



Perception Shapes Policy - If Food Was Cash...

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What's the difference between a Sysco truck and a Brinks truck?

The obvious answer would be that one holds food and the other holds cash. But if the Brinks truck has \$40,000 in cash on board, and the Sysco truck has \$40,000 worth of food, which cargo is more valuable? A fundamental key to F&B control is the ability to see food and liquor as cash – not just something we eat or drink. Imagine the Sysco truck full of cash instead of groceries. Imagine the storerooms with shelves full of cash instead of canned goods and spices. Imagine the walk-ins and freezers as refrigerated cash vaults, instead of meat and fish lockers.

Adjusting the perspective from food to cash provides a variety of insights into proper control culture. We are acutely aware of the need to tightly control cash, and we have systems, receiving and handling procedures, secure storage and close accounting department oversight for cash. Food and beverage, on the other hand, is hardly controlled at all.

For most clubs, there is no F&B control system. There are few, if any, written procedures for receiving, storage or transfer of these goods. Storage is far from secure, with almost anyone who works in the building having free access to it. And the accounting department is only involved at the end of the month, typically just to provide the end-of-month food and beverage costs. The same people who order the food receive the food, sign the invoices and count it. This would never be allowed if cash was involved.

It's all a matter of perspective. If food was cash, things would be quite different. It would be a top priority to establish tight control. Systems and procedures would be in place. Accounting would play a much more significant role. And F&B costs would be much lower – perhaps 3-5% of F&B sales for most clubs. And yet many club managers don't see it this way. They see \$80 of cash in a server's hands as more important to control than \$80 of tenderloin in a cook's hands.

If food was cash, who would be responsible for keeping track of it?

The accounting department would almost certainly be the logical choice for safeguarding the club's food and beverage inventory if it was cash. Of course, some of the inventory (cash) is in production (circulation), and therefore difficult to control. On the other hand, some is not. Depending upon the size of the club, and the extent of its liquor and wine inventory, varying amounts of inventory may be kept in storage for eventual use. Most clubs have more than 30 days of liquor and wine in stock, and many have significant amounts of non-perishable food items in their inventory.

Both issues – who should be responsible, and how should inventory be controlled – can be addressed with the concept of central storage. While more typical with our larger club clients, smaller clubs can use a version of this concept as well. Central storage is not necessarily one large room where all goods are stockpiled prior to distribution to outlets. It can be multiple small rooms or even areas cordoned off inside walk-ins or freezers. The key is that items in central storage belong to and are the responsibility of the accounting department and are moved in and out using purchases and transfers. This approach makes these items controllable.

Most clubs already have a liquor storage room, which is one component of central storage. Because of the perception that liquor is valuable and somehow more prone to theft, it is typically locked up in a special storeroom with limited access. I'm not sure why

managers think an \$20 bottle of vodka is more valuable than \$20 of beef, but broadening the perception to acknowledge that food is every bit as valuable and prone to loss as liquor, it would make sense to isolate non-liquor items as well if possible.

The objective is to have as much inventory in central storage, and as little in the outlets as possible. There is a direct relationship between the amount of F&B loss and the ability to control storage and distribution of that inventory. Using the cash example, think of all the places where cash (formerly considered food) is stored in the club. Food and other inventoried items are scattered all over the place. This would be totally unacceptable if food was cash.

Central storage acts exactly like a cash vault. It is secured, there is limited access, movement in and out is controlled through purchases and transfers, and it is staffed and managed by the accounting department. Whether there is one room or many is simply a function of the facility's layout.

Controlling Central Storage

Since goods in central storage are not involved in production, it is fairly easy to track them using a perpetual inventory approach. Perpetual inventory is simply a function of adding to inventory as items move into central storage and subtracting as they move out. Goods typically move in through purchases and out through transfers. Using this approach makes it possible to know exactly how much of any given item should be on the shelves at any time. If, upon inspection the quantity is different from that determined by the perpetual inventory, a problem exists. Only this time, instead of looking at a percentage at the end of the month and trying to figure out what caused the number to be unfavorable, we know on a daily basis exactly which item is a problem and exactly how significant the problem is.

Perpetual inventories can be easily calculated using F&B inventory control systems. Given the fact no recipes, yields or sales are involved, this type of inventory is the easiest to track.

Finally, the central storage area can be secured. Like any other cash vault, these areas should be locked, and keys should not be readily available outside the accounting department. Cameras can be installed, and procedures developed for allowing limited access in case of emergency when no staff members are available to handle the transfers.

The central storage approach, when managed by the accounting department is a major check and balance for club foodservice, and could be responsible for reducing F&B variances by as much as half of their previous levels.

Is Increased Control Worth the Additional Labor Cost?

First, it would be necessary to agree that additional labor cost is needed. In large clubs, the additional labor cost is typically not necessary, since simply reassigning positions and utilizing individuals in multiple roles can be effective. For smaller clubs, service staff can be trained to handle these essentially clerical tasks. The labor increment should be far lower than the potential savings.

Again, the question becomes one of perception. If it is possible to reduce costs by more than 3% of sales through increased control, is it worth 1% of sales to pay for it? Or, perhaps more pragmatically, is the club properly operated if it consistently loses 3-5% of sales unnecessarily, due to poor control culture? Realistically, the fact that funds are not currently allocated to provide proper checks and balances, points out a major flaw in the operation. Control should be part of the routine operating budget. After all, FOOD IS CASH, and most members would agree they can't afford to throw cash in the trash!

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