

## LECTURE 1

### INTRODUCTION TO FOOD AND BEVERAGE COST CONTROL

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#### Content

Definition of terms

Importance of effective cost control

Development and use of standards

#### Definition of terms

The sustainability of any food business depends on their ability to consistently offer great food and beverage products through exemplary service. A good reputation alongside customer satisfaction ensures the business' continued profitability as seat turnover is maintained.

**Food and beverage** establishments also referred to as food service operations, include all businesses that produce and or sell meals of varying cuisines as well as beverages that could be either alcoholic or non-alcoholic at a profit. These businesses may be independent or part of a chain or franchise and exist in a variety of sizes.

Food service operations are often classified into two main classes:

1. *Commercial* – Their main aim is to capitalize on profit. They may be grouped into:
  - Those in the **restricted market** – such as those in clubs, transport e.g. airlines, trains, ships etc. and institutional catering operations as those in prisons, military etc.
  - **General market** – e.g. hotels, restaurants, bars, pubs, fast food, takeaways, vending machines, food trucks etc.
2. *Welfare* – these offer catering services as a complementary to an independent institution which may include: hospitals, prisons, schools and universities as well as the military. The main goal is to support the institution therefore; the price of the food and beverage products served is often subsidized.

## Food and Beverage Cost Control

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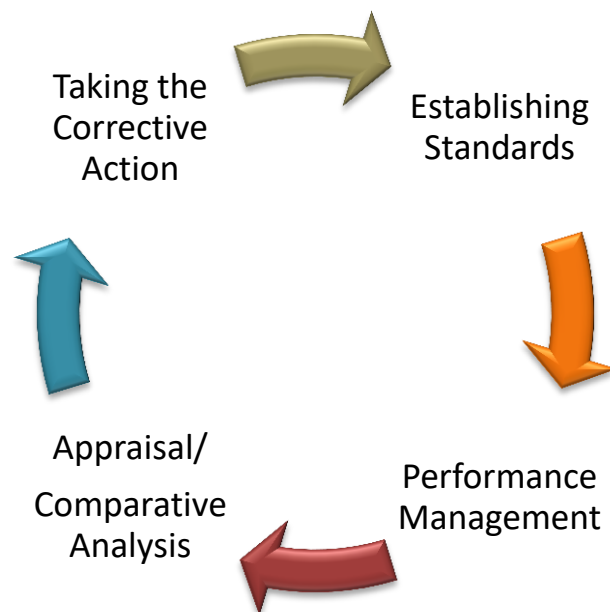
Although having a high seat turnover rate is one of the main goals of any food business, it is not the sole way of ensuring profitability. Food businesses ought to ensure that their internal processes are controlled for any potential losses in order to maximize on profits or attain business efficiency.

The average food business is initiated to make profit; however, food businesses primarily charged with the provision of institutional catering services may also utilize principles in cost control to ensure that the businesses attain optimum levels of operation.

Food and beverage **cost control** is a function of management. It aims to establish and minimize operating expenses in order to maximize on profits. The process ensures that food and beverage products are produced and sold at the lowest cost possible at any given time, for as long as it is possible to control the cost.

Food and beverage cost control provides a holistic approach to how food businesses should be managed despite their size. While the manager may be tasked with upholding this duty in smaller establishments, the control function is conducted by more than one individual in large operations. These individuals include financial controllers and supervisors among others.

The food and beverage control process is a cycle that may be summarized into four steps as illustrated below.



# Food and Beverage Cost Control

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First, any goals or expectations needed are formulated or updated and clearly communicated to the employees e.g. the number of dishes to be produced and served within a specified time frame.

Then the managers make observations to ensure that the goal is being adhered to by measuring the actual performance. At this stage, the managers may also motivate their employees to try and get them to achieve the goal.

After which the managers will compare the employees' performance to the initial goal as a form of comparative analysis then determine the action to take based on the outcome.

In the event that the employees do not meet the standard, the managers find out why and take an appropriate step related to the findings. For instance, if they found that a chef was not able to produce the specified meals within the said time reason being there was an influx in customer numbers, the event is assessed to determine whether more chefs are required, or the chef was too slow, in need of further training etc.

The assessment is meant to determine the cause of failure after which a corrective action is taken and the process begins again; this recurs for as long as the business exists.

## Importance of effective cost control

Effective cost control leads to:

- a) Enhanced profitability through reduced costs
- b) Increased business efficiency
- c) Establishment and implementation of standards
- d) Competitive advantage through effective pricing
- e) Sustainability
- f) Control of fraud
- g) Provides essential information used in management

# Food and Beverage Cost Control

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The Uttarakhand Open University outlines several unique challenges faced in the control of food and beverages to include:

- Highly perishable product
- Unpredictable seat turnover
- Inaccuracy in predicting menu items
- Short life cycle
- Use of multi-departments

Therefore, it is important to note that in spite of all efforts geared towards creating an efficient system, it is highly unlikely for any one operation to attain 100% efficiency. Changing customer needs, failure of equipment, employee based issues and product quality issues are but some of the bottlenecks that further contribute to this.

