



The Cost Control Game

BY JOHN NICK AND BARRY MORGAN

In football, a “Hail Mary pass” is an act of desperation that rarely works. Blind faith, without the necessary supporting plays, will also result in few touchdowns in your Food and Beverage operation. Proper cost controls are usually your best game plan for success.

The absence of comprehensive food and beverage controls will not necessarily result in the immediate failure of your operation. Nor does the lack of an effective game strategy automatically guarantee a defeat in the stadium. It just makes winning a whole lot less likely.

The outline below highlights some of the basic plays required to help enhance your efforts to get on the scoreboard with your restaurant and lounge facilities.

Someone once said that success in food and beverage, as in football, is as much a game of chance as a game of skill. Perhaps, but luck is most often found where opportunity meets preparedness.

With solid systems or game strategies in place, when each team player knows their position and responsibilities and when each is firmly focused on the goals of your organization, you can emerge from the huddle with confidence in your chances for success.

To improve your odds on the scrimmage line, you must provide the plays that form the framework for success. In the absence of good strategy the “other guys” often win, and we all know what inevitably happens to a losing coach.

Establishing sound food and beverage controls is

by no means an impossible undertaking any more than good control is impossible in the golf shop operation. Both areas of your club involve the storing and handling of supplies, the production of a product or service and the recording of sales.

Unfortunately however, many owners and operators have focused most of their attention on the golf side they know so well, overlooking the contribution that profitable food and beverage services can make to the ultimate success of their organization.

To some food and beverage departments controls remain an elusive mystery. Often the food and beverage department is a place to dispatch rookies to either fail miserably or through luck or instinctive talent, achieve a few victories and move on.

Given the importance of food and beverage services to the ultimate success of your organization, perhaps it is time this changed.

Technical experts may argue that controls have, through technology, become more of a science and less of an art. These experts would like to convince you that their equipment and software provides all the answers.

Many who have taken the plunge have enjoyed a measure of considerable success with such equipment. But in the long run any effective organization

relies more on its players than on their equipment.

Your initial enthusiasm for high tech solutions will soon falter if your team doesn't understand or employ the basics. Human error can be the undoing of even the best technology.

Change is often met with skepticism. In the face of disapproving staff or ambivalent supervisors who have been doing it "the old way" for years, even the best equipment is of little use.

Sometimes, in spite of your efforts and capital investment, you are rewarded only with feelings of frustration, as your new controls seem to provide an ever widening rift between you and your goals for success. The answer is not complex. You merely need to provide equal attention to both the "art" and the "science" in planning and implementing day-to-day management of cost controls.

Remember when you were small and mom or grandma made your favourite pie with that perfect pastry?

You just couldn't wait for it to come out of the oven, steaming hot. The anticipation drove you crazy. Those taste buds were craving the moment when that flaky pastry and special filling hit the mark. Just close your eyes, and visualize that first bite—ah, what joy youthful memories bring.

It's fascinating to think for just a moment, that in many cases the creators of those pies seemed to work entirely by instinct, often adding a personal touch to the measure. They seemed to know intuitively what the end product required each step of the way. Owners and operators of golf courses reading this article would concur that they too provide intuitive instincts and insights to their unique operation.

Indeed they do. But they must also be able to visualize the end result and marry a myriad of ingredients or elements to create the desired outcome. It may help to remember that even the most seasoned baker or coach at some point began with a thorough understanding of the basics.

Ordering

Good control begins with effective ordering and effective ordering relies in part on securing competitive prices and quality from your suppliers.

Most of us can plead guilty when it comes to nurturing a friendship or association with a particular supplier over the years. If your plea is innocent, you are in the wrong business.

All service-based industries have come to rely on these relationships. They form an integral part of today's business. However, the foundation of these relationships must be to provide you as a customer with a competitive edge in both service and price.

Less scrupulous business relationships become trapped in an ethical dilemma. Within today's boundaries of acceptable business, being beholden to any individual supplier is unacceptable in a properly run organization.

Receivers of personal gain place themselves in an unenviable position. Nothing goes unnoticed by your team.

When business decisions are based on something of questionable benefit with respect to the game at hand, resentment builds.

Only the naïve believe that sound purchasing decisions can be made when you are "in bed" with your suppliers. Remember that donations to staff or Club events, sports tickets or trips to Las Vegas or Mexico are offered to make it more difficult for you to shop around for the best possible price and quality.

Accordingly, they should be refused. On those rare occasions when gratuitous offerings are unavoidable, they should be made available to all players in your organization, perhaps as an award to the "star of the month" or "employee of the year".

