

REVENUE MANAGEMENT IN F&B OPERATIONS.

Introduction

To control the revenue of a unit, particular attention must be paid to the major factors which can have an influence on the profitability. Therefore it is essential to control the main factors which can affect the revenue of a business, such as the menu-beverage list, the total volume of food and beverage sales, the sales mix, the average spend of customers in each selling out-let at different times of the day, the number of covers served and the gross profit margins.

It is important to note, particularly in commercial operations that somewhere in the total control system there is a need for the accountability of what has been served to the customer and the payment for what has been issued from the kitchen or the bar.

The payment for food and beverage may be made in many forms such as cash, foreign currency, credit cards, cheques, travellers' cheques, luncheon type vouchers and signed bills.

All staff handling cash should be adequately trained in the respective company's methods. It is a common practice for a cashier's or waiter's handbook/manual to be produced so that an established procedure may be followed with the specific aim of ensuring that cash security is efficiently carried out at all times.

There are two basic approaches to recording and controlling food and beverage sales.

1. **A manual system:** Which is commonly used in small and in exclusive type catering units.
2. **An automated system:** Which is commonly used in units with several outlets, in units with a very high volume of business and in up-to-date companies with many units.

Manual System

Sales Checks

One of the simplest steps to take when attempting to establish sales control-procedures is to require that each item ordered and its selling price are recorded on a waiter's sales check. Using some form of a check system serves the following functions:

1. To remind the waiting staff of the order they have taken.
2. To give a record of sales so that portion sales and sales mixes and sales histories can be compiled.
3. To assist the cashier and facilitate easy checking of prices charged.
4. To show the customer a detailed list charges made.

An additional aid is to use numbered checks and control these tightly, recording all cancelled and missing checks.

It is more common to find duplicate or triplicate checks being used as an aid to control for the following reasons:

They provide the kitchen, buffet, or bar with a written record of what has been ordered and issued.

1. They authorize the kitchen, buffer, or bar to issue the food and /or beverage.
2. They provide the opportunity to compare the top copy of the check with the duplicate to ensure that all the goods had been issued has been charged and paid for.

Problems of the manual system

In brief, the basic problems of controlling any food and beverage operation are:

1. The time span between purchasing, receiving, storing, processing, selling the product, and obtaining the cash or credit for the product, is sometimes only a few hours.
2. The number of items (food and beverage) held in stock at any time is high.
3. A large number of finished items are produced from a combination of the large number of items held in stock.
4. The number of transactions taking place on an hourly basis in some operations can be very high.
5. To be able to control the operation efficiently, management ideally requires control in formation of many types to be available quickly and to be presented in a meaningful way.

The full manual control of a food and beverage operation would be costly, time consuming and data produced would frequently be far too late for meaningful management action to take place.

The day-today operational problems of a manual system are many and include such common problems as:

1. Poor handwriting by the waiting staff resulting in:
 - A. Incorrect order given to the kitchen or dispense bar
 - B. Wrong food being offered to the customer.
 - C. Incorrect prices being charged to the customer.
 - D. Poorly presented bill for the customer, etc.
2. Human error can produce such mistakes as:

- A. Incorrect prices charged to items on a bill
- B. Incorrect additions to a customer's bill
- C. Incorrect service charge made
- D. Incorrect government tax (for example VAT) charge made.

3. The communication between departments such as the restaurant, dispense bar, kitchen and cashiers has to be done physically by the waiting staff going to the various departments. This is not only time consuming but inefficient.

4. Manual systems do not provide any quick management information data, any data produced at best being normally 24-28 hours old, as well as being costly to produce.

5. Manual systems have to be restricted to the bare essentials because of the high cost of labour that would be involved in providing detailed up-to-date information.

Machine systems

Pre-checking systems

Pre-check machines are somewhat similar in appearance to a standard cash register and are designed to operate only when a sales check is inserted into the printing table to the side of the machine.

The machine is operated in the following way.

1. A waiter has his/ her own machine key.
2. A check is inserted into the printing table and the particular keys, depending on the order taken, are pressed giving an item and price record as well as recording the table number, the number of covers and the waiter's reference number.
3. A duplicate is printed and issued by the machine which is then issued as the duplicate check to obtain food and/or beverages.
4. For each transaction a reference number is given on the sales check and the duplicate.
5. All data is recorded on a continuous audit tape that can be removed only by authorized persons at the end of the day when the machine is cleared and total sales taken and compared to actual cash received.

The advantages of the system are:

1. The sales check is made out and a record of it made on the audit tape before the specific items can be obtained from the kitchen or bar.
2. Analysis of total sales per waiter is made on the audit tape at the end of each shift.
3. No cashier is required as each waiter act as his/her own cashier, each keeping the cash collected from customers until the end of the shift and then paying it in.

