PURPOSE

To ensure an achievable food and beverage cost of sales ratio is established in accordance with management policy.

POLICY

It is the responsibility of the General Manager, Food & Beverage Manager and the Executive Chef to establish the range and style of food service to be offered by the hotel by following the Standards (see F&B Manual). As part of their discussions on the subject, management should determine what dishes are to be offered and what price is to be charged for each dish.

PROCEDURE

a) RECIPE COSTING

1. Having determined what types of dishes are to be served, recipe cards should be prepared by the Executive Chef and given to the Cost Controller. The Cost Controller should determine the anticipated percentage cost of sales for each dish to be served.

2. Once approved, a print out of the recipe card should be returned to the Executive Chef, which will aid consistent dish preparation and portion control. Information recorded on each recipe card should detail:

   - the quality and quantity of ingredients to be used (including condiments and garnish)
   - the size of portion to be served
   - the number of portions to be prepared as a batch
   - the cost of ingredients in the dish per portion
   - the selling price of the dish

3. The Cost Controller is responsible for the maintenance of the recipe costing database in electronic Point of Sales (POS) in co-ordination with the EDP Systems Manager.

4. Recipe cards should be prepared for all menu items. Buffets should be costed at least on a quarterly basis and the recipe costing database updated accordingly.

b) MENU POPULARITY

1. Individual dishes will have different cost of sales percentages, thus before the food cost of an outlet can be established or forecast, examination of the sales mix in that outlet must be made.

2. The Electronic POS Menu Engineering Report identifies the sales of each item on the menu in any given period and provides the item mix, costs, ratios and the likely revenue. It also assists in determining the quantities of each dish to be prepared and as such can prevent over production and therefore wastage.

3. Classification provided by the "Menu Engineering" report is a very useful tool, as it identifies variance from established trends and lists the performance of individual items, Below are four categories with their definitions and recommendations for improvement:

WINNER High contribution margin and high menu popularity:
- Maintain rigid quality, portion and presentation standards
- Locate the item in a highly visible position on the menu
- Test for price sensitivity

RUNNER Low contribution margin and high menu popularity:
- Relocate the item to a less visible area on the menu
- Consider slight portion reduction or replace ingredients to lower costs and therefore boost the contribution margin

SLEEPER High contribution margin and low menu popularity:
- Reposition the item for better visibility
- Rename or re-describe the item for more appeal

LOSER Low contribution margin and low menu popularity:
- Remove the item from the menu
- Replace it with other more profitable items
- Raise the price to at least "runner" status

c) FOOD COST

1. Combining the cost per item with the sales mix, the electronic POS Menu Engineering Report projects an overall cost of sales and thus allows for the measurement of performance for an individual outlet and ultimately, the overall department. This theoretical cost of sales is termed the "potential food cost".

2. There will be discrepancies between actual and potential costs as a result of wastage and shrinkage in the production cycle. These are acceptable, provided that potential cost and actual cost are within two per cent of each other. Other variances may be accountable for, such as changes in the cost of food items.

   It is important to identify which factors have contributed to the variance and this is the purpose of the reports produced by the Cost Controller. Other variances, which cannot be explained by those above, may be as a result of the breakdown in management policy or in the control procedures outlined below.

3. The key factors, which must be considered in analysing any variance between actual and potential food cost are itemised below.

   - Purchase Price
   - Overproduction
   - Security
   - Portion Sizes

- Storage
- Menu Planning
- Cooking Procedures
- Standard Recipes
- Butchering
- Income Control and Reporting
- Receiving
- Issues to Other Departments
- Faulty Equipment
- Hygiene
- Complimentary Meals and Returns
- Banquet charges (changes in function order data)

d) BEVERAGE COST

1. The inventory module may be used to establish the actual beverage cost (i.e. consumption) by outlet. The potential cost can be determined by using this actual cost and converting beverage consumption at selling price (this calculation may also be achieved through the inventory module).

   The next step is to compare the potential sales established above with actual sales recorded through the electronic POS. A resulting variance may then be established. Significant variances may be further analysed by feeding in items sold from electronic POS and comparing these against items consumed.

2. Spirits can be sold in three ways: as standard measures, part of a cocktail, or as a full bottle.

   Each of these types of sale will have a different sales price per unit. In order to identify the gross profit margin, the mix of spirit sales will have to be carefully programmed within the electronic POS menu engineering.

3. The selling value of a bottle of spirit is determined by reference to the standard number of measures, which can be obtained from that bottle. This is then adjusted to take account of sales as part of a cocktail or as a straight bottle sale. As an example, consider a 32-oz bottle of vodka and a standard measure of 1.25 oz.

   Allowing part of an ounce for spillage, it is possible to obtain 25 full measures from a bottle. If all these measures were sold at US$ 2.50, the sales value of a bottle would be US$ 62.50. This will however, be distorted by cocktails and full bottle sales.

4. There should therefore be standard recipe formula for all cocktails served and strict control over the sale to guests of full bottles. If the consumption of spirits through these two types of sale can be identified, the amount sold as standard measures is also known and thus the selling value of inventory consumed can be calculated.

5. Cocktails will generally have at least a standard measure of spirit in them, although the selling price may be different. To derive the selling price for a bottle it is therefore necessary to identify an adjusted selling price.

6. The sales value of full bottles will be lower than when sold by the measure. This factor should also be adjusted as part of the theoretical sales calculation. Minerals may also have two sales values: when sold as a mixer or with a spirit, or when served on their own. This should again be identified from the sales mix analysis and shown as part of the menu engineering report.

7. The potential sales calculation is therefore derived from calculating the sales value of a bottle of spirit as adjusted for cocktail and full bottle sales and the overall mix of sales.

8. Having established a potential sales figure, it is possible to derive a potential cost percentage for each outlet. The acceptance variance for actual against potential is only 0.6% in the case of beverage. If this is not achieved, a detailed examination will have to be undertaken for each outlet.

9. It may be considered appropriate to treat mini bar sales separately and the procedures for controlling and reporting are shown in the relevant section.