

NATIONAL OPEN UNIVERSITY OF NIGERIA

HCM 303



Food Service and
Professionalism
Module 3

HCM303 Food Service and Professionalism Module 3

Course Developer/Writer

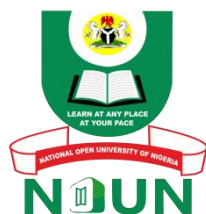
Mrs. Elizabeth I. Babagbale, National Open University of Nigeria

Programme Leader

Prof. N.E Mundi, National Open University of Nigeria

Credits of cover-photo: Henry Ude, National Open University of Nigeria

National Open University of Nigeria - University Village, 91 Cadastral Zone, Nnamdi Azikiwe Express Way, Jabi Abuja, Nigeria



www.nou.edu.ng centralinfo@nou.edu.ng
oer.nou.edu.ng oerunit@nou.edu.ng OER repository

Published in 2021, by the National Open University of Nigeria

© National Open University of Nigeria 2021



This publication is made available in Open Access under the [Attribution-ShareAlike4.0 \(CC-BY-SA 4.0\) license](https://creativecommons.org/licenses/by-sa/4.0/). By using the content of this publication, the users accept to be bound by the terms of use of the Open Educational Resources repository oer.nou.edu.ng of the National Open University of Nigeria.

The designations employed and the presentation of material throughout this publication do not imply the expression of any opinion whatsoever on the part of National Open University of Nigeria concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The ideas and opinions expressed in this publication are those of the authors; they are not necessarily those of National Open University of Nigeria and do not commit the organization.

How to re-use and attribute this content

Under this license, any user of this textbook or the textbook contents herein must provide proper attribution as follows: “First produced by the National Open University of Nigeria” and include the NOUN Logo and the cover of the publication. The repository has a version of the course available in ODT-format for re-use.

If you use this course material as a bibliographic reference, then you should cite it as follows: ECE 227: Organization and Service Provision in Early Childhood Education, Module I, National Open University of Nigeria, 2015 at oer.nou.edu.ng

If you redistribute this textbook in a print format, in whole or part, then you must include the information in this section and give on every physical page the following attribution: Downloaded for free as an Open Educational Resource at oer.nou.edu.ng If you electronically redistribute part of this textbook, in whole or part, then you must retain in every digital file (including but not limited to EPUB, PDF, ODT and HTML) the following attribution:

Downloaded for free from the National Open University of Nigeria (NOUN) Open Educational Resources repository at oer.nou.edu.ng

Module 3

Unit I Food Service Marketing

1.0 Introduction

Marketing is the business function that identifies current the unfulfilled needs and wants; it also defines and measures their magnitude. It determines what target market the organization can best serve, decides and appropriates products, services and programmes to serve the identified market. Thus marketing serves as the link between a society's needs and its pattern of industrial response. This unit deals decisively with food service marketing.

2.0 Objectives

At the end of this study, you should be able to:

- define marketing as it affects the food service organisations
- understand what to do to promote and enhance sales within the foodservice organisation.

3.0 Main Content

The marketing concept has to evolve through various stages over time. Particularly in the food service business, marketers have discovered that what puts them in business is not the capital they put together – land, labour, money and entrepreneurial skills, but the buyers that make repeat purchases.

If the customers refuse to patronize the business for just one year, organizations that will survive may be less than 10%. Having acknowledged their importance, the business has to be adjusted to the consumers' philosophy. Everything now revolves around the consumers. Hence, 'the customers are always right'. The target of business is to attract buyers and satisfy them to a point where they would become loyal customers.

3.1 What is Food Service Marketing?

A Market in the context of food service operation can be defined as people with unsatisfied needs and wants of particular meal who have both the resources and willingness to buy. In the food service sector, market can be of two different dimensions:

3.1.1 Welfare Sector

In a Welfare Sector, Marketing main function is to maximise customers' satisfaction within the constraint of the budget. The customers may be patients in the hospital, prisoners, pupils in primary schools, students in colleges or higher institution of learning; it may even be employees of a factory etc. The marketing strategy is the quality of products or services rendered to the customers and reward is the professional reputation of the team of staff and management.

