

SURVIVING COVID-19

DOWNTURN IN CLUB FOOD SERVICE OPERATIONS

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In the 40 years I've been developing and providing the FOOD-TRAK System to foodservice clients, I've never seen a situation as dire as the one we seem to be living in. And while I can't provide a magic solution, I can make suggestions based on four decades of experience for how to reduce the impact of vastly lower sales on survivability. So here are some suggestions, many of which I'm sure you already know about intuitively, but perhaps a reminder or simply my affirmation of your approach will help.

Cash flow is everything when times get tough, so it begs the question of how to maximize it. The primary approach other than finding ways to increase sales is to reduce inventory levels. Visualize a walk-in full of cash instead of food. In fact, if everywhere you see food you see cash, you are headed in the direction of recovering some of it. Keeping inventory levels to an absolute minimum is critical in times like this. So how best to do this?

1. Find ways to use up what you have – promote existing products that use excess inventory, develop specials and new menu items for take out – or even offer bulk take out of excess product. Some clients are offering raw items to customers, in a sense acting as a grocery store.
2. Determine how you can operate with fewer inventory items. Trim the menu so you can use as few ingredients as possible in a dish. Many restaurants carry in excess of 500 inventory items (not including liquor). By reducing the number of items required, you increase cash availability. In many cases where take out menus are being developed, an opportunity to engineer a menu that accomplishes this goal is possible.
3. Order less and don't be afraid of running out. This situation offers a unique opportunity to allow your operation to run out of ingredients without losing sales. People are sacrificing and adjusting to the new reality every day, and will understand that you might be under the same strains when it comes to sourcing as they are. Just look at the toilet paper run (which I can't understand for the life of me) as an example. While it goes against every instinct we have as operators, running out is actually a good thing in this situation. This is especially true for items that could spoil such as produce and seafood. Getting into the habit of under-ordering will offset the cost of over ordering and spoilage. Think of it this way – if you order less, you spend less in advance which improves cash availability, keeps inventory low, reduces the potential for spoilage and might cause employees to be very careful about portioning.
4. Increase order frequency. This one makes sense in cases where you want to minimize inventory levels. In a perfect world, there would be no inventory. If you needed an onion, the Sysco guy would grab one off his truck and hand it to you. Unfortunately, we don't live in that world, but the world we live in today is also hard to believe. In keeping with my suggestion to order less, it makes life simpler if you can order less more often, in effect using your suppliers to hold your inventory. While increasing the frequency and lowering the volume associated with the order might incur a delivery charge, it may cost less from a cash flow standpoint to do that and have exactly what you need as things fluctuate wildly than having too much. If there is no additional delivery charge this becomes a no-brainer. Daily deliveries would be best case, and the closer you can get – especially with perishables – the better.

I'm hopeful these suggestions can be of use to you as we all try to get through this crisis and prepare for the new future. Be safe, be strong, be optimistic.

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About the author: Bill Schwartz is CEO of System Concepts, Inc. (SCI). Based in Scottsdale Arizona, SCI is a food and beverage inventory management consulting firm and the developer of the FOOD-TRAK System, which is widely used in club operations around the country. Bill can be reached at 480-951-8011 or bills@foodtrak.com.

