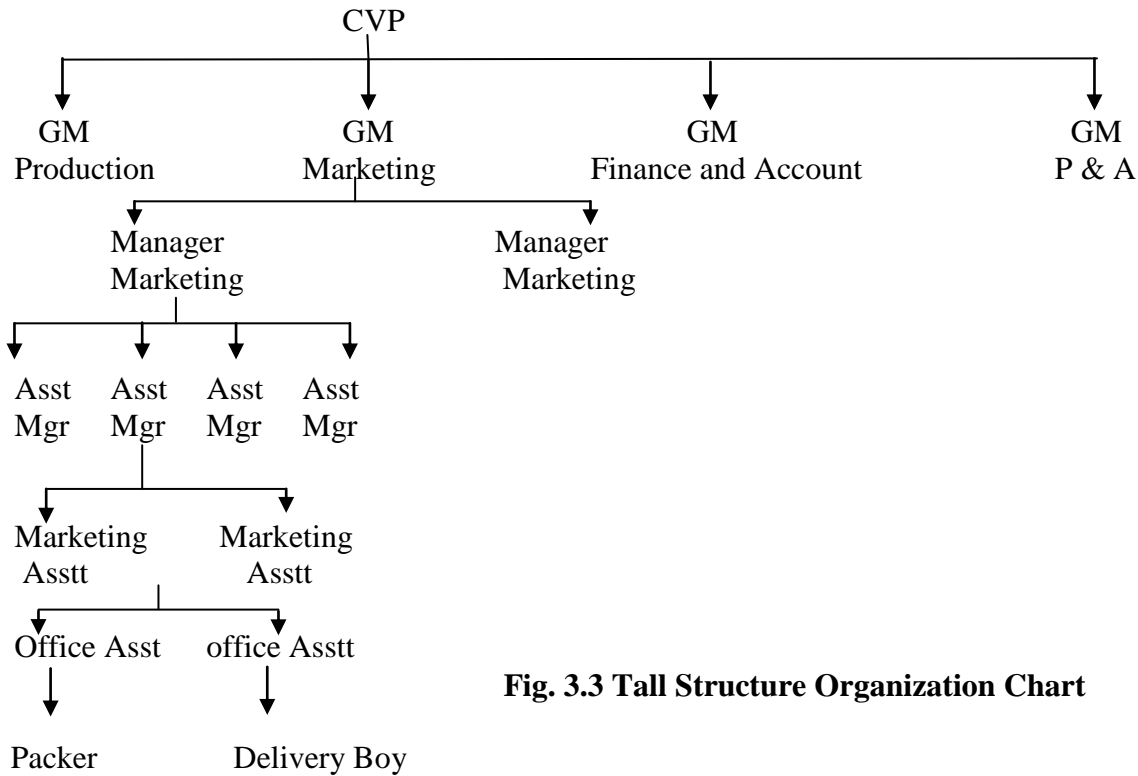
**Chart of Information Organization**



**Fig. 3.2 Informal Organization Chart**

(2) Organizations classified on the basis of the Depth of structure

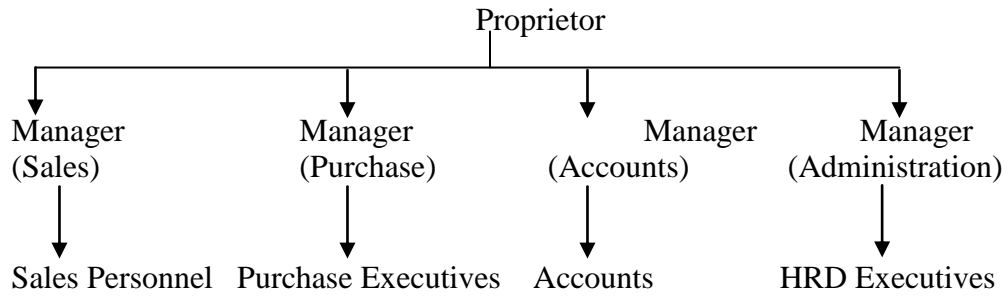
(a) Organization having tall structure



**Fig. 3.3 Tall Structure Organization Chart**



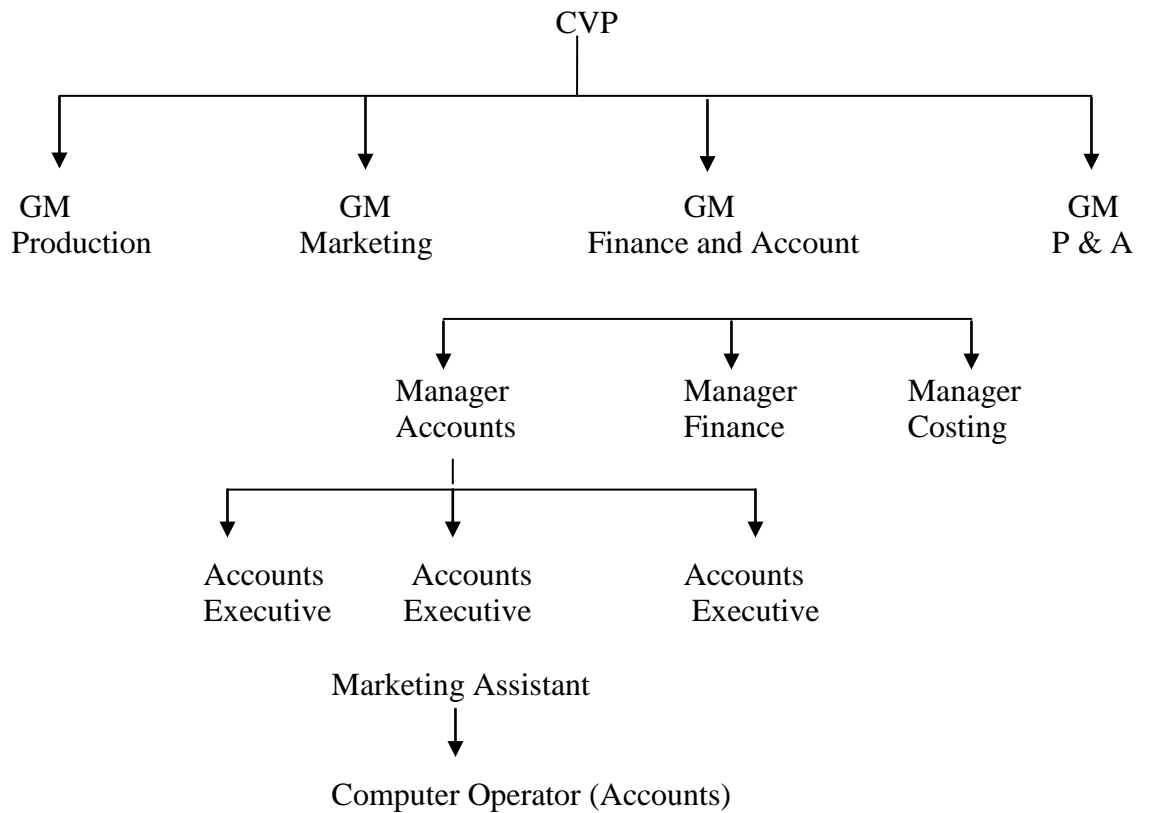
(b) Organisation having flat Structure



**Fig. 3.4 Flat Structure Organization Chart**

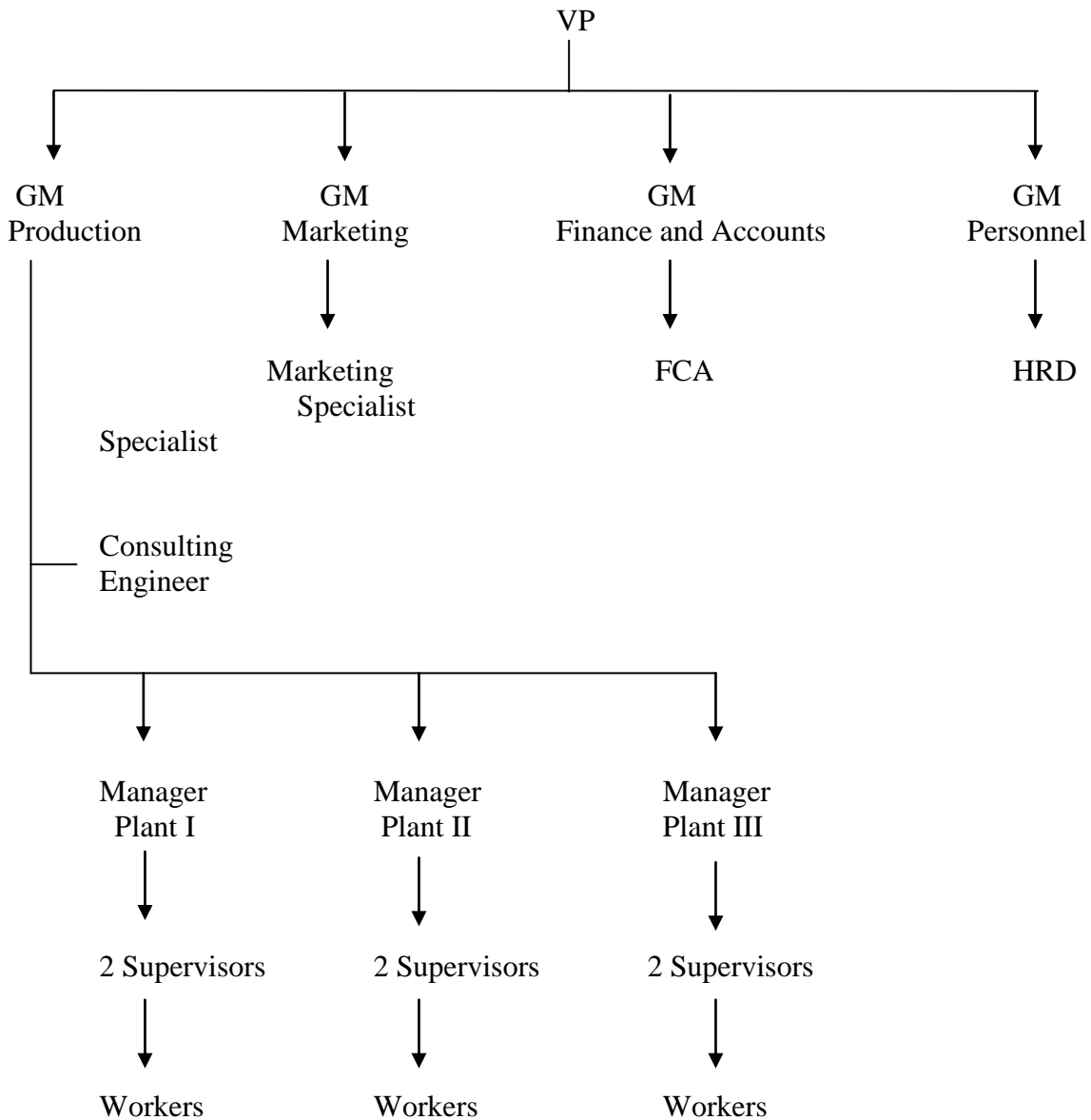
(3) Organizations Classified on the basis of expertise personnel:-

(a) Line Organization:-



**Fig. 3.5 Line Organization Chart**

(b) Line and staff Organisation



**Fig. 3.6 Line and Staff Organization Chart**

(4) Organization Classification on the basis of Exclusive defined projects works.

There are the organizations in which, employees carry out basic functions of management. They are directly involved in the execution of policies and completion of procedures that are associated with their jobs. They perform all those functions that are necessary to meet the goals. Orders and instructions move from top to bottom. Suggestions, reports and other sets of data move up the organizational ladder. The basic

functional executives are involved in their own worlds. They do not interfere in the operations of others. The executives of a line organization do routine tasks, which are defined for them by their bosses. They are less innovative, more mechanical and totally dependent upon the procedures, policies and programmes of the organizations. In this type of structure, the functional executives of management work according to the rules of the line organization. Scalar chains remain intact. Orders flow from top to bottom and information as well as suggestions flow from bottom to top. In addition, we also have a group of specialist in each functional area. These specialists assist the managers in the tasks related to their functional areas. The routine operations of the firm are supported by the expert suggestions of specialists. Given chart shows a typical line and staff organization structure. Such specialists may or may not be regular employees of the firm. Latest data indicate that they are hired only for limited periods. So, they act as consultants and not a employees. They are experts who abilities and knowledge levels are unquestionable. Normally, they guide senior managers like GMs and department heads. Their suggestions and strategies are transformed into orders by the senior cadres and passed on to the staff down the line. However, senior managers are not bound to obey staff specialists. They may or not implement the suggestions of these specialists in the line organization. Normally, specialists are not deeply involved with line managers; but there can be expectations to this rule. In a line organization, line authority gives a superior authority over a subordinate. But in the case of staff structure, there is no authority vested in the expert. According to the scalar principle of organization, if the line of authority from the ultimate management position in an enterprise to every subordinate position is clear, the responsibility for decision making would also be clear. As a consequence, organisational Communication would also be more effective. This discussion also leads us to the fact that a line organization is less complex then a line and staff organisation. In the latter, ego clashes, bureaucrat-tic delay and human problems are common. Output may suffer in many cases of line and staff structure.

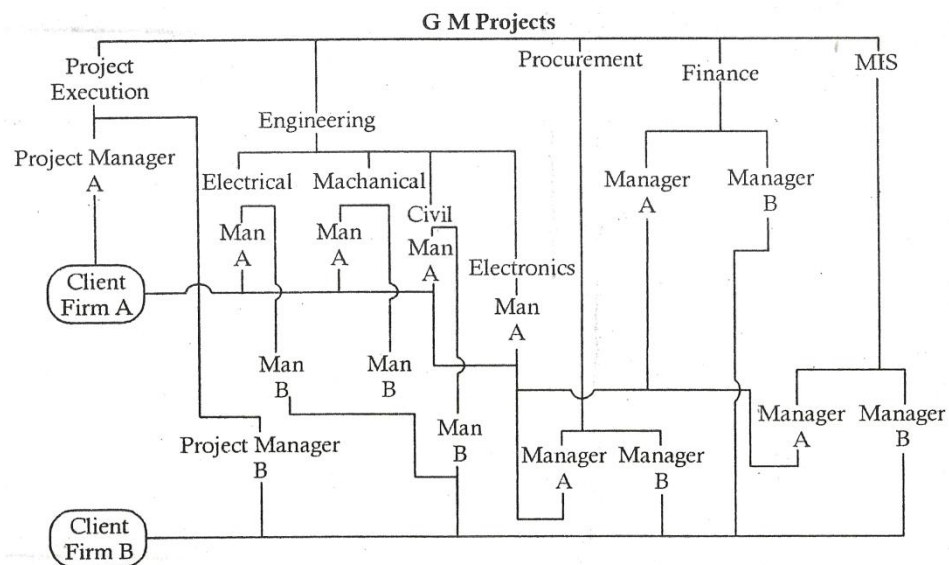
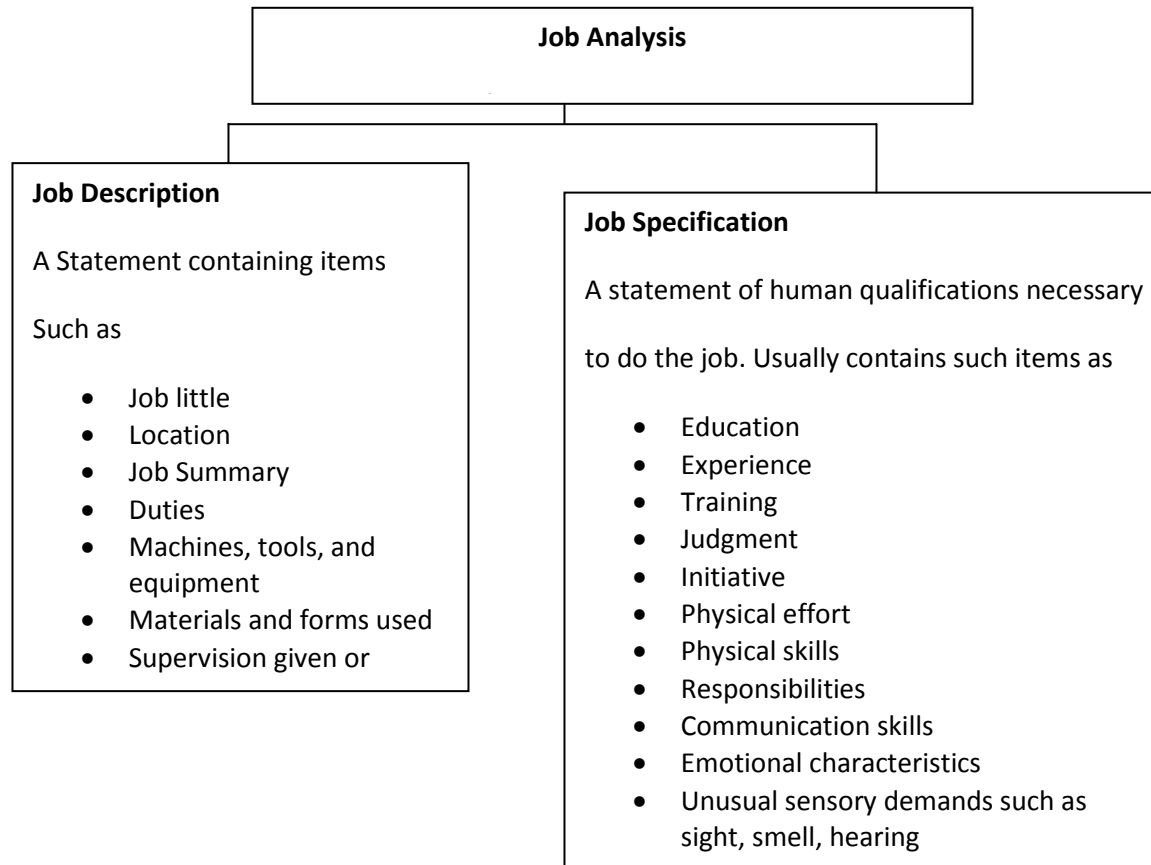


Figure 3.7 Matrix Structure

### 3.3 Job Analysis

Job analysis may be understood as a process of collecting information about a job. The process of job analysis result in two sets of data: (i) Job description and (ii) job specification. These data are recorded for references.



**Figure 3.8 Job Descriptions and Job Specification in Job Analysis**

A few definitions on job analysis are quoted below.

1. Job analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job descriptions and job specifications.
2. Job analysis is a systematic exploration of the activities within a job. It is a basic technical procedure, one that is used to define the duties, responsibilities and accountabilities of a job.
3. A job is a collection of tasks that can be performed by a single employee to contribute to the production of some product or service provided by the organization. Each job has certain ability requirements (as well as certain rewards) associated with it. Job analysis is the process used to identify these requirements. Job Analysis involves the following steps:
  - Collecting and recording Job information.
  - Checking the job information for accuracy.

- Writing Job descriptions based on the information.
- Using the information to determine the skills, abilities and knowledge that are required on the Job.
- Updating the information from time to time.

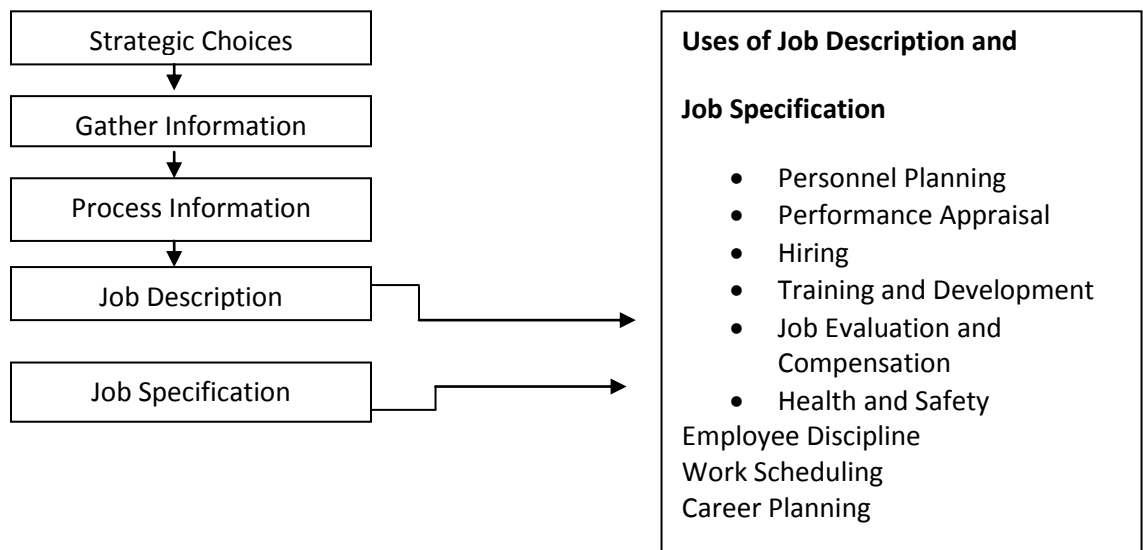
**Job Analysis and Competitive Advantage:**

As will be explained later, job analysis has its impact on all functions of HRM. Job analysis, if properly done, will enhance the effectiveness of all HR activities, specifically, job analysis benefits an organization in the following ways:

- Laying the foundation for human resources planning.
- Laying the foundation for employee hiring.
- Laying the foundation for training and development.
- Laying the foundation for performance appraisal.
- Laying the foundation for salary and wage fixation.
- Laying the foundation for safety and wealth.

**The Process of Job Analysis**

Illustrates the process of job analysis. The figure also point out the uses of information about job. As may be seen from the figure, job analysis is useful for several purposes, such as personnel planning, performance appraisal and the like. Each phase in the process of job analysis is explained in the paragraphs that follow.