3.1.2 Profit Sector

The Profit Sector focuses on people with unsatisfied needs and wants who have both the resources and willingness to buy. Marketers must strive to provide covers of food for sales attractively to customers and sell at a profit. Marketing and Sales are critically important to the success of service industry such as Hotel Restaurant, Coffee shop, Specialty restaurant, Bars, Room service, Fast food restaurant and Snack Bar.

Without guests there is no need for employees. Everyone in the organisation is involved in marketing directly or indirectly.

Successful marketing is not just to create customers but to keep them coming back.

Creating a customer means finding a product or service that a number of people need or want e.g. MacDonalds quick service met the need for food on the run so also Mr Biggs to mention a few.

3.2 Characteristic nature of service

The service industry has a key role in delivering brand values to customers and this can only be achieved if the service providers understand the nature of service marketing and different segmentation of customers. Services are different to products because they possess the following properties:

Intangibility – They cannot be touched

Heterogeneity - They are unique to customers

Perishability - They cannot be stored

Personal – The customer has to be present and service rendered to individual customer satisfaction.

For these reasons hospitality services are branded, the brand helps the customers in the food service such as restaurants to understand what they expect.

Self-Assessment Exercise

What are the characteristics of service in relation to marketing?

3.2.1 Customer Behaviors & Suggestive Selling

One very important public which cuts across ethic, geo-political, socio-cultural divides of the world is customers. Products are designed because of them. Sellers and manufacturers are in business because of buyers. If there was nobody to buy, there would be no production.

There would be no marketing process. If buyers would buy once and never return, all factories, manufacturing plants and service providers would have grounded to a halt. The need for buyers to become customers is the greatest challenge of marketing.

Selling is a technique or trick of getting people to exchange their cash for a product. It is not concerned with the values of the product. It does not view the business process as consisting of an integrated effort to discover, create, arouse and satisfy customers' needs neither does it consider the characteristics of hospitality service stated above.

Suggestive selling can be a potent weapon in the effort to increase food sales. Many food service organisations cannot think of a better, more effective and easier way to boost profit

margins. Waiters report that most guests are not offended or uncomfortable with suggestive selling techniques. In fact, customers may feel special that the server is in tune with their needs and desires. It may be that the server suggests something to the guest that he or she has never considered before. The object here is to turn servers to sellers. Guests will almost certainly be receptive to suggestions from competent servers.

Customers want to see these important factors in the service areas:

- High standards of visibility- that the environment is safe and security guaranteed.
- Limited queuing- visual evidence that they will receive quick service and find a seat.
- High level of cleanliness throughout- within, in the toilets, outside, even at the car parks
- Service style must be clearly communicated and consistent with customer need
- Attractive external and internal décor to be complemented with flowers, plants, ample car parking etc.

On a hot day, for example, waiters can suggest ice cream or frozen margaritas before going on to describe the desserts. Likewise, waiters who suggest a bottle of chilled white wine to complement a fish dish or a Mondovi Pinot Noir or Cabernet Sauvignon to go with red meat. This strategy will likely increase the restaurant sales.

The followings are a few suggestions to food service staff towards improved business:

- Must be capable of communicating food available all day and at different occasions e g breakfast, afternoon tea, lunch, dinner
- Know nature of food, prices and ability to display clearly to customers
- Have ability to deliver food quickly within the time targets e g 15 minutes of placing the order
- Have good knowledge of menu
- Possess good customer care skills & ability to relate with different customers
- Work as commissioned salespeople
- Must be provided incentives and opportunity for feedback
- Be capable of recognising the unspoken suggestions
- Be able to draw the line between sell and solicit.

Good waiters quickly learn to gauge the guest's satisfaction levels and to be sensitive to guests' needs for example, they check to ensure guests have everything they need as their entrée is placed before them. Even better, they anticipate guest needs. For example if the guest had used the entrée knife to eat the appetizers, then a clean one should automatically be placed to the guest's right side. In other words, the guest should not receive the entrée and then realize he or she needs another knife.

Another example of good service is when the waiter does not have to ask everyone at the table who is eating what. The waiter should either remember or do a seating plan so that the correct dishes are automatically placed in front of guests.

In a chain- restaurants or fast-food chain such as: MacDonalds, Hilton International, marketing is controlled most often by head office with high proportions of bookings coming via central reservations services. Skill requirements are therefore reduced from the traditional management provisions with emphasis on retailing and property management rather than interpersonal skills.

