CHAPTER 8

Operations, Budgeting, and Control

LEARNING OBJECTIVES

After reading and studying this chapter, you should be able to:

- Describe front-of-the-house operations.
- Describe back-of-the-house operations.
- Identify ways to control food, beverage, and labor costs.
- Discuss methods of guest check control.

Restaurant Operations

Restaurant operations are split between the back and front of the house. In the *back of the house* are the areas that include purchasing, receiving, storage, issuing, food preparation and service, dishwashing area, sanitation, accounting, budgeting, and control. *Front of the house* refers to the operations and people who interface with customers in the dining areas.

Front of the House

Front of the house refers to the hosts, bartenders, servers, and busers. There is an opening manager and a closing manager. If necessary, each area of the restaurant will have an opener, a swing-shift person, and closers, so as to spread the staff to cover the shift in the most effective manner. However, guests often call for reservations or directions and receive a first impression of the restaurant by the way they are treated. Guests also receive a first impression known as *curbside appeal*—or, would you even stop or get out of the car? The visual appeal of the building and parking area are important to potential guests. Is the pathway to the entrance door clean, or are cigarette butts littering the sidewalk? Are the doors clean, or do they have fingerprints all over them? Is the host's greeting welcoming? Each of these adds up to that important first impression of a restaurant.

The first thing restaurant managers do is to forecast how many guests are expected and share that information with the kitchen. A *guest count* is arrived at by taking the same day last year and factoring in things like today's weather, day of the week, and so on. Figure 8.1 shows a *daily flash report* for a large-volume restaurant. Notice the daily sales for the month of October and the sales for the same day last year. Keeping accurate records is vital in the restaurant business. Having last year's sales is helpful in planning for this year. This report also has the number of guests and the average check, together with month-to-date sales and variances. The forecast is also used for staffing levels to ensure an appropriate level of service. Different restaurants have different table configurations. In the high-rent district, tables are often 24 inches square and about the same distance from each other—waiter, there's an elbow in my soup! The best tables are those that can go from a deuce to a foursome with flaps or become a six-top when spread open. Servers can then arrange for parties of various numbers without too much trouble. The restaurant is set, the tables laid, the bar is stocked and ready. Then the front-of-the-house staff have a quick-service meeting to go over the specials of the day and perhaps a training detail. This is followed by a family-style meal for all front-of-house staff. Then it's action stations!

Hosts greet guests and seat them by rotation in sections, so as not to overwhelm any one server. Hosts generally give guests menus and inform them of the name of the server. Occasionally guests will be asked to wait—only a few

As Of 09/30	Sales To Date 3,852,448.64			Sales To Date 2011 4,105,336.69			MTD 2010	MTD 2011	Daily Flash MTD Variance 2010–2011	YTD	YTD	YTD Variance
	Daily Sales	GST/$ CH	Retail	Daily Sales	GST/$ CH	Retail						
01-Oct	5,048.39	357/14.39	88.99	5,923.31	341/18.81	490.58	5,048.39	5,923.31	874.92	3,857,497.03	4,111,260.00	253,762.97
02-Oct	7,416.94	505/14.96	142.70	8,412.06	597/14.87	465.63	12,465.33	14,335.37	1,870.04	3,864,913.97	4,119,672.06	254,758.09
03-Oct	10,436.67	648/16.52	268.89	18,958.86	1089/17.75	374.78	22,902.00	33,294.23	10,392.23	3,875,350.64	4,138,630.92	263,280.28
04-Oct	16,149.93	1048/15.94	558.73	20,744.17	we/1344/15.81	513.93	39,051.93	54,038.40	14,986.47	3,891,500.57	4,159,375.09	267,874.52
05-Oct	19,897.08	we/1348/15.26	673.68	13,074.03	we/896/14.96	333.77	58,949.01	67,112.43	8,163.42	3,911,397.65	4,172,449.12	261,051.47
06-Oct	13,655.00	we/900/15.65	431.06	8,807.25	598/15.19	281.35	72,604.01	75,919.68	3,315.67	3,925,052.65	4,181,256.37	256,203.72
07-Oct	9,439.82	595/16.77	542.42	10,037.79	669/15.73	488.29	82,043.83	85,957.47	3,913.64	3,934,492.47	4,191,294.16	256,801.69
08-Oct	8,714.72	648/13.96	335.88	9,979.03	641/16.13	364.62	90,758.65	95,936.50	5,177.95	3,943,207.19	4,201,273.19	258,066.00
09-Oct	10,105.22	696/14.74	157.95				100,863.77					
10-Oct	9,042.58	637/14.89	442.49				109,906.35					
11-Oct	16,940.07	1126/15.74	785.41		we		126,846.42					
12-Oct	19,019.89	we/1254/15.69	667.20		we		145,866.31					
13-Oct	15,433.36	we/1026/15.57	545.95				161,299.67					
14-Oct	8,469.89	h/r/550/16.11	386.68				169,769.56					
15-Oct	5,073.38	r/355/15.85	554.68				174,842.94					
16-Oct	9,241.20	603/16.07	452.89				184,084.14					
17-Oct	11,505.97	723/16.66	540.74				195,590.11					
18-Oct	17,775.63	1198/15.34	609.30		we		213,365.74					
19-Oct	18,692.93	we/111317.21	453.42		we		232,058.67					
20-Oct	12,137.37	we/850/14.63	301.73				244,196.04					
21-Oct	9,338.07	635/15.18	320.65				253,534.11					
22-Oct	9,752.52	679/14.94	397.92				263,286.63					
23-Oct	9,011.51	599/16.03	590.73				272,298.14					
24-Oct	12,925.34	708/19.12	615.76				285,223.48					
25-Oct	17,504.63	964/18.97	783.48		we		302,728.11					
26-Oct	18,790.51	we/1315/14.72	570.62		we		321,518.62					
27-Oct	13,365.76	we/960/14.29	354.40				334,884.38					
28-Oct	12,104.74	781/15.74	349.72				346,989.12					
29-Oct	8,119.43	556/15.17	316.84				355,108.55					
30-Oct	7,016.80	466/15.37	149.89				362,125.35					
31-Oct	6,425.25	425/15.78	281.74				368,550.60					
Total	388,550.60		13,672.54	95,936.50		3,312.95						

	2006	2007	2008	Average		2006	2007	2008	Average
JAN	265,910.27	277,170.15	267,633.02	270,237.81	JUL	427,282.31	447,676.15	487,680.15	454,212.87
FEB	465,575.02	393,856.56	406,657.17	422,029.58	AUG	371,443.39	372,076.64	388,821.95	377,447.33
MAR	517,305.12	619,728.81	656,074.68	597,702.87	SEP	225,733.12	266,581.66	287,659.20	259,991.33
APR	563,230.27	564,188.03	639,666.97	589,028.42	OCT	307,391.00	368,550.60	0.00	225,313.87a
MAY	471,499.80	482,067.26	556,313.22	503,293.43	NOV	328,428.24	321,977.07	0.00	216,801.77a
JUN	428,233.94	429,103.38	414,830.33	424,055.88	DEC	294,560.80	270,770.83	0.00	188,443.88a
SUBTL	2,711,754.42	2,766,114.19	2,941,175.39		PTD TOTAL	4,666,593.28	4,813,747.14	4,105,336.69	

FIGURE 8.1: A daily flash report for a large restaurant showing daily sales for the month of October, the number of guests and average check, month-to-date and year-to-date sales, and variances and sales for the same date last year

minutes, it is hoped. This wait is also done to help space out the orders, which helps avoid the kitchen getting too slammed.

