

CASH ON THE SHELVES?

MAXIMIZE CASH FLOW WITH THE DAYS LEFT METHOD

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The COVID-19 pandemic has changed the way business is done in many ways – especially in the club foodservice world. Significant or complete reduction in banquet business, reduced capacity of dining rooms and bars via social distancing and other related side effects have reduced F&B revenues by as much as 50% in some clubs. While this situation is unprecedented, it is never a bad idea to operate with as little waste, spoilage, theft or portioning issues as possible. Perhaps the pandemic will provide an incentive to refocus on cost control, which happens to be my specialty!

If someone asked me what one thing I would do that would have the greatest impact on cost control, I would probably choose to implement the days left method. The method itself is fairly simple, but the ripple effects are significant and touch almost every aspect of cost control in foodservice. It can be stated simply by saying the goal of days left implementation is to have only enough inventory of each item used in the F&B operation to get to the next delivery of that item.

In order to determine how many days are left on the shelf, we need to know our average daily usage. For example, if we use 10 cans per day and we have 30 cans on the shelf, we have 3 days left. If we get shipments every 3 days, we have exactly as much as we need, but if we get shipments every 2 days, we have 10 more than what we need.

Since this is the Boardroom technology issue, we look down on all things manual and think about how an automated system could help us in this manner. To perform the calculations and complete the report, the system would need a few things:

1. Data to calculate average daily usage – this would be a beginning inventory, purchases, transfers and ending inventory
2. Delivery frequency
3. Average cost over the period

These are all things F&B management systems would have, but might be more difficult with spreadsheets from a manual entry labor cost standpoint. With this data, the system could produce a report showing the overstock levels of all items in inventory. Taking it a step further, it could rank the overstock by dollar value, so you could easily see where the most excess cash on the shelf is sitting. The drawback is that this data is most relevant right after a physical inventory is taken which may beg the question – how often are you willing to count? Technology to the rescue again with handheld scanners! Inventory times are vastly reduced allowing you to take inventory more frequently. By the way, there is a direct correlation between frequency of inventory and food cost. *As inventory frequency increases, food cost decreases.*

Once the overstock offenders are identified, steps can be taken to reduce the levels by adding specials to the menu that use the item, by offering them as raw materials to members or staff at sale prices, by finding other creative ways to reduce the levels and certainly by refraining from ordering more until the levels are appropriate.

Another interesting idea is to order less than full cases if you end up with too much excess when you order in case lots. Besides maximizing cash flow, sometimes paying slightly more to split cases results in savings in ways you may not expect. For example, less can spoil if it goes unused. Less will be wasted or over portioned if staff is aware supply is very limited. In all cases, less inventory is better than more inventory. In a perfect world, there would be no inventory. Vendors would just hand you what you need as you need it! This approach is called “just in time inventory” and it is favored by most manufacturers over keeping inventory.

While that may not be possible, I have worked with many operators who have found ways to increase the frequency of deliveries with less volume per delivery. They have found that paying more for delivery and split cases is still less than the cost of waste, spoilage and theft. Everything is fresher as well – which many chefs believe is a critical advantage. Find what works for you. If you master the concept of keeping days left to a minimum, you'll find yourself with maximized cash flow now AND down the road – when some form of normalcy reappears!



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