

Effective Cost Management for Today's Economy – Part II

September 16 , 2010

We will start at 2:30 PM. Please mute your phones #6

Presenter



Audrey McCool

Moderator



Magda Hageman-Apol

EFFECTIVE COST MANAGEMENT FOR TODAY'S ECONOMY

**Webinar Series Part II:
The Receiving Process,
Product Preservation, & The
Food Production Process**

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AGENDA

- ▣ **Receiving Process**
- ▣ **Purchasing and Receiving Personnel**
- ▣ **Integration of Purchasing and Receiving**
- ▣ **Product Preservation**
 - **Inventory Management**
 - **Storage Conditions**
- ▣ **Food Production Process**
 - **Standardized Recipes**
 - **Standardized Production Procedures**
 - **Portion Control**
- ▣ **Product Delivery Process**
- ▣ **Summary**
- ▣ **Question & Answer Discussion**

FOODSERVICE SYSTEM

**INPUTS (PROGRAM FACILITIES, MENU,
FOOD PRODUCTS, LABOR)**



**PROCESSING (FOOD PRODUCTION, STORAGE,
PACKAGING, DELIVERY)**



**OUTPUTS (QUALITY MEALS THAT ARE SAFE
FOR CLIENTS TO EAT)**

Effective Cost Management

- ▣ Managing costs effectively means OPTIMIZING costs relative to the revenue anticipated for your program.
- ▣ It does NOT mean your costs are reduced to the minimum possible.



Receiving Process



Cost effective receiving of purchased products requires receiving equipment such as:

- **Accurately calibrated platform scale with sufficient capacity to weigh the volume of product usually purchased by your program**
- **Accurately calibrated food thermometer for checking refrigerated and frozen product temperatures**
- **Desk or similar writing area**
- **Filing cabinet for purchase orders and other paperwork**



Small items such as marking pens and a calendar



Receiving Process

- **Set times that your program will receive products and notify all suppliers of those times.**
- **Refuse to receive products at other times, particularly during your busy production and packaging times.**
- **Receiving person should check ALL items being delivered against the listing on the invoice and on the purchase order.**
 - **Check prices to be sure invoice prices charged match prices on the purchase order.**
 - **Check invoice quantities to be sure the listed quantities match the quantities on the purchase order.**
 - **Check that all items listed on the invoice were items ordered on the purchase order.**



Receiving Process



- Receiving person must check the weights of items -- especially meat, poultry, & fish.
- Check the ice pack on fresh poultry and fish; make sure that there is adequate, but not excessive ice.



- If portion cut pieces of meat, poultry, or fish are being received, weigh sample portions to be sure the portion size is accurate.



Receiving Process

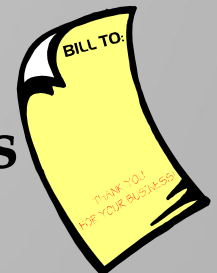


- Receiving person must check the temperatures of refrigerated & frozen products
- Products out of the safe temperature zone or which show evidence of having been thawed and refrozen should not be accepted, but should be returned to the supplier with the delivery person.



Receiving Process

- If all products are acceptable & all is correct on the invoice, the receiving person signs the invoice
 - Original copy is kept for program accounting office
 - Copy goes back to the supplier with the delivery person
- If all is not acceptable/correct, the receiving person should not sign the invoice until the delivery person has issued a credit memo or other documentation is obtained adjusting/correcting the invoice.
- Once the adjustment has been made, the receiving person should sign the invoice.
- Then, all products are moved to storage areas ASAP.



Receiving Process



REMEMBER:

THE PROGRAM owns the products that have been delivered, as they were delivered - whether correct or not -- as soon as anyone associated with the program signs the invoice. Once the invoice is signed, the program is legally responsible for paying the stated amount to the supplier.

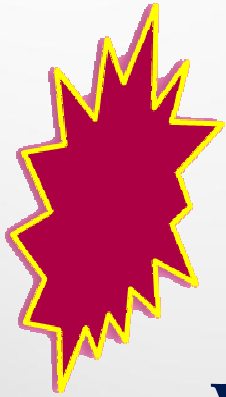
Purchasing and Receiving Personnel



It is essential that you have a specific person designated to do the purchasing for the program and one or more specific persons designated to receive products when they are delivered.