3.2.3 Merchandising

The efficiency of merchandising can affect the level of demand for the consumption of food in the restaurant. Menu is one of the most important sales tools of caterers. It is important for menu to be legible, correct, with clear layout and content should be easily read.

Menu can be handwritten, duplicated, printed or laminated. Printed menu is more common though the colour of paper is important. It must match the entire décor of the restaurant.

The size is equally important. Standard size ranges from A1 841mm by 595mm, A2 420mm by 594mm to A7 105mm by 74mm while the Long size is either 1/8 A4 210mm by 99mm or 1/4 A4 210mm by 74mm. Examples of menu for different occasions have been given in Unit 6 Printing and frequent reprinting of menu can be cost ineffective. It can be printed in large quantity of stock to reduce cost per unit.

It should be noted that menu must be dated with the price indicated. The type of menu and the time of service must also be stated.

4.0 Conclusion

This unit has been able to discuss marketing as it affects the food service organisations and the need to promote and enhance sales within the foodservice organisation.

5.0 Summary

This unit explained the need to study customer behaviours and how to adopt suggestive selling to not only achieve customer expectations but also exceed them.

6.0 Self-Assessment Exercise

As the Manager of the high street Restaurant, you observe that sales is dwindling, how would you educate the management and staff on correct selling skills and merchandising in order to improve sales.

7.0 References/Further Reading

Davis, B, Lockwood, A and S. Stone (2002) 3rd edn Food and Beverage Management: Butterworth, Britain.

Medlik, S. and H. Ingram (2002) 4th edn The Business of Hotels: Butterworth Heinemann.

Unit 2 Finance, Budgeting and Cost Control for the Food Service Business

1.0 Introduction

Operating Food service business requires a greater investment than some other business. The sums involved will depend upon the size of business operation one has in mind and the type of catering activities to concentrate on.

The budget will include a month-by-month or week-by-week estimate of income and expenditure, the latter being broken down into fixed and variable costs. The longer the financial period the more difficult it is to forecast the requirements and relevant costs of the company.

The advantage of preparing budget is that it provides the opportunity to take a critical look at the cost of the organisation, review the past and present accomplishment and take appropriate steps to accomplish more in the coming financial year.

2.0 Objectives

At the end of this unit, you should be able to:

- understand the importance of finance and budgeting in the food service organisation
- understand the need to put proper and workable control in place.

3.0 Main Content

Typically, the monthly forecast for a food and beverage department is prepared between the twelfth and the fifteenth of every month; a budget and forecast for the upcoming year is prepared between July and September. Every January, a planning meeting takes place with all the food and beverage department heads and the year's special events are planned. These events are important because they constitute the peak period of the business and they include Easter, Mother's day, St. Valentine's Day, St. Patrick's Day, the summer program, Halloween, Thanksgiving, Christmas, New Year's Eve, New Year's Day and so on.

Budgeting costs fall into two categories: fixed and variable. Fixed costs are constant no matter the volume of business. Fixed costs are rent/lease payment, interest and depreciation. Variable costs influence with the volume of business. Variable costs include controllable expenses such as payroll, benefits, direct operating expenses, music and entertainment, marketing and promotion, energy and utility, administrative materials, repairs and maintenance.

Regardless of sales fluctuations, variable or controllable expenses vary in some controllable proportion to sales.

3.1 Finance

3.1.1 Financing the business

In order to estimate the amount of money required, the following areas of expenditure need to be checked:

Some costs will be incurred simply by starting up. These could include stationery and office materials, menus and price-lists, packaging materials and bulk purchase of groceries. Starting-up costs will also include new telephone installation charges, insurance on the business and its transport, legal fees and publicity as well as everything needed to be paid for before starting a business.

3.1.2 Bank loans

The bank is the most likely source that can offer a lump sum of money towards any initial investment required. It may offer an overdraft facility to help with the demands upon working capital. This is the commonest form of bank help and it has the advantage that interest is paid only on the actual amount that might be overdrawn. The disadvantage is that an overdraft can be withdrawn at any time, so it should be used only to cover short-term requirements. The bank may ask for personal guarantees for the money they are prepared to lend.