## **Development and use of standards**

Establishing the expected level of outcome has been discussed as the first step in a food and beverage control process. Ideal standards have been previously described as those having attributes such as being specific, bound by a timeframe, achievable, have a metric for measure and realistic.

The food and beverage establishment utilizes standards developed from the menu. The menu outlines all food and beverage products making it the most essential item in the process of dictating business requirements. Additionally, these establishments focus on two main factors in their control efforts; these include labor and food & beverage. Labor is discussed at length in Lecture 9 of this course.

Coelho (2010) outlines five standards used in food and beverage operations for the purpose of food cost control to include:

1. Standard purchase specifications (SPS)
2. Standard recipe
3. Standard yield
4. Standard portion size
5. Standard portion cost

# Food and Beverage Cost Control

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## 1. Standard purchase specification

The standard purchase specification identifies the type of goods to be received based on their quality and quantity. The suppliers and receiving personnel use information outlined to guide all purchases made. The information outlined includes:

- Name of the item - e.g. Sweet/ Cavendish bananas
- Description of the item - should be bright yellow, without dents and not full of black spots
- Type of brand or grade - premium
- Weight, count or size - 60 pieces or 30kgs meat, 1 large pineapple etc.
- Price per unit – \$0.15 cents per piece
- Sample picture of the specified item

*Aims of the standard purchase specification include:*

- a. To specify the level of quality expected for each item purchased by the establishment
- b. To communicate the level of standards expected of the suppliers and receiving personnel
- c. Provides a basis of measurement
- d. To ensure that standards are maintained

The main advantage of a standard purchase specification is that it safeguards against losses incurred when items of poor quality are received, therefore; it helps in cost reduction.

## 2. Standard recipe

A standard recipe is a specified process for preparing a specific dish. A standard recipe should be availed and followed as it ensures that the final product tastes, costs and is presented the same each time it is prepared, whether or not it was prepared by the same individual. The recipe contains valuable information such as:

- Portions (size, equipment and number)
- Ingredients and quantities of ingredients
- Directions
- Time it will take to prepare the dish
- A picture of the dish

# Food and Beverage Cost Control

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- Nutritional value
- How to present the dish
- Equipment and tools

## Advantages of a standard recipe

- a) Minimizes food waste as the quantity of food produced is based on the required number of portions
- b) Enables scheduling of labor and planning for equipment
- c) Minimizes supervision
- d) Eliminates room for trial and error
- e) Maintains quality in the absence of the regular production personnel
- f) May be used in predicting food cost and estimating selling price

### **3. Standard yield**

The standard yield of a food item refers to the consumable bit left after the item has been pre-prepared and cooked. For example, a food business may purchase and store an entire leg of a cow. During the pre-preparation stage of the production process, the leg is trimmed of excess fat, deboned and then the desirable cuts of meat are obtained; leaving the bones, trimmings and any meat perceived as being of low quality.

In this example, the desirable trimmings are the standard yield. Standard yield is computed in terms of net weight or volume. In this case, assuming that the leg weighed 85kgs during purchase with the desirable cuts weighing 55kgs, the difference of 30kilos would be referred to as production loss while the standard yield is 55kgs.

A high production loss indicates that the quality of the product was overlooked during purchase. Ideally, a purchase should be as close as possible to the desired quality in order to prevent excessive waste during the preparation phase. This ensures that while the food item is processed to meet production standards, minimal waste is observed.

Yield tests inform on the cost of an item per unit weight (kg, liters, grams etc.). The costs are used in the adjustment of the selling price of various menu items when needed. Yield tests ought

# Food and Beverage Cost Control

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to be performed on any food items that are expected to undergo some changes before serving. During a yield test, one may observe: the quality of the item, useable portion, shrinkage, cooking time and cooking loss.

## 4. Standard portion size

A standard portion is the amount of food each guest should be served per dish. A good standard recipe should indicate the standard portion size to ensure that portions are equal each time they are served and with each guest. This prevents over-portioning and ensures that the cost per portion is maintained. On the other hand, it also prevents under-portioning ensuring that the guest receives their value for money.

## 5. Standard portion cost

The standard portion cost is calculated based on the standard recipe. It is the cost it takes to prepare and present a portion of food. Any variations in portion size will directly affect this.

## Assignment 1

Conduct some desk research on various types of:

- a) Hotels
- b) Restaurants

List them into various classes based on your findings and provide adequate descriptions of each type. **(20 Marks)**

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## Quiz

1. Describe food and beverage cost control.
2. Outline the essence of food and beverage cost control.
3. Explain what makes food and beverage control unique.
4. Outline the information required in a standard purchase specification and give relevant examples.
5. State and explain different types of standards used in food and beverage management.

# Food and Beverage Cost Control

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