

RESTAURANT OPERATIONS

Courtesy of Bon Appétit Management Company.



THE PURPOSE OF THIS CHAPTER

The best opportunities for advancement in food service are in operations. Staff specialists, such as marketers, accountants, and human resources people, all play an important role in the food service industry, but most restaurant chains and on-site operations have operations people in the top jobs. An independent restaurant operator is, first and foremost, an operations executive who often does most of the staff specialist work as well. Indeed, many senior executives boast of having started at the bottom in food service operations; for instance, this is a common trait among McDonald's executives. Although their time spent washing dishes or performing other unskilled jobs may have been only a few months—perhaps during a summer vacation—many executives feel that that kind of operational experience helps them understand the work of the employees they lead.

In this chapter, we develop an overview of the all-important topic of restaurant operations. The opening section reviews the key responsibilities in major operational areas and describes a typical day in the life of food service. This should help you to start thinking about the paths to advancement that best suit you.

The chapter concludes with a section on profitability in food service operations and a summary of the elements of financial statements. These statements are used to track operating results, that is, income, expenses, and profit.

THIS CHAPTER SHOULD HELP YOU

1. Identify the three main divisions of activity found in restaurant operations, and summarize their respective roles.
2. Explain the two basic approaches to making a profit and how these approaches affect the various stakeholders.
3. Understand the primary tools used to measure financial results in food service operations.
4. Appreciate the various aspects of the restaurant business that make it both challenging and rewarding.

RESTAURANT OPERATIONS



The best way to become familiar with operations in a restaurant or other food service organization is to work in one. The following discussion, however, should give you useful background and a framework for thinking about your experiences. We focus on three areas of the restaurant: the **front of the house**, the **back of the house**, and the “office.” Within each section, we look at the principal responsibilities of each area, the tasks that are performed there, and the kinds of roles played in the food service drama by employees working in that area. Finally, we look at the general supervisory and managerial positions typical of that area.

Because our concern is with the whole range of restaurants, from quick-service restaurants (QSRs) to fine dining, the amount of detail we can deal with is limited. In general, we’ll take as our model a medium-price, casual table-service restaurant. Where there are substantial variations in quick service or fine dining, we will note those.

THE FRONT OF THE HOUSE

The front of the house is the part of the operation with which everyone is familiar because we can see it. It is more complex, however, than it appears at first. The front of the house is at once an operating system, a place of business, and a social stage setting. As an operating system, it is laid out to provide maximum efficiency to workers and ease of movement to guests. As a business, it is a marketplace that provides an exchange of service for money, which requires appropriate controls. Finally, it is a social place where people not only enjoy their meals but enjoy one another’s company, good service, and a pleasing atmosphere.

RESPONSIBILITIES. The key responsibility of the front of the house is **guest satisfaction**, with particular emphasis on personal service. Chapter 15, “The Role of Service in the Hospitality Industry,” discusses service in more detail, but here we note that service goes beyond the mechanical delivery of the food to include the way the guest is served by the people in the restaurant.

The kind of service that should be delivered has a great deal to do with what the guest wants and expects. In a quick-service restaurant (QSR), for example, guests expect economy and speedy service at the counter and self-service—even to the point of discarding their own used disposables after they are finished eating. Although there is emphasis on speed and economy, the guest still expects a friendly greeting, accuracy in order filling, and a cheerful willingness to handle any problems that occur. In midscale restaurants, the table service provided raises the level of interaction with the guest.

Although speed of service is still usually expected, the success of the guest's experience is more dependent on the server's personal style. A grouchy server can ruin a good meal while a server's pleasant disposition can help immensely when things do go wrong.

In casual, casual upscale, and fine dining, guest satisfaction and service requirements have a considerably different frame of reference. As a rule, casual dining implies a leisurely meal, and that is even truer for fine dining. Accordingly, speed is not always as important as the timely arrival of courses—that is, when the guest is ready. The higher price the guest pays raises the level of service he or she expects. A server in a coffee shop may serve from the improper side or ask “who gets which sandwich” without arousing a strong reaction. Errors should not happen there, either, but when the price is modest, guests' expectations are usually modest. When people are paying more for a meal, however, they expect professional service and a high degree of expertise on the part of the staff.

Although service provision is the most obvious job of the front of the house, those who work there share in the responsibility for a quality food product as well. This means that orders should be relayed accurately to the kitchen. It also means food shouldn't be left to get cold (or baked dry under heat lamps) at a kitchen pickup station. If there is an error in the way food is prepared, the front of the house is where it is likely to show up in a guest complaint. People in the front of the house, therefore, need to be prepared to deal with complaints. Doing this requires at least two things. First, there must be a willingness to listen sympathetically to a guest's complaint. Second, a system must be in place that permits the server or a supervisor to correct any error promptly and cheerfully, a process known as **service recovery**. In other words, employees must be empowered to satisfy guests' needs. (Empowerment, which is discussed in the final chapter of the book, refers to an approach to managing people that gives employees discretion over as many decisions as possible affecting the quality of the guest's experience.) Because customers represent potential future sales and powerful word-of-mouth advertising, an unhappy guest is much more expensive than a lost meal.

The front of the house is also the place where the exchange of goods and services takes place. As a result, a lot of money changes hands. Thus, the “control” aspects of the operation, such as **check control**, **credit card control**, and **cash control**, are very important. Guest check control—being sure that every order is recorded—prevents servers from going into business for themselves. An unscrupulous server might take orders, serve the food, and pocket some or all of the money. Today, point-of-sale systems make this kind of scam much more difficult, but there are ways around even the most scientific system. Because money is the most valuable commodity, ounce for ounce, that a person can steal, extreme vigilance is called for in controlling cash. Further, servers must take responsibility for securing payment for meals served on behalf of the restaurant. Everything that is ordered by customers must be bought and paid for, or at least accounted for.