These persons must be trained in appropriate purchasing and/or receiving procedures.

Purchasing and Receiving



Cost effective purchasing and receiving provides you with the quality of products you desire in the quantity that you desire when and where you want them

Both the purchasing and receiving processes are critical components of effective cost control. Neither process will be as effective as it should be without the other.

Product Preservation

- Product “shrinkage” must be avoided to optimize product costs
- “Shrinkage” can result from:
 - Theft - intentional or unintentional
 - Excessive use of product
 - Waste in product preparation/handling
 - Spoilage

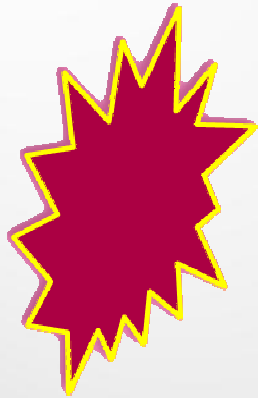


Product Preservation

- **Fresh Item “Shrinkage”**
 - Directly add to food costs
 - Prevented by proper storage conditions and product rotation
- **“Shrinkage” of inventoried (dry storage or staple) items -- results from:**
 - Unlocked storage areas
 - Poor control of product issues
 - Poor product rotation
 - Infestation of insects and/or vermin
 - Improper storage conditions



Product Preservation



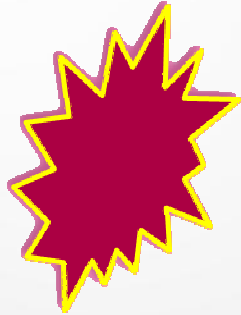
Taking appropriate actions to prevent product "shrinkage" through product loss, over-usage, and spoilage is a critical step in maintaining effective cost management.

Inventory Management

- **Careful inventory records need to be maintained in order to control inventory usage**
- **Acquisitions should be recorded from invoices; issues should be recorded from requisition forms**
- **Perpetual inventory records can be maintained on computers**
- **Physical inventory counts need to be taken monthly**
- **Perpetual and physical inventory valuations need to be reconciled monthly**
- **Significant variations in inventory values need to be investigated and accounted for**



Inventory Management



Careful management of inventory investment and monitoring the flow of products placed in inventory is required to calculate actual food costs and effectively manage costs.

Your inventory is an investment and an asset of your program and must be treated as such.

Storage Conditions

Maintaining proper storage conditions is essential for preventing product “shrinkage”

Conditions to be considered are:

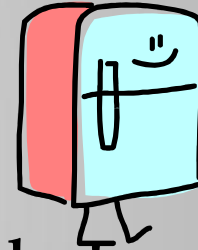
- **Local health department storage regulations**
- **Type of shelving**
- **Placement of products on shelving**
- **Storage containers used for various products**



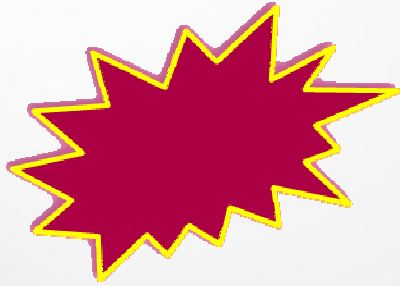
Storage Conditions

Conditions to be considered are:

- Temperatures
 - Dry Stores: 65 – 70 degrees F
 - Fresh meats, produce, and fresh dairy products:
34 – 36 degrees F
 - Fresh fish: 30 – 34 degrees F
 - Frozen Foods: minus 10 – zero degrees F
- Thaw frozen foods at proper temperatures
 - Do not thaw foods at room temperature
- Keep storage equipment clean and sanitized
 - Cleanliness of ice is critical



Storage Conditions



Proper storage conditions must be maintained in all storage areas at all times to maintain product quality and prevent undue costs as a result of product spoilage. Proper storage conditions are essential for food safety.