**Fig. 3.9 Process of Job Analysis**

### 3.3.4 Forecasting and Scheduling of Personnel

A Manager or owner of an establishment should be able to forecast the number of staff required for a particular shift; otherwise, either the work would be hampered or the labour cost would be increased. There are many variables to be considered such as holidays, annual events and monthly promotions. While forecasting labour requirement, marriage seasons and festivals also have to be considered. Weather also plays an important role as many banquets are held mostly in autumn and winter as compared to summer and rainy season. There were software which used sophisticated predictive algorithms to generate the required labour forecast. With a simple click, managers could predict the number and type of employee required to meet the expected demand. One could accurately plan and control labour costs by understanding the labour targets to reduce overstaffing and keep budget in line. Employee productivity could be improved by expecting the demand and helped in reducing understaffing. Scheduling of employees is an important part of management as there are many points which have to be considered while planning a schedule. Employees in an organization are usually proportionate to the sales an establishment though it may not always be possible to establish the fact. The setting up of a schedule is the discretion of the management. Proper scheduling helps in obtaining better output from an employee. An establishment may not have only straight shift employees but may also have break-shifts during lunch and dinner when maximum employees are needed. Employee cost could be constant and variable and an organization may have both fixed and non-fixed employees. The duty roster for employees could be made either with the master schedule or with the shift schedule. In a master schedule, usually, the day off and leave vacation taken by an employee is been mentioned. In a shift schedule, the shift of the employees are mentioned with their timings

Time Serial No.	Week 1							Week 2						
	M O N	T U E	W E D	T H U	F R I	S A T	S U N	M O N	T U E	W E D	T H U	F R I	S A T	S U N
1.	off											off		
2.		off						off						
3.			off						off					
4.				off						off				
5.					off						off			
6.					off						off			
7.				off						off				
8.			off						off					
9.		off						off						
10.	off											off		

Table. 3.1 Master Schedule

Name	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Ram	Off	M	M	M	LM	LM	LM
Shyam	M	off	EVE	EVE	L EVE	L EVE	L EVE
Deepa	AS	AS	AS	Off	M	M	M
Anshu	EVE	EVE	Off	AS	EVE	EVE	EVE

**M:8 A.M.-4 P.M., AS: 2P.M.-10 P.M., LM: 9AM-5P.M., EVE: 4P.M.-12:00, L EVE: 5P.M.-1A.M.**

**Table. 3.2 Shift Schedule**

### 3.3.5 Standards of Performance

Setting standard of performance, observing and providing feedback, and conducting appraisals enables you to achieve the best results through managing employee's performance. To begin the process, you and the employee will collaborate on the development of standards of performance. You will develop a performance plan that directs the employee's efforts towards achieving specific results, to support organizational growth as well as the employee's professional growth. Discuss goals and objectives throughout the year, providing a frame work to ensure employees achieve results through coaching and mutual feedback. At the end of the rating period, you will appraise the employees performance against existing standards, and establish new goals together for the next rating period. As the immediate supervisor, you play an important role; your closest interaction with the employee occurs at the level.

**Performance Standards:** Performance expectations are the basis for appraising employee performance. Written performance standards let you compare the employee's performance with mutually understood expectations and minimize ambiguity in providing feedback. Having performance standards is not a new concept; standards exist whether or not they are discussed or put in writing. When you observe an employee's performance, you usually make a judgment about whether that performance is acceptable. How do you decide what's acceptable and what's unacceptable performance? The answer to this question is the first step in establishing written standards. From performance standards supervisors can provide specific feedback describing the gap between expected and actual performance.

**Effective performance Standards:**

- ❖ Serve as an objective basis for communicating about performance.
- ❖ Enable the employee to differentiate between acceptable and unacceptable results.
- ❖ Increase Job satisfaction because employees know when tasks are performed well
- ❖ Inform new employees of your expectations about job performance.

- ❖ Encourage an open and trusting relationship with employees.

**Key Areas of Responsibility:** Write performance standards for each key area of responsibility on the employee's job description. The employee should participate actively in their development. Standards are usually established when an assignment is made, and they should be reviewed if the employee's job description is updated.

**Characteristics of performance Standards:** Standards describe the conditions that must exist before the performance can be rated satisfactory. A performance standard should:-

- ❖ Describe the conditions that exist when performance meets expectations.
- ❖ Be expressed in terms of quantity, quality, time, cost, effect, manner of performance or method of doing.
- ❖ Be measurable, with specific methods of gathering performance data and measuring against standards.

Expressing performance standards on the basis of Quality, Quantity, timelines, Effective use of Resources, effects of effort, manner of performance and methods of performing assignment

**Performance Measurement:** Since one of the characteristics of a performance standards is that it can be measured, you should identify how and where evidence about the employee's performance will be gathered. Specifying the performance measurements when the responsibility is assigned will help the employee keep track of his progress, as well as helping you in the future performance discussions.

There are many effective ways to monitor and verify performance, the most common of which are:-

- ❖ Direct observation
- ❖ Specific work results
- ❖ Reports and record, such as attendance, safety, inventory, financial records, etc.
- ❖ Commendations or Constructive or Critical Comments received about the employee's work.

**Observation and Feedback (Coaching):** Once performance objectives and standards are established, you should observe employee's performance and provide feed back. You have a responsibility to recognize and reinforce strong performance by an employee, and identify and encourage improvement where it is needed. You provide informal feedback almost every day. By observing and providing detailed feedback, you play a critical role in the employee's continued success and motivation to meet performance expectations. Coaching is the method of strengthening communication between you and the employee. It helps to shape performance and increase the likelihood that the employee's results will meet your expectations. Coaching sessions provided you and the employee the opportunity to discuss her progress towards meeting mutually- established standards and goals. A coaching session focuses on one or two aspects of performance, rather than the total review that takes place in a performance evaluation. Effective coaching can:



- ❖ Strength Communication between you and the employee
- ❖ Help the employee to attain performance objectives
- ❖ Increase employee motivation and commitment
- ❖ Maintain and increase the employee's self esteem
- ❖ Provide Support

**Key elements of Coaching:** To make your coaching session effective, you must understand the key elements of coaching:-

- ❖ Coach when you want to focus attention on any specific aspect to the employee's performance.
- ❖ Observe the employee's work and solicit feedback from others.
- ❖ When performance is successful, take the time to understand why.
- ❖ Advise the employee ahead of time on issue to be discussed.
- ❖ Discuss alternative solutions.
- ❖ Agree on action to be taken.
- ❖ Schedule follow-up meetings to measure results.
- ❖ Recognize success and improvements.
- ❖ Document key elements of coaching session.

**Coaching Behaviours:-** To make the most of coaching the employee, remember to practice these coaching behaviours.

- ❖ Focus on behaviour, not personality.
- ❖ Ask the employee for help in problem identification and resolution. Use active listening to show you understand.
- ❖ Use specific goals and maintain communication.
- ❖ Use reinforcement techniques to shape behaviour.

When you conduct a coaching session to improve performance, you may want to use the following format:-

- ❖ Describe the issue or problem, referring to specific behaviours.
- ❖ Involve the employee in the problem-solving process.
- ❖ Discuss Causes of the problem.
- ❖ Identify and write down possible solutions.
- ❖ Decide on specific actions to be taken by each of you.
- ❖ Agree on a follow- up date.
- ❖ Document key elements of the session.

**Follow-up Discussion:** To conduct a follow-up discussion, consider the following steps:-

- ❖ Review the previous discussions.
- ❖ Discuss insufficient improvement and ask for a reason why
- ❖ Indicate consequences of continued lack of improvement
- ❖ Convey your confidence in the employee
- ❖ Document your discussion

**Performance Appraisal:** The Campus carries out its mission through the individual and collective contributions of its employees. To do their best, staff members need to know that those contribution will be reorganize and acknowledged. Overseeing performance and providing feedback is not an isolated event, but rather an ongoing process that takes place throughout the year. The performance appraisal is part of that process, and provides an excellent opportunity for you to communicate with the employee about past performance, evaluate the employee's job satisfaction, and make plans for the employee's future performance. Remember that the performance appraisal summarizes the employee's contribution over the entire appraisal period (usually one year). It is not a step in the disciplinary process. It may occur as often as you believe is necessary to acknowledge the employee for accomplishments and to plan together for improved performance. The goal of the performance appraisal process is to help the employee feel:-

- ❖ Positive about the job.
- ❖ Motivated to do well and to develop.
- ❖ Benefited by specific, constructive feedback.
- ❖ Appreciated for specific contributions
- ❖ Informed about current and future performance objectives
- ❖ Involved as a participant in the process record the results of your discussion on the performance appraisal form. Ask the employee to sign the form, and explain that this signature acknowledges discussion of the contents, not be necessarily agreement with them. Route to your manager for final signatures and placement in the employee's departmental personnel file. Give a copy of the signed appraisal to employees.

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### 3.3.6 Payroll Analysis

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Payroll refers to the gross pay which an employee receives for the work he or she performs or contributes towards the establishment. The amount of salary an employee receives is calculated on hourly, daily or monthly basis as prevalent in the country for non-daily wages employees. Payroll can be fixed or variable.

**Fixed Payroll:** Fixed payroll refers to the amount which is fixed for an establishment for a particular period and remains unchanged until the employee leaves the employment. It happens when employees are paid salary on a monthly basis.

**Variable Payroll:** Some establishments pay their employees on an hourly basis. This is common in western countries. Depending on the volume of work, the number of employees is increased or decreased. Sometimes, variable payroll is beneficial to an establishment as it does not have to pay for the man-hours when an employee is not utilized to the maximum.

**Automated payroll system:** Nowadays, payroll is automatically generated. With the help of suitable software, the data of each employee is fed into the system, along with

basic salary and other allowances. The payroll of an employee is prepared as per the number of days he/she put to work. The work plan for each establishment can also be prepared with break time included so that if an employee is either late to work, late after break, or leaves early from work, the data can be viewed on the sheet. A consolidated payroll report of all employees can also be prepared to ascertain the total labour cost of the establishment and a brief description of the designation to compare the number of employees, their positions, and break-up of salaries.

**CHECK YOUR PROGRESS- I**

**Q-1 Explain the Performance Appraisal.**

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**Q-2 Define Organization Plan.**

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**Q-3 Discuss Payroll Analysis.**

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### 3.4 Frauds in F & B Control

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F & B Control procedures are a necessity for any catering establishment. As cost increase more than the budgeted amount of the standard, the management tries to reduce the cost. It may so happen that the cost may not be too high but the revenue obtained is low. Thefts or frauds by employees may lead to a reduction in revenue levels and increase in F & B cost percentage. Therefore, the management must consider expenses and revenue levels when assessing the effectiveness of a control system. Computerization of the F & B management system has led to decrease in frauds by employees especially the possibilities for collusion- cooperation between two or more dishonest employees in an establishment. As documentation and retrieval of data can be done at ease with the help of PMS and interconnectivity with the departments, thefts and frauds have reduced. The usage of Close Circuit Television Cameras (CCTVs) has also led to a reduction in thefts as employees know that they are continuously monitored.

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#### 3.4.1 Frauds in Purchasing

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A hotel or a catering establishment has to purchase raw materials and other goods to run the establishment in a better manner. As it is practically impossible for a single supplier to provide all the necessary requirements of an establishment, a hotel opts for various suppliers which are finalized by a contract. The contract is made between the supplier/vendor and the hotel with the purchase manager at the helm of it. When finalizing the supplier usually organizations opt for the lowest quote by a vendor; however, neither it is mandatory nor it should be done if the quality of the material is compromised upon. Considering this, some establishments may opt for a higher price than the lowest bid price and the management is convinced that the difference in price is intended if better quality or grade of material is delivered. Actually, there is an unsaid agreement between the vendor and the purchase or the store manager. Depending upon the value of the material requested, the vendor would pay an amount to the purchase manager. In the entire process, the vendor and the purchase manager gain, whereas the establishment faces loss as the quality of the product received is compromised upon for the monetary gain of the parties involved.

**Receiving Without Verifying:** In the name of faith or due to shortage manpower, many catering establishments receive goods as sent by the vendor. The items received are not weighed or their date of expiry verified when receiving the goods. It leads to a loss to the establishment as no vendor would ever supply more to the customer but may try to give a little less than what has to be mentioned in the invoice.

In a small organization, the vendor may have some sort of adjustment with the head of the F & B service or Food Production, who is authorized for the invoice sent by the vendor for payment. He/she also orders goods from vendors. The vendor prepares the invoice for a particular quantity of goods delivered but actually delivers the quantity much less than the amount mentioned. For example, the vendor prepares a bill of 50 kg god dressed chicken but delivers only 45kg. Either the storekeeper or the receiving clerk

is also taken is this loop or the chef goes and verifies with the vendor when the supplies come in, knowing well about the discrepancy. To earn extra money from the catering establishment, some vendors supply goods in less weight than specified by adding water or moisture, especially in meat or chicken: and the manipulation so done cannot be easily identified. The moisture comes out when the meat is cooked which is additional to the normal moisture lost during cooking. Incomplete quantity of a particular material may be sent by the vendor, promising that the shortage would be delivered soon. The establishment accepts it in good faith but later, the requisite material is only delivered and the shortage of material is not compensated which leads to loss to the establishment. Some vendors may do it non-intentionally and when reminded, would agree with it, whereas some vendors occasionally do it to earn extra money when they know that the establishment does not verify the deliver made with that in the past.

The supplier might deliver lower quality items; for example, 30% fat content in ground beef instead of 20%, and the establishment has to pay price for higher quality. Short-weight in products or short-count products might be delivered so that the food service operation pays for more products than it receives. Thawed products may be represented as fresh, whereas the establishment pays more prices for fresh.

Sometimes, ice may be ground into ground meat products and frozen, fillers such as soy products or non-fat dry milk extenders may be added, and meat may be sold with excess fat trim. The weight of the ice and or packaging may be included in the product weight on which the price is based and 'slacked out' frozen- seafood and packed in ice food may be sold as fresh. Expensive steaks and inexpensive meat may be combined in one container, and when the container is weighed, the operation may be billed for more expensive steaks than what is actually present in the container. One empty liquor bottle may be included in a case of 12 bottles.

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### **3.4.2 Frauds in Receiving**

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Many establishments do not have an (Standard Purchasing Specification) SPS for raw materials purchased, especially perishables. Sometimes, the vendor shows a few samples of the product to be delivered to satisfy the establishment and actually delivers products of poor quality. The quality of the goods to be received has to be standardized: this must be done by the chef, in consultation with the purchase department and the vendor. The specifications have to be written down so that the same could be verified at the time of receiving. Temperatures of food, especially frozen foods as well as perishables, have to be considered and not receiving food at the appropriate temperature would lead to poor quality of food as well as reduced shelf life.

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### **3.4.3. Frauds in Storing**

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Storing of goods after they are received is classified into perishables and non-perishables. Perishables are stored in various refrigerated units, depending upon the temperature required for them and the duration for which food can be kept on hold.

Frauds which usually happen in storing include storage of food items in temperature not suitable for particular food items. For example, if vegetables or fruits are stored at a temperature below 0°C, it may lead to spoilage of lefty vegetables. If meat poultry, fish are stored above 0°C, they would also be spoiled. Care must be taken that the person or staff allocated for storing food items have knowledge regarding the same, FIFO (First in First Out) should also be strictly followed when storing food items in racks in refrigerator and in dry stores. All the items should be stored in their respective places and should not be kept unorganized as these would lead to more spoilage of goods.

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### **3.4.4 Frauds in Issuing**

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When the goods or items are taken from stores, proper care must be taken and verified that all goods are received as per the requisitions made. The trainees of the hotel usually do not store pick-up and must be briefed that the requisite quantity should be same as the quantity delivered. If the same quantity could not be delivered, a note should be made specifying when it would be issued or the same quantity would be carried forward in the next requisition. Similarly, goods should not be issued or received in more than the requisite quantity by the person receiving them as it will lead to loss as the issued quantity is more than the requisite quantity. These points have to be considered to avoid loss to the establishment.

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### **3.4.5 Frauds in Preparing and Selling Stages of F & B Control**

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Various frauds as well as thefts happen when billing is done for a guest. Frauds may be carried out by bartenders, servers, and cashiers. Sometimes, a bartender may sell a drink if he/she is sure that the guest will pay by cash, keep the revenue, and may report that the drink has been spilled or returned and could not be resold. A bartender may also under-pour drinks for the guest but may pour drinks for free to friends whose sale is unaccounted. A bartender may also use similar tactics to earn additional tips from guests by allowing them to have a complimentary drink. A bartender may also under-ring the number of drinks served to the guest and pocket the difference amount.

A cashier, using both electronic and manual system, may collect the money and void the sale. A cashier may collect cash from the guest and when the guest leaves, he/she may say that the guest has left without paying the bill. A cashier may withdraw money from the drawer saying that there is a shortage due to unavailability of change or denominations. A cashier may even ring up the POS (Point of Sales) Machine of other cashier which may lead to excess amount for one cashier and less amount for another. Often, when the cashier knows the guest and is also confident that the guest will not check the bill and pay by cash, they may overcharge the guest and pocket the difference amount. Sometimes, cashiers may deliberately give short change to the guest so as to keep the extra change and pocket the money.

Servers may reuse a bill or convince cash-paying customers to order the same menu items in order to reuse checks, a slight variation of it to obtain the order for another

guest or give the same bill to another guest if the server is assured that the guest would be paying by cash. Many servers may add bill, delete, over add, or try to influence the bill of the guest so as to add more tips. A server can also collect cash, destroy the bill, and state that the bill is lost or that the guest has left without paying. A server may sometimes present a slightly higher, similar check, hoping that a cash-paying Customer will not closely review it. A server may also say that an unsatisfied guest has returned the food, pocket the money, and say that the guest has just paid for the other items. Some servers may also collect the revenue which may be obtained from items which could be collected without giving a KOT or a requisition slip. When there are identical orders, a server enters only one item and moves it from the original check to newly created seats or checks (split checks). The checks are then re-printed for pocketing extra cash.

For example, if two people at a table order the same item (e.g. an appetizer that the server has direct access to), the server enters only one menu items into the system, creates a second check for the second customer, transfer the item to that check, prints a bill for that customer, and then transfers the item back to the original check for the first customer. Another great concern of fraud in the food service industry is the theft of customer information and data, particularly credit card information.

Skimming card numbers and credit card fraud continues to tarnish this industry. Another it may not be a direct loss to your business, having employees involved in a skimming scam will most certainly hurt your brand and customer trust. Sometimes, a guest may not be able to pay for the meal or the dishes consumed and may just leave the establishment. Many a time, a guest may have food in an outlet and later deny of having the dishes. Sometimes, a guest may pay through currency which is counterfeit for which either the cashier or the server should be very particular so that no such currency is accepted by them. Sometimes, while handling short change in a hurry, a serer may have requested but later forgotten to collect it from the guest which leads to shortage when counted later.

Theft of raw products occurs right out of the back door. Many a time, raw products from the kitchen are taken by kitchen staff to their residence or prepare bills with an understanding between the delivery personnel and the kitchen staff or the vendor and the kitchen staff: the vendor may directly send things to the residence of the staff but the amount is billed to the establishment.

Eating or grazing while cooking. Which may not be considered theft, will effect food costs, depending on how much is eaten. Kitchen staff may also be involved with servers. Servers will work with kitchen staff in void frauds or remove meals from checks. Vendors can also get involved with kitchen staff when it comes to shorting shipments, providing lower quality food items while providing bills for a higher price. Kickbacks to chefs, cooks, or others involved in ordering or inventory process are also examples.

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### 3.4.6 Prevention of Frauds

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Frauds have to be prevented and it requires efforts from all the employees with the help of machines and technology. Computers and CCTV are a boon for the present generation, and dedicated and custom-made software are available for each department. To prevent purchasing frauds, proper documentations have to be made by the purchase manager, and staff of the receiving and the stores departments. Whenever a purchase order is generated, a report or a record should be maintained regarding consumption or the consumption pattern of the particular item. This will help in understanding the necessity of the item and the par stock to be maintained. When a purchase order is generated, multiple copies have to be prepared and sent to the respective section. A copy is usually sent to the receiving section and to the accounts department for payment. A copy is also sent to the vendor regarding items to be supplied, and their quantity is preferably mailed. Some organizations also mention their delivery dates as well as the time of the purchase order which helps the receiving section to be prepared for the same. When the items are received, first, the invoice should be tallied with the purchase order to check that the requisitioned quantity and quality product is delivered. They should be checked that they are as per SPS laid down for the item. The receiving clerk should weight, measure, or count, depending upon the item and verify it as mentioned in the purchase order. The same should also be mentioned in the goods received note, so that accountability is maintained about each item delivered by the vendor and received by the receiving clerk.

All the invoices, with their goods received notes, should be tagged so that at the time of billing, they can be checked and verified. While storing and issuing goods, the individual who has received the goods from the store should countersign along with the person from the store who has actually delivered those goods. The issuing person should tick, the requisite item when the items is issued and then sign it when it tallies. With the helps of CCTVs, frauds are reduced and the same is combined with the issue process so that the exact time of issue and footage from the same can be tallied and verified. The storekeeper should also be particular about obtaining goods from the receiving section so that no frauds are committed. To prevent frauds in the kitchen, proper inventory of food prepared, raw materials, and food sold should be kept and ensured that they tally with other. If there is any discrepancy, the concerned authorities should be informed about the same.

CCTVs are a boon in the kitchen as they are used for monitoring chefs and cooks while preparing food. There should be a batch size of each dish pared and the quantity of ingredients for each batch should be specified as per the standard recipe. To prevent frauds while ordering, it is better if no food is served from the kitchen and bar without the kitchen order ticket (KOT) and the bar order ticket/ token (BOT), respectively. If the order is cancelled, a wrong order is placed, if there is spoilage, or if food is returned to the kitchen, the information has to be sent to the kitchen with the reason for return and the same has to be informed to the cashier and the manager on duty. When a bill is cancelled or if there is any alternation, the same has to be approved by the kitchen that



the items have been prepared or remade and then sold so that accountability is maintained. The frauds committed by the cashier can be controlled with computerization and where POS systems are used, the cash drawer is opened only after a transaction is made. Cancellation of bills should also not be allowed without the manager's permission. All guest bills should tally with KOTs and the bills after payment should be punched or stamped so that repeat bills cannot be given to guests. Only authorized persons should be allowed to handle cash and a single person should be allotted for particular cash drawer for shift timings. Fraud committed by the management may be rare but cannot be overlooked. All the transaction in an establishment should be audited both with an internal and external auditor. Care must be taken that the book of accounts is not cooked up and the assets and cash in bank are actually present. All transactions should be supported with proper documentation even if the money is handled by the owner or the proprietor of the establishment.

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### 3.5. Inventory Control

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The term 'Inventory' means the value or amount of materials or resources on hand. It includes raw materials, work-in-process, finished goods and stores. Inventory control function includes receiving, inspection, issuing and handling of materials. The effective operation of these functions forms the basis of successful operation of any inventory.

Green J.H. (1970) defines inventory control system as "the process of determining the items or groups of item that deserve the maximum control of efforts."

Procedures used by hospitality operators to ensure that the quality and cost of all items in storage areas are maintained according to company standards. Usually involves environmental controls such as proper temperature, humidity and ventilation as well as the use of security methods such as web cam, physical barriers and strict accounting procedures. Tight control exists when only a few persons are authorized to withdraw items from the storeroom. It also exists when effective and efficient security personnel prevail. The inventory control aspect is perhaps the most important part of the store room manager's job. There are two reasons for keeping a constant check on inventory. One is to pinpoint losses quickly in order to put a stop to them. The other reason has to do with purchasing. If you have lost stock due to theft, breakage, error or whatever, you must buy stock to replace it, so that you must buy stock to replace it, so that you can serve your customers. Therefore, you need to know what you really have on hand in order to plan each purchase.