The server introduces him- or herself, explains the beverage specials, and takes and brings the beverage order while the guests are deciding what to have from the menu. Specials of the day are explained and any questions are answered. Servers need to be knowledgeable about the menu so as to describe and "suggestively sell" dishes.

Once the order is taken, it is given or sent to the kitchen, the appropriate cutlery is checked for each guest, with soup spoons added or removed as needed. The buser or server may bring bread or similar items to the table, followed by the server bringing the beverage order and serving it.

Appetizers are brought to the table and served—each to the correct person, without having to ask who's having what. As this table is enjoying the meal, the server keeps an eye on the guests but also takes care of three or four other tables.

Entrées are served and cleared, the table is cleaned, the dessert cutlery is brought down to the side of the guest (if it's on the table), and dessert menus are given to the guests. Coffee and after-dinner liquors are also suggested. Eventually, the check is requested and presented.

The manager makes sure everything goes smoothly, by helping guests and staff in any way that will make for a more enjoyable dining experience. Managers need to spend time with guests, ensuring that they return soon with their friends. This is a universal concept among restaurants. Sam Harrison is the owner of two restaurants in London, Sam's Brasserie in Chiswick and Harrison's in Balham. In an interview for *Caterer & Hotelkeeper* magazine, he discussed the importance of having good relationships with customers:

"In these difficult economic times, we have to give people a reason to return to our restaurants. Of course people will return for good food and a value for money, but a big part of the decision is down to how they feel they have been treated and looked after. Being made to feel special as a customer is not something you forget in a hurry, and by making our customers feel valued we are hopefully building long-term relationships."[1]

Danny Meyer, president of Union Square Hospitality Group, describes his restaurants as machines. The cleaning takes place overnight. At 6:00 A.M. the lunch cooks arrive. Deliveries are received, the cooks cook, and the bakers bake. Managers arrive at 8:30 and servers at 10:15. In between, the chef and sous chef may be shopping for fresh produce. Once the setup is complete at 11:00 A.M., all servers and cooks have a family lunch. During this time they go over the service notes and lunch specials. At 11:30, the final touches are completed—uniforms checked, the seating chart finalized. After lunch, there is a managers' meeting to review the lunch and prepare for dinner. The dinner cooks arrive at 2:30 and the dinner servers at 4:30. They all have a family meal at 5:00 P.M. The specials and any particular service details are discussed, and the evening dinner service begins. Managers also have a debriefing after the service and record all important points in the logbook. Managers and chefs watch the clock to be sure that as the restaurant gets quieter, staff are thanked for their shifts and get off the clock.

Chefs conducting a taste test

Courtesy of Sysco

Sounds simple, doesn't it? When you think of the number of guests served at a restaurant like Union Square Cafe, your respect for Danny Meyer and his partners greatly increases.

Operationally, the owner/manager goes through the elements of management to constantly deal with the many challenges of running a restaurant and meeting or exceeding the goals set. The elements of management are planning, organizing, communicating, decision-making, motivation, and control. Goals are set for each *key result area (KSA)*. For example, sales goals include the number of guests per meal every day and the average check. Planning also includes working with the chef/cook to determine the amount of each menu item to prepare and the specials to add to the menu.

Several restaurants use the *Red Book* to assist in managing the restaurant; it aids from planning to control. *Red Book Solutions* has developed an entire line of products and solutions to help full-service restaurant managers and owners address their biggest concerns: food safety/compliance, increasing sales, employee retention, and customer service.[2] In the *Red Book*, the manager records important information, such as sales, specials, any short orders from suppliers, who's quit, who's fired, who's hired, and any occurrences from the shift.

Another aspect of planning is that the chef gets a dollar amount for a combination of hourly labor, food, and kitchen supplies purchases, an example being 38.5 percent. This and other aspects of planning link to all the other elements of management.

Schedules and checklists help organize the restaurant. A "lead sheet" lists staff on both shifts so you can easily see who's on duty. There is also a list of staff and phone numbers plus part-timers on call. There is a preshift meeting to go over any service details and specials. For motivation, restaurants might have sales contests to see who can sell the most of a particular item, usually wine or cocktails. Prizes vary from DVDs to televisions. It's amazing to see how pumped some staff members get over such competitions. An example of control is to keep the cost of goods sold below 52 percent and give managers a bonus on the results. The good thing about pegging this bonus on the total cost of goods sold is that it ties the back and front of the house together. So managers are watching for waste, portion control, and so on.

Some restaurants use the services of a *shopper* who makes a reservation at the restaurant, arrives, and has a meal like any other guest—albeit anonymously. The shopper completes a report on the restaurant. Figure 8.2 shows a sample shopper's report. Notice how it covers all areas of the restaurant and service. Other forms offer a scale of 1 to 5, for example, for the shopper to score the restaurant and express an overall percentage result.

Back of the House

The back of the house is sometimes called the "heart" of the operation. A successful restaurant operation depends on the back of the house functioning smoothly. The kitchen is the center of production and must be run properly, producing an excellent food quality and presentation and meeting costing goals.

The chef, having set the menu for the day—this might be either a permanent menu with specials or a daily menu—will have checked inventory at the close the night before to ensure sufficient food quantities for the anticipated orders of the next meal period, and completed a purchase order that was given to an office assistant or owner/manager to place with vendors. The chef made out a *production sheet* for each station, detailing all the tasks necessary to bring the food quantities up to par stock of prepared items and to complete the preparation on time. As the prep cooks arrive, they are given their assignments and begin to prepare the various menu items for the anticipated number of guests according to the standardized recipes. Most of the prep work is done during the early morning and afternoon.

The chef makes sure that all menu items are prepared in accordance with the standardized recipes and that the line is ready for service. During service, either the chef or a manager may act as a caller—in an attempt to control the ordering and expediting of plates at the pass. All handwritten orders must be easily read or come through on the kitchen printer so that the kitchen cooks can put up the right plates at the right time. During service everyone is focusing on timing and presentation. The food must be at the right temperature yet not be overcooked; flavorful but not overpowering.

