Module Title: MENU PLANNING AND COSTING

Department: Hospitality Management

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Lecture 11: Managing the food and beverage production process

- In this lecture, you will learn the methods used to issue and prepare food and beverage products in **a cost-effective manner**, including steps you can take to minimize theft and spoilage.
- You will also discover how to estimate the costs you will incur in producing the menu items you sell.

Objectives

At the end of this lecture, learners will be able to:

- Use management techniques to control the costs associated with preparing food and beverages for guests.
- Compute the actual cost of producing a menu item and compare that cost against the cost you should have achieved.
- Apply various methods to reduce the cost of goods sold percentage.

Managing the Food and Beverage Production Process

- Once you have ordered and received the food and beverage products you believe will be purchased by your guests, your concern turns toward the most important function of all, controlling the food and beverage production process.
- If any activity were at **the heart** of foodservice management and control, it would be this.

- To study this process, assume that you are the manager of Scotto's Supper Club.
- Scotto's is a high-volume, business/upscale-clientele steakhouse.
- Business is good both during the lunch period and in the evenings.
- Volume is especially heavy on Friday and Saturday nights, as well as Sunday brunch.

- As you prepare for another week of business, you would review your sales history, forecasts, purchase orders, and menu specials.
- You would do these things to take the first step in the production process: **developing your kitchen production schedules.**

Production Schedules

- Fundamentally, each foodservice manager is in charge of kitchen production.
- How much of each item to prepare may be a joint decision between you and your chef or production manager, but it is you who must ultimately take **the responsibility for proper production decisions.**

- The complete production process involves the following steps:
- **1. Maintain sales histories.**
- **2. Forecast future sales levels.**
- **3. Purchase and store needed food and beverage supplies.**

- 4. Plan daily production schedules.
- 5. Issue needed products to production areas.
- 6. Manage the food and beverage production process.

- Planning daily production schedules is important because you will want to have both **the products and the staff needed to properly service your guests.**
- If, for example, you forecast that 50 chocolate cakes will be needed on a given day for the college residence hall you manage, then you must have both the products and the staff necessary to produce the cakes.

- Ideally, the process of determining how much of each menu item to prepare on a given day would look as follows:

Prior-Day Carryover + Today's Production
= Today's Sales Forecast ± Margin of Error

Unit Name: Scotto's Supper Club Date: 1/1

	Menu Item	Sales Forecast	Prior-Day Carryover	New Production	Total Available	Number Sold	Carryover
1.	Prime Rib	85	15	75	90		
2.	Broccoli	160	0	170	170		
3.	Coconut Cream Pie	41	70	0	70		
4.							
5.							
6.							
7.							
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13.							
14.							
15.							
16.							
17.							
18.							

Special Instructions: Thaw turkeys for Sunday preparation

Jack E. Miller, David K. Hayes & Lea R. Dopson (2002)Food and Beverage Cost Control, Second Edition, P180
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Product Issuing

- Getting necessary beverage, food, and supply products from the storage area in smaller properties may be as simple as entering the locked store room, selecting the product, and locking the door behind you.

- In a more complex operation, especially one that serves alcoholic beverages, this method is simply inadequate to achieve appropriate control.

- The act of requisitioning products from the storage area **need not be unduly complex**.
- Often, however, foodservice managers create difficulties for their workers by developing a requisition system that is far too time consuming and complicated.

- The process of requisitioning and issuing food, beverages, and supplies to employees need **not be tremendously complicated.**
- Remember that employees should requisition food and beverage items based on **management-approved production schedules.**

- Maintaining product security can be achieved with relative ease if a few principles are observed:
- 1. Food, beverages, and supplies should be requisitioned only as needed based on approved production schedules.
- 2. Required items (issues) should be issued only with management approval.

- 3. If a written record of issues is to be kept, each person removing food, beverages, or supplies from the storage area **must sign, acknowledging receipt of the products.**
- 4. Products that do not ultimately get used should **be returned** to the storage area, and their return recorded.