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#### 3.5.1 Importance Objectives, Levels, Methods and technique

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Importance of Inventory control in the catering establishment are as follows:-

- (1) **The Decoupling Function:** One of the major functions of inventory is to decouple manufacturing processes within the organization. If a hotel does not store inventory, there could be many delays and inefficiencies. For example, when one manufacturing activity has to be completed before a second activity can be

started, it could stop the entire process. However, stored inventory between processes could act as a buffer.

- (2) **Storing Resources:-** Agricultural and seafood products often have definite seasons over which they can be harvested or caught, but the demand for these products is somewhat constant, during the year. In these and similar cases, inventory can be used to store these resources. In hotels, raw materials can be stored by themselves, as work-in-process, or as finished products.
- (3) **Irregular Supply and demand:** When the supply or demand for an inventory item is irregular, storing certain amounts in inventory can be important. If the greatest demand for Diet-Delight beverage is during the summer, the diet-delight company will have to make sure there is enough supply to meet this irregular demand. This might require that the company produce more of the soft drink in the winter than is actually needed in order to meet the winter demand. The inventory levels of Diet-Delight will gradually build up over the winter, but this inventory will be needed in the summer. The same is true for irregular supply.
- (4) **Quantity Discounts:** Another use of inventory is to take advantages of quantity decision. Purchasing in large quantities can substantially reduce the cost of products. There are, however, some disadvantages of buying in large quantities. You will have higher storage costs and higher costs due to spoilage, damaged stock, theft and so on. Furthermore, if you invest in more inventory, you will have less cost to invest elsewhere.
- (5) **Avoiding Stockouts and shortages:** Another important function of inventory is to avoid shortage or stockouts. If a hotel is repeatedly out of stock, customers are likely to go elsewhere to satisfy their needs. Lost goodwill can be an expensive price to pay for not having the right item at the right time.

### Objectives of Inventory Control:

The following are the objectives of inventory control are as follows:-

- ❖ To meet unforeseen future demand due to variation in forecast figures and actual figures.
- ❖ To average out demand fluctuations due to seasonal or cyclic variations.
- ❖ To meet the customer requirements timely, efficiently, effectively, smoothly and satisfactorily.
- ❖ To smoothen the production process.
- ❖ To facilitate intermittent production of several products on the same facility.
- ❖ To gain economy of precaution or purchase in lots.
- ❖ To reduce loss due to changes in prices of inventory items.
- ❖ To meet the time lag for transportation of goods.
- ❖ To meet the technological constraints of production/Process.
- ❖ To balance various costs of inventory such as order cost or set up costs of inventory.

- ❖ To minimize losses due to deterioration, obsolescence, damage, pilferage etc.
- ❖ To stabilize employment and improve our relations by inventory of human resources and machine efforts.

**Levels of Inventory:** Levels of inventory are determined by a variety of factors. Some of the most important ones are as follows-

- (1) **Storage Capacity:** Many times, Kitchen lack adequate storage facilities. In some cases, they are short on space for frozen or refrigerated foods but have excess capacity in dry storage areas. Hotel must be careful not to determine inventory levels in a way that will overload your storage capacity. When storage space is big, the tendency by some many is to fill the space. It is important that this not be done as increased inventory of items generally leads to greater spoilage, loss due to theft and careless use of valuable and expensive products.
- (2) **Items Perishability:** If all food products had the same shelf life that is, the amount of time a food item retains its maximum freshness, flavour and quality while in storage, you would have less difficulty in determining the quantity of each item you should keep on hand at any given time. Unfortunately, the shelf life of food products varies greatly. Because food items have varying shelf lives, you must balance the need for a particular product with the optimal shelf life of that product. Serving items that are 'too old' is a sure way to develop guest complaints. One of the quickest ways to determine the overall effectiveness of a food service manager is to 'walk the boxes'. This means to take a tour of a facility's storage area. If many products, particularly in the refrigerated area, are moldy, soft, overripe or rotten, it is a good indication of a food service operation that does not have a feel for proper inventory levels based on the shelf lives of the items kept in inventory.
- (3) **Vendor Delivery Schedule:** Location of your hotel and type of your operation ascertain the frequency of delivery by the vendor. It is important to remember that the cost to the vendor for frequent deliveries will be reflected in the cost of the goods to you. Vendors will readily let you know what their delivery schedule to a certain area or location can be. It is up to you to use this information to make good decisions regarding the quantity of that vendor's product you must buy to have both working stock and safety stock.
- (4) **Potential Savings from Increased Purchase Size:** For the large food service operator saving by purchasing large quantity and thus, receive a lower price from your vendor. There are costs associated with extraordinarily large purchases. These may include storage costs, spoilage, deterioration, insect or rodent infestation or theft. You should determine your ideal product inventory levels and then maintain your stocks within that need range.

- (5) **Operating Calendar:-** When an operation is involved in serving meals seven days a week to a relatively stable number of guests, the operating calendar makes little difference to inventory level decision making. It can be said that an operator who is closing down either for a week-end or for a season should attempt to reduce overall inventory levels as the closing period approaches. Many operators actually plan menus to steer clear of highly perishable items near their closing periods. They prefer to work highly perishable items such as fresh sea food and some meat items.
- (6) **Value of Inventory for the operator:** Operators remove rupees from their bank accounts and convert them to product inventory. When this is done, the operator is making the decision to value product more than the rupees. When it is expected that the value of the inventory will rise faster than the rupees. When it is expected that the value of the banked rupee, this is a good strategy. All too often, however, operators overbuy or 'stockpile' inventory, causing too much money to be tied up in non-interest bearing food products. When this is done, managers incur opportunity costs. An opportunity cost is the cost of foregoing the next best alternative when making a decision. You could choose to use your money to buy food inventory that will sit in your storeroom until it is sold, or you could choose not to stockpile food inventory and invest the money. If you stockpile the inventory, then the opportunity cost is the amount of money you would have made if you had invested rather than holding the excess inventory.

**Methods and Technique of Inventory Control:** The momentous decisions faced by management are how much to order, when to order, what safety stocks to keep, and what stock-out probabilities and levels are acceptable. The major production oriented methods and techniques of inventory control for managing inventories efficiently are:-

1. **ABC Analysis:** The basic work in this always better control analysis is the classification and identification of different types of inventories, for determining the degree of control required for each. In many firms it is found that they have stocks which are used at very different rates. So items are classified under three broad categories A, B and C, on the basis of usage, bulk, value size, durability, utility, availability, critically etc; and should be controlled with due weightage to differential characteristics. The items included in group, 'A' involve largest investments and the inventory control should be most severe to these items. 'C' group consists of inventory items which involve relatively small investments although the number of items remain large. These items deserve minimum attention of control. In 'B' group that items are included which are neither of 'A' nor 'C'. This method can be explained by the following exhibit.

**Classification of Inventory Items:-**

Class	No. of Items (Percent of total)	Value of Items (Percent of total)
A	20	85
B	30	10
C	50	5
Total	100	100

**Table. 3.3 Inventory Items**

From the figure it can be observed that there are comparatively few items in 'A' but they constitute a large proportion of the total rupee value; 'B' items are in the intermediate range value; 'C' items are numerous but expensive. The purpose behind the 'distribution by value' analysis is 'Always Better Control'. Different attitudes shall be adopted in inventory management-aggressive for class 'A' items, active for class 'B' items and loose for class 'C' items; and that each category should be given the attention as deserves. The following order for selective control is recommended:-

A Items		B Items	C Items
1. Control	Tight	Moderate	Estimated
2. Requirement	Exact	Exact	Estimate
3. Postings	Individual	Individual	Group
4. Check	Close	Some	Little
5. Expediting	Regular	Some	Normal
6. Safety Stock	Low	Medium	Large

**Table. 3.4 Selective Control of Items**

**2. Economic Order Quantity Model:** The Basic decision in an economic order quantity (EOQ) procedure is to determine the amount of stock to be ordered, at a particular time so that the total of ordering and carrying costs may be reduced to a minimum point. A firm should place optimum orders and neither too large nor too small. The EOQ is the level of inventory order that minimizes the total cost associated with inventory. The EOQ model is based on following four assumptions:-

- (i) A firm has a steady and known demand of D units each period for a particular input.
- (ii) The firm consumes the input at a uniform rate.
- (iii) The cost of carrying stocks are a constant amount C per unit per period.
- (iv) The cost of ordering more inputs are a fixed amount O per order. Orders are delivered instantly.

A Useful formula for calculating the optimum order quantity is:-

$$EOQ = \sqrt{2DO/C}$$

To show how we might use the formula consider in which a firm has an annual inventory requirement of 10,000 units. The accounting costs associated with placing an order with the supplier come to Rs. 200 per order and carrying costs of holding stocks are expected to be Rs. 4 per unit.

Hence,  $D = 10,000$  Units

$O = \text{Rs. } 200$

$C = \text{Rs. } 4$

$$EOQ = \sqrt{2 \times 10,000 \times 200/4} = \sqrt{10,00,000} \\ = 1,000 \text{ units}$$

Therefore, 1000 units should be ordered every 37 days.

The EOQ model is very simple one and its assumptions will be unrealistic in many applications in practice orders are not delivered instantly. The assumption usage of inventory and known annual demand are of doubtful validity.

- 3. Minimum Safety Stocks:** To avoid stock outs firms maintain safety stocks of inventory. The safety stock is the minimum level of inventory reaches 12,000 units instead of 10,000 units, the additional 2,000 units constitute a safety stock. The manager expects to have 2,000 units in stock when the new order arrives at the schedule time. The safety stock protects as a safe-guard against stock-outs position due to unanticipated increase in usage resulting from an unusually high demand and/or an uncontrollable late delivery of inventories.

The increase in the amount of inventory held as safety stock reduces the chances of stock-out and therefore, reduces stock-out costs over the long run. The level of inventory investment is, however increased by the amount of safety stock. The optimum level of inventory investment is, however increased by the amount of safety stock. The optimum level of safety stock is determined by the trade-off between the stock-out and the carrying costs.

Thus the best level of safety stock for a given item depends on stock-out costs, variability of usage rates and delivery times. The safety stock level is the multiplication of the average demand during a period of the maximum delay and probability of its occurrence. If the usage rate and delivery times. The safety stock level is the multiplication of the average demand during a period of the maximum delay and the probability of its occurrence. If the usage rate and delivery time or lead time can be forecasted with a high degree of accuracy and if the cost of stock-out is estimated to be small, then little or no safety stock will be needed. If the circumstances are not so favourable, then the significant investment in safety stock will be desirable.

- 4. Re-order Point:** In addition to set EOQ, the inventory management must know when to place the order for avoiding the stock-out position. Especially in the Indian Context where there is a considerable time lag between placing the order

and actual receipt of the inventory, determining the re-order point (ROP) is momentous as well as intricate. The ROP may be defined as the level of inventory, at which a fresh order should be placed to the suppliers for replenishing the current stock. The ROP is calculated as the lead time X daily usage. The lead time is the time lag between raising an order and the goods being delivered. For example, if the normal daily usage of material is 100 units and it takes 30 days for the supplier to deliver the goods, then an order must be sent out when the stock level reaches 3,000 units. If safety stocks are held then re-order level should be:-

$$\text{Safety stock} + (\text{lead time} \times \text{daily usage})$$

Another method of ordering is the 'two bin' and 'three bin systems.' These involve putting a quantity equal to the re-order level in a separate bag or bin which is sealed or put in a separate location; the rest of the stock is withdrawn as needed with no record of individual usage being kept. Opening the sealed bin, however, gives the indications for a replenishment order. This method is cheap as it does not entail continuous, monitoring and is easy to understand-it has therefore gained a fair amount of acceptance. There are also other types of system in use known as the 'min-mix' or 'S-s' method. However, an organization will have to take care of lead time with sufficient initial stock and then follow it up regularly with EQR cycles.

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### 3.5.2 Perpetual Inventory

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Another way of providing inventory information is to compile ongoing daily records from invoices and requisitions, adding each day's purchases and subtracting each day's issues for every item in stock. This task is typically performed by the accounting department, and the results are known as a perpetual inventory. It is kept by hand or forms or bin cards- a separate card for each item-or by computer, which can report the stock record at any given moment with pushbutton ease.

At any point in time, the perpetual inventory is a paper record that should indicate exact quantities of every item you have on hand. It does not tell you what you really have: only a physical inventory can do that. Its primary function is to provide a standard against which a physical count can be measured, item for item, at any given time. If everything is in order, they should also agree-they, too, are a form of perpetual inventory. The more inventories you have, the more important it is that a perpetual inventory be kept. Since it should also clearly reveal a product's depletion rate, it has the added benefit of making the ordering process more accurate. It also greatly assists in detecting employee theft. And finally, it assists you in meeting your state's licensing requirements to maintain accurate records of the bar's alcohol purchases.

If the actual count and the perpetual inventory record don't agree, you are faced with determining whether there are errors in the records or the count, or the items themselves

have disappeared. You can trace errors in the record by going back to the invoices and requisitions; and errors in the count by recounting. If you can't find any mistakes, you may as well assume theft, and adjust your perpetual inventory record accordingly.

There are other ways of measuring discrepancies that are accurate enough for everyday use. Overall, the most critical reason for a good inventory management system is this: If you don't have a way of knowing where you ought to be, you can't measure where you are now.

<b>Perpetual Inventory form</b>				
<b>Bar XYZ</b>				
<b>Address</b>				
Item Name: _____				
Size: _____				
Distributor: _____			Case Cost : _____	
Item: _____			Bottle Cost : _____	
Date	Requisitioned/ Inventory/ Size	On-Hand Inventory/Size	Comments	Manager's Signature

**Table. 3.5 Perpetual Inventory Form**

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### **3.5.3 Monthly Inventory**

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Physical inventory is taken at the close of an accounting period, typically after the close of an accounting period, typically after the close of business on the last day of a calendar month. Taking physical inventory requires counting the actual number of units on hand of each item in stock in stock and recording that number of units on hand of each item in stock and recording that number of units on hand of each items in stock and recording that number of units on hand of each item in stock and recording that number in an appropriate place. The purpose of this process is to provide a list of goods on hand so that the value of goods may be determined or recorded. Taking a physical inventory in a storeroom, commonly requires two people; one to count the units on the shelves and the other to record the numbers in the inventory book. If the storeroom is arranged properly, it is possible for the two to begin in one logical spot and work their way through the entire inventory in order, finding items on shelves in the same order as listed in the inventory book. Once the units in inventory have been counted and the count has been recorded, total values can be determined for the items listed. To determine these totals, one records the unit cost of each product and multiplies it by the number of units of that product in the physical inventory. When the total value of each product and determined



this way, the totals are added to find total Rupee value of all items in the inventory. This figure, known as closing inventory for the period, automatically becomes the opening inventory for the next period.

One of the principal difficulties in valuing an inventory is assigning the unit value for each item, because all purchases may not have been made at the same price. It is not uncommon for prices to change several times during the course of a month. Determining the proper value to assign to units remaining in inventory at the end of the month raises a question as to which, if any, of the various purchase prices should be assigned to the unit remaining in the inventory.

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### 3.5.4 Pricing of Commodity

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The pricing of commodity can be fixed in the following ways:-

- ❖ **Actual Purchase Price:** This method involves pricing of commodities at the purchased price.
- ❖ **Simple Average Price:** This method involves pricing of Commodities at a simple average price.
- ❖ **FIFO Method:** This method involves Pricing of Commodities at the earliest purchase Price. This may be applied to items which have a fluctuating market Price. (First-in-First Out)
- ❖ **LIFO Method:** This method involves pricing of Commodities at the latest Purchased Price. This may also be applied to items which have a fluctuating market price. (Last-in-First Out)
- ❖ **Standard Price:** This method involves Pricing of Commodities at a standard Price for a specified Period, usually 3-6 months.
- ❖ **Inflated Price:** This method involves Pricing of Commodities at an inflated Price-Cost plus; say 10% or 15%, to recover the cost of handling and storage charges.

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### 3.5.5 Comparison of Physical and Perpetual Inventory

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The Comparison of physical and perpetual inventory is as follows:-

**A physical inventory** involves the manual counting of each item in stock on a regular basis. For an accounting purpose, an inventory is conducted at the end of each calendar month or, if using the period system, at the end of each four week period. The ending inventory numbers are then used to calculate the cost of goods sold on an income statement; these calculations are then used for related processes such as inventory turnover analysis. Some operators take inventory on a weekly basis and may even count high cost or very select items on a daily basis. Inventory sheets are most effective when organized by storage area. For example, a separate sheet may be used for each of the following areas: freezer, walk in refrigerator, dry goods, chemical stores and beverage alcohol. Categories for inclusion on the inventory sheet are product name, purchase unit, and purchase unit count. If the inventory is being calculated manually, the inventory





desired level to meet the requirements of the business. The combination of inventory management models and inventory control techniques allows a smooth inflow of raw materials at a relatively cheap cost and a perfect timing. Various inventory management models are formulated by hotels as per their requirement.

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### 3.7 Glossary

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**Forecasting:** It is the process of predicting the future, considering the present trends and past data.

**Fraud:** It is an act by employees may lead to a reduction in revenue levels and increase in F & B cost percentage.

**Inventory:** It refers to stock of goods.

**Job Analysis:** It includes identifying the nature of the Job, prerequisite skills, educational requirements. and qualification required for the job.

**Job Description:** It is a record of all the tasks executed by the staff hired for a particular position.

**Job Satisfaction:** They include the qualities and the qualification required for a particular job and may also include the years of experience.

**Payroll Analysis:** It is the process by which the salary of the staff is calculated either on a daily or monthly basis and is represented accordingly.

**Performance Analysis:** It is the process by which employee performance is monitored after they are trained and briefed about a particular job.

**Scheduling:** It is the time frame in which employees report to work, and perform and complete their work.

**Physical Inventory:** - In a physical inventory system, an individual counts each product which is present in the store. After the inventory is taken, the value of the products held in the inventory is also ascertained.

**Perpetual Inventory:** - A perpetual inventory is a system in which the entire inventory is conducted and recorded and any additions or deletions are made to the total inventory as required and then recorded.

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### **3.9 Suggestive Reading**

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### **3.10 Terminal Questions**

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#### **Long Answer type Questions**

1. What are the ways by which frauds occur in purchasing? What are the procedures by which theft could be reduced?
2. How can frauds be made while issuing goods from the store? What precautions should be taken to reduce them?
3. What are the frauds committed by a bartender while billing guests? What precautions should be taken by the guest so as to avoid getting cheated?
4. What are the ways by which cashiers steal from an establishment?
5. Explain the payroll analysis in detail.
6. How is performance of employees monitored?
7. What are the points to be considered while preparing the schedule of employees?
8. Describe Job Analysis.
9. Who Prepares the requisition? What is its importance in issuing goods?
10. What is ABC analysis of inventory?
11. Describe the Purpose of Bin Card in a store.

#### **Short Answer type Questions**

Define the following terms:

- LIFO
- FIFO
- Par Stock
- Inventory

- Bin Card
- Collusion
- Forecasting
- Job Analysis
- Duty Roaster
- Job Specification
- Payroll Analysis

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# UNIT: 04

## FOOD & BEVERAGE MANAGEMENT

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### Structure

- 4.1 Introduction
- 4.2 Objectives
- 4.3 F& B Management
  - 4.3.1 Introduction of F&B Management
  - 4.3.2 Objectives of F&B Management
  - 4.3.3 Responsibilities of F&B Management
  - 4.3.4 Constraints of F&B Management
- 4.4 Menu Management
  - 4.4.1 Introduction of Menu Management
  - 4.4.2 Types of Menu
  - 4.4.3 Menu Planning Considerations & Constraints
  - 4.4.4 Menu Costing and Pricing
  - 4.4.5 Menu Merchandising
  - 4.4.6 Menu Engineering
  - 4.4.7 Menu Fatigue
  - 4.4.8 Menu as a In-House Marketing Tool
- 4.5 Material Management
  - 4.5.1 Introduction of Material Management
  - 4.5.2 Concepts of Material Management
- 4.6 Summary
- 4.7 Glossary
- 4.8 Reference/ Bibliography
- 4.9 Suggestive Reading
- 4.10 Terminal Questions

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### 4.1 Introduction

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Food & Beverage management deals with various aspects of managerial practices in a catering operation, such as planning for purchasing, receiving, issuing and storing. But the most important aspect is to bring down the cost so that maximum profit can be achieved by an organization. Food & Beverage Management is concerned with the management of an operation, which is constructed from three identifiable operating system (food

production, service sequence and customer process) that are interlinked and each of these three systems is made up from a variety of subsystem.

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## 4.2 Objectives

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By the end of this unit the student will understand and know about:-

- ❖ Responsibilities of F&B Management.
- ❖ Different types of menus offered in the hotel and catering industry.
- ❖ Menu planning consideration.
- ❖ Menu merchandising, engineering, costing and pricing.
- ❖ Concepts of Material Management.

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### 4.3.1 Introduction of F&B Management

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Management is defined as the means by which effective utilization of resources in the form of men, machines, materials, and methods is fulfilled in line with the objectives of an organization. F&B management refers to the utilization of various F&B resources such as staff, raw and cooked materials, various cooking and serving equipment, time taken for preparing and serving, and the ways of effective operation, and quality performance.

**Planning:** Planning is the task of creating various goals, objectives, and processes to reach the aims and objectives of an organization. For effective planning, information should be accessed completely. Managers should communicate with all levels in their hierarchy as well as with employees. This is required as it is easy to follow a plan conceived by employees. Planning should offer flexibility and the implementation has to be effective. In the F&B department, planning is usually done after considering various policies of the organization. For example, the financial policy by which profitability and cost constraints could be determined is an important policy to be considered. The planning process also includes marketing policies as per the needs of different markets. Planning could be short term and long term, considering the need of the establishment. In the planning stage, the type of food establishment-whether it is a restaurant or a cafeteria may be decided. Accordingly, managers decide the menu, price, and labour and overhead costs.

**Organizing :** Organizing is usually done after planning, though, at times, both the steps may be done simultaneously. Organizing includes allocation of resources, allotting duties, and incorporating systems and procedures to meet the requirements or the objectives set in the planning process. While organizing the resources for an establishment, it is necessary to count all the resources including man-power. Considering the delegation of duties done as per the hierarchical structure in the kitchen as well as in the F&B service



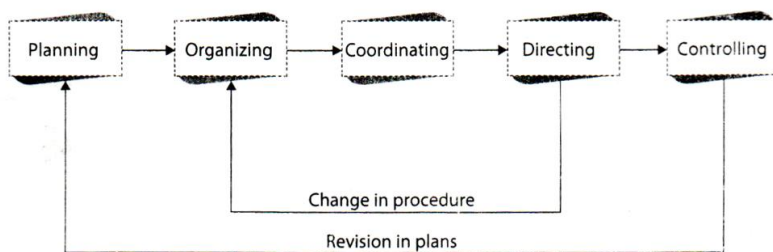
department, the manager allocates duties to the supervisor who delegates the same to the subordinates as regards the tasks to be performed and the resources used.