TASKS. From the preceding description of responsibilities, you can see the kinds of tasks performed in the front of the house:

- Greeting the guest
- Taking the order
- Serving the food
- Removing used tableware
- Accepting payment and accounting for sales, charge as well as cash
- Thanking the guest and inviting comments and return business

ROLES. The tasks are performed quite differently in different levels of restaurants. The hostess or host (in more upscale operations, the headwaiter or waitress or maître d'hôtel) greets guests, shows them to their table, and, often, supervises the service. Some large, very busy restaurants separate greeting and seating, with hostesses or hosts from several dining rooms (seaters) taking guests to their table after the guests have been directed to them by the person at the main entrance, sometimes called the greeter. At the opposite end of the scale, in QSRs, the counter person is the greeter/order-taker and change-maker, thus making the smile and personal greeting there more important than casual observation might suggest.

The cashier's main duty is taking money or charge slips from guests and giving change when the check is paid. In some smaller operations, however, the cashier doubles as a host or hostess. The cashier is also sometimes responsible for taking reservations and making a record of them. Having a separate cashier to perform this function is one of the original "controls" evident in the restaurant industry. By separating the cash function, accountability is placed solely on one person.

In table-service operations, the food server takes the order and looks after the guest's needs for the balance of the meal. The server is the person who spends more time with the guest than any other employee. What the guest expects regarding service is based on the type of operation. More elaborate service, potentially longer interactions with the server, and highly considerate behavior on the part of the server are all expected in more expensive operations. In family restaurants and quick-service operations, although the length and intensity of interaction are much lower, guests are entitled to certain minimum—and reasonable—expectations: a genuine interest in them on the part of the server, a friendly and cheerful manner, and competence in serving the right food promptly. At all levels of restaurant service, excellent service is crucial to success in an increasingly competitive market.

Servers are generally assigned to a specific group of tables, called a station. In some restaurants, servers work in teams to cover a larger station, often with the understanding that only one will be in the kitchen at a time so that at least one of them will be

in the dining room and available to the guests at all times. In European dining rooms and those in North America patterned after them, a chef de rang and commis de rang—effectively, the chief of station and his or her assistant—work together in a team. In less formal operations, food servers are supported by a busperson who clears and sets tables but provides no service directly to the guest, except perhaps to pour water or coffee. The busperson’s job is basically to heighten the productivity of the service staff and to speed table turnover and service to the guest. The busperson’s personal appearance and manner, however, are a part of the guest’s experience. (Many operations fall somewhere in between the two extremes and use different types of service teams.)

SUPERVISION. Front-of-the-house supervision ideally is exercised by the senior manager on duty. The importance of having a **management presence** cannot be overstated. It is important from the view of employees, and it also provides greater confidence to the customers. Most managers should be expected to devote the majority of their time to

Cash control is a critical function in front-of-the-house operations. (Courtesy of PhotoDisc, Inc.)



the front of the house during meal hours to ensure that guests are served well (although adequate attention must also be paid to the back of the house). Doing this enables the manager to greet and speak with guests. In this sense, the manager is expected to be a public figure whose recognition is important to the guest—"I know the manager here." At the same time, she or he can deal with complaints, follow up on employee training, and generally assess the quality of the operation. In some cases, of course, the manager finds it necessary to spend more time in the back of the house.

In larger operations, the general manager delegates responsibility to a dining room manager to manage service in a specific area or in the whole front of the house. In many operations, the job of host or hostess includes supervisory responsibility for the service in the room or rooms for which he or she is responsible.

In addition to supervising service, managers in the front of the house have responsibility for supervising cleaning staff and cashiers and for **opening and closing procedures** in the restaurant. Opening and closing duties are sometimes discharged by a lead employee.

THE BACK OF THE HOUSE

In many ways, the back of the house is like a factory, of which there may be two varieties. Some factories are virtually assembly plants. Others manufacture goods from raw materials. A similar distinction can be made regarding restaurants. Some are really assembly operations, where food is simply finished and plated by kitchen staff. This is true of operations that use a lot of prepared foods, such as portioned steaks, or a sandwich operation such as a QSR. In others, the product is actually manufactured on the premises or, as we more commonly say, cooked from scratch.

RESPONSIBILITIES. The principal responsibility of the back of the house is the quality of the food the guest is served. This is a matter not only of food taste; **food safety**, **sanitation**, food cost control, inventory management, and so on are also significant responsibilities of the back of the house. Because prompt, timely service is dependent on being able to get the food out of the kitchen on time, the kitchen also has a major responsibility with regard to service.

TASKS. Food production stands out as the predominant work done in the back of the house. Controlling quality and cost are usually parallel activities. In other words, standardized recipes and carefully thought-out procedures, used consistently, will produce food that has the correct ingredients, thus ensuring both quality and cost.

An important dimension of cost control is portion control. Say a sandwich that calls for 2 ounces of ham has 2.5 ounces. Although the portion may be "only" .5 ounce



Quality control is important in all types of food service operations. (Courtesy of Domino's Pizza, Inc.)

overweight, that is 25 percent additional meat and probably represents an increase of 20 percent in cost. Portion control has a quality dimension as well. Assume two guests order fish, and the planned portion is 8 ounces. One receives a 7-ounce portion and the other, a 9-ounce portion. Although the average is the same and so cost won't be affected, the guests are likely to notice the discrepancy. Portions should be the same for a guest at every visit—and they should be the same for every guest. Needless to say, controlling costs has a direct impact on the profitability of a restaurant.