LOCATION ID		Location Name	
FILL ID		Date	9/17/07
EVALUATOR ID		Day	Wednesday
Location Address		Arrival Time	6:10pm
City, State		Departure Time	7:30pm
Phone		Total amount Spent	**$61.18**
		Guest Demographic	#Adults 2 #Males 1
			#Kids 0 #Females 1

PHONE CALL	**YES**	**NO**	**Comments**
Was the phone answered within 3 rings?	☒	☐	Terri answered after two rings.
Was the greeting appropriate?	☒	☐	Cheerful voicel
Was the person friendly?	☒	☐	
Was your question answered without hesitation?	☒	☐	All questions were answered.
ENVIRONMENT–Initial Impression			
Was the parking lot free of debris?	☒	☐	
Was the exterior of the building in good repair?	☒	☐	
Was the landscape well maintained?	☒	☐	
Was the entrance dean and free of debris?	☒	☐	
Was the waiting area clean?	☒	☐	
Were the windows and doors clean?	☒	☐	
Were all of the light bulbs functional?	☒	☐	
Were the light fixtures, fans and rafters dust free?	☒	☐	
Were the floors clean?	☒	☐	
ENVIRONMENT–Table Preparation			
Was the seating area neatly arranged?	☒	☐	
Was the Tabletop clean?	☒	☐	
Were the chairs clean?	☒	☐	
Were the menus clean and grease free?	☒	☐	
Were the utensils clean?	☒	☐	
Were the condiment containers full and clean?	☒	☐	There were no condiments at the bar
Were the ashtrays clean and empty?	☒	☐	☒ N/A
ENVIRONMENT–Atmosphere			
Was the atmosphere appropriate?	☒	☐	
How was the music sound level?	☒ Perfect	☐ Too Loud	☐ Too Soft
How was the lighting level?	☒ Perfect	☐ Too Bright	☐ Too Dark
How was the restaurant temperature?	☒ Perfect	☐ Too Hot	☐ Too Cold
ENVIRONMENT–Restroom			
Which restroom did you visit?	☒ Mens	☒ Ladies	
Was it odor free?	☒	☐	
Was the area clean?	☒	☐	
Was toilet paper available?	☒	☐	
Were paper towels available?	☒	☐	One paper towel holder was empty but the other one had paper.

FIGURE 8.2: Restaurant shopper's report

Courtesy of John Horn, The Anna Maria Oyster Bar, Sarasota, Florida

SERVICE

Hostess/Host-Appearance Name Carry
Description (required) Gender: F Hair Color: Blonde Hair Length: Shoulder Height: 5′1″ Weight: 100

	YES	NO	Comments
Was her/his overall appearence neat?	☒	☐	Black Top and Tan Slacks
Was she/he friendly?	☒	☐	
Hostess/Host-Service			
Were you immediately greeted?	☒	☐	She was seating a customer and we asked if we could sit at the bar and she said ''Yes! certainly.''
Was the greeting warm and friendly?	☒	☐	
Were you given an estimated waiting time?	☐	☐	☒ N/A
If YES, what time period was given?		Minutes	
If YES, were you seated within the time period given?	☐	☐	☒ N/A
Were you offered a choice of seating?	☐	☐	N/A
Were you escorted to your table?	☐	☐	N/A
Were you given menus when seated?	☐	☐	N/A
Were children given a menu and crayons?	☐	☐	☒ N/A
Were you told who your server would be?	☐	☐	N/A
Server-Appearance Name **Jim**			
Description (required) Gender: **M** Hair Color: **Salt/Pepper** Hair Length: **Short** Height: **5′7″** Weight: **145**			
Was her/his overall appearence next?	☒	☐	Tropical Shirt and Tan Shorts
Was she/he friendly?	☒	☐	
Server–Service			
Were you greeted within a reasonable time?	☒	☐	
Was the greeting warm and friendly?	☒	☐	
Were your utensils delivered before your food?	☒	☐	
Were your beverages served in a timely manner?	☒	☐	If NO, how long?
Was your appetizer served in a timely manner?	☒	☐	If NO, how long?
Were your entrées served in a timely manner?	☒	☐	If NO, how long?
Were your dessert served in a timely manner?	☐	☐	If NO, how long? NA
Was your order correct?	☒	☐	
Was your satisfaction verified within 2 minutes of receiving your order?	☒	☐	
Was your satisfaction verified once more during your meal?	☒	☐	
Were your non-alcoholic drinks refilled without question?	☒	☐	
Was your table cleared as needed?	☒	☐	
Were you offered a to-go container?	☐	☐	Not Needed
Were your items placed in the to-go container for you?	☐	☐	N/A
Was your check presented in a timely manner?	☒	☐	
Was your check correct?	☒	☐	
Was your check processed in a timely manner?	☒	☐	
Was your receipt returned and change counted back?	☒	☐	

FIGURE 8.2: (*continued*)

	YES	NO	Comments
Server–Suggestive Selling			
Were you offered specific drinks?	☐	☒	
If you ordered beer, was a pitcher suggested?	☐	☐	☒ N/A
Did the server suggest specific appetizers?	☒	☐	Jim told us to check out the Specials on the Shrimp Menu.
Did the server suggest specific entrées?	☒	☐	Jim did a great job of making suggestions and
Did the server suggest coffee?	☒	☐	of answering questions about the different
Did the server suggest dessert?	☒	☐	menu items.
The Team–Teamwork			
Did the team members ID younger patrons?	☒	☐	
Did the team work together to get food served?	☒	☐	
Did the team work together to keep tables cleared?	☒	☐	
Did the team interact and contribute to the atmosphere?	☒	☐	
Were all of the team members friendly?	☒	☐	
Were you thanked for your visit?	☒	☐	
Were you invited to return?	☐	☒	No one present at the door when we left.

The Manager Name **Not Observed**

Description (required) Gender: Hair Color: Hair Length: Height: Weight:

Was the Manager visible in the dining area?	☐	☒	
Did the Manager greet you at any time?	☐	☒	
Was the Manager interacting with customers?	☐	☒	We did not see anyone acting in a management position.

PLEASE LIST ADDITIONAL TEAM MEMBERS THAT INTERACTED WITH YOU DURING YOUR VISIT.

Position Name
Description (required) Gender: Hair Color: Hair Length: Height: Weight
Comments

Position Name
Description (required) Gender: Hair Color: Hair Length: Height: Weight
Comments

Position Name
Description (required) Gender: Hair Color: Hair Length: Height: Weight
Comments

PLEASE LIST AND RATE ITEM ORDERED, EVEN IF THEY ARE NOT REIMBURSABLE
MENU

Ratings	**1–Poor** Presentation	**2–Good** Taste	**3–Great** Temperature	List Receipt Price	Would you order again?
Beverages					
2–Vodka Tonic	☐1☐2☒3	☐1☐2☒3	☐1☐2☒3	8.50	☒Yes☐No
2–Coffee	☐1☐2☒3	☐1☐2☒3	☐1☐2☒3	3.38	☒Yes☐No
	☐1☐2☒3	☐1☐2☒3	☐1☐2☐3		☐Yes☐No
Appetizers					
2–Coconut Shrimp	☐1☐2☒3	☐1☒2☐3	☐1☐2☒3	11.98	☒Yes☐No
	☐1☐2☒3	☐1☒2☐3	☐1☐2☒3		☐Yes☐No
	☐1☐2☐3	☐1☐2☐3	☐1☐2☐3		☐Yes☐No

FIGURE 8.2: (*continued*)

Entrées					
Grouper, Dinner Portabella	☐1☐2☒3	☐1☐2☒3	☐1☐2☒3	13.99	☒Yes☐No
Grouper, Dinner Fried	☐1☐2☒3	☐1☐2☒3	☐1☐2☒3	11.99	☒Yes☐No
	☐1☐2☐3	☐1☐2☐3	☐1☐2☐3		☐Yes☐No
Side Items					
Red Potatoes/Garlic Carrots	☐1☐2☒3	☐1☐2☒3	☐1☐2☒3	incl	☒Yes☐No
Red Potatoes/Cole Slaw	☐1☐2☒3	☐1☐2☒3	☐1☐2☒3	incl	☒Yes☐No
	☐1☐2☐3	☐1☐2☐3	☐1☐2☐3		☐Yes☐No
Desserts					
	☐1☐2☐3	☐1☐2☐3	☐1☐2☐3		☐Yes☐No
	☐1☐2☐3	☐1☐2☐3	☐1☐2☐3		☐Yes☐No
			Receipt Total		$53:18
			Gratuity Amount		$8.00
			Total Amount Spent		$61:18
			Check Number		20032
			Server #		Jim
		For Office Use Only-Reimbursed Amount			$54.27

FIGURE 8.2: (*continued*)

Thanking a crew member for a great shift

Courtesy of Anna Maria Oyster Bar, Bradenton, Florida

After the service, the food is properly put away and the cleanup is done, the par stocks for all stations for the next service are checked, orders are made, and production schedules for all stations are done. As you well know, it's a never-ending challenge that is so fascinating to all who love the restaurant business. It sounds easy, but ask those who know and you may get a different story. Don't forget to thank the crew for a great shift!