**Coordinating:** Coordinating is the process of delegating work to people and managing resources to meet the organization's objectives. For better coordination, proper communication channels should exist so that messages are transferred both up and down as well as amongst peers in the organizational structure. Delegation is an important aspect; it means that the authority is passed down in the hierarchical structure, but the onus still lies on the individual on the top.

**Directing:** Directing is the process of getting work done by other people by instructing, training, guiding, supervising, and reviewing the skills required for a particular job. The first task of directing is to establish the number of employees for a particular job. After they have been recruited, the supervising staff should know how to motivate them, gain cooperation, and bring out the best in employees. The quantity of manpower should be optimum; neither too many nor too few is preferred as additional manpower will increase labour cost and less manpower will have an impact on guest satisfaction. Motivation plays an important role in any establishment, and especially in an F&B department where team work is important. It can be done by training staff, encouraging various group activities, and conducting meetings between staff and management to share problems and come up with remedial measures. Apart from motivation, disciplining employees is very important. Discipline does not involve punishment but refers to correcting the improper behavior of an employee so that he/she becomes more productive to the organization.

**Controlling:** Controlling is a process by which the management ensures that plans and objectives are in line with the schedule, and the target set would be achievable. In

F&B management, controlling involves checking actual performance with the budgeted and forecasted levels so that any deviation from the path is rectified on time and steps are taken to prevent the problem from occurring again. It is also a process by which the operation in the establishment functions smoothly and profitably.



**Fig.4.1: Management Function Process**

The management functions process can be separated into five components as displayed in following chart.

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### 4.3.2 Objectives of F&B Management

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The main objectives of Food & Beverage Management are as follows:

- Designing the various methods of control in different food service areas, such as purchasing, receiving, issuing, storing, preparation and sales.
- Controlling of various cost, such as material, labour and overheads to earn maximum profit.
- Monitoring and reviewing the cost control cycle for further modification.

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### 4.3.3 Responsibilities of F&B Management

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The research described above highlights the areas of activity that all managers are involved in but does not look at the specific responsibilities of the food and beverage manager. The significant contribution food and beverage sales can make towards total sales is evident but food and beverage costs can make equally significant inroads into sales. This necessitates the development of an effective system of control for all areas concerned with the food and beverage function. The development of such a total control system begins with the basic policy decisions described previously - the determination of the financial, marketing and catering policies. Working within these three broad policies of the establishment, the food and beverage department is then able to detail its objectives. The main responsibilities of the food and beverage department may be summarized as follows:

1. The provision of food and beverage products and services catering for clearly defined markets to satisfy or exceed these customers expectations.
2. The purchasing, receiving, storing, issuing and preparation of food and beverages within the establishment for final provision and service to the customer.
3. The formulation of an efficient control system within the food and beverage department with the purpose of:
  - a. Monitoring food and beverage prices and achieving competitive rates while still ensuring quality standards;
  - b. Pricing restaurant and special function menus to achieve desired profit margins;

- c. Compiling on a daily, weekly and monthly basis, all relevant food and beverage information on costs and sales that may be used by management for forecasting, planning, budgeting, etc.
4. Reconciling actual and forecast costs and sales, and initiating corrective action if discrepancies occur, and finding out and eliminating the causes, for example bad portion control, incorrect pricing, etc.
5. Training, directing, motivating and monitoring of all food and beverage department staff.
6. Co-operating with other departments to become a significant contributor to the organization's short and longterm, profitability.
7. Obtaining in a regular, structured and systematic way, feedback from customers, so that their comments, complaints and compliments may be taken into account to improve the overall standard of service.

These are the major responsibilities of a food and beverage department. Other minor responsibilities are to running the department for the day-to-day of the department operations, but these often tend to deal with sudden crises or short term problems and would be too numerous to mention. However, to overcome all these responsibilities is a far from easy task when managers are faced with the inherent complexity and variability of a food and beverage operation.

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#### 4.3.4 Constraints of F&B Management

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The management of food and beverage departments has been described as the most technical and complex in the hotel and catering trade. The specific factors that make food and beverage management relatively more complex are due to particular external and internal pressures.

**(1) External factors:** The external factors are often seen as the 'major' problems of the food and beverage function. They originate outside the organization and for this reason internal action can rarely solve the problem adequately, although proactive management may help to reduce their impact. Some of the major external pressures affecting the food and beverage function are listed below.

**(a) Government/Political**

- Government legislation, for example, fire regulations, health and safety acts, EU regulations.
- Changes in the fiscal structure of the country, for example, regulations affecting business expense allowances.
- Specific government taxes, for example, VAT.
- Government policy on training and employment, economic development, regional development etc.

**(b) Economic**

- Rising costs- foods and beverages, labour, fuel, rates and insurance.

- Sales instability- peaks and troughs of activity occur on a daily, weekly and seasonal basis.
  - Changes in expenditure patterns and people's disposable incomes.
  - Expansion and retraction of credit facilities.
  - Interest rates on borrowed capital.
- (c) **Social**
- Changes in population distribution, for example, population drifting away from certain areas or demographic such as age structure.
  - Changes in the socioeconomic groupings of an area.
  - Growth of ethnic minorities leading to a demand for more varied foods.
  - Changes in food fashion, for example, current popularity of take-away foods, home delivery of fast foods, trends in healthy eating.
- (d) **Technical**
- Mechanization, for example, of food production and food service equipment.
  - Information technology, for example, data processing in hotel and catering establishments.
  - Product development, for example, organic vegetables, increased shelf life of foods through irradiation, meat and dairy produce alternatives.
- (2) **Internal Factors:** Along with external factors, the food and beverage function also has many other day-to-day internal pressures. Internal problems are those originating within the organization and for this reason such problems can usually be solved adequately within the establishment if they can be identified and the root cause removed. The internal problems may be classified as follows.
- (a) **Food and Beverage**
- Perishability of food and the need for adequate stock turnover.
  - Wastage and bad portion control.
  - Pilferage from kitchens, restaurants, bars and stores.
- (b) **Staff**
- General staff shortages and skill shortages within the industry.
  - Staff shortages often coinciding with peaks of sales activity.
  - Conversely, staff surpluses coinciding with troughs in sales activity.
  - Absenteeism, illness, etc.
  - Use of part-time or casual staff in some food and beverage departments.
  - Poor supervision and training of new staff.
  - High staff turnover, particularly in some areas.
- (c) **Control**
- Cash and credit control and collection.
  - Maintenance of all costs in line with budget guidelines and current volumes of business, for example, food, beverages, payroll, etc.

- Maintenance of a tight and efficient control of all food and beverage stocks.
- Maintenance of up-to-date costing and pricing of all menu items.
- Maintenance of an efficient food and beverage control system giving analysed statistical data of all business done.

There is a dividing line between those food and beverage departments that take a proactive approach to these external and internal problems and hence function more efficiently, and those that just react to the problems only ever treating the symptoms and not the causes. It is important therefore that potential problem areas be identified in advance by management so that they can be planned for and successfully managed when and if they occur. This is only possible if there is some form of feedback from the control function back to management so that they are kept constantly aware of, first, changes occurring within the food and beverage area itself, and second, changes occurring outside the establishment that may have an effect.

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## **4.4 Menu Management**

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The primary objective of every catering establishment, either a small roadside Dhaba or a Specialty Restaurant is selling in its widest sense of the product that is food and or beverages. Regardless of the type of the catering establishment the common feature is menu.

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### **4.4 .1 Introduction of Menu Management**

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The menu is the primary selling tool of any establishment that offers food and beverage for sale. For the customer it identifies the items that are available, shows prices and any other charges and together with other external features may characterize the style of food service offered. From the establishments perspective the menu should meet the objectives of the marketing policy, the catering policy and the financial policy.

The marketing policy should guide the catering policy so that the products on offer and the style of operation best meet the needs of the target market. The catering policy is concerned with the size and style of menu to be offered together with an appropriate style of service and this will impact on space requirements, level and type of equipment purchased and the level of skill and number of staff required. The financial policy aims to achieve revenue and profitability to budget through pricing, cost control and volume.

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### **4.4.2 Types of Menu**

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Although there are many types of eating establishment offering many types of meal experiences, there are basically only two types of food menu: the à la Carte; and the tabled' hôte.

**À la Carte:** Literal meaning of à la Carte is 'from the card'. In this card, the menu items are featured with their prices so that guests may select the food and beverage items according to their paying capacity and choice of meal items. À la Carte menu gives a lot of choice for the meal items with significant variation in Price ranges. Some features of the à la carte menu are as follows:

- Usually a large menu and offers a greater choice.
- All the dishes that are prepared are listed under course headings.
- All the dishes prepared in order.
- Each dish is separately priced.
- Usually more expensive than a tabled'hôte menu.
- Often contains exotic and high-priced seasonal food.
- A certain waiting time is allotted for each dish.

**Tabled' Hôte:** The literal meaning of tabled' hôte is 'table of host'. It is a fixed menu with fixed prices for the food items. There is a limitation of selection of the meal items being offered to the customers. The food industry is offering an extensive tabled' hôte menu to their customers to stay in the competitive catering market. Initially, there was a choice of only one or two meal items within the same course only. In the Indian context, Thali is the best example of a tabled' hôte menu, as it carried fixed meal items at a fixed price. Meal combos are also a type of tabled' hôte menu. Some features of the tabled' hôte menu are as follows:

- A restricted menu.
- Offers a small number of courses, usually three or four food items.
- A limited choice within each course.
- A fixed selling price.
- All the dishes are prepared before the guest at a set time.

**Plat Du Jour:** Everyday most of the large and first-class establishments carry an item called 'Plat du Jour' (dish of the day). This is basically a main dish prepared by the chef to promote the sales of the outlet. A plat du jour always comes as already dish. A seasoned waiter must be aware not only of the Plat du Jour, as specialty of the day, but also about the seasonable dishes to promote sales of food and beverage of the outlet. Guidelines for preparations and service of plat du jour are as follows :

- Items quoted on the plat du jour should be complete along with side dishes, such as potato preparations and green vegetables.
- Plat du jour should be served as a ready-to-eat dish and the guests should not be made to wait.
- Always use fresh raw materials to prepare plat du jour.
- Before planning a plat du jour always think about the target customers. Never neglect the young diners preferences as they are quite choosy in food selection.

**Carte Du Jour:** Carte du Jour means 'Card of the day'. It is basically a complete fix menu at fixed price offered by a catering establishment for promoting sales. Carte du jour comprises three to five courses. The chef gets an opportunity to promote his/her culinary skills by preparing this menu. It offers choice within the courses and the menu item differ from regular à la carte menu. This menu is based on the availability of raw materials in the market according to seasons.

**Cyclic Menu:** Cyclic menu is quite popular in the welfare sector like institutions industries, hospitals, jail mess etc. This menu is respected at specific intervals. The menu features all major meals of the day such as breakfast, lunch and dinner with a sweet on the weekends. But preparations depend on the price paid by the customers. It is a series of table d' hôte menus. For example, for three weeks it is repeated again and again after a particular period of time, say four months. These are often used in institutional and industrial catering as an aid to establishing a pattern of customer's demand for a menu item. As a result, it assists purchasing, preparation of items and staffing requirement.

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#### 4.4.3 Menu Planning Considerations & Constraints

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Menu is the key marketing and selling tool available to the F&B Manager and proper attention to details is the key to making this work successfully and is a positive step forwards a profitable enterprise. The menu communicates a wide range of information to the customer in terms of the words used to describe dishes, through colour, layout, quality of material used and style and needs to be reflected conceptually throughout the whole restaurant. The menu, together with other physical attributes of a property contributes to creating a level of expectation from the customers. Meeting this customer expectation should be the primary objective of the manager in the quest for a successful and profitable business. Because the menu plays such a important role in operational style, pricing structure and overall concept design it is important at the planning stage that the location is right for the planned menu type, that the market exists within this catchments area and that it works with regard to the local competition. Compiling of menu is one of the most important task of a F&B Manager. There are a number of factors that must be taken into consideration before any menu are written:-

1. **Location of an establishment:** This location should allow easy access to both customers and suppliers. A difficult journey can be of putting no matters how good the quality of food an offer and can affect repeat business and profitability. If the establishment is in an area noted for regional specialty foods or dishes, the inclusion of a selection of these on the menu can give extra menu appeal.

2. **Competition in the locality:**It is important to be aware of what is offered by competitors, including their prices and particularly their quality. Knowing this information enables an establishment to make decisions about how to compete with local competition.
3. **Suitability of a particular establishment to a particular area:**A self-service restaurant situated in an affluent residential district or a very expensive seafood restaurant in a rundown inner-city area may not be very successful. Anticipating and analyzing the nature of demand that the operation is planning to appeal to will contribute to ensuring that the menu will be developed to satisfy, for example, office workers in the city with a fast lunch service. Also, opportunities may exist for outdoor catering.
4. **The Spending power of the customer:**A most important consideration is how much the potential customer is able and willing to pay.
5. **Customer requirements:**It is the customer, not the foodservice operator, who selects their menu, so the analysis of dish popularity is necessary and those dishes that are not popular should not stay on the menu. Customer demand must be considered, and traditional dishes and modern trends in food fashions need to be taken into account.
6. **Number of items and price range of menus:**It is essential to determine the range of dishes and whether a tabled' hôte or an à la carte type of menu is to be offered. Decisions regarding the range of prices have to be made. A tabled' hôte menu may be considered with an extra charge or supplement for more expensive dishes or more than one tabled' hôte menu of different prices may be more suitable.
7. **Throughput:**If space is limited, or there are many customers (and control of the time the customer occupies the seat is needed) then the menu can be adjusted to increase turnover, for example more self-service items, or quick-preparation items or separate service for beverages.
8. **Space and equipment in the kitchen:**Both of these will influence the composition of the menu and production of dishes. The menu writer must be aware of any shortcomings or deficiencies in equipment and may be wary of offering dishes that are difficult to produce.



9. **Amount, availability and capability of labour:**The availability and capability of both the preparation and service staff must be considered when planning a menu. Enough able and willing staff, both in the kitchen and the restaurant, are necessary to achieve customer satisfaction with any menu.
10. **Supplies and storage:**Menu-planning is dependent upon availability of supplies that is frequency of deliveries of the required amounts. Storage space and seasonal availability of foods need to be taken into account when planning menus.
11. **Cost factor:**When an establishment is run crucial consideration; but even when working to a budget, the menu is no less crucial. Costing is the crux of the success of compiling any menu.
12. **Food allergies:**The most common food allergies are to milk, eggs, fish and nuts. Menu items often contain allergens and these must be identified on the menu. Staff should be trained so that they know how to respond when asked about ingredients. An incorrect answer could have fatal consequences for the customer.

**Menu Planning Constraints:** The following are the menu planning constraints-

1. **Language of the Menu:**No matter which language you are using, but it should be correct and you should be careful for the accents. Language should be easy.
2. **The kind of menu:** It is one of the most important considerations that what type of menu you are planning? Is it table d'hôte or à la carte or special party menu because all types of menus have their own characteristics.
3. **The meal timings and occasion:** These also affect the menu items, as we cannot recommend having breakfast cereals for dinner party. In India, it is mostly seen especially in marriage functions to plan an extensive dinner menu, and food service starts in late night around 2300 hrs and by the time most of the diners had lost their appetites and end result is waste and pilferage of food items. Even birthday party for a kid also starts late night. The meal timings give a clear picture about the timings to be served.
4. **The size and equipment of dining room/kitchen:**Availability of space and equipment of food production and service area is to be considered while planning a menu. You cannot have a tandoori roti without having a tandoor or cannot serve 500 guests in a 500

square feet area. The size of the kitchen is an important factor because heavy-duty equipment, such as burners, griller, salamander, deep freezer, dough mixer, are placed in the kitchen. There should be enough space for the staff to work freely. There is a need of brainstorming to select the right utensils for presenting a dish into a right serving dish. Operating five-course Menus with insufficient silverware, tableware, and cutlery can cause a problem. It is recommended to work out the need of all equipment and prepare a checklist of equipment required in advance.

5. **Staff efficiency and capabilities:** They play a vital role in planning a menu, think about the situation when you ordered a Russian salad and the cook is not familiar with it or not very skilled to operate the latest equipment. Small catering units face problems to a greater extent due to inefficiency of food production and, unskilled service staff. Most of the time diners expect highest level of service standards, well-decorated food items, well-groomed and dressed staff proper service etiquettes. More than 90 per cent of food production and service staffs are untrained, especially in unorganized sector of the catering industry and mislead the diners with the food preparations. Always have a contingency plan in case of absenteeism and shortages of manpower. Determine the cooking load (cooking load is the total amount of food that can be cooked either in the kitchen or any one piece of cooking equipment at a given time). Ensure proper training of the staff time to time for better productivity and update about new changes in technology and trends.
6. **Availability of ingredients and supplies:** Food items selected for a menu should be available in the local market, although there are certain items need to be procured from outside and should be kept well in stock. It is not ethical to commit a dish to the host before checking its availability of raw material for the same.
7. **Price of the menu:** It is one of the considerations because this helps to quote the price to the host. It has been observed that most of the time food cost should not be more than 40 per cent. Suppose cost of a meal per person is Rs. 200, then its price will be:  $200 \times 100/40 = \text{Rs. } 500.00$
8. **Type of people:** In catering business, you have to deal with different types of people, such as young executives attending a conference, elderly ladies and gentlemen, kids, cricket players, school going children, and so on. Every group has its own

requirements of meal, so consider the profile of your clients before planning a menu.

9. **Food values:** It means nutritional aspects of the meal and menu should have adequate nutritional value to fulfill the nutritional needs. Nutritional requirement varies according to sex, age group, and working habits (a manual worker requires more energy than an office worker).
10. **Language of the menu:** Language should be easy to understand and abbreviations should never be used, such as assorted breads. Explanation or narration of the dish should be clear to the diners and the terms that have a number of interpretations should be avoided. Mixture of languages should be avoided, such as:
  - Tamatar ka Soup
  - Bhuna Potato
  - Badam Milk
  - Pindi Chana
  - Murgh Biryani

No matter which language you are using, but it should be correct and you should be careful for the accents. If place of origin is known it should be mentioned on menu such as New Jersey potatoes, Russian salad, Dum Aloo Banarasi. Similarly, feature the style of cooking such as boiled rice, scrambled eggs, roasted leg of mutton. There are certain terms which cannot be translated into English or other languages.

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#### 4.4.4 Menu Costing & Pricing

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Menu pricing need to fulfill two needs, for the caterer the need to make adequate profits and for the customer the need to satisfy getting value for money. 'Menu Pricing' means deciding what you will charge for food and putting the prices on your menu. Many factors affect. There are no unchanging formulas. When you do menu pricing you must make sure that you:-

1. Cover all your costs.
2. Make prices reasonable for your guests so that they receive value for their money.
3. Make prices reasonable for your food service operation to obtain a profit.

Pricing is a complicated process that cannot be reduced to a single quantitative formula for marking up raw food cost. While food cost percentage and gross profit return are important considerations, the pricing process is more subjective and enigmatic. Pricing can never be reduced to a simple mark-up of cost. It is more of an art than a science because it requires the consideration of a number of subjective factors. It is said that the

customer, not the operator, ultimately determines the price that can be charged for any given menu item. Therefore, the operator must be able to make a profit selling menu items at the price the customer is willing to pay. Pricing decisions are affected by the clientele, the amount of business the restaurant will generate, its location, the meal period, and even the menu item itself. If the price is perceived as too high, it may not be selected. If the price is too low, it could be viewed as low quality by the customers and also not be selected. The customers sometimes uses price as a gauge of quality. A high price implies quality although a low price does not necessarily translate as a bargain or value. Any attempt to apply a single mark up to every menu items would result in over pricing high cost items and underpricing low cost items.

### **Approaches to Pricing:**

- 1. Copy your competition exactly:**It is a narrow approach to set menu prices exactly as your competitors without realizing what differences exist between your food service establishments. Operations might seem quite similar but there are sure to be some difference your competitors may face different cost than your, they may be more efficient or less efficient than your own setting. They may have different standards of quality and sanitation. So to arbitrarily set prices to match you competitors would be quite foolish.
- 2. Economic approach to Pricing:**In general the food service industry faces an inelastic demand curve. This means that when you raise or lower your prices within a specific, limited, reasonable range it will not noticeably change the number of quests you get. Guests are not necessarily attracted or put off by price alone. Guests might have an idea of yours and your competitor's general price range. Guest are more concerned about quality of food: how it is served; the atmosphere and service in the establishment, its location and accessibility than they are about whether you charge little more or less than your competitors. The guest who comes to you is the demander of your product and you are the supplier. The food you supply and the price you charge should be appropriate to the kind of business you are running and the type of food service category you are in. Apart from food, your product also includes, service atmosphere convenience and so on.
- 3. Marketing approach to pricing:**Marketing is all that you do to sell your product by attracting customers to your establishment. It is also the promotion you do on premises to increase sales. The marketing approach to pricing is sell as much as you can. For this you need trained efficient staff to be your sales people. The

marketing approach is to charge the maximum price you can get for an item and increase the volume of its sales. You may get a low or a high individual food cost percent. The item food cost percent depends not so much on what it costs you as on how much you can sell the item for. Keeping in mind customer's satisfaction. Only exaggerated marketing approach should not be used for pricing. Marketing and selling approach should be used sensibly.

**Pricing model:** There are a number of well-established pricing models commonly used in commercial organizations.

1. **Cost Plus Pricing:** Cost plus pricing takes the element of a menu item and simply adds a predetermined multiplier or mark up. Most commonly used where a simple pricing model will provide the desired return and there are few additional cost. For example, if an item simply multiplies the buying price by say three, so cost price is Rs. 4/- selling price becomes Rs. 12/- plus or including any sales tax.
2. **Competition Pricing:** Competition pricing as the name suggests copies the prices of competitors. As a short-term strategy this may achieve increased business but it can easily spiral out of control into a price war. What are unknown are the competitors cost structure and margins may be severely compromised.
3. **Rate of return Pricing:** The basis for this method is an attempt to establish a break-even matrix based on predicted costs and sales. For example, if a restaurant investment is Rs. 5,00,000 and the required return on this is 20% then the restaurant seeks profits of Rs. 1,00,000 per year. By modeling the costs, sales price and volume the emerging data will indicate what levels this needs to be in order to achieve the desired return. It would then be necessary to take it a stage further and carry out a feasibility study to see if the model fits the operational style of the restaurant. This model is unlikely to give definitive menu prices although they may be indicative and therefore help in the initial restaurant setup decision.
4. **Elasticity Pricing:** This pricing method considers the market and its sensitivity to price change. If the restaurant operators in a market where price is a determinant of demand a lower price may increase volume sufficiently to give better profitability. The market may also allow supply to be a determinant of price thereby allowing price increase without undue effect on volume.
5. **Backward Pricing:** Backward pricing considers what the customer or market will bear in terms of price. For example,

confectionary or canned drinks less common in restaurants but useful when trying to establish or develop a new product. Requires fairly accurate or ingredients and processing costs to be established and relies heavily on volume forecasts.