Dishwashing and pot washing are not skilled jobs, but they are certainly important work. Anyone who has been in a restaurant that ran out of clean dishes in the middle of the meal or pots during a heavy preparation period can testify to this. These are activities that use a significant amount of labor in any operation that serves food on permanent ware and has a varied menu (i.e., most operations outside of quick service). Labor cost control is, therefore, an important element in planning ware washing. Because detergent

is a commodity that restaurants use in large quantity, the cost of supplies is a significant concern. Quality work, which relates not only to the workers' performance but also to adequate water temperatures and soap solutions, is absolutely essential.

Cleanup work is important in both the front and back of the house, but because it is more clearly related to sanitation, back-of-the-house cleanup is especially significant. Although in most operations workers clean up as they go during the day, the heavy cleanup is usually done at night, when the restaurant is closed.

ROLES. Cooks and chefs come not only in all sizes and shapes but also with varying skill levels. In fine dining, cooking is generally done by people with professional chef's credentials, received only after serving a lengthy apprenticeship or a combination of formal education and on-the-job experience. The much-talked-about "hamburger flippers" of quick-service operations are at the other end of the scale. It is not surprising that the work that this group performs can be learned quickly, because the operation has been deliberately designed to reduce the skill requirements. In between these extremes lie the short-order cook, the grill person, the salad preparation person, and many others who have a significant amount of skill but in a narrow range of specialized activities. Whatever the skill level, it is crucial to the success of the operation that this work is done well.

Dishwashers are often people who have taken the job on a short-term—and often part-time—basis. Because the job is repetitive, monotonous, and messy, it is not surprising that it has a high turnover. We ought to note, however, that an inquisitive, observant person working in the dish room—or on the pot sink—is in a position to learn a lot about what makes a restaurant run. Many successful restaurant operators (and college and university professors) got their start in this position.

Some operations employ people with disabilities in dish and pot work as well as in salad and vegetable preparation. Employees with mental disabilities often find the routine, repetitive nature of the work suited to their abilities. Not surprisingly, they find that their dignity as individuals is enhanced by their success in doing an important job well. As a result, employers such as Marriott, which has developed successful programs for workers with disabilities, have experienced a significantly lower turnover among this group of workers.

An important role we haven't touched on yet is that of the person (or persons) responsible for receiving the shipments of food at the back door as they are delivered. It is the receiver's responsibility to accept shipments to the restaurant and to check them for accuracy in weight or count as well as quality.

In large operations, such as hotels, resorts, and casinos, the receiver may report directly to the accounting department because the work relates to control. The receiver needs a good working relationship with the kitchen staff, whatever the formal reporting procedure. In most operations, the receiver has duties closely involved with kitchen operations, such as storing food and keeping storage and receiving areas clean and

sanitary. Some restaurants distribute the tasks of the receiver between two or more people. In a hotel one of the authors ran, for instance, counting and weighing of goods received was done by the pot washer, whereas verifying quality was the responsibility of the restaurant manager on duty. Responsibilities vary greatly from operation to operation.

Food production is generally headed by a person carrying the title of chef, executive chef, or food production manager. In smaller, simpler operations, the title may be head cook or just cook. In these latter operations, the general manager and her or his assistants usually exercise some supervision over cooks, so it is important that they have cooking experience in their own backgrounds. In fact, one of the trends in casual dining has been to eliminate the position of chef and replace it with several cooks and a kitchen manager who is responsible for back-of-the-house administrative duties. The role of chef continues to evolve. One association for a certain type of chef, a culinologist, is profiled in Industry Practice Note 4.1.

Closing (cleaning up, shutting down, and locking up) responsibility is very much related to food-production activities but deserves separate discussion because of its importance in relation to sanitation and security. The closing kitchen manager is responsible for the major cleanup of the food production areas each day (and probably has the same responsibility in the front of the house). This person also oversees putting valuable food and beverage products into secure storage at the end of the day and locking up the restaurant itself when all employees have left. The job is not a very glamorous one, but it is clearly important. In this day and age of security concerns, the position takes on added importance and responsibility.

THE “OFFICE”

We have put “office” in quotation marks because it has many organizational designations, from “manager’s office” to “accounting office.” The functions relate to the administrative coordination and accounting in the operation.

RESPONSIBILITIES AND TASKS. The office has as its first task administrative assistance to the general manager and his or her staff. The office staff handles correspondence, phone calls, and other office procedures. These activities, although routine, are essential to maintaining the image of the restaurant in the eyes of its public. Ideally, managers should not be bogged down in this time-consuming work. It is essential to have office staff to free managers to manage.

A second major area of responsibility is keeping the books. Often the actual books of account are kept in some other place (a chain’s home office or an accountant’s office for an independent), but the preliminary processing of cashier’s deposits, preparation

Research Chefs Association

The Research Chefs Association (RCA) is an organization for professionals who are involved with food product development and have a specific interest in the future of food. Its mission is focused on the concept of Culinology[®], which is “the blending of the culinary arts and food science.” The association was formed in 1996 by a group of food professionals interested in food, culinary arts, new product development, and food science. The association attempts to bring all of these dimensions together for practitioners, educators, and students. There are now approximately 2,000 members spread across the United States among various regions. The approximate breakdown of members by type is 42 percent chefs, 31 percent affiliates (food scientists and affiliated fields); 14 percent associates (sales fields), and 13 percent students. Many of the students are studying Culinology at one of the seven academic institutions offering programs in this area.