Control

In the restaurant business, you first have to know how to steal the chicken, before you can stop someone else from stealing the chicken. There is so much food and beverage in a restaurant that, unless management and owners exert tight control, losses will occur. If portion control is not used, you might as well put a few dollars on each plate as it goes out of the kitchen. "Control is like saying, how do you eat an elephant—you take a lot of little bites." Stephen Ananicz, chief operating officer of the Childs restaurant group, offers this advice: "Don't 'manage' to cut costs—manage to build revenue." Buy the best product and use standardized recipes, and weigh and measure frequently. When checking in produce and dry goods, the worst thing you can do is to allow someone to sign for it or even to just look at the boxes. There might be rotten stuff packed at the bottom. Really check the expensive items to see that they are what you ordered—quantity, quality, and weight. So pull things out and really check that you get what you're paying for. Don't over- or under-order—order a realistic expectation for the number of guests and the choices of menu items they are likely to make. Do a daily inventory of high-priced items like meats.

Restaurants can use programs like ChefTec, which shows the actual food cost compared with the ideal food cost. This is known as *food optimization*. It works like this: Take every item on the menu and cost it out by ingredients. At the end of the day, run a *product mix*, which tells how many items were sold; multiply each menu item by the number sold, and that will give you what food should have cost for the day. ChefTec will also cost, scale, and store recipes; write recipe procedures using cut and paste, customizable fonts, colors, and a culinary spellchecker; instantly analyze recipe/menu cost by portion and yield; attach photos, diagrams, videos, or company logos to recipes; print kitchen-readable recipes; calculate costs based on highest or most recent prices paid for ingredients; save recipes in HTML; and share data via the Internet.

For inventory control, ChefTec can preload an inventory list of 1,900 ingredients; import purchases from vendors' online ordering systems; track vendor pricing from purchasing bids; compare vendor pricing from purchases or bids; instantly see the impact of a price increase on recipes; automate ordering with user-set par levels; and generate customized reports detailing purchases, bids, and credits. Nutritional analysis is also a part of the program. ChefTec serve a vast cross section of the foodservice industry including restaurants, hotels, caterers, motels, educators and others. Today, ChefTec is the leader in recipe and menu costing, inventory control, purchasing, ordering, and nutritional analysis software.[3]

The *food-cost percentage* should be calculated at least monthly. The formula for doing the food-cost percentage is

$$\frac{\text{cost} \times 100}{\text{sales}}$$

So, if an item cost $1 and sold for $4, the food-cost percentage is $1 \div 4 = .25 \times 100 = 25$ precent. It works like this:

Opening inventory	$500	
+ Purchases	200	
		700
– Complementary & staff meals & spoilage	50	
– Closing inventory	400	
= Cost of food sold		250

The cost of food sold divided by food revenue ($1,000) = the food-cost percentage. So here, $250 divided by $1,000 = .25 × 100 = a food cost of 25 percent. All you have to do is remember cost ÷ sales × 100, and opening inventory + purchases – any deductions – employee meals.

Taking the actual inventory can be a pain, but if the storeroom and coolers or refrigerators are clean and tidy and you have a list of all the items typed out or, better yet, entered into the computer or handheld device, it will be much easier and quicker. Make sure that the items are listed as they appear on the shelves. Experienced operators take spot inventories of expensive items and do a quick check on the number of sales of those particular items to see that there is no pilferage.

One form of control many restaurants overlook is recycling. At the end of the night at most restaurants, leftover food, paper, bottles, and cardboard typically are put in a dumpster in the back alley destined for a landfill. Separating garbage is dirty; it requires people and time to do it. But when the savings are considered, it is worth the effort and, besides, it does something good for the planet.

Making small changes to its daily routine helped Scoma's in San Francisco. They color-coded the system and got staff into the habit of recycling with estimated savings of $2,000 per month.[4] A good policy for restaurants is "Zero Waste" which is how Nomad Cafe in Berkeley, California, prefers to operate its business and save more than $10,000 a year. You can even go one step further and use peelings and other organic material for use as compost in the garden.[5]

Liquor Control

Control of liquor is critical to the success of the restaurant. There is too much opportunity for abuse and theft. The cycle begins with management deciding which brands to have for the well or house, then setting a par stock of beverages to have on hand. Management also decides on the selling price and markup for beer, wine, and liquor. This will set the standard for the *beverage-cost percentage*. Once the standard is set, there is something to measure actual performance against. The normal pouring cost for beer is 24 to 25 percent. Thus, if a beer costs 60 cents, it should sell for $2.40. Now, the pricing level and markup is your choice.

It could be that you want to sell domestic beer at $2.75 or $2.95. If it still costs 60 cents, then the pouring cost percentage will go up and you will make more money. You will best know the price points for your guests.

Wine should have a pouring cost of 26 to 30 percent. So, for a 30 percent cost, if a bottle of wine cost $10, the selling price is $33.30. If you wanted a 33 percent pouring cost on wine, then the selling price would be $30 or, better yet, $29.99.

Liquor pouring costs should be 16 to 20 percent of sales. Thus, for a 20 percent pouring cost if a shot of premium Johnnie Walker Gold cost 83.33 cents, it would need to sell for $4.16, or a rounded figure. The size of the bottle and the measure poured will also influence the pouring cost percentage. For example, if the scotch comes in a quart bottle and you are using a 1.5-ounce measure, then you would expect to get 21 measures out of the bottle. Some bottles are liters and will need to be computed into U.S. measures. Mixed drinks complicate things because they use a base liquor plus a small amount of two or three other liquors. Fortunately, the popular cocktails can be recorded in the POS system and costed out accordingly. The number of mixed drinks is recorded and the correct amount of liquor allocated to the cost of each drink is charged, so that when the cost of beverages is calculated, it will include the correct amount.

Combined, the beverage pouring cost should be 23 to 25 percent of beverage sales. In order to obtain this pour-cost percentage, restaurant operators get to make their own rules on pouring. We will insist that all drinks are poured using the pour spout or a jigger—no free pouring—and nothing is served unless there is a check. Management needs to observe the bar, using a camera and spotters if necessary.

There are several software solutions available to aid in liquor control. Using a reliable bar inventory control software program will lower pour costs and raise bottom line profits. Bar Cop's liquor, wine, and beer inventory control software tracks bar inventory fast and accurately, which helps to keep profits where they belong.[6]

The beverage inventory must be secure at all times. The storage area must be kept locked, with only one key available to the manager. New bottles should be issued only when an old bottle is returned. All bottles should have an indelible stamp of the restaurant on them, and the liquor bottles must have the state tax stamp when sold by the wholesaler or distributor—it is a different color from the stamp on bottles sold in retail stores.