6. **Prime Cost:** Prime cost and its variant actual cost endeavour to provide more accurate cost models. Prime cost attempts to calculate labour cost in addition to food cost and actual cost attempt to include overheads. For example if a restaurant "X" have an average food cost of 20%, an average labour cost of 30%, average overhead costs of 30% and require a return on investment of 20%. In this model if restaurant ingredient cost Rs. 10/- the operator has Rs. 15/- towards labour, Rs. 15/- towards overheads and Rs. 20/- towards return on his investment that equates to a selling price of Rs. 50/- plus sales tax where applicable.
7. **Departmental Profit Margins:** The approach to menu pricing must follow from the outline of the basic Policies and from the determined departmental profit targets. Each department will have a significant role in the total organization and its individual profit targets will normally be unrelated.
8. **Differential Profit Margins:** It is unusual to apply a uniform rate of gross profit to all of the items found on a food menu or beverage list, although this simplistic method of costing can at times still be found in the non-commercial sector of the industry.

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#### 4.4.5 Menu Merchandising

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A menu is the primary tool for communication, sales and public relations of a restaurant. It may not bring your customers into the restaurant but once they are there, the menu determines what they will order and how much they will spend. A menu card is a compilation of items available in the restaurant put on paper in form of words illustrated in print. It should be colourful, attractive and clean and should reflect quality, style and theme of the restaurant. Menu acts as a silent salesman for the catering establishment. The efficiency by which menus are merchandised to customers can affect the demand for the use of food and beverage facilities as well as influence the selection of items, and thereby the sales mix of an outlet. The menu is without doubt one of the most important sales tools that caterers have, but which they unfortunately often fail to use to the best advantage.

Once customers are inside a restaurant they have already made their decision as to the type of establishment they wish to eat in; their subsequent decisions are concerned with what particular aspects of the product they will now

choose. Customers may decide to eat at a restaurant because they have seen it advertised and will therefore bring to the restaurant pre-conceived ideas the standard of food,, level of service etc that they will receive. It is important at this stage that the point of sale merchandising to the restaurant should support its advertising campaign in order to achieve a sense of consistency and totality.

The major type of menu merchandising that may be employed by a catering operation includes the following:-

1. **Floor Stands:** Floor stands or bulletin boards are particularly effective if used in waiting and reception areas to advertise special events, forthcoming attraction etc. In these areas in hotels, restaurant and clubs, people may be waiting in a queue or for the arrival of other guest and therefore have the time to read the notices on these stands. In the workplace they can be placed in areas with a high throughput of Pedestrian traffic, for example in corridors. The announcements on these stands must be kept attractive and up to date or the messages grow old and ineffective. Some self-service operations use floor stands at the head of the waiting line to show the menu in advance and selected specialties of the day.
2. **Posters:** Posters have a wide circulation than the previously described floor stands. They may be displayed in reception areas, elevators, cloakrooms, in the restaurant dining area itself, in fact they may be placed in any strategic positions where people have the time available to read their messages. Consideration must not only be given to the area in which these advertisements should be placed, but also their positions within these areas. For example, in elevators, reception areas etc.
3. **Wall Displays:** Wall displays are used extensively by fast-food operations showing enlarged colour photographs of the food and beverages available. They are also used by wine bars, cocktail bars and lounges and look particularly attractive at night. Blackboards are often found in pubs, bars, school cafeteria and theme restaurants where the dish of the day and other specials can be changed along with their prices.
4. **Tent Cards:** Tent cards are often placed on restaurant dining tables to promote special events, attractions etc. Regarded as a valuable merchandising tool because guests will almost inevitably pick the card up and read it at some point during the meal, and they may even take it away with them. They may be used to advertise special dishes or wines, or announce forthcoming events such as a Christmas Day menu or New Year Party. These cards should be

changed regularly to hold interest and must always be up to date and clean. In hotel or other operations which have a variety of catering outlets, these tent cards are very useful in advertising the other facilities and hence boost sales in these area.

5. **Clip-Ons:** Menu clip-ons are most commonly used in restaurants to advertise specialty items, plat du jour, special tabled' hôte lunches offered in an à la carte restaurant and so on; they may also be used on wine lists to promote a particular wine or region. Clip-ons are useful tools for the hotel or restaurant to feature the higher profit earning food & beverage items.
6. **Menu Card:** The main aim of a food & beverage menu card is to inform customers in a clear way of what is available to them. Well-planned menu card is a powerful advertising technique. All menus to be correct against the checklist of general presentation, cleanliness, legibility, size and form, layout and content.

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#### 4.4.6 Menu Engineering

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Menu engineering is a tool designed to improve managerial effectiveness in pricing, content design and marketing strategies. Menu engineering was developed by Dr. Michel Kasavana and Donald Smith in the early 1980s and since then it has been widely used in the food service industry. It is based on Boston Consulting Group's (BCG) matrix mathematical model for comparing the volume of sales, contribution and cost of each menu item.

##### **Menu Engineering:**

- It helps the food service operator calculate when to keep menu items and when to take off items from menu.
- It helps in determining which menu items are over or underpriced.
- It helps in designing profitable menu.
- It helps in selecting the menu items that need to be repositioned to gain popularity.
- It helps in revising recipe and portion size of the menu item.
- It helps in monitoring menu performance.

The concept of menu engineering requires food and beverage managers to orient themselves to the contribution that menu items make to the total profitability of a menu. It high-lights the good and the poor performers in a menu, and provides vital information for making the next menu more interesting and appealing to the customers, and hopefully more profitable.

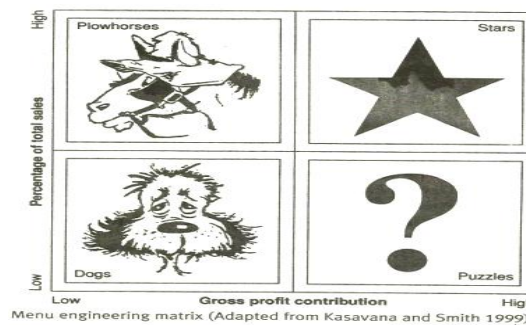


Menu engineering is a step-by-step procedure that focuses on the three main elements:-

1. Customer demand- the number of customers served.
2. Menu mix- on analysis of customer preference for each menu item (Popularity).
3. Contribution margin – an analysis of the contribution margin (GP%) for each menu item.

The pre-requisites for using this technique are:-

1. The standardization of all recipes (including the presentation), so that the food costs can be accurate.
2. The accurate sales analysis of each menu item, daily and by meal period.
3. The use of a personal computer, so that simple spreadsheets with standard calculations, may be done accurately and with speed.



**Fig. 4.2: Menu Engineering Matrix**

The menu analysis reveals that all menu items can be grouped into any one of the following four categories:-

**1. Stars:** Menu items high in menu mix (Popularity) and also high in contribution margin.

- Most popular and profitable items on the menu.
- Can carry a disproportionate share of the burden of margin and profit.

**Action:-**

1. Maintain rigid specification for quality, quantity and presentation.
2. Employ high visibility menu locations.
3. Determine range of price elasticity.

**2. Plow Horse:** Menu items high in menu mix (Popularity) but low in contribution margin.

- These are demand generators.
- Used to attract the price sensitive buyer.

**Action:**

1. Take care in increasing their selling price (Because of consumer/price responsiveness behavior).

2. Lower menu profit positions are appropriate.
3. Consider imperceptible portion reductions.
4. Shift demand to other, more profitable items.

Through, merchandising programmes: Menu positioning.

**3. Puzzles:** Menu items low in menu mix (Popularity) and high in contribution margin.

- Not popular. Hence slow sellers.

**Action:**

1. Eliminate the item if it is a slow seller.
2. Decrease the item selling price.
3. Reposition the item on the menu.
4. Limit the total no. of Puzzles on a menu.
5. Rename the item to influence its popularity.

**4. Dogs:** Menu items low in menu mix (popularity) and low in contribution margin.

- Unwanted menu items.
- Unpopular from both consumers and management point of view.

**Action:**

1. Eliminate the items from the menu.
2. Consider and adding them with other item.
3. Need of special promotion to the menu.

When a restaurant's bottom line starts eroding, F&B Managers tend to:

- Reduce portion size.
- Purchase at lower specification.
- Eliminate complimentary food items.
- Increase menu prices.
- Reduce labour costs.
- Tighten operational controls.

Although these may be popular survival strategies, they have the potential to affect adversely a consumer's perception of value.

A decline in business may result:-

However a more effective way may be to:-

1. Develop demand based, recession-proof menus.
2. Generate new customer demand (through market segmentation, merchandising, menu design and positioning).
3. Increased old customer demand (through, advertising, menu design and customer service).
4. Use of assets (enhance employee productivity and customer service).
5. Increasing menu-item contribution margin (through improved pricing approaches)

These tend to have a positive effect on perceived value and can lead to a broadened customer base. The key to menu's success is whether or not it produces more customers and more contribution in terms of revenue. Menu engineering is a tool for food service managers with which they can evaluate one menu against another menu. It requires food service managers should know.

- i. Each menu item
  - ii. Item cost
  - iii. Selling price
  - iv. Quantity sold over a period of time
  - v. Each items revenue contribution margin
  - vi. High selling/Low selling item
  - vii. Popularity category
- Each menu item is classified and evaluated for both its marketing (Popularity) and pricing (profit) success.
  - By categorizing and classifying menu items through logical and mathematical procedures menu engineering help manager to take the right decisions.

### **SEQUENCE TO MENU ENGINEERING**

Be familiar with: Each dish

- Cost
- Selling Price

Average Number Sold

- Mathematical Calculations
- Analysis
- Categorization & Classification of Items
- Decision Making.....Action

### **CALCULATIONS**

1. Identify competing Menu Items.
2. Record the no. of items sold or forecasted Menu Mix (MM)
3. Compute Menu Item Mix Proportions

$$\text{Menu Mix}(MM) = \frac{\text{Menu Item Sold}}{\text{Total No. Sold (all items)}}$$

4. Categorize Menu Mix: By Fixing or Arriving at MM Achievement Rate

$$\text{MM Achievement Rate} = \frac{1}{N} \times 70$$

Where,

**N** is the no. of competing Menu Items.

**70** items is an International Standard.

A MM Achievement equal to or exceeding this rate is categorized as being high; otherwise it is considered low.

5. List Menu item selling price (Published Menu Prices)

6. Determine standard Food Cost for each Menu Item.  
(including garnish and accompaniments)

7. Calculate Menu Item  
(Profitability) Contribution Margins (CM)

$$CM = \text{Selling Price} - \text{Standard Food Cost}$$

8. Determine The Menu contribution Margin

$$\text{Total Menu CM} = \text{Sum of (each item CM x its respective MM)}$$

9. Compute the item contribution. Margin with menu contribution Margin

$$CM = \frac{\text{Menu Item CM}}{\text{Total Menu CM}}$$

10. A CM Achievement equal to or exceeding this rate is categorised as being high; otherwise it is considered low.

$$\frac{\text{Catagories Item CM}}{\text{CM Achievement Rate}} = \frac{\text{Menu CM}}{\text{Total Number of Items Sold}}$$

11. Performance Menu item classification

**Classification**

- Low MM, Low CM ----- -DOG
- Low MM, High CM ----- PUZZLE
- High MM, Low CM ----- PLOW HORSE
- High MM, High CM ----- STAR

12. Initiate Menu Item Decision Making

<b>CLASSIFICATION</b>	<b>MENU ACTION</b>
STAR	RETAIN
PLOW HORSE	REPRISE
PUZZLE	REPOSITION
DOG	REPLACE

**MENU ENGINEERING WORKSHEET**  
**RESTAURANT XYZ**

(A) Menu Item Name	(B) Number SOLD (MM)	(C) Menu Mix %	(D) Item Food Cost	(E) Item Selling Price	(F) Item CM (E-D)	(G) Menu Costs (DxB)	(H) Menu Revenues (ExB)	(I) MENU CM (F x B)	(P) CM 49 Category Com with Col. F	(R) MM% 7 Category COMP with Col. C	(S) Menu Item Classification
Tandoori Murgh	150	5	55	120	120-55=65	8250	18000	9750	H	L	PUZZLE
Tandoori Fish	360	12	42	100	100-42=58	15120	36000	20880	H	H	STAR
Shahi Murgh-do-Pyaza	60	2	45	105	105-45=60	2700	6300	3600	H	L	PUZZLE
Jahangiri Korma	510	17	37	90	90-37=53	18870	45900	27030	H	H	STAR
Nargiri Kofta	220	7	34	80	80-34=46	7480	17600	10120	L	H	PLOW HORSE
Murgh Afghani	240	8	27	70	70-27=43	6480	16800	10320	L	H	PLOW HORSE
Murgh Biryani	600	20	33	75	75-33=42	19800	45000	25200	L	H	PLOW HORSE
Akbari Murgh Masala	400	13	20	60	60-20=40	8000	24000	16000	L	H	PLOW HORSE
Tandoori Bakra	120	4	23	60	60-23=37	2760	7200	4440	L	L	DOG
Dil Bahar-do-Pyaza	350	12	21	50	50-21=29	7350	17500	10150	L	H	PLOW HORSE
	3010	100						147640			

**Table 4.1: Menu Engineering Work Sheet**

$$\text{MM Achievement Rate} = \frac{1 \times 70}{N} = \frac{1 \times 70}{10} = 7$$

N is the no. of corapeting Menu items \* 70 items is an Int. Std.

$$\text{CM Achievement Rate} = \frac{\text{Total Menu CM}}{\text{Total No of items Sold}} = \frac{147640}{3010} = 49$$

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#### 4.4.7 Menu Fatigue

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There are some sectors of the industry which have unique menu features that require a unique approach to menu analysis. For instance, many sectors-hospitals, some employee-feeding, in-flight catering, hotel package deals, university halls of residence-work to a cycle, offering a different set of dishes each day, rather than the wide range of dishes on an à la carte style menu. This is because they provide meals to a captive or semi-captive market, where there is a dangers of menu fatigue, and where the meal may be included as part of a large service package. In these sectors there is an emphasis on effective cost control and waste control through menu cycle planning, rather than the kind of menu analysis typically found in the commercial restaurant sector. Menu fatigue is a unique problem that restaurants face when their customers become bored with the choices that are offered. One way to fix this problem is to offer seasonal items and menu choices that are not always available. Seasonal items are a good opportunity for restaurateurs to test new items, and decide if those choices are worth keeping around. It is a minimal risk way of testing items, and removing them from the menu if they do not sell well, and consider keeping them on the menu, if they sell very well.

##### Key Point:

- For some, familiarity can be comforting, but for others, familiarity can be exhausting when the same menu offerings day in and day out lead guests to search for options elsewhere, they may be suffering from 'menu fatigue'.
- Seasonal menu items are the perfect way to try out your potential new addition with your customers. By labeling the item as seasonal, customers won't be surprised if the item disappears in a few months after limited acceptance or success.
- Seasonal menu items give you the opportunity to make your new items fun. Ask customers for their feedback via in-restaurant comment cards and social media.

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#### 4.4.8. Menu as a In-House Marketing Tool

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In earlier parts we have discussed different types of menu. Menu is a powerful in-house marketing tool for promoting sales in food and beverage operation.

There are a number of basic factors that have to be considered to ensure the efficacy of menu as an in-house effective sales tool for optimizing sales.

1. **Menu Presentation:** Menu presentation is very important, as it identifies the image and personality of that particular unit or

department; whether it is coffee shop or cocktail bar. The following points should be taken into consideration.

- a) **Menu should be attractive:** The menu should be attractive, interesting and inviting. The first impression of the menu should be such that the customer really wants to read it.
  - b) **Menu should be clean:** The menu should always be clean. Although this appears to be obvious, it is something frequently ignored by the hoteliers and caterers. If it is intended that a particular menu is to be offered frequently, it is well worth considering having the menu cards either plastic coated, so that they can be regularly wiped clean or printed on in expensive paper or card that can be regularly replaced or contained within a presentable and durable cover
  - c) **Menu should be legible:** The menu should be easy to read. It is usual to use different sizes of typeface for heading and the items appearing under them. How typeface styles are used can help the customers make their choice of food and beverage items more easily. The use of attractive graphics, colour and blank spaces can also help the customers to make their selection.
  - d) **The menu should complement the occasion:** It is necessary that the general presentation of the menu is not only in keeping with the décor of the room but also suitable and complementary to the occasion. For example, a state banquet where a different style and presentation are necessary for each.
  - e) **It should reflect current awareness:** The menu should take into consideration the current trends in eating habits, so as to be fully aware of the customer requirements.
2. **Menu design and layout:** The physical shape of a menu will be determined by such criteria as the number of items to be printed on the menu, the theme or style of the menu, the use of graphics, typeface and the occasion. Use of colour in the menu attracts the guest. Special menus can be designed as mementoes for the guest in function catering and banquet operations. Menu requires artwork, and, if possible, graphics designer should be hired, as background knowledge of printing process is very essential. Very large menus take a lot of time to read, short menus do not satisfy the needs of a dinner; therefore, menu should be moderate.

For special occasions and for sales promotion, menu works in single sheet, central vertical fold, two parallel vertical folds, three parallel vertical folds to special cut shapes.

### Guide Table

Series	
A0	841 x 1189 mm
A1	841 x 594 mm
A2	420 x 594 mm
A3	420 x 297 mm
A4	210 x 297 mm
A5	210 x 148 mm
A6	105 x 148 mm
A7	105 x 74 mm
Long Size	
1/8 A4	210 x 99 mm
1/4 A4	210 x 74 mm

The size of the menu card should be standard and the above guide table should be used to determine the size of the menu card.

Layout is one of the most important aspects to take into consideration. It is something on which the printer can give helps the guidance to the caterer but only to a limited extent. The caterer must give the printer clear instructions as to the layout of the menu as well as details of the artwork required.

### 3. Menu Content:

- a. **Language:** The language used in menu card should be clear and easy to understand and it is essential to provide accurate translations in English if menu is written in any foreign language.
- b. **Accuracy:** A very basic requirement for all menus is that when seen by customers they are accurate as far as pricing and availability and a concerned, with the correct spelling and description of dishes and drinks. It is all too common to be presented with a menu or wine list to which untidy alterations have been made in handwriting.
- c. **Pricing:** The correct pricing of all food menus and restaurant list is very important to the success of an operation. It is essential that in total all necessary costs are covered; that the prices are attractive to the Particular segment of the market that the operation is in; and that the prices are competitive in relation to the level, of quality of food and drink and service



offered. Pricing strategy should be based on the type of establishment, operation, competitors and desired profit.

- d. Printing Menu:** Small establishments and menu for special occasions may have handwritten menu. Make it sure that handwriting should be clear to read as a printed menu is and in good format. Printed menus are most popular. Care should be taken regarding the letter press or offset litho. In letter Press, image of Printing is transferred to the paper. The advantages of this printing are that alterations to the type are easy and quick to make. Offset litho is fast and convenient but alteration is not possible in this type of Printing. Printing can be done through in house micro-computer. A desktop software package is used on such a computer for designing. Banquet menus, promotional menus, and event menus are mostly Printed. You may redesign the menu, and a good quality of output can be achieved by using laser printers. Type and colour of the paper is also one of the important aspects; ensure that the thickness of the paper, which varies from 120 g/m<sup>2</sup> to 500 g/m<sup>2</sup> and the colour of the menu card should meet the colour scheme of the restaurant. There are three types of paper finishes used in printing of the menu: absorbent, non-absorbent and glossy finished paper. Always ensure varnishing after completion of all printing followed by lamination and then plastic zing to make the menu stronger. The logo of the company and quantity of the menu cards to be printed should be worked out carefully.
- e.** Proper menu presentation, design and content helps menu as an in-house marketing tool.

<b>Menu Presentation</b>	<b>Menu Design</b>	<b>Menu content</b>
Attractiveness	Shape, size, weight	Balance
Durability	Pages, Panels and folds	Language
Compatibility	Graphics and layout	Accuracy
Legibility	Eye movement and Positioning of Menu items	Printing
Cleanliness		Type and colour of papers pricing

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## 4.5 Material Management

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Material management is a total concept involving an organizational structure unifying into a single responsibility, the systematic flow and control of material from identification of the need through customer delivery. The definition of material management given above has been accepted by the International Federation of Purchasing and Material management. Included within this concept are the material functions of planning, scheduling, buying, storing, moving and distributing. These are logically represented disciplines of production and inventory control, purchasing and physical distribution.

Materials management is an organizational concept in which a single manager has authority and responsibility for all activities, principally concerned with the flow of materials into an organization. (Purchasing, production, planning and scheduling, incoming traffic, inventory control, receiving and stores are included).

The five m's of an industrial organization viz, men, machines, money, materials and methods have shifted their positing from time to time in their relative importance.

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### 4.5.1. Introduction of Material Management

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A production function is needed to transform our resources into useful goods. Production takes place in all forms of transformation extracting raw materials to useful and selling products. There are many stages between the extraction of raw material and the final consumer products. At each stage in the development of the final product, value is added, thus creating more wealth. Hotels are in the business of converting raw material to a form that is of far more value and use to the consumer than the original raw materials. This conversion process is called manufacturing or production. To get the most value out of our resources, we must design production process that makes products efficiently. Once the processes exist, we need to manage their operation so they produce goods most economically. Managing the operation means planning for and controlling the resources used in the process: labour, capital, and material. All are important, but the major way in which management plans and controls is through the flow of materials. The flow of material controls the performance of the process. If the right materials in the right quantities are not available at the right time, the process cannot produce what it should. Labour and machinery will be poorly utilized. The profitability, and even the existence, of the company will be threatened.

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## 4.5.2 Concepts of Material Management

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The concept of material management has now so matured that a materials manager today has to equip himself with all the qualities that a general manager should have. All managerial functions are today blended in the most prudent way to secure economy in material, to avoid wastage in materials and thus to create a solid foundation for an organization to face competition just to have an idea of materials management, we can mention that it does not mean managing materials when they are in and observe their utilization. Materials management is a vast area of activities – right from the planning of materials, their procurement in right quantity and quality, their proper dispatch on proper time, and their disposal if found obsolete or in excess. The concept of materials management does not remain static but proceeds still further. The concept is dynamic, moves with the time keeping itself abreast with the changing industrial environment. Materials management concept is not inward looking only –it is pragmatic forward looking. On the one hand, hostile trade unions pressing for increased emoluments always causing higher and higher wage bills and on the other hand serve competition particularly through horizontal combination, have created situation for more and more attention to better material management. This is naturally putting the management personnel of the materials department to be increasingly alert in the application of the latest technique of managerial acumen. Thus the concept of materials management has been put to challenges of the complexities of the modern techniques of production. There are different areas of management of an organization but in a productive unit, the materials management constitutes the very critical area of management. The concept of material management is, thus, engaging general management too, to get itself involved more and more and devise the ways and means to make an all-out effort to maximize efficiency in materials control through materials management personnel.