3.1.3 Private loans

Very often the difference between the total of own capital and that required to start up business can be found within the family or from friends or ex-business associates who are prepared to back the business ideas. The best way to arrange this is for the bankers to guarantee a loan or overdraft on the basis that, if the recipient is unable to pay up, then the guarantor is liable for that amount. The advantage of this kind of arrangement is that, in certain circumstances, the guarantor of a business loan can treat any losses incurred as capital losses which can be used to offset capital gains.

Sometimes private loans, and indeed those from other outside agencies such as finance houses and investment companies, are conditional on acquiring shares or the option to acquire them. This means that part of the company will be given away which may not likely be got back.

3.2 Importance of Budget

Management needs to consider the records, observations and evaluations of the past and present performances in order to plan for the future. The manager should be preparing throughout the financial period for the presentation of the next budget by keeping records of relevant facts such as:

Usage of commodities, groceries, cost of repairs services, cost of cleaning etc.
In this way he or she is easily able to justify the cost of particular items.

3.2.1 Budget for the first six months of operation

The budget will include a month-by-month or week-by-week estimate of income and expenditure, the latter being broken down into fixed and variable costs. If business is seasonal, the budget may need to be projected for a year or longer. Stock books and monthly consumption should be a guide when ordering consumable or perishable items so quantities used in a given period are known. Standing orders are necessary to guide against over or under-stocking.

In purchasing, specifications must be drawn and firms asked for quotations.

Purchasing procedures had been discussed in Unit 2. All items should be checked for quality and quantity and any complaint should be made for immediate attention.

3.2.2 Balance sheet

A balance sheet for a restaurant reflects how the assets and liabilities relate to the owners' equity at a particular moment in time. The balance sheet is mainly used by owners and investors to verify the financial health of the organisation. Financial health may be defined in several ways, for example, liquidity which means having a sufficient amount of cash available to pay bills when they are due and debt leverage, which is the percentage of a company's assets owned by outside interests (liabilities).

Restaurants are one of the few, fortunate type of businesses to operate on a cash basis for income receivables. There is no outstanding accounts receivable because all sales are in cash – even credit cash are treated as cash because of their prompt payment. Normally, restaurants invest significant funds in assets such as : equipment, furniture, and building / rent.

The balance sheet will reflect how much of the cost of these assets has been paid for and is thus owned by the company (owner's equity) and how much is still due for outsiders (liability). Furthermore, the balance sheet will show the extent to which the company has depreciated these assets, thus providing owners investor with an indication of potential future costs to repair or replace existing assets.

- Rent and other Occupation Costs
- Income before interest, depreciation and taxes
- Interest
- Depreciation
- Net income before taxes
- Taxes
- National income

3.2.4 Cash flow forecast

This will cover the same income and expenditure information contained in the budget, but instead of being averaged out over the entire period, the sums will be shown as actual amounts in the months in which they fall. Starting-up costs may be included in the first month.

3.2.5 Control system

In practice this will mean setting up a control system and taking steps to ensure that the system is working. The system must cover the costs of raw materials and ingredients as well as prepared food. It must also include cost of cleanliness of premises and machinery and assurances from suppliers that they too have complied with the law. Consumer complaints must also be built into system.

3.3 Legal Aspect

3.3.1 Taxes

Income tax, corporation tax and value added tax will have to be paid. If the employees are even only on part- time basis, the company will be liable for organizing their income tax deduction under the PAYE scheme and for National Insurance contributions both for all the workers.

3.3.2 Insurance

This is an extremely important subject that often gets overlooked. Some form of insurance may be a legal necessity. Both the employees and customers need to be protected and it will be important to take out some form of public liability insurance in case of food poisoning or some other kind of injury to customers. There is also need to cover the premises and transport.

Insurance is expensive though it is essential in that it is far better to be safe than sorry.

3.3.3 Lease Arrangement

Successful restaurant operators will ensure that the restaurant's lease does not cost more than five to eight percent of sales. Some chain restaurants may search for months or even years before they find the right location at the right price. Most leases are triple net which mean the lessee must pay for all alterations, insurance, utility and commercial fees (e.g. landscaping or parking upkeep, security etc).

The best lease is for the longest time period with options for renewal and a sublease clause. The sublease clause is important because if the restaurant is not successful, the owner is still liable to pay the lease. With the sublease clause the owner may sublease the space to another restaurant operator or any other business.