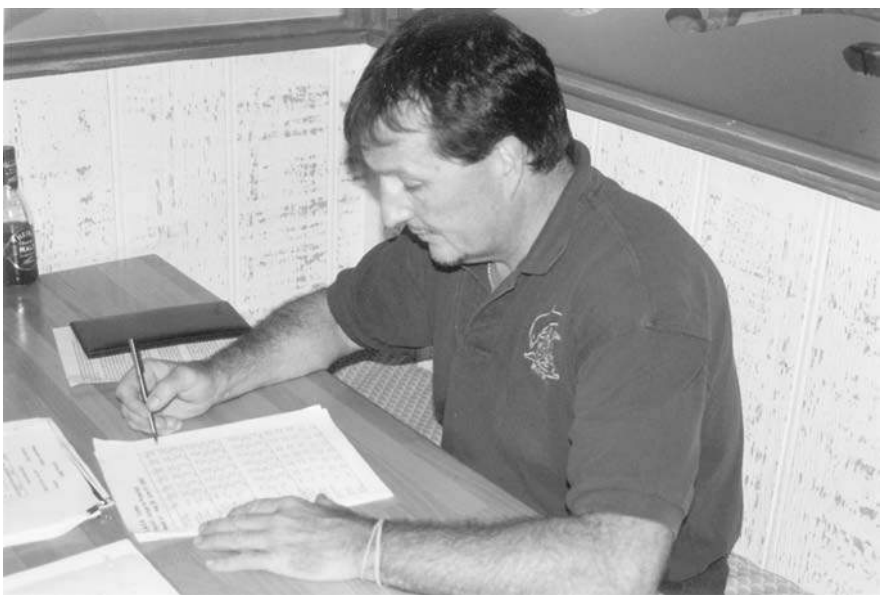
If one server steals one drink per shift, the revenue lost can exceed $3,000 per year.[7] The iBarControl solutions is the first Windows Mobile solution for hospitality inventory control. It allows two methods of counting partial items. It is the first product in hospitality to offer a Bluetooth wireless scale interface as well as a wireless scanner.[8] By quick and easy weighing of partial items, iBar assures accuracy for true inventory control. Real counts by real clients reveal that a 63-bottle back bar can be counted in as little as 8 minutes with the iBarControl system.[9]

Beverage inventory is usually done by "eyeball," measuring bottles of liquor in tenths. The amount is recorded either on a sheet or directly into a program on a computer or handheld. The total value of liquor is added and recorded. Wine and beer bottles are counted and priced. Then a total beverage inventory value is arrived at. This value is expressed as a percentage of beverage sales—not total sales. A formula similar to the food-cost percentage is used:

Opening inventory	$1,000	
Plus purchases	500	
		1,500
Less complementary & spillage	50	
Less closing inventory	750	
		800
Cost of goods sold		700

If we assume beverage sales were $2,800, then the beverage-cost percentage would be 25 percent.

As with the food purchasing, have the bartender make out an order and turn in the empty liquor bottles when requesting new ones. A copy of the order should go to the person receiving the beverage delivery. (You should not rely on the delivery person's sheet but on your own order.) A manager must carefully



Gary managing the percentages

Courtesy of Gary Harkness and John Horn, Anna Maria Oyster Bar, Bradenton, Florida

Optimum Costs

	04/30/2011	05/31/2011	06/30/2011	07/31/2011
Restaurant 1				
Food				
Sales	253,943.77	254,048.06	197,163.00	240,348.79
Cost	70,624.89	70,848.51	56,608.45	68,858.42
%	27.81%	27.89%	28.71%	28.65%
Actual Sales	372,505.78	298,191.75	236,082.62	269,029.44
Actual Costs	113,267.63	97,768.77	76,762.95	87,325.46
Actual %	30.41%	32.79%	32.52%	32.46%
Variance	2.60%	4.90%	3.80%	3.81%
Liquor				
Sales	81,736.01	70,985.71	47,267.47	58,580.56
Cost	13,081.09	11,537.95	7,667.29	9,670.63
%	16.00%	16.25%	16.22%	16.51%
Actual Sales	83,531.47	69,673.86	49,798.18	61,300.67
Actual Costs	13,683.82	13,059.45	8,669.18	11,438.24
Actual %	16.38%	18.74%	17.41%	18.66%
Variance	0.38%	2.49%	1.19%	2.15%
Beer				
Sales	32,687.61	26,292.40	18,474.87	24,519.25
Cost	8,222.21	6,454.98	4,482.31	6,115.70
%	25.15%	24.55%	24.26%	24.94%
Actual Sales	33,373.99	26,963.20	20,221.85	24,975.13
Actual Costs	8,371.40	7,612.03	5,701.85	6,005.33
Actual %	25.08%	28.23%	28.20%	24.05%
Variance	−0.07%	3.68%	3.93%	−0.90%
Wine				
Sales	28,264.48	23,012.59	14,514.90	16,206.65
Cost	7,299.89	6,294.22	3,761.61	4,237.88
%	25.83%	27.35%	25.92%	26.15%
Actual Sales	28,982.50	23,279.45	16,569.78	16,741.21
Actual Costs	8,027.93	5,474.96	3,759.38	4,856.56
Actual %	27.70%	23.52%	22.69%	29.01%
Variance	1.87%	−3.83%	−3.23%	2.86%

FIGURE 8.3: Projected and actual food and beverage sales cost

check everything into the secure storeroom, and issues must be made only when a proper requisition is given in exchange for the bottles.

Figure 8.3 shows the projected food and beverage sales and costs, the actual sales and costs, and the variance for a volume restaurant. Notice how it is more difficult to achieve the percentages when the sales drop as they did in August. Management skill is required to get the percentages in times of lower sales.

Controllable Expenses

The term *controllable expenses* is used to describe those expenses that can be changed in the short term. Variable costs are normally controllable. Other controllable costs include salaries and wages (payroll) and related benefits; direct operating expenses, such as music and entertainment; marketing (including sales,

	Statement Period				
	Projected Amount (Thousands)	Percentages	Actual Amount	Percentages	Variance
Sales					
Food (Schedule D-1)	750.0	75.0			
Beverage (Schedule D-2)	250.0	25.0			
Total sales	1,000.0	100.0			
Cost of Sales					
Food	232.5	31.0			
Beverage	55.0	22.0			
Total cost of sales	287.5	28.8			
Gross profit	712.5	71.2			
Other income (Schedule D-3)	4.5	0.5			
Total income	717.0	71.7			
Controllable Expenses					
Salaries and wages (Schedule D-4)	240.0	24.0			
Employee benefits (Schedule D-5)	140.0	4.0			
Direct operating expense (Schedule D-6)	60.0	6.0			
Music and entertainment (Schedule D-7)	10.0	1.0			
Marketing (Schedule D-8)	40.0	4.0			
Energy and utility (Schedule D-9)	30.0	3.0			
Administrative and general (Schedule D-10)	40.0	4.0			
Repairs and maintenance (Schedule D-11)	20.0	2.0			
Total controllable expenses	480.0	48.0			
Rent and other occupation costs (Schedule D-12)	50.0	5.0			
Income before interest, depreciation, and taxes	187.0	18.7			
Interest	15.0	1.5			
Depreciation	23.0	2.3			
Total	38.0	3.8			
Net income before taxes	149.0	14.9			
Income taxes	50.0	5.0			
Net Income	99.0	10.7			

*Telephone, insurance, accounting/legal office supplies; paper, china, glass, silvers, menus, landscaping, detergent/cleaning suppliers, and so on.