### Scope of Materials Management:

1. **Materials planning and Control:** This is based on the sales forecast and production target. The planning of materials involves estimating parts requirements, preparation of materials, budget, inventory level forecasting, order scheduling and finally monitoring the performance with a view to achieving the targeted sales and production.
2. **Purchasing:** Correct, prudent and efficient purchasing ensures to a considerable extent the success of materials management. Purchasing includes selection of supply sources, settlement of terms with the suppliers, order placement, follow-up, and payments to suppliers, evaluating and rating of suppliers and maintaining good relations with them.

**3. Stores and Inventory Control:** This denotes physical control of material. Materials have to be preserved, obsolesce and damage through timely disposal of material have to be minimized. Proper vocation and stocking of materials and maintenance of stores records come within the purview of stores and inventory control. While controlling stores, the stores personnel must verify physical stock and reconcile them with book figures. It also covers various other aspects of materials such as setting inventory control, ABC analysis, deterring EOQ, setting safely stock levels, lead time analysis and reporting. It comes within the scope of materials management to ensure that there is a smooth flow of goods from the producer to the ultimate consumers. If we observe, we find that at each stage of marketing forces, there is the movement of goods. In a sense the entire marketing is basically materials management under the integrated concept of materials management. The scope of materials management in be limited to the ultimate delivery of the products to the consumers. The widening of the material management area has taken effect with the emergence of integrated materials management.

**CHECK YOUR PROGRESS**

**Q-1 what is Menu Fatigue?**

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**Q-2 What is material Management?**

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**Menu Merchandising:** It is the process by which the menu is marketed and may include various forms of presentation, language, theme and type of operation.

**Menu Planning:** It is a managerial activity which is marketed between the food production and service personnel having knowledge of various cuisine, cost of preparing dishes, time for preparing dishes and the clientele.

**Material Management:** It is a scientific technique, concerned with planning, organizing & control of flow of materials, from their initial purchase to destination.

**Organizing:** Organizing includes allocating resources, allocating duties, and incorporating systems and procedures to meet the requirements or the objectives set in the planning process.

**Planning:** Planning is a process by which various goals and objectives are prepared and framing the steps through which the goals and objectives can be attained.

**Risk Purchase:** If supplier fails, the item is purchased from other agencies & the difference in cost is recovered from the first supplier.

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## 4.9Suggestive Reading

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## 4.10 Terminal Questions

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### Long Answer type Questions

1. Define Menu Engineering. How menu items are categorized and treated on the basis of menu engineering.
2. Differentiate between menu merchandising and menu engineering.
3. What are the points to be considered in menu planning.
4. What are the various functions of management?
5. Explain Menu Merchandising in detail.
6. What are the major responsibilities of the Food & Beverage Department.?
7. Differentiate between cyclic menu and Plat du jour.
8. What are the major constraints of menu planning?
9. Explain the major constraints of Food & Beverage Management.
10. Define Menu. What are the points to be considered in menu planning?

### Short Answer type Questions

Define the following terms:

- A la Carte Menu
- Material Variance
- Puzzles
- Control Cycle
- Controlling
- Food Value
- Tent Cards
- Table d' hote Menu
- Star
- Menu Fatigue

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# UNIT: 05

## FOOD AND BEVERAGE MANAGEMENT IN FAST-FOOD AND POPULAR CATERING

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### Structure

- 5.1 Introduction
- 5.2 Objectives
- 5.3 F & B Management in Fast-Food and popular Catering
  - 5.3.1 Introduction
  - 5.3.2 Basic Policies- Financial, Marketing and Catering
  - 5.3.3 Control & Performance Measurement
- 5.4 F & B Management in Hotels and Quality Restaurants
  - 5.4.1 Introduction
  - 5.4.2 Basic Policies-Financial, Marketing and Catering
  - 5.4.3 Control & Performance Measurement
- 5.5 F & B Management in Function Catering
  - 5.5.1 Introduction
  - 5.5.2 Basic Policies-Financial, Marketing and Catering
  - 5.5.3 Control & Performance Measurement
- 5.6 F & B Management in Industrial/Institutional Catering
  - 5.6.1 Introduction
  - 5.6.2 Basic Policies-Financial, Marketing and Catering
  - 5.6.3 Control & Performance Measurement
- 5.7 Summary
- 5.8 Glossary
- 5.9 Reference/ Bibliography
- 5.10 Suggestive Reading
- 5.11 Terminal Questions

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## 5.1 Introduction

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Food & Beverage Management in Hotels, Restaurants, Fast Food Outlets, Function Catering and Industrial Catering requires proper control and system. In these catering establishments need for promoting and standardizing food and checking with the inventory ordered to verify the issuing process and ensure proper stocktaking procedure has been followed. Various portion control equipment such as ladles, scoops and



weighing scales are used to maintain the accurate portion size of the dishes. Strict measures are usually taken as actual sales are tallied with everyday consumption. Suitable measures should be monitored the Financial, Marketing and Catering polices of these catering establishments.

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## **5.2 Objectives**

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After studying the unit, student should be able to:-

- Understand the Food & Beverage Management procedures in Fast-Food and Popular Catering
- Understand the Food & Beverage Management procedures in Hotels and Quality Restaurants
- Understand the Food & Beverage Management in Function Catering
- Understand the Food & Beverage Management in Industrial/ Institutional Catering

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## **5.3 F & B Management in Fast Food and Popular Catering**

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Fast food and Popular Catering may be defined as that sector of the catering industry primarily concerned with the Preparation and service of food and beverage quickly, for immediate sale to the customer. These outlets offer a limited menu range of Products. These operations cater mainly for the relatively lower average spend markets with lower prices being charged than those found in other food and beverage establishments; there is a low ratio of service staff to customers with many of these operations being a form of self service, consumption of the food may be on or off the premises; less rigid meal times are observed by these establishments, with some form of menu usually available throughout the day; and finally, all aspects of the operation are highly standardized, leading to a high volume throughput with resulting economics in food, labour and other operating costs. The location of fast food and popular catering operations is important, as they must be aimed at attracting a large volume of trade to generate a high turnover. These catering establishments are usually sited nears by motorway service areas, airports, railway stations, shopping complex, near cinemas, sports centers etc. These outlets primarily customers are passing traffic and locals.

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### **5.3.1 Introduction**

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These food and beverage outlets consist of diverse operating facilities whose slogan is 'Quick food'. The fast food and popular catering sector occupied the driving seat of the entire catering business of India as well as the world, and has the maximum market share. At present, the major trend in the market is service 'home delivery'. Fast food and popular catering outlets offer limited menus, such as burgers, French fries, poori bhaji, samosa, idli sambhar etc. Customers order their food at a counter under a brightly lit menu featuring coloured image of the food items. These catering outlets have become popular due to the following reasons:-

1. Found at very convenient locations.

2. Menus are limited, which makes it easy the customers to make quick decisions.
3. Value for money and time.
4. Deliver fast services include self-service.
5. Use of processed ingredients helps the fast food and popular catering outlets to maintain low prices.
6. Minimum use of skilled and unskilled labour, it increases the profit margin.

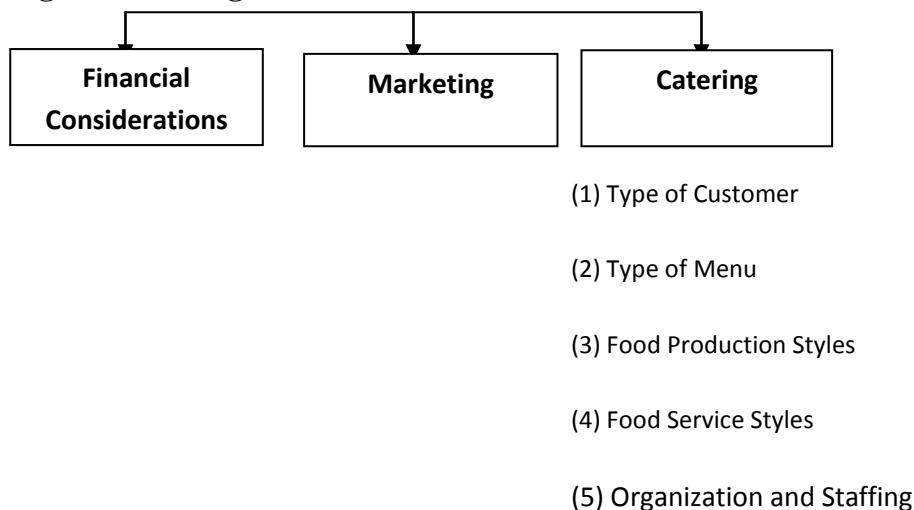
In metro cities, where a business space is very expensive, there are stand-up restaurants where busy office workers can eat quick meals. Many Indian fast food chains are targeting the international markets, mostly in the large cities of various overseas destinations.

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### 5.3.2 Basic Policies- Financial, Marketing and Catering

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#### Financial, Marketing and Catering

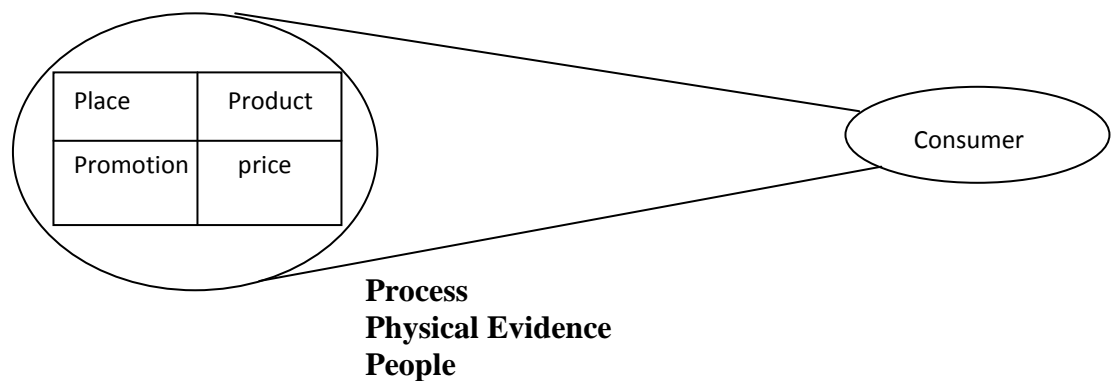


**Fig. 5.1: Financial, Marketing & Catering Policies of Fast-Food and Popular Catering**

**Financial Considerations:** Fast-food and popular catering establishments have a number of characteristics which enable their particular business orientation to be identified. They do not require such a high initial capital outlay, nor a high percentage of fixed costs, although they do normally have a higher percentage of variable costs. Although the products offered for sale by these establishments are perishable, they are not as perishable as similar food and beverage products offered by other types of caterings establishments; this is mainly due to the high level of convenience foods used by popular catering outlets, and the fact that often most of the foods are ‘cooked to

order' and do not have to be prepared sometime in advance, also because the products are not so highly perishable, these operations do not suffer from such sales instability as do hotels. All these factors contribute to making the fast –food and popular catering operations both cost-oriented and market oriented. In these lower average spend operations, the cost of the meal to the customer is an important variable in determining the sales of the operation; because fast-food and popular operations demonstrate a very elastic demand, an increase in an establishment's price of, is likely to have a substantial effect on its sales. Variable costs in fast-food operations account for a large part of the Product's selling price and the range of price discretion is consequently low. The prices charged by these establishments must therefore be carefully calculated, particularly in relation to competitor's pricing levels. The financial policies of fast-food operations would include the envisaged profitability of the establishment and the way in which it may be achieved, by controlling costs, balancing selling price against volume sales, determining the profit margins on the food and beverage items.

**Marketing Considerations:** The growth and development of popular and fast-food catering in the past 25 years have brought an increasing awareness of the importance of marketing to this sector of the industry. With the growth of gross and disposable incomes, together with an increase in eating away from the home by all sectors of the general public, the potential to develop in these areas, not previously exploited, was identified. The marketing policy for the modern popular and fast food organization is the key to success in this sector of the industry. A study of many of these organizations provides an outline to the marketing policy which may be discussed under the variables of product, price, place, promotion, process, physical evidence and people.



**Fig. 5.2: 7 P's of Marketing**

1. **Product:** It is the offer of the marketer to satisfy a need and want. It includes the product variety and assortment, quality, features, style, brand name, packaging, warranties and guarantees, product logos, trademarks, and associated benefits. Product includes not only the menu, but also the quality of the food and beverages, its methods of productions, the portion sizes, and the method of

service and presentation as well as the general layout/ design of the individual unit, the décor, and ambience.

2. **Price:** It is the monetary value of the product. This is what the buyer pays to the seller, including discounts, allowances, credit terms, payment period etc. Customers will tend to be cost conscious and to be aware of the prices charged by competitors for similar items. Any significant increase in price could well result in a significant decrease in sales. The price must be seen by these customers as giving good value money together with a consistent and standard product of good quality.
3. **Place:** The place refers to the way which the products and premises are made readily available to the customers at the appropriate time and location. Location is of prime importance to business success in the fast food and popular catering sectors where customers are unlikely to travel too far for this type of meal experience.
4. **Promotion:** It refers to all methods and tools used to give product information to the buyers and persuade them to purchase. Many operations use specifically designed logo and colors which become representative of that level of operation in terms of standard of food, service etc. In popular catering establishment different types of children's badges, toys, balloons, fancy hats, key rings, car stickers are used as a promotion tool.
5. **Process:** Process of service delivery decides the satisfaction of the customers. It includes the procedures, task schedules, mechanisms, activities and routines by which a product or service is delivered to the customer. For product and staff development it is important to obtain feedback from an operation's customers about their likes and dislikes about the product offered.
6. **Physical Evidence:** It incorporates all the tangible elements of the fast food establishment such as the table arrangements, décor and lighting, staff uniforms, menu design etc.
7. **People:** People imply the human elements involved in the service experience. The most visible elements are those engaged in exchange, i.e. sellers and buyers. The people employed in the organization decide the quality of services that the customers get. The customers are another category of people who decide the service experience through their involvement. Personnel training and interaction of fast food outlets staff with customers through company training manuals. In these manuals Standard Operating Procedures (SOP), how to greet and seat customers, take orders, deal with complaints, etc.

**Catering Considerations:**

1. **Type of Customers:** Fast food and popular catering establishments have a fairly limited market area to which they cater. The market area of these types of

operation is therefore critical in the sitting of an establishment, particularly if the operation must rely on repeat business from the surrounding area, rather than a high percentage of passing trade. The type of customer likely to frequent these operations will vary in terms of sex, age socio-economic grouping and so on; from this type of information an operation may build up a customer profile. Once this type of customer profile has been established, the operation's advertising and merchandizing campaigns can become more meaningful because the market segments have been identified and the campaign can be aimed directly at these.

2. **Types of Menu:** A fast food and popular type operation may be centered around one particular product or a few, for example burgers, Pizzas, chips, Sausages etc. The product sold by fast food and Popular catering operations are highly standardized and portion controlled. The menu as a sales tool is important in any food and beverage operation, but is particularly so in these types of operations where staffing levels are reduced to a minimum and the operation's only vehicle for selling its product is via its menu and visual displays. In fast food operations every item on the menu is priced, either individually or as a complete meal, the price range being relatively limited. The packaging of the product includes the direct Packaging of the food, for example the crockery on which the food is presented, or the containers and bags in which the food is taken away, the service accompaniments such as the menu itself, tableware and cutlery napkins, straws etc. and the more indirect packaging such as the restaurant décor, the staff and their uniforms, the seating arrangements and so an. Disposals can also works as a form of external advertising for the operations.
3. **Food Production Style:** In fast food and popular catering operations food production is highly standardized. Standard Purchasing specifications are used to buy in the food and beverages, they are prepared according to standard recipes, and from these standard yields are obtained. Portion control and costing are very tightly controlled. The equipment used in these catering establishments is geared to fast production and service. Some equipment is common to most types of fast food operations, such as pressure fryers, convention ovens, high pressure steamers, deep fat fryer, salamander, griddles etc; while other production equipment may be specific to particular operations, such as an automatic buttering machine in sandwich bar. Whenever Possible, the equipment used in fast food operations is rationalized, the amount of kitchen space necessary, and increasing the food service area of the operation to achieve high customer throughout. Modular equipments making fast food operation easier by replacing old equipments.
4. **Food service Styles:** A variety of food service styles are used by popular catering establishment depending on the type of establishment, location, the speed at which customer's must be served, service area available, type of menu offered, service skills available and service equipment available etc. The service styles used by these types of operations include waiter service, self service,

traditional and free-flow cafeterias, buffets and vending. A variety of seating arrangements may be used in popular catering establishment although these are usually dependent upon the type of operation, and hence the space allocated per customers. The majority of fast-food operations are designed around a food theme or particular product and this factor combined with heavy customer usage and throughput causes such operations to have a more limited life cycle than other types of catering outlet. The space required for service in coffee shop and snack bar is 12 ft<sup>2</sup> and 9 ft<sup>2</sup> respectively.

Name of the Establishment	Space Required
Coffee Shop	12ft <sup>2</sup>
Snack Bar	9ft <sup>2</sup>

5. **Organization and Staffing:** The amount of service staff contact time with customers is also dependent upon the type of establishment. The counter staff or crew are mainly involved in taking customer's order and serving the food and beverages straight from the production area to the customer. In self-service cafeterias and waiter service operations, the amount of contact time between the service staff and the customer increases proportionately. In order to achieve high volume sales fast food operations must offer a standardized product that can be prepared and served quickly and efficiently. The type of staff fast food operations employ often includes a high percentage of part time labour and workers who may be employed only for one season; for these reasons these types of establishments may experience a higher staff turnover than other catering establishments. The number of management personnel in a fast food operation depends to a great extent on the size of the establishment.

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### 5.3. 3 Control & Performance Management

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Controlling and measuring the performance of a food and beverage establishment based on the standards proposed against which the operation's performance may be measured. The control of any food and beverage operation may be divided into two main areas; the ongoing or operational control; and the after the event or post-operational control. Operational control will follow the food and beverage control cycle-purchasing receiving, storing, issuing, preparation and selling. Within each of these stages standards are laid against which certain aspects of the operation may be measured; for example, to measure the purchasing function of the establishment standard purchase specifications, portion sizes, and yields may be used.

The information obtained from the sales aspect of the control cycle is the first step in post operational control. Although this is also described as control after the event, the time between the event and control is critical. The measurement of an operations performance should begin as soon after the event as possible; if it is not, any impact the instigation of a control procedure should have will be lost.

Computerized data processing is used to a considerable extent particularly by companies operating take-away establishments. Their fast and efficient information gathering begins at the purchasing function with computerized stock control and continues through all aspects of the control cycle. Sales information is gathered at the sales counter where electronic cash registers are used to record and analysis sales figures. In this electronic cash register information such as sales of individual items, the total sales of all the items, the number of customers served the average bill, opening and closing stock inventories, etc. Daily figure are easily totaled to give weekly or period-end-totals.

The POS (Point-of-sale) computer systems can work in isolation in individual units to be linked via a restaurant analysis and information system (RAIS) to a central control unit enabling management to monitor and control the individual sales outlets. RIAS systems provide complete operation reports (daily, weekly, monthly etc). The systems scan track tables, allowing multiple bills per table. Bills can be transferred from one area to another for example from the bar to the restaurant, and if linked to a hotel management system, added to a guest's room account.

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## **5. 4 F & B Management in Hotels and Quality Restaurants**

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Hotel food and beverage management may be described as one of the most complex areas of the catering industry because of the variety of catering outlets that may be found in any one hotel. The different types of catering services like, restaurant, coffee shops, room service, bars and banquets. Quality restaurants are those establishments whose sole business is restaurants and who offer very high standards in all aspects of their operation-an extensive a la carte menu, silver service, good quality facilities and décor, service, accompaniments etc. The type and variety of catering outlets in hotels will depend to a large extent on the size of the hotel, nature and the market for which it is catering.

A medium sized resort hotel where a guest's average length of stay may be two to three weeks, may need to offer a variety of food and beverage facilities to cater for the guest's different and changing needs during their stay. A transient hotel, however, such as one situated near an airport where the guest's average length of stay may be one or two nights, may only need to provide comparatively limited catering facilities.

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### **5.4.1 Introduction**

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Food and beverage management in hotels and quality restaurants deals with the various aspects managerial Practices in a Catering operation, such as planning for purchasing, receiving, storing. and issuing. The main purpose of any business is to make profit. Profit not only is earned by sales, but also can be achieved by saving money. The significant contribution food and beverage sales can make towards total sales is evident but food and beverage costs can make equally significant inroads into sales. This necessitates the development of an effective system of control for all areas concerned with the food and beverage function. The development of such a total control system

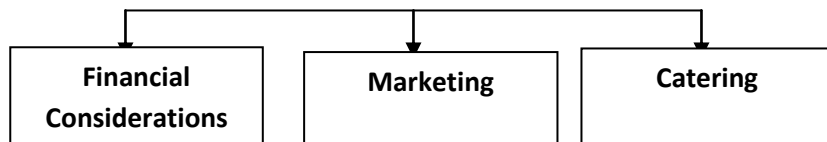
begins with the basic policy decisions the determination of the financial, marketing and catering policies.

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### 5.4.2 Basic Policies- Financial, Marketing and Catering

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#### Financial, Marketing and Catering



(1) Type of Customer

(2) Type of Menu

(3) Food Production Styles

(4) Food Service Styles

(5) Organization and Staffing

**Fig. 5.3: Financial, Marketing & Catering Policies of Hotels & Quality Restaurants**

**Financial Considerations:** Hotels and quality restaurants are profit oriented and this is reflected in their financial policies. The higher gross profit levels of the a la carte and quality restaurants are mainly due to the lower variable costs of these operations and the need to cover the higher staff costs.

The high percentage of fixed costs associated with the quality restaurants and other catering outlets in hotels, affects the margin of safety of these operations, this is the difference between the operation's breakeven point and its maximum potential output. High fixed cost operations have a smaller margin of safety than those with lower fixed costs, so that a drop in the volume of sales would seriously affect the profitability of high fixed –cost establishments. In addition, the wide range of price discretion that is available to hotels and quality restaurants further complicates their pricing structure. The balance between the price level of these establishments and their volume of sales must therefore be carefully calculated, and this again would be contained in their financial policies. The average spend of customers in hotel catering outlets, is higher than in similar catering operations found outside a hotel.