One of the ways that the RCA is able to accomplish its objectives is through education and professional development (and certification). RCA-approved Culinology degree programs are housed in such universities as Cal Poly Pomona, Clemson University, and the University of Massachusetts. The University of Massachusetts, which has a particularly renowned food science program, provides extensive information about Culinology as an academic area and offers it as a degree program. An excerpt from its Web site states:

Today, when consumers enter the grocery store they not only expect foods to be inexpensive and safe but also to have a wide variety of flavors and textures that are often inspired by ethnic food traditions and unique innovations. In addition, books such as *On Food and Cooking: The Science and Lore of the Kitchen* by Harold McGee and television shows like *Good Eats* starring Alton Brown, have been instrumental in expanding cooking beyond the traditional Culinary Arts into the world of Food Science. These developments have made Culinary Science one of the hottest areas of the Food and Food Service Industries. The Department of Food Science has developed a unique concentration in Culinology that has been recognized by the Research Chefs Association. This program combines Culinary Arts and Food Science by accepting students with a 2-year culinary arts degree and providing them with a science-oriented framework that enables them to obtain a B.S. in Food Science from the University of Massachusetts in three years. . . .

The great benefit of Culinary Science training is that it outweighs all the competition because it's the best of both worlds. As a culinologist, one not only has the scientific understanding of food processing but also the much-valued understanding of culinary arts. Combined together, this opens a spectacular opportunity to work in the food industry. The passion of food shared

of payrolls, and approval of bills to be paid are all included in this function. Prompt payment of bills is very important to a restaurant's good name in the community; so whether this is done in-house, at a home office, or by a local bookkeeping service, it deserves careful and prompt attention. Regular cost control reports must be prepared, either on the premises or off, usually including the statement of income and expenses (which is discussed later in this chapter).

by culinarians allows them, through their research and development, to impact the food culture: a great example is Chef Boyardee, who started his career as a chef and with the help of technology brought canned pasta and sauce to where it is today.

The food science world is a unique industry offering a great working experience in its many kitchen-laboratories. Included in this environment are all the benefits of corporate America with endless opportunity for individual career advancement and most of all, the satisfaction of a food lover's passion of working in the kitchen.¹

Besides formal education through their links with academic institutions, the RCA also does a lot of work in the area of professional development of its members. Certification programs that the association provides include Certified Research Chef (CRC) and Certified Culinary Scientist (CCS) credentials. Both certifications require that certain qualification standards be met before a candidate can sit for the exam. The standards include formal education and professional experience in both food service and product research and development.

The RCA is fulfilling its mission in several other ways as well, including quarterly newsletters, outreach, sponsoring student scholarships, hosting regional meetings, and hosting the annual RCA Conference and Culinology Expo.

Culinology is an expanding field as a result of the growing interest in food in today's society as well as the continued professionalization of the industry. Interest in food, food development, and Culinology cuts across industry segments to include suppliers, quick service, casual dining, and others. Food companies, for instance, are allocating more money to research and development than ever before as commercialization within the industry grows. Some of the latest trends and developments in food-related products (all of which were covered at a recent RCA conference) include umami flavors, packaging technologies, astronaut food, sustainable agriculture, baking science, and hospital haute cuisine.

For students who are interested in combining their interests in food, culinary arts, and food science, a degree (or a career) in Culinology allows them to put these skills to work. Potential employers include food service companies, manufacturers, distributors and suppliers, research companies, and academic institutions.

1. University of Massachusetts Department of Food Science, Culinary Science program, www.umass.edu/nre/majors/index.php/food/. Sources: Correspondence with the Research Chefs' Association, www.culinology.com; University of Massachusetts Department of Food Science, www.umass.edu/foodsci/.

ROLES. The manager's administrative assistant often functions as office manager. Independent operators commonly employ a bookkeeper or accountant full or part time or use an outside service. Chains handle most accounting centrally. Often the secretary or office manager is responsible for filling out forms that serve as the basis for the more formal reports.

SUPERVISION. As noted previously, the person who supervises on-premise clerical work usually reports to the general manager, as does any in-house accountant. We should note, however, that there are many smaller operations whose low sales volume will not support clerical staff. In these cases, the clerical and accounting routines are usually handled by the managers themselves. In chains, particularly QSR chains, reporting systems have become highly automated. Here, most reports are prepared from routine entries made in the point-of-sale register and automatically transmitted directly to the central accounting office.

GENERAL MANAGEMENT

We should now add one additional category to our framework for observing a restaurant—the general managers and their assistants. It is essential that there be someone in charge whenever an operation is open. One possible schedule (for a full-service casual restaurant that is open for the lunch and dinner periods) is: An assistant manager comes in before the restaurant opens and oversees all the opening routines. These include turning on equipment, unlocking storage areas, and seeing to it that all of the crew has shown up and that all the necessary stations are covered. The general manager arrives in midmorning and stays at least through the evening meal rush. The closing manager arrives sometime in the afternoon and is usually the last person to leave, locking up for the night. Effective managers, and restaurant companies, often use checklists as reminders, which are good ways to document tasks. An operation with different hours of operation would have a different schedule in some of the details, but the essential functions identified here would all have to be covered in some way. The key point is that someone in the unit is in charge at all times.

In talking about management, we have really been describing management presence. We may not always see the title “manager” used, however. Many of the duties of management are carried out by supervisors. In quick-service (as well as smaller) restaurants, managers and their assistants are often supplemented by crew chiefs and lead employees. Whatever the title, the responsibility of managing these various tasks must be taken care of.