Source: Adapted from Raymond S. Schmidgall, *Hospitality Industry Managerial Accounting*, 2nd ed. (East Lansing, Mich.: Educational Institute of the American Hotel and Motel Association, 1990), 94.

FIGURE 8.4: Income statement showing projected and actual controllable expenses

advertising, public relations, and promotions); heat, light, and power; administration; and general repairs and maintenance. The total of all controllable expenses is deducted from the gross profit. Rent and other occupation costs are then deducted to arrive at the income before interest, depreciation, and taxes. Once these are deducted, the net profit remains. Figure 8.4 is a sample income statement showing controllable expenses.

Given the thin profit margins, higher energy costs, and the desire to become more sustainable, restaurateurs are looking for ways to reduce their energy bills. Most restaurants are energy-intensive facilities where significant energy-saving opportunities exist through wise operation and equipment selection.[10]

Among the energy audit options for saving power are: reduce air conditioning and space heating use during unoccupied hours. Adjust thermostat settings near closing hours; turn off unneeded lights; use more efficient lower-wattage or compact florescent bulbs; have the heating, air conditioning, cooking, ice making, and refrigeration equipment periodically serviced and adjusted; turn off equipment when not in use; check automatic controls; lower water temperature settings; use higher efficiency outdoor lighting, with reflectors where possible. A number of states also offer incentives to improve energy efficiency. Visit the U.S. Department of Energy (at http://apps1.eere.energy.gov/states) for further details.[11]

A restaurant's profit is typically only 3 to 9 percent of total revenue. ENERGY STAR claims that if you follow their cost-effective recommendations, your investment in energy efficiency can give you up to a 30 percent return.[12] For more information, visit the ENERGY STAR Web site (at www.energystar.gov).

However, energy-monitoring systems probably aren't the best way for restaurants to demonstrate a long-term commitment to becoming more sustainable. More long-term options include biodegradable takeout packaging and the installation of solar panels. Energy-monitoring systems do offer immediate, measurable, and consistent energy savings and the opportunity to realize a return on investment within a year.[13]

Labor Costs

In most full-service restaurants, the largest variable is *labor cost*. Depending on the type of restaurant and the degree of service provided, labor costs may range from approximately 16 percent of sales in a quick-service restaurant to 24 percent in a casual operation and up to about 30 percent in an upscale restaurant.

Projecting payroll costs requires the preparation of staffing schedules and establishing wage rates. Staffing patterns may vary during different periods of the year, with changes occurring seasonally or when there are other sales variations. These changes are identified and categorized on a schedule form used to project any single week's payroll activities and to compare them with guest count/sales projections.

Restaurant operators should make a budget at the beginning of the month, and break it down to a daily dollar amount, then to hours in the kitchen. Hosts and

servers are likely to be at minimum wage, so it's the kitchen where it is important to keep control with an hourly wage of $9 to $14. Do a labor pro-forma—write out a schedule without names:

3 prep cooks
2 cooks
1 pantry
1 dishwasher × 7 hours × average wage × cost per shift

Software programs can give a cost of labor, but you can also work it out. A rule of thumb is 9.2 percent for front-of-the-house labor costs as a percentage of sales and 13 percent for back-of-the-house costs. Front-of-the-house staff planning goes like this: If you have 25 tables and want 4 table sections, then $4 \times 6 = 24$, so you need 6 servers to cover the tables every day.

If you are open seven days a week and each server works a four-day workweek, you can calculate how many total shifts/week, or how many servers, are needed to cover every shift. The math looks like this:

$$7 \text{ days/week} \times 6 \text{ servers/day} = 42 \text{ servers/week, or 42 shifts}$$

$$42 \text{ shifts} \div 4 \text{ shifts/week} = 10.5 \text{ shifts/week}$$

You can't hire half a person, but you can hire one person part time, so .5 shifts/week is acceptable. But this is based on 25 tables, and they had better be filled! Otherwise, the servers will be standing around. If you know that you will not be using all 25 tables, then downsize the staffing level accordingly. Don't forget the busers: You need three or four per busy shift; fewer on quieter ones.

In the bar, depending on the volume of business, if you are open for lunch and are busy, you need one bartender and one or two at night. It's a good idea to cross-train a couple of servers to assist in the bar if necessary and to cover days off. The host desk also needs to be covered for each shift. Calculating for lunch and dinner seven days a week and including days off, that can mean three or four people. In all areas, certified trainers will help new servers and other workers get up to speed. These trainers receive additional compensation for their efforts. Training definitely helps reduce labor turnover. A form like Figure 8.5 can be used both for projecting expected payroll amounts for any future period and for comparing these projections at a later time for cost-control purposes.

In some cases, it may be desirable to complete this effort for each of the 52 weeks in the coming year. More often, some standardizing can accommodate expected variations, and three or four standard weeks can be established and used as a basis for shorter calculations. (Many weeks develop a pattern and can be duplicated.) The more accurate the breakdown, the more precise the result. Figure 8.6 illustrates a summary of expected staffing and resulting payroll costs, utilizing a breakdown into four categories of restaurant staffing: management and administration, production, service and cashiers, and sanitation. The breakdown allows for planning by activity as well as for control of both employee hours and payroll dollars.

UNIT NAME _____ UNIT NUMBER _____

JOB TITLE	RATE	HOURS PLANNED							WEEKLY TOTAL		SUMMARY	
		SAT.	SUN.	MON.	TUES.	WED.	THURS.	FRI.	HOURS	AMOUNT		
											PROJECTED SALES	
											ESTIMATED PAYROLL	
											PAYROLL RELATED	
											TOTAL PAYROLL	
											% TO SALES	
											DATE PREPARED	
											PREPARED BY	
TOTAL HOURS												
PROJ. CUST. COUNT											APPROVAL	
PROJ. CHECK AVER.												
ESTIMATED SALES		$	$	$	$	$	$	$	$			

FIGURE 8.5: Form for projecting expected payroll amounts

Wendy's, in one cost-cutting mode, trimmed unit payrolls by 30 hours per week. This was achieved by finding a different way to pan meat and by weighing cash on scales so no one has to count it. Another labor-saving method is using a Jacuzzi-like power washer to scrub pots, pans, and condiment pumps.

Payroll and related costs fall into two categories: variable (percentage ratio to payroll) and fixed (dollar amount per employee on the payroll). Variable items include those mandated by law: Social Security (FICA), unemployment insurance (state and federal), workers' compensation insurance, and state disability insurance. The fixed items usually refer to employee benefits and include health insurance (an amount per employee per month), union welfare insurance (also an amount per employee per month), life insurance, and other employee benefits.

Employee meals can be treated as payroll costs or as part of food cost and wages. It is more common to find employee meals treated as food cost for a restaurant operation. Operators need to establish a value for employee meals, but they are treated as a nontaxable benefit by the IRS.