In the larger hotels some form of food and beverage service is generally available 24 hours a day and most of catering facilities are usually open 7 days a week; quality restaurants situated outside the hotel, however, may only open six days a week. The catering policy of the hotel or quality restaurant in conjunction with the financial policy



of the establishment will, however, determine the opening hours of the operation based on such information as revenue per trading hour, sales per employee per hour, etc. The average spend per customer varies according to the type of catering outlet. In a coffee shop or lounge service of a hotel which usually offer limited food and beverage items, the ASP may be in the Rs. 200 to Rs. 400 range, in the a la carte restaurant of a hotel or other quality restaurants, the ASP may range from Rs. 1,000 to Rs. 2000 per customer. Payment for food and beverages in hotels may be made in several ways. If customers are residents the charges may be debited to their hotel account. Alternatively, payment may be made on a cash or credit basis. Generally speaking the higher the price level of a restaurant, the more likely that credit facilities will be available. Some hotels and quality restaurants include a service charge in the price of their meal, while others leave it to the discretion of the customer.

In the higher ASP operations, the cost of the meal to the customer is not such an important variable in determining the sales of the operation; broadly speaking, the higher the price level of an operation, the less elastic its demand. The demand for those catering facilities offered by quality restaurants and hotels, therefore tends to be relatively inelastic, that is, a large change in price will not have a very substantial effect on the sales of the establishment.

**Marketing Considerations:** The Marketing policies of quality restaurants are able to quite clearly identify their market and target their advertising and merchandising campaigns at market level. The marketing policy of a hotel however is considerably more complicated because of its variety of catering outlets and the corresponding variety in the types of customer these facilities will attract; the customer frequenting the hotel's coffee shop for example, may not be the same customer to use the hotel's a la carte restaurant. The marketing policy of a hotel may vary with different times of the year because it can see opportunities for marketing its catering facilities to different markets. A hotel's marketing policy will also contain its intentions with regards to its resident and non-resident markets. Some hotels aim almost exclusively at the resident guest and may offer comparatively limited catering facilities, compared with those hotels seeking to also attract the non-resident customer by offering a wide range of catering outlets-restaurants, bars, banqueting facilities, etc. "Crisscross" advertising is a technique available to hotels where there is more than one type of catering facility in the hotel; for example, the cocktail bar may use tent cards to advertise a special promotion week in the a la carte restaurant. Where the hotel is part of a large organization, inter-hotel advertising may be used which usually features the catering outlets of the group's hotel in the company sales literature which is distributed to all the hotel units throughout the country. It is also possible to advertise the food and beverage facilities of the hotel in conjunction with other services. Discounts are given to hotel residents dining in the a la carte restaurant, a free bottle of wine is offered with the meal, or two meals for the price of one during the quieter weekdays. It is important therefore for all possible advertising techniques to be reviewed for the marketing of catering outlets, as they may often not only be marketed in isolation, but also may be advertised in conjunction with the establishment's other facilities such as accommodation.

**Catering considerations:**

1. **Type of Customer:** Customers patronizing hotel catering facilities may be conveniently divided into two main groups: residents, and non-residents. The ratio between these two groupings will vary from one hotel to another, although generally speaking the resident guests will generate considerably more business than the non-residents, the ratio being as high as 85:15 in some hotels. 'In-house' sales are often generated by conference and banqueting guests staying in the hotel and block booking by tours who may be staying at the hotel on half-board terms. Resident guests may be further Sub-divided into business and non-business customers; these different types of customers are likely to frequent the different levels of catering facilities in the hotel.

Resident guest may be staying at a hotel on a variety of different terms and these will affect to what extent they will use the hotel's catering facilities. The most commonly used hotel rate is for bed and breakfast which charges for the overnight accommodation and includes either a continental or full English breakfast. Guests staying at a hotel under this rate will usually have their breakfast in the hotel dining room but will usually have their breakfast in the hotel dining room but will not often return to patronize the hotel's other restaurant facilities, at least not on a regular basis, as it would then be more advantageous for them to be staying at the hotel on other terms.

Non-resident trade will depend to a large extent on the situation of the hotel. If it is sited in a town or city within close proximity to local office blocks and business firms, a considerable amount of trade may be generated from here; business meetings, etc. may account for a large percentage of the hotel's restaurant trade.

2. **Type of Menu:** The food and beverage products offered by a hotel will depend on the type of customer frequenting the establishment and the market being catered for. The menus of catering outlets in hotels may either be centered on one particular product or offer a range of menu items. The menus offered by quality restaurants both inside and outside hotels, are mainly a la carte although some operations offer table d'hôtel menus for specific meal periods, such as Saturday and Sunday lunches, in order to try to attract extra custom. Menu layout and design are important aspects of any restaurant operation because its menu is a sales tool which should be representative of the type of image the operation is trying to Project. The menus used in quality restaurants and hotel specialty restaurants are very often large which reinforce an image of sophistication that these types of restaurants are trying to create. The products offered by quality restaurants and other catering facilities in hotels are less standardized than the products of fast food operations. The life cycle of quality restaurants and other catering outlets in hotels, is generally longer than operations in other sectors of the industry. The quality restaurants may have longer product life cycle other than other sectors of industry.

3. **Food Production Styles:** The most widely used method of food Production in the kitchen of quality restaurants and hotels is conventional method of production, based on the partie system. In this method of kitchen organization in which production is divided into separate areas according to the type of food being produced. In a large hotel kitchen, there may be Bakery, main kitchen, Indian, grade mange etc. and each sections may be further Subdivided depending on the quantity of food to be produced.

Where a conventional or traditional method of food production is used in the kitchens of quality restaurants and hotel a la carte restaurants it is used in conjunction with the highest standards of fresh foods available and a low percentage of convenience foods. Where convenience foods are used by hotel Kitchens the quality of the food and beverage products is very dependent on the supplier. Where the hotel is part of a large organization, this may have its own centralized production unit and so the quality of food can be very tightly controlled. The equipment used in the kitchens of hotels and quality restaurants will depend to a large extent on the menu being offered. Those kitchen serving quality restaurants with an extensive a la carte menu and which are using almost totally fresh food products, will have a far greater range of preparation equipment. At present the conventional method of food production is still the most widely used in the kitchens of quality restaurants and hotels, these traditional kitchens and their high capital out lay and running costs are becoming less common.

4. **Food Service Styles:** The variety of food service styles used in hotels is dependent upon the different types of catering outlets in the establishment. In a large hotel, however, with four or five different types of outlets, there can be a corresponding variety in the service styles. Food service styles are not only dependent on the type of catering operation, but also on its price level. The higher the price level of an operation, the more elaborate and sophisticated the service style becomes. Quality restaurants a variety of table service methods may be employed, although French and Russian services are the two styles most commonly used. Although some catering outlets in hotels are self service, this food service style is rarely accompanied by a self-clearing of dishes, as is found in some other sectors of the industry. Where self-service is used in buffet restaurant, service staffs remove the customers dishes from the table, as they do in waiter service operations.

As the Price level of a restaurant rises, in addition to the quality and variety of menu items increasing, the intangible aspects of the operation also become more important. Quality restaurants are generally tastefully decorated with specific colour schemes and lighting arrangements being used to create the desired atmosphere. Customer may also be purchasing some form of entertainment as part of the meal experience. In restaurants offering this entertainment facility, air

conditioning is often provided in the dining area, and indeed this is now becoming a standard feature in most quality restaurants.

The seating arrangements used by catering outlets in hotel will depend to large extent on the level of operation. For the hotel coffee shop and table d'hote restaurant, free standing and banquet seating arrangement may be used, with between 12ft<sup>2</sup> and 18ft<sup>2</sup> being allowed per person in the dining area. In quality restaurants banquet seating is rarely found, although permanently fixed wall seating is used, which enables the dining space to be utilized more efficiently. In those operations with free standing seating, up to 20 to 22 ft<sup>2</sup> per person may be allowed, the extra space being essential where queridon and dessert trolleys are used.

5. **Organization and Staffing:** Staffing organization in hotels and quality restaurants depends to a large extent on the size of the establishment and the level of service being offered; the larger the operation and the more staff employed, the greater the departmentalization and specialization of the catering personnel. In a small hotel with one restaurant offering a limited menu, there may be as few as 5 or 6 production staff and a similar number of service staff; this would constitute the catering department. In a large hotel, however, with a number of catering outlets, the catering department may consist of several hundred personnel. In the smaller hotel little staff hierarchy would be present; in the larger hotel a very clearly defined hierarchy would be identifiable for each catering outlet.

As the staff hierarchy in a catering operation increases, so does the specialization of the staff functions. On the food service side of catering operations a similar staff hierarchy is found according to the size of establishment. In a large operation, for example, the staffing organization for a lunch or dinner service in a quality restaurant serving 80 or more covers, from an a la carte menu, may be as follows, the restaurant manager or his assistant, one head waiter, two chef de rang, and three commis waiters. In a smaller operation, however, there may only be the restaurant manager or head waiter, and several assistants. In a large hotel unit the catering department may consist of several restaurants and bars, the kitchens, room service, banqueting and staff catering. In this operation the food and beverage manager would be responsible for the co-ordination of each of these different outlets in line with the hotel's financial, marketing and catering policies. The manager would also be responsible for the co-ordination of the catering department with other areas of the hotel. By co-ordinating with the food and beverage department, personnel may become almost entirely responsible for the employing of the lower grades of staff, such as commis waiters and chefs, leaving the food and beverage manager to only become involved in the employing of supervisory and management staff for the food and beverage department.

The ratio of service staff to customers will depend largely upon the type of catering outlet and the level of service being offered. The ratio of service staff to customers will depend largely upon the type of catering outlet and the level of service being offered. In a hotel coffee shop, for example, with limited waiters service, the ratio may be as low as one waiter service, the ratio may be as low as one waiter to 20 customers. As the service style become more elaborate, however, so the number of service staff increase; thus in a quality restaurant the ratio may be as high has one waiter to 6 to 10 customers. Service staff contact time also increase with the ratio of staff to customers. In quality restaurants, for example, service staff are not only involved in 'taking orders' as they are for example, in take-away operations; in quality restaurants customers may require explanations of certain dishes, such as the house specialties, and the service staff would be expected to be knowledgeable about these menu items. Because a substantial percentage of trade in quality restaurants is repeat trade, customers appreciate being served by familiar staff, and this is recognized by these establishments. The level of skill of food and beverage employees in hotels will depend largely on the type of catering outlet with which they are associated. In the hotel a la carte restaurant other quality restaurants, highly skilled labour is necessary both in the kitchen where a high percentage of the food used is fresh and is prepared from the raw state on the premises, and in the restaurant where silver service is commonly used.

6. **Staff Catering:** Generally hotels operate two levels of staff catering. The first is for the majority of the hotel employees, up to supervisory and middle management level. The staff restaurant is usually operated on a self-service cafeteria basis and there is often a choice of two to three items for each course. The second level of staff catering would be for senior management personnel for whom a separate dining area would be provided with a higher standard of décor, service accompaniments etc. waiter service is usually provided in the dining area. Where staffs catering facilities are provided by an establishment they can be accounted for in a variety of ways. The most common method adopted is to provide the meals free of charge to employees, allowing a certain amount per employment per week; the cost allowed is usually based on an average cost for the value of staff food consumed per meal priced. This method ensures that a standard allowance for staff meals is made per employee, so that staff feeding costs cannot be used by the kitchen to mask inefficiencies in the overall food costs for the week. In some operations staff meals are charged 'at cost' to the employee which can be with or without as percentage mark up to cover overheads, etc. In other establishments a flat charge per meal is made either at the point of sale, or a deduction made at source from the employee's wages. Where staff meals are being provided free or at discounted rates, they represent a cost to the establishment. The cost of employee meals should therefore be deducted from the cost of food used, to calculate the tree cost of food sold; the same figure is later added back on the profit and loss account or gross profit analysis as an operating expenses. Staff catering not only includes, the main

meal provided by an establishment, but also any other period such as tea and coffee breaks during which time food and beverages are provided for employees. The type of staff catering facilities that may be provided by an operation is therefore very much dependent on the size of the establishment, and its basic policy decisions regarding this area of food & beverage service.

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### **5.4. 3 Control & Performance Measurement**

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The control and performance measurement of catering outlets in hotels will be determined by its established basic policies. Hotels and quality restaurants are profit-oriented establishments, the main yard sticks against which these operations will be measured and their profit levels to be achieved. Where a restaurant or hotel is privately owned, its performance is measured against standards laid down by the owner or governing body, which may or may not be contained in a formalized policy document. Large hotels produce 'Manuals of procedures' which is a written document relate to complete food and beverage control cycle, or to specific areas such as purchasing of food and beverage items, or the training of food production and service staff.

The sophistication of food and beverage control in an establishment will depend to a large extent on the size of the operation. The larger the establishment the greater the room for error because of the number of stages in the control cycle and the amount of information obtained at each stage. Therefore, the larger the organization and the more information that is needed regarding its operation, the more sophisticated the establishment's accounting system must become. For this reason it is more common to find standard manuals of procedures being used in large hotels, particularly those that are group owned, than in smaller independently hotels. Computerized point-of-sales system is capable of processing data and able to obtain reports so that the management are better informed and can take more immediate and accurate corrective action if necessary. The performance of the food and beverage departments in hotels may be measured against the performance of other hotels.

Hotels are exploring alternatives to the overall management and operation of their hotel food and beverage facilities. An increasing number of hotels are looking critically at their restaurant operations and the returns from them, particularly in comparison with the revenue from the accommodation side. Alternatives to the direct management of a hotel's food and beverage outlets include many outsourcing options like lease or rental agreements, contract and franchising.

In lease agreement a third party operates a catering outlet paying fixed fee or a percentage of income to the hotel. In contract the third party may operate more than one of hotel's food and beverage catering outlets including staff feeding. A fixed rental fee may be charged by the hotel or a percentage of food and beverage turnover or profit, or a combination of charges agreed. In franchising agreement hotels and restaurant can be operated on the franchise fees basis. This concept of a partnership between a branded

restaurant concept and a hotel group provide a better commercial alternative for both parties.

## 5.5 F & B Management in Function Catering

Function catering may be described as the service of food and beverages at a specific time and place, to a given numbers of people, to an agreed menu and price. Function catering include social functions, such as wedding buffets and dinner dances, business function such as conference meetings and working lunches, and those functions that are organized for both social and business reasons such as outdoor catering at a show. Function events range from very informal to formal. Function catering is found in the commercial and non-commercial sectors of the catering industry. The largest market for function catering is usually associated with the middle range establishments, both in terms of price and standards of facilities offered; such establishments would include medium sized hotels, the function rooms of public houses and department stores, independent restaurants etc. At the lower price range of the function market, limited catering facilities would be available offering a similarly limited variety of functions. Establishments like hospitals, schools, industrial cafeterias etc. where the functions are not usually organized on a purely profit basis.

### 5.5.1 Introduction

Function catering refers to service of special functions for specific group of people at an assigned time, the food, beverages, and others facilities offered being predetermined. Function catering may vary in its size and importance depending on the type of function and the number of people expected for it. It includes anything from a simple snack service to a state banquet and from a small birthday party to a grand trade exhibition. The functions may be organized either within the premises of hotel or outside, according to the host's wish. Function catering is found in the commercial and non-commercial sectors of the catering industry.

### 5.5.2 Basic Policies-Financial, Marketing and Catering

#### Financial, Marketing and Catering

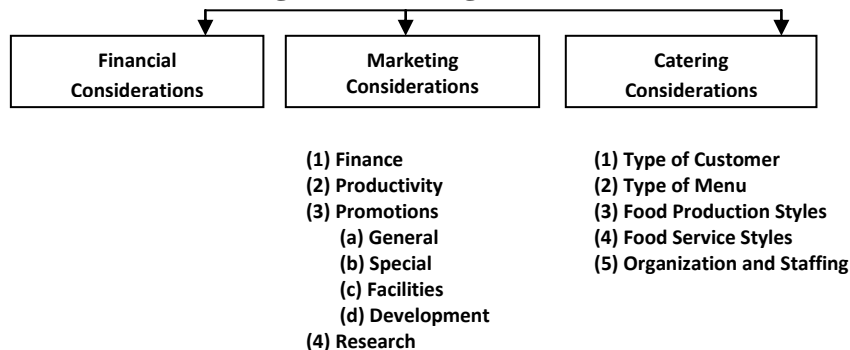


Fig. 5.4: Financial, Marketing & Catering Policies of Function Catering

Policy decisions relating to function catering are largely determined by number of factors like season, number of guests to be catered, meal Period, time of arrival and departure, menu and price paid per guest. Pre-event information helps to plan the events and to achieve profit targeted.

**Financial Considerations:** Function catering is associated with the commercially oriented sector of the catering industry. Financial Policies of function catering are mainly profit-oriented. Gross Profit Percentage achieved by function catering is higher than that achieved by other catering outlets like restaurant, coffee shops. In function catering gross profit depending on the type of establishment, the average spending power of customers, the standard of food and beverages and the level of service offered etc.

The average spending Power (ASP) of guests for different type of functions will comprise the cost of meal and may often include beverages served during the function as well as proportion of cost for the provision of printed menus, place, names, flowers, bands etc. The financial policy will also determine the pricing structures for the different types of functions offered by the establishment. The Pricing structure for an establishment's function catering facilities will be largely determined by its cost structure, with particular reference to its fixed and variable costs. Due to the volume of sales the food and labour costs as a percentage of actual sales will slightly decrease; it is necessary therefore to not only consider the food costs per function but also the potential benefits to be gained from a reduction in labour costs. There are a variety of pricing structures that may be used for costing functions, the adoption of any one being determined by such factors as type of organization, the standards of food and beverage service to be offered, and the cost structure of the establishment.

**Marketing Considerations:** The Marketing policy of a function establishment will determine the different markets at which the facilities may be aimed, and how best to market any special characteristics of the establishment. Different selling techniques will also be used for the various markets being catered for. For example, to sell the facilities to the business market direct mail shots may be used which are sent to specific firms and companies. To reach the non-business market, however, catering for weddings, birthdays, etc. local newspaper advertising may be used. Function catering can be a very profitable aspect of the establishment as it may not only generate business for the banqueting department, but also for the hotel's other department such as rooms and catering; reduced room rates and meal discounts are often to those guests attending a function at a hotel. An organization offering function facilities may either be catering to a resident or a non-resident market. The resident market would consist of those guests who are staying at the establishment, such as at a hotel for a conference and are usually on a demi-pension or en pension terms. The non-resident market would consist of those guests coming to the establishment for a specific function, for example a wedding reception but not requiring overnight accommodation. A marketing policy should also contain details relating to an establishment's competitors and recommend a periodic review of other function facilities to keep abreast of current developments and trends. In



the marketing of an operation's function facilities the function manager should be aware of who the 'buying agent' is for the particular organization being contacted. Banquet Manager is responsible for booking a firm's functions, or if the organization is sufficiently large it may have its own specialized department to deal with this so that the caterer may contact this department directly. The organizer of the function will at some stage wish to see the facilities to be hired and it is important that the first impressions are favorable ones. The function manager should therefore try and ensure that the organizer of the function sees the room being considered for hire, arranged and laid out for a function. In this way the client is able to gain an appreciation of the function room in terms of decor, layout, standard of service accompaniments etc., which are all sales tools in helping to create a favourable impression to the organization's advantage, and hence aid in selling the function facilities. A marketing plan for a large city hotel could include such headings as:-

1. **Finance:** This would give the targets of turnover and profits set for the period.
2. **Productivity:** This would set the targets of productivity and performance by the sales staff.
3. **Promotions:**
  - a. **General:** This may state to increase business in all established areas. The plan also details how this is to be achieved.
  - b. **Special:** This may state the specific forms of promotion to be undertaken this period, for example aimed at the local ethnic community, aimed at local / national sporting clubs, etc.
  - c. **Facilities:** This may be aimed at marketing certain facilities which are new, or have been recently refurbished or which in the past period have had a low occupancy record.
  - d. **Development:** This may be the development and promotion of a new package plan, for example, a new package for business meeting rooms together with special rate meals; or bargain break weekends for guests attending a function in the hotel over a weekend period.
4. **Research:** This could be the collection, analysis and evaluation of data relevant to competitor's business.

The organization should ideally utilize a variety of sales tools to promote its facilities, for example brochures, photos and slides of different function occasions.

**Catering Considerations:** The different types of menus to be offered by a function organization would be contained in the establishment's catering Policy. Suggested function menus and 'Packages' are often compiled by establishments which can be sent to prospective clients. The price structure of such menus is based on a number of factors relating specifically to food and beverages, such as the type and quality of food to be offered, the percentage of convenience foods to be used, whether a free drink is to be included in the price, etc., in addition to such factors as the method of service, standard of décor and so on.

The catering policy would consider the important aspect of the operation for example, the trading hours of the function establishment. The establishment should not only

consider increasing its daily trading hours, but also its business at specific times during the week. For example, it may offer a reduction in the cost of functions held on week days as compared with the same type of events being organized at weekends. In the lower price level operations the demand for functions, is more elastic; that is, a change in the cost of a function is likely to affect the demand for this catering service. At this level of operation therefore facilities at a cheaper rate during the week may prove to be successful. However, at the higher price level of the market the demand is relatively inelastic, that is a substantial change in the cost of the function will not necessarily result in a correspondingly large change in demand. At this level of operation therefore the offering of a cheaper weekday rate may not be particularly attractive and the establishment must look to other aspects of the operation such as the standard of food and beverages and service or special facilities to try and increase its sales.

At the majority of functions the beverages to accompany the guests meal are selected in advance, often by the host. The beverage list, like the menus being offered, generally increase in variety with the price level of the function, particularly with reference to the choice of wines. The function wine list should be relatively limited, concentrating mainly on good quality wines for the prices charged by the establishment, and for which supply is consistent. If a bar is set up for a function the beverage list should again concentrate on the most popular pre-and after-dinner drinks and liqueurs, rather than hold an extensive stock for which there may be little demand. Customer wish to supply some or all of their alcoholic beverages, such as wines and liquor, then a decision has to be made as to whether to allow this or not, and if so what 'corkage' charge is to be made.

1. **Type of Customers:** Guest attending a function are usually there for a specific occasion-a business luncheon, a dinner dance, a wedding reception or whatever. In this respect function guests differ from customers frequenting other catering facilities, such as restaurants, who may not be eating out for a specific occasion but perhaps to only fulfill some basic need. Where the function is of a social nature, the meal experience of the guest is an important and integral part of the function. At any one function there may be a variety of customers in terms of sex, age, socio-economic grouping and so on. In function, as indeed with other forms of catering, it is important for the establishment to not only be able to identify its customers, but also its non- customers. In the marketing of function facilities an operation can afford to be more flexible than other types of catering outlets can. It is able to do this by identifying a range of market levels to which it may cater and then offering a corresponding variety of products in terms of price, standard of food and service, to these different markets levels. The average spending power of customers at a function will depend mainly on the nature of the event. The cost of the function per head will have been decided upon in advance by the function organizer in conjunction with the caterer. Guests staying at a hotel may either be attending a conference at the hotel or elsewhere, and decide to have a smaller meeting one evening at the hotel. Should a small private room be available the guests could use this room with little or no advance booking being made and this may then be termed 'chance' function trade. It is

also important to remember that many functions are of an annual type, for example a company's annual dinner dance, annual general meetings, annual sales conference, etc. The relevance here is to recognize that a lot of business may be potentially repeat business and therefore attention to detail at function is of vital importance.