We have used the title “general manager” in this section but should note that this is a title used principally in larger operations. The function of overall direction, however, is the same even if the title used is “unit manager” or “store manager” or simply “manager.” Because the general manager can’t be present every hour of the day, her or his assistants, whatever their titles, stand in for the manager when she or he cannot be physically present. A key point is that managers act as a team to give direction to the unit, to maintain standards (quality and cost), and to secure the best possible experience for their guests.

The work of managers in food service puts a high priority on communication. (Courtesy of Sodexo.)



DAILY ROUTINE. As we have already mentioned, opening and closing a restaurant involves specialized work. The highest levels of activity, of course, occur during the meal periods. Between the rush hours, a lot of routine work is accomplished. The following is a look at the major divisions of a restaurant's day.

Opening. Somebody has to unlock the door. In a small operation, it may be a lead employee; in a large operation, it will probably be an assistant manager. As other employees arrive for work, storage areas and walk-ins must be unlocked. If a junior-level supervisor was in charge of closing the night before, it is especially important that the first manager on duty inspect the restaurant and especially the back of the house for cleanliness and sanitation. One additional note that must be added here: It seems that restaurants have recently become targets of robberies, particularly in large U.S. cities. As a result, many restaurant companies are and have been reevaluating their opening and closing procedures. One strategy used to increase safety in restaurants is changing opening and closing procedures to ensure the safety of restaurant employees; for instance, some restaurants are requiring that restaurants be opened and closed by pairs of managers instead of individuals. Other safety measures include installing cameras and additional lighting at entry points (including the loading dock).

In larger restaurants, a considerable amount of equipment has to be turned on. Sometimes this process is automated, but in other operations, equipment is turned on by hand, following a carefully planned schedule. One element of a utility's charge relates to the amount of power used, but another relates to the peak demand level.

If someone throws all the electrical panel switches, turning on air conditioners, lights, exhaust fans, ovens, and so forth all at once, this will create a costly, artificially high demand peak. The person who opens may follow schedules to phase in electrical equipment over a longer period to avoid this problem.

As noted earlier, it is important to be sure that all stations are covered, that is, that everybody is coming to work. If an employee calls in at 6:30 A.M. to say he or she can't make it, or if somebody just doesn't show up, appropriate steps must be taken to cover that position. This could mean calling the appropriate supervisor at home to let that person know of the problem. Alternatively, the opening manager might also handle it more directly by calling in someone who can cover the position. (Having an "on-call" person each day helps to alleviate this problem.)

Before and after the rush. Much of the work done outside the meal period is routine. Probably the most important is "making your setup," that is, preparing the food—the **mise en place** (defined by the Culinary Institute of America as "everything in its place")—that will be needed during the next meal period. In a full-menu operation, this will likely involve roasting and baking meats, chopping lettuce and other salad ingredients, and performing other food preparation tasks. In more specialized operations, it may involve slicing prepared meats or simply transferring an appropriate amount of ready-to-use food from the walk-in to a working refrigerator. It is essential that safe food-handling procedures always be followed to prevent food contamination. In some QSRs, a key portion of the setup actually occurs just as the meal period is about to begin, when product is prepared and stored in the bin, ready for the rush that is about to commence. The key element in making the setup is to do as much as possible before the meal to be ready to serve customers promptly.

Sidework is another important activity done by servers on a regular schedule. Sidework includes such tasks as cleaning and filling salt and pepper shakers, cleaning the condiment stands, and, in many restaurants, some cleaning of the dining room itself. This is work that can't be done during the rush of the meal hour. The front of the house has a sidework setup for every meal period too. Side stands must be stocked with flatware, napkins, butter, sugar packets, or whatever guest and food supplies might be needed during the coming rush.

Other routine work, such as calling in orders, preparing cash deposits and reports on the previous day's business, and preparing and posting work schedules, is tended to by management staff or under their supervision. It is important that this routine work be done during off-peak hours so that managers on duty can be available during rush hours to greet guests, supervise service, and help out if a worker gets stuck. When you see a manager moving through the dining room pouring coffee, that manager is (or should be) using that opportunity as a way of greeting guests, observing operations, and helping busy servers rather than covering a shortage in the service staff.

The meal periods. Not every meal is a rush in terms of the restaurant's seating capacity. Employees are scheduled, however, to meet the levels of business, so there should be no extra help around. Accordingly, those who are there probably will experience most meal periods as a rush. Each meal has its own characteristics—probably somewhat different in different operations—and the service offered needs to be adapted to that style. In a hotel one of the authors ran, breakfast guests came from the hotel. They were slightly distracted, thinking about the day ahead, and were more interested in their newspaper or breakfast companion than in visiting with dining room staff. Lunch was mostly local businesspeople on a business lunch with clients or in a party of coworkers. The emphasis at both breakfast and lunch was on speed and efficiency. Most guests had to go somewhere else on a fairly tight schedule.

In contrast, dinner was a more relaxed meal. The day was over and people were not in as much of a hurry. There were more single diners, and many were quite happy to visit for a few minutes with staff.

Closing. We have already discussed the importance of the housekeeping, sanitation, and security duties involved in closing activities. We should note that there is also guest contact work, that is, easing the last few people out of the restaurant without offending them or waiting until they're ready to leave, depending on house policy. Special care must be employed, in operations serving alcohol, with guests who may be intoxicated, to avoid potential liability to the operation for any harm they might do to themselves or others. There should be written house policies covering this contingency.

