

LECTURE 4

COST CONTROL IN THE FOOD AND BEVERAGE CYCLE (Cont...)

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Content

Operational phase

Post operational phase

STORAGE AND ISSUING

The stores section or department ensures that all goods received are stored appropriately. In addition to this, it is essential that all items available in storage are adequate in their supply of the operation. Perishable items are often stored in the refrigerator or cold rooms, while the non-perishables are stored separately in a pantry. Meats and dairy products are also separated from vegetables (David et al., 2008).

Once goods are received, they are immediately stored according to their requirements. Perishable items may be taken straight to the kitchen or stored in the chiller as the non-perishables make their way to the stores. Proper records are maintained as per what is recently purchased or issued. Issuing is often backed by a requisition list authorized by a senior member of staff such as the Executive Chef.

Characteristics of ideal storage conditions include:

- Adequate space
- Well lit
- Ideal temperatures
- Provision of issuing equipment like weighing scales
- Security
- Adequate shelves and refrigerators among other storage equipment
- Clean and free from pests

Food and Beverage Cost Control

Food items within the pantry should be stored systematically. Those issued frequently should be close to the entry point, others should be grouped according to use and packaging e.g. spices and condiments, nuts and cereals etc. All items should be regularly checked for spoilage and old stock should be issued before the new stock.

The store or pantry area ought to be located close to the receiving area and kept clean at all times. Pest control services should be contracted in case of any pests such as cockroaches and rats as these are known to transmit diseases as well as contribute to losses.

Stock Control

Increased cost of food may be as a result of spoilage, accident such as breaking eggs or theft.

To manage this; - the room should be locked

- care taken when handling delicate items and;
- the first in first out rule followed

Proper records indicating all items within the facility should be maintained, inclusive of all issued items. The stock record card which is similar to the bin card indicates what goods are received and or issued from storage (IHM Notes, 2018).

Other documents used include;

Requisition- used to request for issuing of specified items.

Kitchen transfer note- used in the transfer of goods from one department to another.

Inventory sheet- indicates the actual stock level during stock taking.

Effective issuing ascertains that the inventory is well accounted for. The process followed includes:

- An authorized requisition list is received.
- The list is reviewed for authorization and appropriateness of the quantities requested.

Food and Beverage Cost Control

- Requested items are issued based on the reconciled quantities if any.
- Storeroom records are updated.

Stock Taking

Stock taking is done through one of the following ways:

1. Perpetually - by recording and reviewing records of all items in the stock book. The balance of issued items is established and compared to records from the stock book.

It is the current record of all goods specifying received goods, issued items and the balance.

2. Physically - by manually counting each of the items in the pantry and recording them on an inventory sheet. This is done over a specified period of time say monthly.

The presence of a third party such as the control of accounts personnel is required to promote accuracy in reporting.

The outcome in stock taking could highlight a difference in the actual inventory and recorded value. Discrepancies in stock tacking may be explained by:

- Chemical changes e.g. caused by evaporations, absorption of moisture etc.
- Inaccurate measurement during receiving, stock taking or issuing.
- Actual shortage caused by pilferage or careless handling.
- Loss through breaking or cutting.

The amount of stock available can be categorized into three stock levels. These include:

a) **Maximum** – quantity of stock that is above what should be available considering the frequency of use, perishability and availability.

b) **Minimum** – minimum stock levels represent the ideal amount of stock that should be availed.

At this level, production is not affected and neither are the perishable items wasted through spoilage.

c) **Recorded level** – operations establish a stock level between the maximum and minimum levels at which point items should be restocked to avoid shortage.

Food and Beverage Cost Control

Ways of managing food cost in storage and issuing

- Uphold proper sanitation within the storage facilities
- Maintain proper records
- Regularly inspect the available inventory
- Secure and limit access to storage areas
- Report any spoilage or wasted goods
- Monitor storage temperatures

PRODUCTION

As discussed by the Uttarakhand Open University (2019), food should be prepared in the right quantity and according to specified standards. Predictions on number of diners should be as accurate as possible in order to effectively control the cost of food by avoiding wastage. The production stage utilizes standard portions and recipes in order to achieve this.

Production controls focus on waste reduction and delivering specific portion sizes to maintain food cost at the ideal level. In order to prepare enough food for the guest, volume forecasting is done by considering:

- past records
- portion size
- popularity of items
- guest numbers
- events
- weather
- season
- trends

The final volume forecasted volume is communicated for purchase or issuing.

Volume forecasting is essential as it;

- Backs purchasing decisions
- Ensures the availability of ingredients
- Promotes food cost control
- Predicts sales and menu popularity

Food and Beverage Cost Control

Cost control in the production process relies on previously established standards such as the:

Standard yield – to get the most out of ingredients

Standard recipe – to maintain ideal margins and ensure the utilization of the same ingredients each time

Standard portion size – to avoid over portioning and the;

Standard portion cost – to secure sales and ensure that guests get value for their money

Ways of managing food cost in production

- Utilize the affordable ingredients with similar results in quality
- Stick to specified portions
- Avoid expensive convenience foods that can be prepared on site
- Avowing waste through over-trimming
- Utilize trimming in other dishes
- Prepare the right amount of food
- Adhere to the standardized recipe
- Use specified cooking techniques
- Use appropriate tools and equipment
- Avoid overcooking to prevent low yields
- Prepare small batches to avoid over production

SELLING

Selling controls ensure that all items prepared and served are paid for and anything offered on credit is authorized. This prevents fraud by accounting for each item sold.

Sales control is also concerned with the pricing of the products. The business should offer customers value for their money and still make a good profit.

Strict policies should be implemented to ensure that the service staff does not steal from the operation as staff theft is one of the ways an operation may incur further costs. As for the guests, employees should be keen during service and see to it that each guest pays for what was ordered.

Food and Beverage Cost Control

Various billing procedures are used during sale evaluations;

- Cash sales are evaluated through the kitchen order ticket and the bill. The bill is forwarded to the accountant as the list of orders is received by the controllers who then establish whether food costs are at an appropriate level.
- On the other hand, credit sales may apply to in house guests where the charge slip is catered to at a later time. The bill and the credit charge slip are received by the accountant while the controller acquires the list of orders.

The front office department processes any balances during check-out. The cashier compiles a summary on the total sales of the day additionally providing a basis for comparisons.

All staff meals should be controlled, this can be achieved by either having a separate kitchen where the meals are planned for and prepared or setting a fixed cost of staff meals per meal. Employees may also contribute to a fraction of the cost.

POST OPERATIONAL PHASE

The post operational phase is comprised of the day to day management and control through supervision and leadership. The management team gathers information on employee and departmental performance then compares it to the initial objectives for evaluation.

Reports are compiled, after which managers make their recommendations on changes that need to be made if any. Information obtained during this phase is used in future planning and forecasting (Miller, Dopson & Hayes, 2005).

The operational phase is tasked with three main activities;

- a. Cost reporting – current data is gathered and summarized in reports.
- b. Performance measurement – actual performance data is gathered and compared to the initial objectives.
- c. Corrective action – future forecasts and plans, targets and feedback are communicated, and then the cycle begins again.

Food and Beverage Cost Control

Quiz

1. List various characteristics of an ideal storage area.
2. Explain how a kitchen transfer note is used.
3. Explain how storage and issuing may be used to lower food cost.
4. State the essence of volume forecasting.
5. Describe how the selling phase may contribute to increased food cost.
6. Describe the activities that are carried out in the post operational phase of food and beverage cost control.

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