- Some foodservice operators who employ **a full-time storeroom person prefer to operate with advance requisition schedules.**
- This process can sometimes be helpful because requisition schedules for **tomorrow's** food, for instance, can be submitted **today,** thus allowing storeroom personnel the time to gather these items prior to delivering them to the kitchen.

Storeroom Requisition

Unit Name: Scotto's Supper Club

Requisition #: 0221

Date: 1/15

Item	Storage Unit	Requested Amount	Issued Amount	Unit Cost	Total Cost
Rice	1 lb.	5 lb.	5 lb.	$0.25/lb.	$ 1.25
Broccoli	1 lb.	30 lb.	28.5 lb.	$0.90/lb.	$ 25.65
Rib Roast	1 lb.	100 lb.	103.5 lb.	$6.40/lb.	$662.40
Total					$689.30

To: Kitchen X

Bar

Requisition Approved By: S.A.R.

Requisition Filled By: T.A.P.

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Product Issuing: **Special Concerns for Beverages**

- The basic principles of product issuing that apply to food and supplies also apply to beverages. There are, however, special concerns that must be addressed when issuing beverage products.

- Assume that, as the manager of Scotto's, you have developed a system whereby beverage issues **routinely** are one of two types:
- **1. Liquor storeroom issues**
- **2. Wine cellar issues**

- **Liquor Storeroom Issues** While several methods of liquor issues could be in place, one choice you would have as a manager, and the system favored by the authors, is to **implement the empty** for full system of liquor replacement.

- In this system, each bartender is required **to hold empty liquor bottles in the bar or a closely adjacent area**.
- At the conclusion of the shift, or at the start of the next shift, **each empty liquor bottle is replaced with a full one**. The empty bottles are then either broken or disposed off, as local beverage law requires.

Liquor Requisition

Unit Name: Scotto's Supper Club

Shift: P.M.

Date: 1/15

Service Area: Cocktail Lounge

Verified by Management

Product	Number of Empties	Bottle Size	Bartender	Management
Old Crow	6	750 ml	P.O.F.	S.A.R.
Tanqueray	4	750 ml	P.O.F.	S.A.R.
Peach Schnapps	2	1,000 ml	P.O.F.	S.A.R.
Seagrams 7	3	750 ml	P.O.F.	S.A.R.
Jack Daniel's	2	750 ml	P.O.F.	S.A.R.
Absolut Vodka	8	1,000 ml	P.O.F.	S.A.R.
Total Empties	25			

Jack E. Miller, David K. Hayes & Lea R. Dopson (2002)Food and Beverage Cost Control, Second Edition, P185
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- **Wine Cellar Issues :** The issuing of wine from a wine cellar is a special case of product issuing because these sales cannot be predicted as accurately as sales of other alcoholic beverage products.
- That is, you may know that a given percentage of your guests are likely to select wine, but you may not know the specific wine they will select

- This is especially true in an operation where a large number of valuable wines are routinely stored.
- If the wine storage area contains products valuable enough to remain locked, it is reasonable to assume that each bottled wine **issued should be noted**.

Wine Cellar Issues

Unit Name: Scotto's Supper Club

Date: 1/1

	Product	Vintage	Number of Bottles	Guest Check #	Removed By
1.	Bolla Soave	1998	2	60485 L	T. A.
2.	Glen Ellen Cabernet Sauvignon	1991	1	60486 L	S. J.
3.	Barton & Guestier Medoc	1994	1	Manager's "comp"	S.A.R.
4.	Copperridge Cabernet	Current Stock	1	Kitchen	S.A.R.
5.	Bolla Soave	1998	1	60500 M	S. J.
6.	Copperridge Cabernet	Current Stock	1	Bar stock	S.A.R.
7.					
8.					
9.					
10.					
11.					
12.					