MAKING A PROFIT IN FOOD SERVICE OPERATIONS

Restaurants have three basic stakeholders. One is the customers. Another is the employees, who seek a good place to work and a decent living. Ultimately, though, the purpose that underlies the logic of any business is to make a profit. Without profit, funds to renew the business—to remodel, to launch new products or services, to expand to serve a changing market—and keep employees on the payroll are just not available. Moreover, the third stakeholder is the owners, who, like all of us, need some reward for their effort and risk. Profit, then, serves a vital role in any business.

There are two basic approaches to increasing profit. One is to increase sales; the other is to reduce costs. Most commonly, operators try to do both to the limits of what will make sense for all stakeholders.

INCREASING SALES

The two basic approaches to **increasing sales** are to sell to more people or to sell more to your present customers—or to do both. (The term *revenue management* is preferred by some.) Increasing the customer base is usually thought of as the job of marketing (and specifically, advertising and promotion). A superior operation that achieves a good reputation may build its customer base through word-of-mouth referrals. For instance, Houston's Restaurants do not do any mass-media advertising but have a very loyal following.

Another approach is to increase sales to the customers you now have—that is, to increase the check average. One obvious way to do this is simply to raise prices. Unless the price level of the competition is also going up, however, this method most probably will result in a loss of customers (the result of something called price resistance). Some effective approaches to increasing the average check are menu redesign, “**bundling**” of food items, and suggestive selling.

Menu redesign can be accomplished through the actual redesign of the menu, repositioning the menu items to draw attention to high-profit items or changing (or removing) menu items. Each of these strategies can contribute to encouraging the customer to spend more and to purchase higher-profit items.

Bundling is another strategy that can result in the same thing. One of the most common bundling strategies is the combination meal. Several items that are sold separately—for instance, a hamburger, french fries, a soft drink, and dessert in the quick-service arena—are sold together for a price that is less than the price of each sold separately. If this is a good value to customers, it is likely to persuade a certain percentage to buy more than they might otherwise have done. In a table-service restaurant, this kind of combination is referred to as a complete dinner (or lunch) or **table d’hôte**. A related approach, one very common in Europe, is the **prix fixe menu**, which is simply a collection of predetermined items offered as a multicourse meal at a set price. The higher check average results in an increase in sales. Another result is likely to be a slightly higher food cost percentage because the selling price is reduced but the food cost remains the same. Because total dollar sales have increased and, almost certainly, no additional labor has been scheduled, the labor cost percentage will be lower. The intent is that the higher food cost will be more than offset by the reduced labor cost percentage.

Suggestive selling is another potentially effective technique for increasing sales. Common targets for increased sales are appetizers, side dishes, wine, desserts, or after-dinner drinks, although main courses should not be overlooked. The service staff is crucial to this effort: “May I suggest something from our wine cellar? A bottle of Pomard would complement the roast beef perfectly.” These techniques can be applied to most every menu category. For instance, with certain segments of the population

who are reducing their alcohol intake, suggestive selling of premium bottled water is a simple way of increasing sales. Operators often offer prizes or bonuses for the server most effective in selling.

REDUCING COSTS

Just as raising prices faster than the competition will drive off customers, so will cheapening quality through the use of inferior ingredients or smaller portions. Customers inevitably notice such changes. Thus, **reducing costs** must result from improved efficiency, which is a fit subject for not one but several books. We will content ourselves here with noting that some of the most common techniques for reducing costs in food service involve more careful scheduling of employees, improved portion control, and more careful monitoring of the issue and use of supplies such as soap, paper goods, and other disposables. Generally, the key to reducing costs is a careful review of the operation to find places where waste can be reduced without loss of quality. Following such a review, realistic standards are set, and performance is monitored against those standards. Figure 4.1 shows some common techniques for monitoring cost performance with examples of the kind of measurement used.

If cost reductions come from improved efficiency rather than cheapening quality, they will have a greater impact on profit. A dollar saved in cost, after all, is a dollar more profit. An increase in sales, however, will be accompanied by some increased cost—the variable cost, such as food cost, for instance—and so will not produce as much profit.

COST GROUP	TECHNIQUE	EXAMPLE OF MEASUREMENT
Food	Yielding	Dollar cost or weight per portion served
Labor	Productivity standards	Number of guests served per server hour
China, glassware, and silver	Breakage/loss counts	Guests served per broken/missing piece
Supplies	Usage monitoring	Gallons/pounds of soap used per 100 guests

Figure 4.1

Some common cost-control techniques.

KEEPING THE SCORE IN OPERATIONS: ACCOUNTING STATEMENTS AND OPERATING RATIOS

A discussion of operations is not complete without a brief review of the common scorekeeping methods used in the field. Elsewhere in your hospitality curriculum, you will undoubtedly study the subject of control at more length. As part of your introduction to the hospitality field, however, this section discusses briefly some key food service control terms, accounting statements, and operating statistics.

COST OF SALES

The **cost of sales** refers to the cost of products consumed by the guest in the process of operations. The principal product costs include:

- *Food cost.* The cost of food prepared for and consumed by guests
- *Beverage or bar cost.* The cost of alcoholic beverages and other ingredients, such as juices, carbonated water, or fruit, used to make drinks for guests

Note that these (and all other) costs are customarily stated both in dollar amounts and as a percentage of sales. For example, if your food cost is \$25,000 and your food sales are \$75,000, then the food cost percentage will be $\$25,000/\$75,000$, or 33.3 percent. Although dollar costs are essential to the accounting system, the percentage of the cost (i.e., its size relative to the sales level) is more useful to managers because the percentages for one month (or for some other period) can readily be compared with those of other months, with a budget, and with industry averages.