When determining the number of staff to schedule for a restaurant, take the number of seats and decide how many tables/seats to give each server. Take expected sales into account—on a Monday lunch, sales may be $3,000, but on a Friday, $6,800. So, obviously, more staff are needed for Friday. In the kitchen, the various stations need to be covered: pantry; boxes (stoves, convection ovens, and steamers, so named because they look like boxes); grill/sauté; fryer/breader; wheel person; expediter; and dishwasher. In the volume restaurant described here, everyone must pull together—if one section gets behind, everyone is in trouble.

The average check for lunch is $9 and dinner $16		
I. Management and Administration		
1	General Manager	$50,000 + Bonus
2	Assistant Managers (open & close)	48,000
1	Office Clerical	20,000
		118,000
II. Production		
1	Kitchen Manager	35,000 + Bonus
7	Line Cooks @ Avg. 9.50 per hour	138,320
3	Dishwashers @ 6.00 per hour	37,440
4	Prep Cooks @ 7.00 per hour	58,240
		$269,000
III. Service		
3	Hosts @ 6.00 per hour	37,440
20	Servers and Busers @ 6.00 per hour	249,600
3	Bartenders @ 6.00 per hour	37,440
3	Cashiers @ 6.00 per hour	37,440
		$360,920
IV. 1	Sanitation @ 6.25	$13,000
Recapitulation		
I	Management and Administration	118,000
II	Production	269,000
III	Service	360,920
IV	Sanitation	13,000
TOTAL		$760,920

FIGURE 8.6: Projected payroll costs for a hypothetical casual restaurant with sales volume of $2.7 million

The wheel person has to really have it together. Although this person might never cook a thing, he or she must coordinate the food coming from all the stations and double check that plates are correct by the order. It is easier when the order goes from the servers' POS directly to each station—this saves someone having to bark out the orders at the pass (a term for the hot plate area where plated items are passed to the food servers). Figure 8.7 shows an actual versus projected payroll for a week. Notice the projected and actual sales and projected and actual costs for back and front of the house as well as the total per day and week to date.

One successful restaurant has begun a manager's bonus for each of its four restaurants. The managing partner and four managers are each eligible for a monthly $1,000 bonus based on meeting or exceeding performance goals. Figure 8.8 shows the cost-of-goods-sold (COGS) bonus scale expressed for three different sales volume levels. In the month of August, the total cost of goods sold came to 56.60 percent and sales were $36,612, so no bonuses were given.

If we look at the right-hand column, we can see at the bottom of that column + 56.5% = $0. If the COGS had been, say, 56.5 percent, then each manager would have received $100. In this restaurant's case, discussion is taking place about whether to include training in the labor costs. This seasonal restaurant has

Payroll: Actual vs Projected
Week of May 26–June 01, 2011

	23 MON	24 TUE	25 WED	26 THUR	27 FRI	28 SAT	29 SUN
Projected Sales	$3,000	$4,500	$4,600	$4,600	$6,800	$5,400	$5,200
WTD Prjctd Sales		$7,500	$12,100	$16,700	$23,500	$28,900	$34,100
Actual Sales	$3,673	$4,307	$3,773	$5,148	$6,851	$5,103	$4,527
WTD Actual Sales		$7,980	$11,753	$16,901	$23,752	$28,855	$33,382
Daily + or – %	22.44%	–4.29%	–17.98%	11.91%	0.75%	–5.49%	–12.94%
Actual vs Proj Sales	$673	($193)	($827)	$548	$51	($297)	($673)
WTD + or –		$480	($347)	$201	$252	($45)	($718)
Weekly + or – %	22.44%	6.40%	–2.87%	1.20%	1.07%	–0.16%	–2.11%
B O H							
Projected BOH Labor	$398	$440	$470	$467	$640	$561	$515
WTD Prjctd BOH		$838	$1,308	$1,775	$2,415	$2,976	$3,491
Actual BOH Labor	$438	$492	$446	$460	$616	$503	$474
Daily BOH Labor %age	11.93%	11.42%	11.82%	8.94%	8.99%	9.85%	10.46%
WTD Actual BOH		$930	$1,376	$1,837	$2,453	$2,956	$3,429
Daily + or – %	10.14%	11.80%	–5.11%	–1.44%	–3.73%	–10.35%	–8.05%
Actual vs Proj BOH	$40	$52	($24)	($7)	($24)	($58)	($41)
WTD + or –		$92	$68	$62	$38	($20)	($62)
WTD BOH Labor %age		11.66%	11.71%	10.87%	10.33%	10.24%	10.27%
FOH							
Projected FOH Labor	$246	$248	$284	$275	$458	$310	$307
WTD Prjctd FOH		$494	$778	$1,053	$1,511	$1,821	$2,128
Actual FOH Labor	$291	$312	$283	$275	$380	$309	$316
Daily FOH Labor %age	7.92%	7.25%	7.50%	5.35%	5.55%	6.05%	6.99%
WTD Actual FOH		$603	$886	$1,161	$1,542	$1,850	$2,167
Daily + or – %	18.18%	25.85%	–0.34%	0.18%	–16.96%	–0.42%	3.08%
Actual vs Proj FOH	$45	$64	($1)	$0	($78)	($1)	$9
WTD + or –		$109	$108	$108	$31	$29	$39
WTD FOH Labor %age		7.55%	7.54%	6.87%	6.49%	6.41%	6.49%
Total Labor							
Total Projected Labor	$644	$688	$754	$742	$1,098	$871	$822
WTD Prjctd Labor		$1,332	$2,086	$2,828	$3,926	$4,797	$5,619
Actual Total Labor	$729	$804	$729	$736	$996	$812	$790
WTD Actual Labor		$1,533	$2,262	$2,998	$3,994	$4,806	$5,596
Actual vs Proj Total	$85	$116	($25)	($6)	($102)	($59)	($32)
WTD + or –		$201	$176	$170	$68	$9	($23)
Projected %	21.47%	15.29%	16.39%	16.13%	16.15%	16.13%	15.81%
WTD Prjctd %		17.76%	17.24%	16.93%	16.71%	16.60%	16.48%
Actual %	19.85%	18.67%	19.32%	14.29%	14.55%	15.90%	17.45%
WTD Actual %		19.21%	19.25%	17.74%	16.82%	16.66%	16.76%

FIGURE 8.7: Payroll: actual versus projected

MANAGERS' BONUS
AUGUST 2008 **JULY 28–AUG 24, 2011**

COGS Bonus Scale

Volume +55,000 per week		Volume 40–55,000 per week		Volume <40,000 per week	
<50.0%	$1,000	<51.0%	$1,000	<52.5%	$1,000
<51.0%	$750	<52.0%	$750	<53.5%	$750
<52.0%	$500	<53.0%	$500	<54.5%	$500
<53.0%	$250	<54.0%	$250	<55.5%	$250
<54.0%	$100	<55.0%	$100	<56.5%	$100
+54%	$0	+55%	$0	+56.5%	$0

2009 Total Volume	$146,448.00	Wkly Avg	$36,612.00
2009 Food Volume	$127,409.76	87.00%	
2009 Bev Volume	$18,306.00	12.50%	
2009 Retail Volume	$732.24	0.50%	
Food Purchases	$52,714.00	41.37%	36.00%
Supplies	$0.00	0.00%	0.00%
Total Food Purchases	$52,714.00	41.37%	36.00%
Bar Purchases	$5,190.00	28.35%	3.54%
Total Purchases	$57,904.00	39.54%	39.54%
Labor	$24,987.00		17.06%
Total Cost of Goods S	$82,891.00		56.60%

Total Bonus: **$0.00**

Bonuses Paid

John	$0.00	DJ	$0.00
Fred	$0.00	Jenn	$0.00
Gary	$0.00	Shawn	$0.00
		Sean	$0.00

Total $0.00 Date Paid

Authorized

FIGURE 8.8: Managers' bonus. Unfortunately no one received a bonus this month

a more transient labor market than others, so staff turnover is an issue. Of course, it can be argued that management/leadership should minimize labor turnover. What do you think?