2. **Type of Menu:** The type of menu offered by an establishment specializing in function catering will depend on a number of factors including the market level being aimed at and the pricing structure adopted. The menu being offered at a function is usually only one aspect of the total event. For example, at a Product launch or business meeting the emphasis of the function may not be the provision of the meal itself, whereas at functions such as gourmet evenings where the event is arranged around the meal the purpose of the function may be said to be the food and beverage themselves. Function menus may be compiled in a variety of ways. Perhaps the most common method is to offer set three and four course menus for a set price; the minimum number of course is usually three plus coffee. Second, the caterer may list certain group of items together and allow organizers of functions to decide their own menu, six or eight choices for each course appetizers, main dishes, vegetables, salads and sweets may be offered from which organizers would compile the menu. The menus offered by restaurants or other types of catering outlets may be altered quite regularly but the menus available for functions generally have a longer life cycle.
3. **Food Production Styles:** Function catering is based on a predicted number of meals to be served and the menu is known in advance, a considerable amount of pre-planning can be done by the kitchen prior to the function. This characteristic of function catering allows a number of other food production styles to be employed in function styles to be employed in function kitchens that are not suitable for use in other catering situations. These other styles of food production include cook-chill, sous vide and cook-freeze and are methods that are being increasingly used by function kitchens. Where the cook-chill or sous-vide methods of food production are used all meals may be prepared in advance of demand and therefore production can be scheduled to gain the best use of equipment, space and running costs. From a management point of view, however, the cook-chill and sous vide methods of food production must be more tightly controlled and supervised as a threat of possible bacteria contamination is more real than with other food production styles; also, due to the large numbers of guests usually being catered for at functions, it could be the source of potentially large poisoning outbreak. Special attention must therefore be given to the temperature of chilled food (between 0<sup>0</sup> c to 3<sup>0</sup> c) and to the general standards of hygiene in the production area.

Catering for function events may be Kitchen's sole task, or it may be one of a number of catering outlets served by kitchen. The supporting departments to the main production area are particularly important in helping to ensure the smooth

running of functions. The clearing of solid dishes after a function, for example, results in peak loads being placed upon the dish washing or ware-handling area. The equipment staff of this department must therefore be fully equipped and geared to coping with these peaks of activity. The equipment used in the Kitchens of function catering establishments will depend to a large extent on whether the Kitchen has been purpose-built to cater specifically for functions.

4. **Food Service Styles:** There are essentially two styles of food service used at functions. The first is the buffet arrangement where the guests will usually serve themselves from a display of food and beverage items. The second is more formal 'sit-down' function where guests are served at their tables by food service staff; this latter style may be further subdivided into those functions where plated meals are served and those at which silver service is used. The buffet table or tables should be placed so that an attractive food and beverage arrangement is seen by the guests as they enter the room; if several buffet tables are being used the different courses may be arranged on the various tables. There are usually a number of occasional tables, and chairs placed around the function room for use by the guests. Fork buffet functions require a greater number to be available so that the guests may sit down at the tables and eat their meals; at finger buffet fewer tables are necessary because the guests are usually able to stand and eat their food quite comfortably.

The other main food service style used in function catering is waiter service to the table. The food may be pre-plated in the production area and then served directly to the guests. The more widely adopted service method at functions is the silver service style. In this method the food is brought to the guest's tables on platters and salvers and then served from these on to the guests plates. Beverages service in function catering may be divided into service to the guest's table in the function room, and service to the guests in a separate area such as a reception room. A separate bar is set up payment for drinks may be made in one of two ways. If it is a cash bar the guests pay for their drinks directly to the bar staff, if it is an open or inclusive bar where the cost of the drinks is included in the price of the function, no cash payment is made by the guests. Whatever the food service style adopted, the top table at a sit-down function, or the most important guests at a formal reception, should always be served first and accorded the most attention by the service staff. The table and seating arrangements at sit-down functions are governed by a number of factors the nature of the function, for example business or social, the number to be catered for; the size of the room; special request by the organizers, etc. The different table arrangements available include the T-shape and U-shape, the latter being particularly suitable for business lunches; where large numbers are involved a top table and sprigs may be used or a series of round tables each accommodating between 8 to 10 guests, again with a top table. The space allocation per guest will vary from one type of function to another although, generally speaking, for sit-down functions an allocation of between 12-16 ft<sup>2</sup> per person is usually allowed and between 10-12

ft<sup>2</sup> for buffet functions. In function catering flexibility of room design is particularly important. The room design should be flexible so that it can not only offer different table arrangements for different functions, but also so it is able to accommodate specialized equipment, fittings and furnishing etc. that the organizer may wish to include. Once a function has been sold, the establishment is guaranteed a set number of customers at a set price. The length of a meal period in function catering outlets, that is 1 ½ to 2 ½ hours for lunch and between there and fours for dinner.

5. **Organizing and Staffing:** The function Manager who is responsible for all function catering administration; they would be involved in meeting the clients and discussing such aspects of the function as the cost per head, the seating plan, any special requirements. Once a firm booking has been made, details of the function event should be sent to the other personnel in the function department involved in organizing the event. The Banquet Manager is mainly responsible for dealing with the more practical aspects of functions such as ensuring the table and seating arrangements in the function room. The number of staff required for a function is determined by many factors like number of people to attend, type of function, type of food service, number of dishes offered and provision of alcoholic beverages. In a formal banquet, one food waiter for every 10 covers. One wine waiter for every 15 covers, if beverages are served on cash basis; for every 25 covers, if drinks are inclusive and limited. One waiter for every 30 covers for buffet service. One supervisor for every 30 covers for a formal function and 75 covers for a buffet. One head wine waiter for every four to five wine waiters. The functioning in charge must ensure that the duty allocation is done properly in such a way that everyone is distributed with adequate tasks and no waiter remains ideal. Briefing staff on the service procedure is the most essential part for the successful service which should be done just before the function.

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### 5.5.3 Control & Performance Measurement

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Initial meetings between the client and caterer an estimate of cost for the function will be discussed. Final Quotation is prepared by the caterer and sent to the function organizers. The costing of functions will depend largely on the type of establishment in which the function is to be held. Control is needed not only of the financial aspects of the function, but also of the guests themselves. The performance of a function establishment may be measured in a number of different ways and against different guidelines. Function catering involves the production of a considerable amount of documentation for each function event and this is a very useful exercise against which the performance of the function can later be measured.

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## **5.6 F & B Management in Industrial/ Institutional Catering**

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Industrial/Institutional catering also called 'employment feeding. In this type of catering provision of catering facilities at a place of work for used by the organization's employees. The catering facility may range from vending machines supplying a limited variety of beverages and snacks, to a waiter silver service restaurant with an extensive menu. In these establishment the provision of a catering service is more important in terms of its function purpose rather than its entertainment value, as the catering amenities represent a place of refreshment and rest for those employees who choose to use the facilities catering amenities are an important aspect for Industrial/Institutional Catering establishment where the emotional feeling of the employees involves.

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### **5.6.1 Introduction**

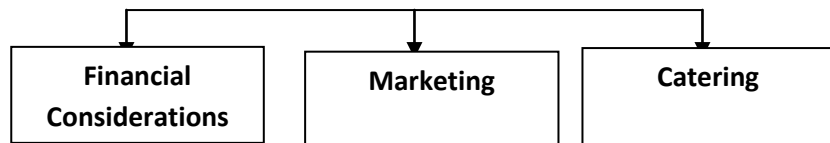
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The catering Industrial/Institutional catering situations such as factories, office blocks, etc. are an ancillary service to the main function of the organization. These establishments can be operated through direct management or contract caterers. Direct Management is where the parent company choose to establish and operate the catering facilities itself. Contract caterers involves the parent company employing a firm of contract caterers to operate and manage the catering department for them. In the first situation the parent company is completely responsible for the type and standard of catering service it provides; the catering department thus becoming another department in the organization that is under its direct control and management. Contract caterers are individuals or firms who undertake the responsibility of operating and controlling a company's catering facilities within that company's catering facilities within that company's guidelines for a specified contract arrangement. Contract caterers are usually engaged for a specific period of time, after which the contract may be renewed or dissolved as both parties wish. Contract caterers are involved in all types of industrial catering situations, ranging from the small independent concerns to the large multi-national organization and may become involved for different reasons. The organization's dissatisfaction with the existing services; complaints about the standard of catering have been made at staff meetings and repeated attempts to improve the facilities have failed, or the company does not wish to become involved in operating the catering facilities itself or recognizes that it does not have the expertise and so engages the services of contract caterers.

Employee feeding is provided in all sectors of the industry, the nature of the catering facilities varying considerably from one establishment to another. The different variety of catering facilities that may be available in an industrial/institutional catering such as cafeteria, coffee or snack bar, plated service restaurant, silver service restaurant and vending machines and conference facilities.

## 5.6.2 Basic Policies- Financial, Marketing and Catering

### Financial, Marketing and Catering



- (1) Type of Customer
- (2) Type of Menu
- (3) Food Production Style
- (4) Food Service Style
- (5) Organization and

**Fig. 5.5: Financial, Marketing & Catering Policies of Industrial/Institutional**

There are a number of reasons why a company may provide a catering service for its employees. The factory located in such an area where there are no alternative catering facilities available. The company may need to provide some form of catering service to staff at their work place because it is of such a nature that it cannot be left for any long period. The extent to which basic policy decisions are contained in a formalized document will depend largely on whether the organization's catering is operated by the parent company or whether it is contracted out to an independent catering firm.

**Financial Considerations:** Industrial/Institutional companies consider the provision of a catering service as a valuable and important contribution to the welfare of their employees and are proud of the standards they achieve. Catering services in Industrial/Institutional situations range from being provided completely free of charge to those in which the total cost of the meals is passed on to the customer. There are two types of pricing structures are followed, some covering food cost only and another covering food and labour costs. Working within the limits set by the financial policy, the size and variety of catering facilities will be determined by the number of employees expected to use the catering services. There are a number of factors which can affect the total number of employees likely to use the restaurants, cafeterias etc. and any one of these may be more important in one situation than in another. The level of subsidy is probably the most influential factor, with a higher percentage of employees using the amenities when they are free of highly subsidized, than if they are not.

**Marketing Considerations:** The trend towards Industrial/Institutional catering facilities becoming more customer oriented is reflected in the marketing attitudes of these establishments. Market research in industrial catering can be particularly effective because the potential market for the catering facilities is often captive or semi-captive and is therefore relatively accessible. Research can take a number of forms; it may either be a large in depth project and an outside agency may be engaged, or the company may do its own market research which is usually quicker, cheaper and more interesting. If the organization decides to undertake its own research, questionnaires can be distributed to

all its staff to be completed. This is particularly important where organizations may be under pressure catering from certain groups to provide catering facilities which in reality would be over-sized for the number of employees to be catered for. The type of questions used to form these questionnaires may include about the restaurant, period of time spend while consuming food, how much you spend, and choices of food items. The information from the questionnaire may also include profile of customers using the services, sex, age, marital status, their position in the establishment. In many establishment it is this sector of the market that may be most influenced by an advertising campaign promoting the facilities and help to increase the number of employees using the catering services. Market research may therefore the existing catering services and also if new facilities or changes are being considered a similar type of survey may be used. It is important therefore that there should be some feedback through these communities in answer to any questions that may be put to the catering department and some form of action be seen to be taken.

**Catering Considerations:** The catering policy will determine the standards of food and beverages to be provided for the different levels of catering facilities. The trend today is away from providing separate catering facilities for each of the grades of staff in the organization, the majority of new industrial/institutional catering facilities being built may be used by all grades of staff, regardless of their status in the organization. In addition to itemizing the type, size, variety, etc. of the catering facilities to be provided, the basic policy decisions should also include the procedure to be followed should any aspect of the catering service need to be changed or altered in any way. Such alternations may include the expansion or reduction of the amenities, due to an increase or decrease in the number of the organization's employees.

- (1) **Type of Customer:** In Industrial/Institutional catering situations the customers using the facilities are mainly the organization's employees with few establishments allowing their services to be used by the general public. The total market available for industrial catering facilities may be quite restricted and this may be further limited as the individual catering facilities usually cater to quite specific groups of employees. Due to the large numbers usually involved in industrial catering, it is a sector where a small percentage change in the number of customers using the catering facilities can result in a large increase/decrease in actual numbers for any one meal period. Customers industrial / institutional situations require a meal of a good standard and quality, and one that can be comfortably consumed in the amount of time they have available for their meal. Seat turnover will vary from one type of catering facilities to another, generally decreasing as the service style and food become more elaborate. In an industrial/institutional cafeteria the seat turnover may be two or three times per hours; in a snack bar where patrons go for a cup of coffee after their lunch or a snack meal it may be five to six times per hour; in a waiter service dining room with plated food service it may be once an hour and in a dining room where silver service is used it may be



as low as a third to a half time per hour. Because the meal experience in an industrial catering situation is different from the type experienced in other catering outlets, the employees in an organization have different requirements of the facilities provided. The customers in industrial/institutional catering will depend on the type of catering facility and to a great extent the service is subsidized.

- (2) **Type of Menu:** In Industrial/Institutional cafeterias the menus available are generally more limited in terms of choice than are the menus offered in comparable commercial operations. The cafeteria menu may consist of one or two starter, including fruit Juices and shop; two or three main dishes, in addition a wide range of salads and snacks are nearly always available, and one or two desserts. The table d'hôte menu offered in a cafeteria unlike. Other types of catering facilities in which the same menu may be available for three to six months, in industrial/institutional situations the menu is usually changed daily. Higher expectations from a more educated consumer have placed demands on caterers to provide a greater variety of choice and higher standards in industrial/institutional catering situations. In some large industrial/institutional catering facilities are available, portion sizes may vary from one outlet to another. In some industrial/institutional cafeterias beverage service may only consist of non-alcoholic beverages such as tea, coffee, cold drinks, etc. In other operations particularly those in large office blocks, a bar offering alcoholic beverages may be available; for a director's dining room a separate bar area would usually be installed. The service of beverages for after the meal, such as coffee after lunch, can be served in a separate area to the main dining room. Tables and chairs of cafeteria should be durable, décor and furnishing should suite the atmosphere. Interlocking tables and fold-away chairs would also be needed.
- (3) **Food Production Style:** Industrial/Institutional catering may involve a considerably longer holding time between production and service, particularly where the kitchen is supplying a cafeteria outlet. In this food service arrangement the food may often be kept hot in large quantities in the service line for most of the service period. In large office blocks catering for several thousand employees the executive or senior management dining room may be situated away from the other catering facilities. Conventional method of food production is still the most widely used, the cook-chill method and to a lesser extent cook freeze, are being used in the industrial sector. In cook-chill method the food is prepared in a central production area and may then be transported to finishing kitchens where it is reheated and served. The high volume of standardized dishes in the majority of industrial catering establishments lends itself to the use of convenience foods particularly in the cafeteria-type outlets which may be catering for several thousand employees over

any one meal period. The foods used may be purchased directly from a central production unit. Some large contract caterers, and indeed companies operating their own catering facilities have a strong purchasing power and are able to order food and beverages directly from the food manufacturers to their own specifications. In industrial/institutional catering sector the equipment available should be able to cope not only with the production of large quantities of food items that may be held in the cafeteria line throughout the service period, but also with those items that must be cooked in batches to retain their freshness.

- (4) **Food Service/Styles:** In Industrial/Institutional catering most widely used method of food service is self-service cafeteria. In which straight-line arrangement was most commonly used but the free-flow system is now more common as it allows a considerable number of customers to enter the cafeteria and begin to make their choice of food and beverage items at the appropriate service points. Self-service arrangements is the plated method of food service in which the customer's food is plated in the kitchen and brought to their table by a waiter. Because this is a slower method of food service and more costly to provide, it is mainly confined to a fairly limited number of employees. The use of silver service is only restricted upto senior management. The vending method of food service can be used to cater limited number of workers. Where large numbers are being catered for, the time for meal periods will usually allow for more than one sitting. Seat turnover may therefore be quite crucial as some employees will only have a limited meal break in which to consume their meals and return to their place of work. The methods of payment used in industrial catering situations include cash payment after the meal, by purchasing token and by using an electronic money system.
- (5) **Organization and staffing:** The staffing of the catering department in industrial establishment is usually organized in one or two ways. It may be organized along the lines of other departments in the establishment using the same basic staff hierarchy structure, or, second, it may be an autonomous department within the organization with its own staffing and management hierarchy. The size of the catering department and the staffing organization necessary are determined by the size of the industrial catering facilities. A large industrial firm employing several thousand employees, for example, may have a catering department of approximately 150 staff comprising food production and service staff and the management team. A smaller company, however, employing several hundred employees may only require about twenty five catering staff. The staffing ratio of service personnel to customers also varies from one type of outlet to another. The ratio may increase to fifteen to twenty guests for every one waiter. In the cafeteria with a self-service system the

ratio is more difficult to quantify but may be as high as thirty to fifty guests for every one member of staff. The hours worked by staff in the industrial sector are more 'social' than those worked by staff in other sectors. A large number of companies only provide one main meal a day. The busy period is often organized by employing Part-time labour engaged for a set number of hours. Due to the high percentage of Part-time labour often being used in industrial Kitchens only the higher numbers of production staff usually need to be craft trained. By employing non-craft employees where possible in both the production and service areas, labour costs are able to be kept down. The organization of catering department will depend on the number and variety of catering facilities provided but where there is more than one type of facility each outlet would usually have its own restaurant supervisor or manager. The provision of uniforms for catering staff also helps individual employees to identify with the organization for which they work, whether it is the parent company directly or a catering contractor.

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### **5.6.3 Control & Performance Measurement**

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To measure the performance of industrial/institution catering department the standards must be laid down against which actual results may be measured. Standards should be documented in the form of policies which contain the objectives of the organization in providing the catering facilities and the parameter within which the catering department must function, documented in the form of budgets. In formulating a catering budget the service being provided within the establishment must first be identified. The menus for the respective outlets must be reviewed and if possible weekly or monthly cycle menus may be introduced. Sales histories and volume forecasting techniques have to be used in industrial / institutional sector. The sales and costs for the catering service must be itemized in a large industrial / institutional company. The cost incurred by the catering department would include food costs, wages and salaries, cleaning materials, maintenance, replacement of equipment, fuel costs, decoration and refurbishing charges and so on. In addition to producing detailed financial accounts, attention should also be given to the everyday control of the catering department; this begins with the goods being ordered and delivered to the establishment and is complete with the sale of the food items. When the goods are first delivered to the establishments they must be checked against the order forms and entered in some form of goods inward book which can be periodically examined by the catering manager. The control cycle is complete at the end of the service period when a sales reconciliation has been compiled comparing actual consumption with the quantity of food produced by the kitchen; this information is usually documented on a sales reconciliation sheet which can then be sent to the food and beverage control department. The measurement of performance by a client of the catering contractor is something which may be done periodically. The measurement of performance would include the following:

1. **Relationship:** A satisfactory business relationship during the period of the contract, between the client and management of the catering contractor.
2. **Cost of the Client:** The maintenance of the operation within the agreed prescribed limits. The cost of other operational expenses could be on a comparative basis with previous trading periods or related to the numbers of meals served.
3. **Prices Paid for raw materials:** The prices paid for all food and beverage items to be seen to be of an acceptable fair level. Comparison of prices paid would easily be made against published prices of major wholesalers and price indices published in newspapers. The level of discount given by the catering contractor for food and beverage items is usually only a small percentage of what the contractor receives, and it is for this reason that the client needs to monitor the prices paid, as suppliers will willingly inflate prices and then discount them to the contractor to an agreed level.
4. **Maintenance of standard of Product:** The standard of product achieved by the contractor on a day-to-day basis, should be at least of an acceptable consistent level. This can be measured by the number and type of comments received often from a user's committee and by the percentage of uptake by the employees.
5. **Maintenance of hygiene standards:** The standard of hygiene set by the client and achieved by the contractor should be as high as is operationally practical. This should be regularly measured by the catering contractor with the results available for the client.
6. **The ability of the contractor to provide extra services:** This could be the provision of the backup facilities by the contractor for such things as providing a kitchen and restaurant design service, providing technical advice on energy saving, providing a customer satisfaction survey and analysis.

**CHECK YOUR PROGRESS**

**Q-1 Why fast food catering outlets are so much popular? Explain it.**

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**Q-2 Explain the control measures required for function catering.**

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**Q-3 Discuss the food service styles followed in Industrial Catering.**

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## 5.7 Summary

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Control is the term used to describe that collection of interrelated and interdependent control techniques and procedures in use in a given food and beverage operation. Operating a regular and rigorous system of purchasing, receiving, storing and sales in a catering outlet help to control costs, achieve profit margins acceptable for the success of the business. No control system can genuinely claim to be 100 percent safe and secure, and it is crucial that the Food and Beverage Manager continues to identify problematic areas to control possible losses. In order to carry out a control system, food stocks must be secure, refrigerators and deep- freezers should be kept locked. Portion Control must be accurate. A bookkeeping system must be developed to monitor the daily operation.

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## 5.8 Glossary

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**Buffet:** A banquet meal at which guests obtain a portion of all their food by serving themselves from buffet tables.

**Fast Food:** It refers to the food prepared and dispensed faster than fine dining food and is specialized in a particular category.

**Function Catering:** Service of food and beverages at a specific time and place, to a given number of people, to an agreed menu and price.

**Industrial Catering:** The provision of food and beverage to people at work, in industries and factories at highly subsidized rates is called industrial catering.

**Outdoor Catering:** Outdoor catering is serving food at a location away from the caterer's food production facility. Outdoor catering is an art and a science. The art is creating foods and moods, as the caterer and client together turn a vision into reality. The science is the business of measuring money, manpower and material.

**Vending:** Vending is defined as providing service at an unattended point of sale through the use of monetarily driven equipment. Vending machines can be found in many areas ranging from schools to business to medical facilities to hospitality properties.

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### **5.10 Suggestive Reading**

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### **5.11 Terminal Questions**

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#### **Long Answer type Questions**

1. Describe how control measures are implemented in industrial catering establishments.
2. Explain the control measures followed in function catering establishments.
3. Explain the Marketing policies adopted to increase the seat turnover in Restaurants.
4. What is the 7P's of Service Marketing? Explain in detail.

#### **Short Answer type Questions**

Define the following terms:

- ASP
- Catering
- Function Catering
- Control
- Promotion
- Productivity
- Food Service Style
- Menu
- Cafeteria
- Food Production Style