CONTROLLABLE EXPENSES

Controllable expenses are costs that may be expected to vary to some degree and over which operating management can exercise direct control. Controllable expenses include:

- *Payroll costs.* Payroll costs are the wages and salaries paid to employees.
- *Employee benefits.* Employee benefits include social security taxes, workers' compensation insurance, and pension payments.
- *Other variable costs.* Other costs that generally vary with sales are laundry, linen, uniforms, china, glassware and silver, guest supplies, cleaning supplies, and menus. Some costs in the category of controllable expenses have both a fixed and a variable component (utilities cost), but others are fixed by management decision, which is

Considering the tax consequences of financial decisions can improve a company's net income. (Courtesy of PhotoDisc, Inc.)



subject to change (advertising and promotion, utilities, administrative and general, and repairs and maintenance).

CAPITAL COSTS

This group of costs varies with the value of the fixed assets, usually land, building, furniture and fixtures, and equipment. The higher the asset value, for instance, the higher the property taxes or insurance. The same is true of depreciation, which is a bookkeeping entry to write off the cost of a capital asset. Interest varies, of course, with the size of the debt and the interest rate.

By categorizing cost information in this way, we focus attention on the operation's key variables. The cost percentages also reflect the efficiency of various segments of an operation. Food costs reflect management pricing and the kitchen crew's efficiency. Labor costs reflect efficiency in employee scheduling and the adequacy of sales volume

STATEMENT OF INCOME AND EXPENSES		
Suburban Restaurant		
Year Ending December 31, 20XX		
SALES		
Food	\$962,400	80.2%
Beverage	237,600	19.8
Total sales	1,200,000	100.0
COST OF SALES		
Food	\$348,400	36.2%
Beverage	66,100	27.8
Total cost of sales	414,500	34.5
GROSS PROFIT	785,500	65.5
CONTROLLABLE EXPENSES		
Salaries and wages	\$338,400	28.2%
Employee benefits	62,400	5.2
Direct operating expenses	64,800	5.4
Music and entertainment	3,600	0.3
Marketing	22,800	1.9
Utility services	38,400	3.2
Administrative and general	46,800	3.9
Repairs and maintenance	21,600	1.8
Total controllable expenses	598,800	49.9
INCOME BEFORE CAPITAL COSTS	\$186,700	15.6%
CAPITAL COSTS		
Restaurant occupancy costs (including rent, property taxes, and property insurance)	\$84,000	7.0%
Interest and depreciation	46,800	3.9
Total capital costs	130,800	10.9
NET PROFIT BEFORE INCOME TAXES	\$56,400	4.7%
Number of covers served	74,918	
Food check average	\$12.85	
Beverage check average	\$3.17	
Total check average	\$16.02	

Figure 4.2

Restaurant statement of income and expenses.

in proportion to the operation’s crew size. Results can be improved by either reducing employee hours or increasing sales.

Two key operating statistics are **covers** and **check averages**. The number of covers refers to the number of guests. (*Guest count* is an alternative term.) The check average can be what it sounds like, the average dollar amount of a check. Because parties (a group of guests seated together) vary in size, however, the check average is usually quoted as the average sale per guest. This figure is found by dividing the total dollar sales by the number of guests served during the period and is sometimes referred to as the average cover.

Figure 4.2 shows an example of a restaurant statement of income and expenses (also called an operating statement or a profit-and-loss statement). This statement shows the relationship of the costs we have just discussed and also how the check averages are computed.

As a final way to compare and contrast differing restaurants, Table 4.1 presents selected average operating ratios for the kinds of restaurants we described in the previous chapter.

TABLE 4.1

Comparison of U.S. Restaurant Operating Statistics

LIMITED SERVICE	FULL SERVICE (UNDER \$15)	FULL SERVICE (\$15 TO \$24.99)	FULL SERVICE (\$25 AND OVER)	
Food cost^a	30.4%	33.0%	34.5%	32.6%
Beverage cost^b	33.4%	28.0%	29.3%	28.2%
Product cost^c	30.4%	31.9%	33.1%	32.4%
Payroll and related costs^d	28.6%	32.5%	33.5%	34.5%
Prime cost^e	59.0%	64.4%	66.6%	66.9%
Occupancy and capital costs^f	10.5%	9.0%	9.3%	10.0%
Profit before income taxes	9.7%	5.6%	3.6%	10.5%

^a Food cost as percentage of food sales.

^b Beverage cost as percentage of beverage sales.

^c Total food and beverage cost as percentage of total food and beverage sales.

^d Includes employee benefits.

^e Total of product cost and labor cost.

^f Includes occupancy costs, depreciation, and interest expense.

Source: National Restaurant Association, "Restaurant Industry Operations Report—2008."

LIFE IN THE RESTAURANT BUSINESS

The decision of whether to work in the restaurant business is really a decision about the kind of life you want to lead. Weekend and holiday work is common, and workweeks of 50 and 60 hours are, too, especially while you are climbing your way up in management. The work is often physically demanding because you are on your feet, under pressure, and in a hurry for most of the working day. However, it is an exciting business. It involves working with people—both employees and guests—in a way that is very rewarding. Every day—every meal—is a new challenge, and there are literally hundreds of opportunities to make people feel good. Few things are as pleasant as the end of a meal when a restaurant crew can take satisfaction in the success of its joint efforts.

SALARY LEVELS

According to the Bureau of Labor Statistics, the median salary for food service managers in 2008 was just over \$46,000. Keep in mind that the salary level is obviously dependent on geographic location, the restaurant company, length of service, sales volume, and so forth. Some segments are known to pay more than others; for instance, managers in the casual/theme segment are among the highest paid. The average salary for unit managers of family restaurants tends to be on the lower side.