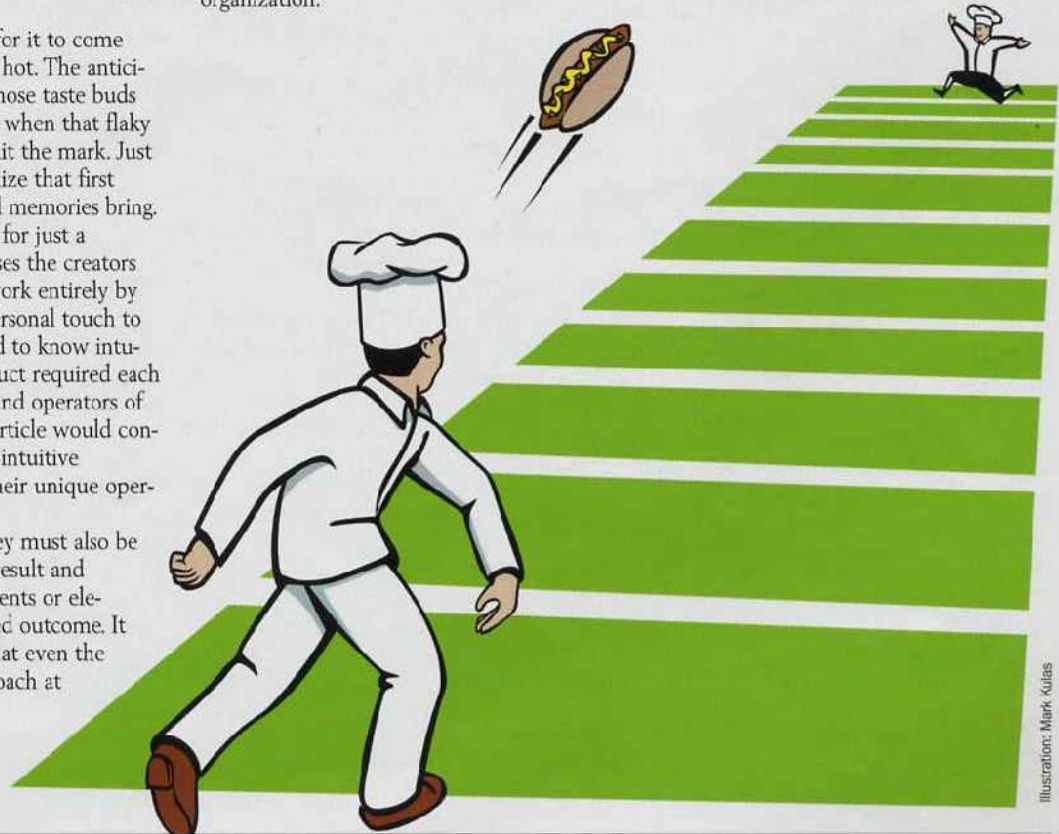


Illustration: Mark Kulis

In the final analysis your purchasing must be based solely on what is good business for your club. It makes no difference whether you are being quoted on insurance, coffee or paper napkins, the key is to regularly research prices—in short, keep your suppliers competitive and honest.

After all, any relationship worth maintaining must have integrity as a key ingredient and if the integrity of either party is compromised the relationship is doomed.

Rules of Ordering

Regularly check for competitive prices on all supplies and services.

Maintain records of what you order and the price you agree to pay for each item.

Keep your suppliers on their toes to remain competitive and let them know you know.

Maintain integrity in your business decisions with a “no personal gain” policy throughout your organization.

And remember, what you do will set the standard for your team.

Receiving

The back door is where both your attention to detail and the positioning of your players is vital in your quest for a first down. To avoid a fumble in your end zone, you need an employee trained in the art of receiving.

You’ve probably had the experience of arriving one day at an unusual hour to find your beer delivery sitting on your dock, the empty kegs and bottles conveniently removed with no obvious sign of the packing slip or credit note details.

When you inquire as to what happened, you discover that this week, for some unknown reason, the keys were not hanging in their usual place for the delivery people to place the beer in the storage area. To the otherwise conscientious but untrained employees, the delivery staff were just being helpful when they offered to pick up the empties anyway and just add the credit to the next bill. “And don’t worry about the beer delivery”, you’re told, “a couple of the guys from another depart-

ment have already volunteered to come over and put the beer away on their break.”