Food Production

Excessive costs often occur during the food production process

- **Product waste from over-production**
- **Product waste from under-production followed by “emergency” production**
- **Inconsistency in prepared products**
- **Unacceptable products thrown away**
- **Incorrect amounts issued from freezer or storeroom and allowed to spoil before used**
- **Lack of standardized portions served to clients**

Standardized Recipes

Standardized recipes are essential to achieve effective cost control

Standardized recipes:

- **Enhance menu item quality consistency**
- **Control ingredient use during menu item preparation**
- **Leads to consistent recipe yields**
- **Controls cost of menu item portions**
- **Helps reduce client complaints about menu items**



Recipe Standardization Procedure



- Carefully prepare recipe as written
- Record all preparation procedure details
- Carefully measure and record the recipe yield
- Evaluate prepared product for quality
- Modify recipe as seems appropriate as a result of quality and yield analysis
- Carefully prepare recipe again and follow all above steps to again have a prepared product for evaluation
- Continue recipe preparation until an acceptable product is prepared consistently by more than one person
- Implement standardized recipe



Standardized Procedures



- **Standard production procedures are as important as standard ingredients**
 - **Failure to follow standard procedures can lead to:**
 - **Reduction in menu item quality**
 - **Recipe yield shrinkage**
 - **Production personnel must recognize the importance of following standardized procedures for the production of all menu items**
 - **Standardized procedures must be followed for convenience items, as well as for items prepared “from scratch”**



Standardized Recipes and Production Procedures



Effective management of costs is not possible without the development and incorporation of standardized recipes and standard preparation procedures into your foodservice operation.

Portion Control



- Programs often lose control of their costs when they fail to establish portion control and serve consistent size pre-costed portions
- Standard portions:
 - Mean the expected number of portions will consistently be obtained from a standardized recipe's yield
 - Help prevent menu shortages or “running out” of a menu item
 - Maintain meal portion consistency for clients
 - Help maintain desired meal costs

Portion Control

Portion control cannot be achieved unless personnel have the necessary tools & equipment such as:

➤ **Proper portioning tools**

➤ **Different size ladles**

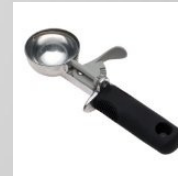
➤ **“Ice cream” scoops**

➤ **Portion scales**

➤ **Containers for packaging items for clients or serving congregate meal clients**

➤ **Proper pans for baking/cooking items so menu items can always be prepared in standardized pans**

➤ **All personnel must know portion sizes and be trained in proper portioning procedures.**



Portion Control



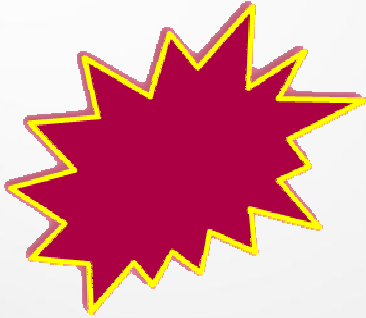
Personnel cannot be expected to consistently serve standard portions of menu items unless they are provided with the proper portioning tools.

Portion Control

- **Meal item packaging should be planned to support standardized portions.**
- **Consider sizes of packaging materials.**
- **Choose the optimum priced packaging for the type of items served on the menu which will also facilitate appropriate temperature maintenance.**



Portion Control



While standardized recipes are essential for effective cost control, that control will be lost unless standard portions are served from the items prepared from the standard recipes and those portions are packaged such that food quality and food temperatures are maintained.

SUMMARY



TO OPTIMIZE COST MANAGEMENT -

- Standards are essential for all aspects of a program's foodservice operations.
- Cost analyses and efforts to control costs should focus on variable costs which are controllable in the short run at the program level.
- Analyses should be conducted on a regular basis. When significant variances are noted, appropriate action should be taken.



SUMMARY

Applying the control process:

- ❖ Products delivered to the program must be closely checked before the invoice is signed
- ❖ Purchasing and receiving responsibilities should be assigned to specific personnel
- ❖ The goal should be to purchase and receive the desired products in the desired quality and quantity when and where they are needed
- ❖ Avoiding product “shrinkage” is essential for effective cost management

SUMMARY

- ❖ **Product inventory is an asset and must be treated as such**
- ❖ **Proper storage conditions are essential**
- ❖ **Standardized recipes and standard production procedures are essential**
- ❖ **Without portion control, all previous product and production controls are “wasted”**
- ❖ **To achieve product and production control, personnel must be properly trained and appropriate tools must be provided**

QUESTIONS????

If you have any questions specific to your program and want to follow-up this Webinar with a discussion of your question - you are welcome to contact Dr. McCool.

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