Bonuses can also add an additional \$2,000 to \$10,000 at the unit level, again depending on the segment and individual company policies; other bonuses may include a car allowance and free meals.¹ Restaurant companies tend to compensate their general managers significantly better than they do managers at the assistant level. After all, it is the general manager who is ultimately responsible for the performance of the unit. Employers tend to view the assistant manager's position as an entry-level management position. The salary data on a popular job-search site (www.indeed.com) indicates that in 2008 a typical general manager earned \$47,000 while assistant managers earned only \$34,000. The typical experience requirement for this position is between one and three years. The time that it takes to achieve the level of general manager has gotten progressively shorter over time but is between three and six years for most chains. On the lower end of the spectrum are management trainees, earning \$25,000, and at the upper end, regional managers (of chains), earning \$81,000. Chefs' earnings ranged from \$34,000 for a banquet sous chef to \$52,000 for executive chefs.² In looking at your career farther into the future, it is worthwhile to note that another salary survey by Hospitality Valuation Services looked at the compensation of higher-level managers and found the median salary for hotel chief executive officers in 2007 was \$946,107!³

As we are dealing with averages, there are many people earning both more and less than these amounts. There is a considerable range in earnings because pay depends on the size of the operation, profit levels, and responsibilities involved. Nevertheless, the figures give benchmarks that you may find useful.

SUMMARY

A good way to structure your observation of food service is around the major divisions of the front of the house, the back of the house, and the office or the administrative function, which is the way we have organized this chapter. Guest satisfaction, personal service, and accounting for sales are the major responsibilities of the front of the house. Food quality as well as food safety, sanitation, and food cost control are crucial in the back of the house. The office staff provides administrative assistance to managers and handles routine accounting and cost control functions. It is vital to ensure that there is some kind of management presence whenever an operation's employees are at work. The food service day revolves around opening and closing routines and rush periods at meals. We covered a variety of issues relating to revenues and costs. Food service operations can be made profitable by increasing revenues or decreasing costs. Sales can be increased by selling more to existing customers or by broadening the customer base. Costs must be reduced through greater efficiency rather than by cheapening the product and service. In operations, the effectiveness of results is measured with financial statements, particularly the statement of income and expense, and in operating statistics and ratios.

Key Words and Concepts

Front of the house

Back of the house

Guest satisfaction

Service recovery

Check control

Credit card control

Cash control

Reducing costs

Cost of sales

Controllable expenses

Management presence

Opening and closing

Food safety

Sanitation

Mise en place

Prix fixe menu

Increasing sales

Bundling

Table d'hôte

Covers

Check average

Review Questions

1. What are the most important elements of quality in food service? How are they attained?
2. What is meant by the term management presence? Why is it important? Have you seen it provided in operations in which you have worked? What are some of the consequences of a lack of management presence?
3. What characteristics do you think are important in a person who chooses to work in food service operations?
4. What pitfalls can you see in the attempts to increase sales? To reduce costs?
5. What are the major approaches to increasing profit? Which is the best way? Why? What are its dangers?
6. What are the main controllable costs? Why are they called controllable?

Internet Exercises

1. **Site name:** All Food Business
URL: www.allfoodbusiness.com/job_descriptions.php
Background information: Provides food service industry information and resources free of charge.
Site name: Famous Dave's
URL: www.famousdaves.com/careers/
Background information: Famous Dave's is a chain of barbecue restaurants headquartered in Minnetonka, MN.
Site name: Zoe's Kitchen
URL: www.zoeskitchen.com/MANAGER_OPERATOR.pdf
Background information: Zoe's is a small chain of restaurants headquartered in Birmingham, AL.
Site name: Red Lobster
URL: www.redlobster.com/jobs/management_positions.asp
Background information: Red Lobster is a chain seafood restaurant and is part of Darden Restaurants, Inc. It was built on the promise of offering great-tasting seafood at a value price.
Exercises:
 - a. Review the management job descriptions for each of the restaurants above. Describe the differences and similarities among the restaurant groups and compare them with those discussed in the textbook.

- b. What training is provided by the restaurants to prepare entry-level managers for positions in their organization? Which restaurant company seems to provide the best training?
- c. Based on the job descriptions indicated on the Web sites above, describe what you need to do to prepare yourself for a restaurant manager position between now and graduation.

2. Site name: PayScale.com

URL: www.payscale.com/research/US/Job=Restaurant_Manager/Salary/show_all

Background information: PayScale is an online salary and benefit information source, providing reliable and accurate compensation data for both employees and employers.

Site name: Bureau of Labor Statistics

URL: <http://www.bls.gov/oco/ocos024.htm>

Background information: The Bureau of Labor Statistics is the principal fact-finding agency for the federal government in the broad field of labor economics and statistics.

Site name: StarChefs.com

URL: www.starchefs.com/features/editors_dish/salary_survey/index.shtml

Background information: *StarChefs*TM is an award-winning online magazine, serving the food service industry and food aficionados since 1995.

Exercises:

- a. Using the Web sites above, compare the salary levels for food service managers. Describe any differences and why you believe there is a difference.
- b. Describe the difference that location in the United States makes for basically the same job. Other than cost of living, what would account for differences in salaries in various locations?

Notes

1. National Restaurant Association, "State of the Industry Workforce" (September 2008).
2. www.indeed.com/salary.
3. HVS International, *CEO/CFO Compensation Report*, 2007.