Remarks: #4 Requested by Chef 1/1
#6 House Wine Sent to Bar Area 1/1

Jack E. Miller, David K. Hayes & Lea R. Dopson (2002)Food and Beverage Cost Control, Second Edition, P187
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Inventory Control

- Regardless of the methods used by employees to requisition food and beverage products, or management to issue these, inventory levels will be affected.
- It will be your responsibility and that of your purchasing agent to monitor this movement and purchase additional products, as needed

- Re-stocking the inventory is critical **if product shortages are to be avoided** and if product necessary for menu item preparation is to be available.

- Nothing is quite as **traumatic** for the foodservice manager than to be in the middle of a busy meal period and to find that the operation **is "out"** of a necessary ingredient or frequently requested menu item.
- Therefore, you must carefully monitor inventory levels.

ABC Inventory Control

- To fully understand the principles of ABC inventory control, you first must be very familiar with the concepts of **physical inventory and perpetual inventory**

- **A physical inventory** is one in which an actual physical **count and valuation** of all inventory on hand is taken at the close of each accounting period.

- **A perpetual inventory system** is one in which the entire inventory is counted and recorded, then additions to and deletions from total inventory **are recorded as they occur**.

- **Perpetual inventory** seeks to eliminate the need for frequent counting by adding to the inventory when appropriate (receiving slips) and subtracting from inventory when appropriate (requisitions or issues).

- **A bin card** is simply an index card or other record that details additions to and deletions from a given product's inventory level.
- Bin cards are especially useful for food products, such **as staples and dry goods**

Bin Card

Product Name: Canadian Club Bottle Size: 750 ml

Balance Brought Forward: 24 Date: 12/31

Date	In	Out	Total on Hand
1/1	4		28
1/2		6	22
1/3		5	17
1/4	12		29

Jack E. Miller, David K. Hayes & Lea R. Dopson (2002)Food and Beverage Cost Control, Second Edition, P193
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Physical or Perpetual Inventory

- When making the decision about whether to use a physical or perpetual inventory system, the question is, **“Which of the two systems is best?”** The answer is, **“Neither is best, so use the best of both.”**
- This is exactly what **the ABC inventory system attempts to do.**

- It separates inventory items **into three main categories**
- **Category A** items are those that require tight control and the most accurate record keeping. These are typically high-value items, which can make up **70 to 80%** of the total inventory value.

- **Category B** items are those that make up **10 to 15%** of the inventory value and require only routine control and record keeping.
- **Category C** items make up only **5 to 10%** of the inventory value. These items require only the **simplest of inventory control systems.**

- Let use example of Scotto's Supper Club, assume that the following **10 items** are routinely held in your inventory:
- 1. Precut New York strip steak
- 2. Prepared horseradish
- 3. Eight-ounce chicken breasts (fresh)

- 4. Garlic salt
- 5. Onion rings
- 6. Crushed red pepper
- 7. Dried parsley
- 8. Lime juice
- 9. Fresh tomatoes
- 10. Rosemary sprigs

- As can be seen, even with this short list, you have a variety of items in inventory. Some, like **the New York strip steak**, are very valuable, highly perishable, and critical for the execution of your menu. Others, like the **crushed red pepper**, are much less costly, not highly perishable, and may not dramatically affect the operation if you ran out between deliveries.

- Clearly, **these two** example items should not be treated the same for inventory purposes.
- The simple fact is that they **are not equally critical to the operation's success**
- The ABC system helps you determine which items deserve **special, perhaps daily attention, and those you may spend less time managing.**

References

[1] Jack E. Miller, David K. Hayes & Lea R. Dopson (2002)Food and Beverage Cost Control, Second Edition, P177-195

https://www.slideshare.net/slideshow/food-and-beverage-cost-control-2nd-edition/26949965

[2] Paul J. McVety et al (2009), Fundamentals of Menu Planning

https://lib.unika.ac.id/index.php?p=fstream-pdf&fid=3132&bid=48553356

End of Lecture 11

Next lecture : Writing, Designing and Merchandising the Menu

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Thank you!