Blind faith at your receiving entrance will inevitably result in fluctuating and higher monthly costs. Erratic costs are a direct result of erratic controls and when you lose control at your back door, it’s anyone’s guess where the supplies will end up. With shoddy receiving practices, many operators fail to gain much yardage on the playing field.

Inevitably, as a result of soaring costs, recriminations ensue, the boundaries of trust are strained or breached, and feelings of resentment or dismay follow. Our beef in such instances is not with the delivery people or with the other overly helpful staff who may merely be opportunists. It is with the operators who persist in fielding untrained teams and who then express surprise when they are rewarded with consistent inconsistencies in their costs.

The responsibility for providing the plays for success lies with the coach. In the absence of preplanned strategy your players will be all over the field. When the score mounts in favor of your opponents, blaming your untrained staff for your loss is a futile exercise few will support or respect.

Taking your operation forward is your job. Your players are eager to celebrate the thrill of victory and are willing to work hard to get your operation there. But they can’t play without knowing the rules. Expertise in this area requires some effort and a lot of common sense.

Receiving Rules

Keep your loading or receiving dock locked at all times.

Prearrange a schedule for delivery with your suppliers and post your schedule of delivery hours.

Install a bell or buzzer system through to your kitchen or wherever the person who will receive works.

Implement daily receiving and credit report systems.

Adhere to a proper key management system that allows access to authorized personnel only—do not relinquish your keys of con-

trol, particularly to untrained staff.

Provide scales and weigh and/or count all deliveries as required, without exception.

Check for quality and/or size ordered.

Refuse unacceptable items and confirm what you are signing for.

Store all frozen or refrigerated items as quickly as possible.

Transfer all received goods to respective locked storage areas.

Never leave deliveries unattended.

Keep all refundable items secured and counted. Treat your supplies like cash.

Storage

We have all experienced or observed less-than-perfect facilities with inadequate holding areas, poor storage, insufficient refrigeration space and chest freezers in the basement with janitorial supplies and paper products stacked on top.

Unfortunately, requests for extra storage space never seem to be placed high on the priority list for capital expenditures. The new fence protecting the satellite dish and the new weather vane on the half-way kiosk are indeed expenditures with merit.

But at some point you must realize that it's difficult to restrict access to the liquor supplies when they are stored with the silverware. And if you need to check the label to choose between cooking oil and bleach on the storeroom shelf you are most certainly headed for problems more distasteful than merely higher costs.

It's essential that you make it difficult for unauthorized people to get into the storerooms. But make sure you are not also unnecessarily restricting those who need access throughout the day.

If the owner is the only one with a key and the staff needs to go in and out on a regular basis, you know the room will rarely be locked.

Cart access is also desirable. Doors and corridors to the storeroom should be sufficient to allow bulk product to be moved to and from with ease.

Maintaining visual access to the storeroom door is also extremely important. What you can't see in this case can hurt you.

Some "dos" and "don'ts" for food and beverage cost control:

Don't order the same products from the same suppliers for years without checking competitive prices or quality.

Don't allow deliveries at any time in unsecured receiving areas with anyone available to receive products.

Don't permit delivery persons unsupervised access to your storage areas.

Do check for yourself that your delivery is all there.

Do weigh or count all goods and return unacceptable items

Do follow-up on credit memos.

Don't leave delivered items unattended and delay storing refrigerated or frozen products.

Do secure all refundable items (kegs, bottles, etc).

Don't allow unauthorized staff access to keys and storage areas or store products in unsecured areas.

Don't assume that if you pretend to have control, your staff will not test you.

Don't let one person do it all.

Don't lump all your supplies together when you do inventory.

Don't dispense with all that paperwork.

Do your paperwork and follow through with all checks

Do exercise portion control.

Don't simply trust your staff and assume controls are unnecessary.

Don't wait until something goes wrong and follow up then.

Marking the shelves can facilitate the re-ordering process and plastic tags similar to those used for luggage or convention badges can help keep the shelves organized. Par stocks and minimum reorder quantities must be reviewed frequently.

Standard weekly orders are dangerous. Food costs will increase in direct relation to the quantity of product in storage, particularly if your stock is product in process.

Sturdy stackable plastic containers, masking tape and a good quality marker pen are your best defense in the refrigerator providing you use them to clearly label and date everything. Three-year-old lamb chops do little for the soup of the day.

Storage Rules

Holding and storage areas should be conveniently located or adjacent to the receiving and production areas to minimize the movement of supplies.

Provide accessible secured areas for all supplies including refrigerator and freezer units.