4. As each waiter has his/her own security key to operate the machine, there is restricted access to the machines and no other way by which pre-checks can be provided and used in exchange for items from the kitchen or bar.

Pre-set Pre-checking System

This is an up-date on the basic pre-check machine. The keyboard is much larger than the previous machines, and has descriptive keys corresponding to all items on the menu which are pre-set to the current price of each item. A waiter pressing the key for, say one cheeseburger would not only have the item printed out but also the price. A control panel, kept under lock and key, would enable management to change the price of any item if required, very quickly. It is also possible to have a running count kept of each item recorded and at the end of a meal period by depressing each key in turn to get a print out giving a basic analysis of sales made.

Electronic Cash Registers (ECR's)

These are very high speed machines which were developed mainly for operations such as super- markets and were further adapted for use in high volume catering operations. The particular advantages of these machines are that they will:

1. Price customers' checks through preset or by price look-ups.
2. Print checks, including the printing of previously entered items.
3. Have an additional special key-so that the pre-set price can be changed during promotional periods such as a 'happy hour' in a bar.
4. Provide an analysis of sales made by type of product and if required by hour (or other similar period) of trading
5. Provide an analysis of sales by waiter per hour or per shift period.
6. Analyze sales by method of payment for example, cash, cheque, type of credit card, etc.
7. Complete automatic tax calculations and cover and service charges.
8. Provide some limited stock control.
9. Provide waiter check-in and checking out facilities.
10. Provide facilities for operator training to take place on the machine without disrupting any information already in the ECR.
11. Restrict access to the ECR and the till drawer by the key or code for each operator.
12. Have rotating turret displays of price charged to individual customer transactions. This is of particular value in self-service and counter operations.
13. Eliminate the need for a cashier, by requiring each waiter to be responsible for taking payment from the customers and paying in the exact amount as recorded by the ECR at the end of each shift.

Point-of-Sale Control Systems

At a basic level a point-of-sale control system is no more than a modern ECR with the additional feature of one or several printers at such locations as the kitchen (or sections of the kitchen) or dispense bar. Some systems replace the ECR with a 'server terminal' (also called 'waiter communication' systems), which may be placed at several locations within a restaurant, and is a modification of an ECR in that the cash features are eliminated making the terminal relatively small and inconspicuous.

The objectives for having printers are:

1. To provide an instant and separate clear and printed order to kitchen or bar, of what is required and by and for whom.
2. To speed up the process of giving the order to the kitchen or bar.
3. To aid control, in that items can only be ordered when they have been entered into the ECR or terminal by an identifiable member of the waiting staff and printed.
4. To reduced the time taken by the waiter in walking to the kitchen or bar to place an order and, as frequently happens, to check if an order is ready for collection.
5. To afford more times, if required, for customer contact.

Printers are at times replaced by VDU screens. Server terminals are part of a computer-based point-of-sale system. These special terminals are linked to other server terminals in the restaurants and bars within one system and, if required to, also interface with other systems so that, for example, the transfer of restaurant and bar charges may be made via the front office computer system. The advantage of a computerized point-of-sale system is that it is capable of processing data as activities occur, which makes it possible to obtain up-to-the minute reports for management who can be better informed and able to take immediate and accurate corrective action if necessary.

This type of point-of-sale control system has been taken one step further with the introduction of hand-held terminals. Remanco's electronic server pas (ESP), for example, is a palm-size unit which uses radio frequencies to communicate from the guest's table direct to the kitchen and bar preparation areas. The use of such a terminal offers a number of advantages: food and beverage orders are delivered faster and more efficiently to preparation sites; waiters in turn can attend more tables; with a two-way communication service staff can be notified if an item is out of stock; all food and beverage items ordered are immediately charged to the guest's bill, which is accurate and easy to read; finally, operations can reassess their labour utilization and efficiency, certain members of the service staff, for example, can take the simple order, while others can spend more time with customers to increase food and beverage sales.

The ESP is a completely noiseless terminal with orders being entered alphabetically, numerically or by using pre-set codes. When not being used and the unit is closed, its design resembles a conventional order pad, compact and light in weight that can easily

be carried around by service staff. It is currently being utilized in a variety of situations, including restaurants.

Operating Yardsticks used in Controlling

Besides the general operating ratios for example food cost in relation to food sales, beverage cost in relation to beverage sales, etc., there are many more that are used and found to be value. The following is a brief explanation of those that are frequently used.

Total food and beverage sales

The total food and beverage sales should be recorded, checked and measured against the budgeted sales figures for the particular period (for example week or month).

The analysis of these figures is usually done daily for large establishments and for those that are not operating a manual control system. The analysis would show separately the food sales and the beverage sales per outlet and per meal period.

The importance of this yardstick cannot be emphasized enough other than to remind the reader that it is cash and cash only that can be banked and not percentages or any ratio or factor figures.