Guest Check Control

If not controlled, guest checks are like blank checks that the operator has already signed. Without check control, a server can give food and beverages away or sell them and keep the income.

Without guest check audits, the checks can be padded in favor of the server or the guest. Numbered guest checks are issued to servers. Each check must be accounted for and at least a spot check of the additions and correct prices made.

If guest checks are not strictly accounted for, servers face a great temptation. The server may bring in his or her own checks, present them to the guest, and pocket the payment. Guest checks can be altered and substitutions made if the checks are not numbered. To avoid such temptations, most restaurants require that the server sign for checks as received and return those not used at the end of the shift.

Checks can be issued by the book, 150 to a book. For tight control, every guest check is audited, addition is checked, and every check is accounted for by number. Guest check auditing may be done in a central office in the case of a restaurant chain, or in someone's home for an independent restaurant. Most restaurants use the duplicate-check system to maintain tight control. The second copy of the check is handed to the cook in return for the food. No check, no food. Every food item is recorded on a guest check, even a cup of coffee.

Some operators control restaurant income by having servers act as their own cashiers. Servers are, in effect, set up in business for themselves. They bring their own banks of $50 in change; they do not operate from a cash register but out of their own pockets; they deposit their income in a night box at the bank.

No food can be taken from the kitchen or liquor from the bar without being "paid for" by a duplicate check. If, indeed, no food is issued from the kitchen to anyone without the duplicate check, the checks provide an adequate record of sales. Much more responsibility is placed on the server. This system does not require a cashier, but the servers must be able to add and subtract and perform the same functions as the cashier.

A bookkeeper totals all of the checks of each server, and this amount is compared with the amount deposited to the restaurant account by the server at the end of the shift. It is often said that being a server is like being in business for oneself. This plan carries the analogy one step further.

One restaurant that we stumbled on in London may have the answer: The servers have to pay the cooks *cash* for each dish they take out of the kitchen. Now that's an interesting twist!

Few restaurants employ a full-time bookkeeper, especially one on the premises. Restaurant Adventures, a small chain of restaurants in California, has

a different idea. Each of these restaurants grosses more than $1 million in sales annually and each has a full-time bookkeeper, or auditor, who comes on duty in the afternoon and audits all transactions by 2:00 A.M. The day's business is completely recorded and analyzed by the next morning. Labor, food, and other percentage ratios are computed daily.

The smaller restaurant is likely to employ a part-time person in his or her home who does the restaurant bookkeeping on a day-by-day basis. An accounting firm is employed to prepare monthly statements and help with income taxes. Chain operations ordinarily do most of the bookkeeping and operating analysis at the home office. Record keeping at the unit level is minimal.

Streamlining was attained by reducing the average time for drive-through service from 160 to 100 seconds. That jump in efficiency enabled stores to crank another 30 to 40 cars through the line at peak periods. Window sales increased from 56 to 63 percent of sales.

Productivity Analysis and Cost Control

Various measures of productivity have been developed: meals produced per employee per day, meals produced per employee per hour, guests served per waitperson per shift, labor costs per meal based on sales. Probably the simplest employee productivity measure is sales generated per employee per year (divide the number of full-time equivalent employees into the gross sales for the year). An easy and meaningful measure is to divide the number of employees into income per hour. Some restaurants achieve a $70 per hour productivity rate.

Sales	100%
Cost of sales	33.0%– 43.0%
Gross profit	57.0%– 67.0%
Operating expenses	
Controllable Expenses	
Payroll (including manager)	23.0%– 33.0%
Employee Benefits	13.0%– 5.0%1
Direct operating expenses	13.5%– 9.0%1
Music and entertainment	10.1%– 1.3%1
Advertising and promotion	10.8%– 3.0%1
Utilities	13.0%– 5.0%1
Administrative and general	13.0%– 6.0%1
Repairs and maintenance	11.0%– 2.0%1
Occupation Expenses	
Rent, property tax, and insurance	16.0%– 11.0%
Interest	10.3%– 1.0%1
Franchise royalties (if any)	13.0%– 7.0%1
Income before depreciation	12.0%– 19.0%
Depreciation	10.7%– 5.0%1
Net profit before income tax	15.0%– 15.0%

Source: Figures were developed by the *Small Business Reporter* in California

FIGURE 8.9: Operating ratios

When labor costs get out of line, the manager can analyze costs per shift or even productivity per hour to pinpoint the problem.

Without knowing what each expense item should be as a ratio of gross sales, the manager is at a distinct disadvantage. He or she should know, for example, that utilities ordinarily do not run more than 4 percent of sales in most restaurants, that the cost of beverages for a dinner house ordinarily should not exceed 25 percent of sales and could be much less, and that occupancy cost should not exceed 8 percent of gross sales in most cases. Ratio analysis must be in terms of what is appropriate for a particular style of restaurant: coffee shop, fast-food place, or dinner house (see Figure 8.9).

Moreover, the ratios must be appropriate for the region. Restaurant labor costs, for example, are usually low in the South as compared to the North.

Summary

Restaurant operations are divided into front and back of the house. The chef, to make a production schedule for the day based on the par levels required, the volume of business expected, and the estimated guest menu selection, uses standardized recipes. The chef monitors production and checks dishes as they leave the kitchen. Either the chef or a manager is at the pass to ensure a smooth expedition of all plates.

In the front of the house are an opening and a closing manager. The opening manager checks on the expected level of business—based on the prior year's business, the day's weather, and any other relevant factors. Stations are assigned to servers and a service meeting is held to inform everyone of the specials and any training detail to focus on. Then they have a meal followed by action stations. The manager and servers ensure that the service goes well and that guests are delighted.

Control of food and beverage items is critical to the overall success of the restaurant. Inventory taking and the calculation of food- and beverage-cost percentages are described. Controllable expenses are discussed and examples are given for controlling using income statements. Labor is the largest controllable cost, and examples are given to plan and monitor labor costs. Productivity analysis, operating ratios, and seat turnover are also discussed.

Key Terms and Concepts

Back of the house
Beverage-cost percentage
Controllable expenses
Food-cost percentage
Front of the house
Guest count
Key result area
Labor cost
Liquor control
Operating ratios
Pass
Production sheet

Review Questions

1. Detail how back- and front-of-the-house restaurant operations will be in your restaurant.
2. Describe your food control system.
3. Outline your beverage control system.
4. How do you control restaurant labor costs?
5. What are the ratios for your restaurant?

Internet Exercise

Search the Internet for articles on restaurant operations and control, then discuss them with your class.

Endnotes

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