Ensure storage areas are kept clean and well-lit and organized to maximize efficiency. Segregate supplies as much as possible.

Restrict access to those who need it.

Give everything a place and keep everything where it belongs.

Order only what you need and order often. The three "R's" of storage are regulate, rotate and refrigerate.

Transferring

The secret to effective control lies in being able to determine the cost of your end product. Once you know where your costs are going awry, nailing down the cause becomes a feasible task.

We will deal with systems of analysis in more depth in a future article. For now it is important to simply ensure that you are keeping score.

Keeping score in your storeroom means knowing what has been used and where it has gone. Whenever supplies are moved from storage to production a record should be maintained of who issued the supplies

and who received them.

Whenever possible, two people should be involved. Bin cards are a good aid here, although to be useful they need to be kept up to date and reviewed frequently.

An ongoing or perpetual inventory record combined with a transfer log can also be a valuable tool to determine the amount of stock you have on hand and where the issues have gone. The key, however, is to ensure that issues from the storage area to a particular production area are monitored.

By tracking the quantity and price of the product used to generate sales, you can identify problems as they arise.

When you realize that it took eight bottles of rye to make the 40 high balls sold at last night's party, it's time to call the team back to the huddle.

Transferring Rules

Know what you have, where it has gone, with whom and when.

Track transfers to all production areas including golf course kiosk, kitchen, lounge, banquets, etc.

Use this information to determine the usage in each area and compare the usage to the sales on a regular basis.

Involve two people in any process involving the movement of supplies to or from the storeroom.

Production

One of the first lessons of Restaurant Management 101 is that sometimes the most conscientious employee is not actually on your team.

The cook or bartender who is always the last to leave and who often volunteers to work weekends and holidays when no one else wants the shift may indeed have his sights set on a management position. Or he may have determined that he is worth twice what you are paying him.

The person stationed behind the bar often does cash handling at the front of the house. This makes production controls extremely important. But cash is not the only way your staff can throw the game.

Sometimes the benevolent staff member you've left in charge of production thinks he is helping you by giving the customers more than what they want. The 6-oz sandwich steak that weighs in at 8oz off the grill is bound to be a crowd pleaser. Tips are better when the portions are generous and it sure keeps the waitstaff happy.

Production Rules

Use standard recipes.

Monitor your meals before they go out and carefully check the soiled plates to determine waste due to excessive portions or poorly prepared menu items.

Employ measuring devices.

Trust your staff only after you have established the controls necessary to protect them from suspicion when something goes wrong.

Food and beverage cost controls are a concern at all operations and this is one area where networking with your peers in associations like the NGCOA may provide you with some answers. Visits to other operations and discussions with other operators can be of great help. Often, a simple remedial measure will eliminate the need for expensive capital expenditures and it is rare to find a successful operator who is unwilling to share, with some pleasure, the tricks learned in building a strong defense against higher costs.

Qualified experts are those mortals who have already experienced the humiliation of defeat.

As an owner or manager you have an obligation to your staff to ensure that the necessary controls are in place to guarantee the security and safekeeping of your supplies

and to remove temptation from your staff.

If you can't determine whether or not your staff is stealing from you, the unfortunate fact is that some of them probably are.

The crime however, lies not in the fact that you suffer a loss. That is merely the consequence of shoddy controls. No, the real crime is that those on your team who are innocent are unavoidably included in the equation when you attempt to determine what when wrong. They suffer under this needless suspicion and they resent you for it.

Controls are a necessary part of business and are no more difficult than you wish to make them. Like the referees in football, you merely need to establish the rules and put the procedures in place to ensure they are followed.

When you do, your team can focus its energy towards positive results confident that you are measuring their success as they take your operation to touchdowns at the end of the game.

The responsibility to provide a framework for success lies in the hands of the coach. All of your players want to celebrate in their opponent's end zone. To experience the thrill of success is a motivator all can thrive on. Blaming others for your failure to win is a futile exercise few will support or respect. ▶

John Nick

John Nick is the Principal of Golf Strategies & Concepts, a Vancouver-based consulting company. As a recognized strategist and industry facilitator his professional activities include media appearances and public speaking engagements. He has recently become a published poet.

Barry L. Morgan

Barry Morgan has over 20 years' hospitality management experience in Kingston, Windsor and Dundas Ontario. He is presently employed as the General Manager of Marine Drive Golf Club in Vancouver, B.C. Barry is a Fellow of the Canadian Society of Club Managers and has served on the Board of Directors of the Club Managers' Association of America since 1994.