Department Profit

Departmental profit is calculated by deducting the departmental expenses from the departmental sales, the expenses being the sum of the cost of food and beverages sold, the cost of labour and the cost of overheads charged against the department, and the profit being usually expressed as a percentage of the departmental sales, for example:

Departmental profit (\$1,200) X 100/1= 15%

The departmental profit should be measured against the budget figures for that period. It is worthwhile for food and beverage sales be separated from each other and to express each of them as a percentage of the total sales. This would be a measure of performance against the established standard budgeted percentage as well as indicating general trends in the business.

Average Spending Power

This measures the relationship between food sales and beverage sales to the number of customers served. If food sales are £350 and the number of customers served is seventy, the average spend by each customer is £5. The average spending power (ASP) for

beverages is usually related to the number of items recorded on the till roll, rather than to the number of customers, and the total beverage sales. Thus if £600 is the recorded beverage sales and an analysis of the till roll showed that 400 drinks has been sold, the average spend per drink would be £1.50. What is different here is that a customer may order several drinks during an evening and therefore the average amount spent on a drink is more important than the ASP per customer. To calculate the ASP for bottled wine sales in a restaurant or at a banquet though could be a useful exercise.

Sales Mix

This measures the relationship between the various components of the total sales of a unit, for example:

Sales Mix	%
Coffee shop sales	
Food	20
Beverage	5
Restaurant sales	
Food	25
Beverage	15
Banqueting sales	
Food	20
Beverage	10
Cocktail bar sales	
Beverage	5
	100

In addition, a sales mix may be calculated for the food and beverage menus for each outlet under group headings such as appetizers, main course items, sweet course, coffees, etc.; and spirits, cocktails, beers and lagers, etc. This would not only highlight the most and least popular items, but would at times help to explain a disappointing gross profit percentage that occurred in spite of a good volume of business; the reason often being that each item is usually costed at different gross profit percentages and if the customers are choosing those items with a low gross profit this would result in the overall gross profit figure being less than budgeted for.

Payroll Costs

Payroll costs are usually expressed as a percentage of sales and are normally higher, the higher the level of service offered. It is vital that they are tightly controlled as they contribute a high percentage of the total costs of running operation.

Payroll costs can be controlled by establishing a head count of employees per department, or establishing, the total number of employee hours allowed per department in relation to a known average volume of business. In addition, all overtime must be strictly controlled and should only be permitted when absolutely necessary.

Index of Productivity

This is calculated by the formula:

Sales

Payroll (including any staff benefits costs)

The index of productivity can be calculated separately for food sales, beverage sales or for total food and beverage sales.

The use of the term 'payroll costs' in the formula includes not only the appropriate payroll costs, but also any other employee benefits such as employers pension contributions, medical insurance, etc.

The index of productivity would vary depending on the type of operation, for example a fast food restaurant with a take-away service would have a high index of productivity, as the payroll costs would be lower than a luxury restaurant employing highly skilled and expensive staff with a high ratio of staff to customers, which may have a relatively low index of productivity.

As payroll costs can be controlled and should be related to the forecasted volume of business, a standard index of productivity can be established to measure how accurately the two elements are related.

Stock Turnover

It is calculated by the formula:

Rate of stock turnover =

Cost of food or beverage consumed

Average stock value (food or beverage) at cost

The rate of stock turnover gives the number of times that the average level of stock has turned over in a given period. Too high a turnover would indicate very low levels of stocks being held and a large number of small value purchases being made. This is costly and time consuming for whoever does the purchasing as well as costly for the purchases as no price advantage can be taken of the standard quantity offers made by suppliers.

Too low a turnover would indicate unnecessary capital tied up in an operation and therefore additionally a larger control and security problem. This shows the sales value that can be earned by each seat in a restaurant, coffee shop, etc. The seat is the selling point and is required to contribute a certain value to turnover and profits.

Rate of seat turnover

This shows the number of times that each seat in a restaurant, coffee shop, etc. is used by customers during a specific period. Thus, if in a 120-seater coffee shop 400 customers were served in a three-hour lunch period, the rate of seat turnover would be 400 divided by 120, that is, 3.33. As the while they are seated at a table, the importance of the rate of seat turnover is highlighted.

Sales per waiter/waitress

Each waiter/waitress will have a known number of covers for which he/she is responsible, this would vary depending on the style of food and beverage service offered. AS salespeople for the restaurant or coffee shop, their takings should be of a predetermined target level so as to contribute to a satisfactory level of turnover and profit.

Sales per square foot/meter²

This is self-explanatory in that the space of all selling outlets needs to be used to its best advantage so as to achieve a desired turnover and profit. This can be calculated on a square foot/meter basis. As the square footage per customer varies with the type of food and beverage service offered, so must the costs to the customer so that an establishment is earning the desired turnover and profit per square foot of selling space.