Once a lease contract is signed, it is very difficult to renegotiate even a part of it. Only in dire circumstances is it possible to renegotiate lease contracts. The governing factor in determining lease rates is the marketplace. The marketplace is the supply and demand. If there is strong demand for space, then rates will increase. However, with a high vacancy rate, rates will be driven down by the owners in an effort to rent space and gain income.

Self-Assessment Exercise

Mention and describe briefly the books of accounts to introduce at the start of the business for correct accountability.

3.4 Income Statements

3.4.1 Operating or income statement

From an operational perspective, the most important financial document is the operating statement. Once sales forecast has been compacted, the costs of servicing those sales are budgeted on an income statement.

The income statement, which is for a month or year, begins with the food sales. From this total the cost of food deducted; the remaining total is gross profit. To this amount any other income is added (e.g. vending machines, outside catering and telephone income,). The next is controllable expenses, which includes salaries, wages, employee benefits, direct operating expenses (telephone, insurance, accounting and legal fees, office supplies, paper, china, glass, cutlery, menus, landscaping and so on), music and entertainment, marketing, energy and utility, administrative and general, repairs and maintenance. The total of this group is called total controllable expenses. Rent and other occupation costs are then deducted from the total, leaving income before interest, depreciation, and taxes. Interest and depreciation are deducted a total of net income before taxes. From this amount income taxes are paid leaving the remainder as net income.

Managing the money to the bottom line requires careful scrutiny of all key results, beginning with the controllable items like labour costs, food costs and on down to related controllables. Additionally, management may wish to compare several income statements representing operations over a number of different periods. The ideal method for comparing is to compute every component of each income statement as a percentage of its total sales. Then compare one period's percentage to another to determine if any significant trends of total sales over several months or years to assess the impact of rising labour rates on the bottom line.

3.4.2 Operating ratios

Operating ratios are industry norms that are applicable to each segment of the industry. Experienced restaurant operators rely on these operating ratios to indicate the restaurant's degree of success. Among the ratios are the following:

- Food cost percentage
- Contribution margin
- Labour cost percentage
- Prime cost

i) Food cost percentage

The basic food cost percentage, for which the formula is $\text{cost/sales} \times 100 = \text{the food cost percentage}$, is calculated on a daily, weekly, or monthly basis.

The procedure works in the following manner:

An inventory is taken of all the food and the purchase price of that food. This is called the opening inventory.

The purchases are totalled for the period and added to the opening inventory.

The closing inventory (the inventory at the close of the week or period for which the food cost percentage is being calculated) and returns, spoilage, complimentary meals, and transfer to other departments are also deducted from the opening inventory plus purchases.

This figure is the cost of goods sold. The cost of goods sold is divided by the total sales. The resulting figure is the food cost percentage.

The following example illustrates the procedure:

Food sales \$3,000
Opening inventory 1,000
Add Purchases 500
1,500 Less spoilage and complimentary meals 100
Less closing inventory 500
Cost of Goods Sold \$900
Food Cost (\$900) × 100
Sales (\$3,000)
= 30 % Food Cost Percentage

The food cost percentage calculations become slightly more complicated when the cost of staff meals, management meals and entertaining (complimentary meals), and guest food returned are all properly calculated.

Food cost percentage has long been used as a yardstick for measuring the skill of the chef, cooks, and management to achieve a predetermined food cost percentage – usually 28 to 32 percent for a full service restaurant and a little higher for a high-volume, fast food restaurant.

Controlling food costs begins with cost-effective purchasing systems, a controlled storage and issuing system and strict control of the food production and sales (Food cost control will probably be treated in detail under Food Production Practice which is a different course entirely).

ii) Contribution margin

More recently, attention has focused not only on the food cost percentage but also on the contribution margin. The contribution margin is the amount that a menu item contributes to the gross profit, or the difference between the cost of the item and its sales price. Some menu items contribute more than others; therefore, restaurant operators focus more attention on the items that produce a higher contribution margin. For illustration:

The cost of the chicken dish is \$2.00 and its selling price is \$9.95, which leaves a contribution margin of \$7.95. The fish, which costs a little more at \$3.25 sells for \$12.75 and leaves a contribution of \$9.50. The pasta cost price of \$1.50 and selling price of \$8.95 and leaves a contribution margin of \$7.45. Under this scenario it would be better for the restaurants to sell more fish because each plate will yield \$1.55 more than if chicken were sold.

iii) Labour cost percentage

Labour costs are the highest single cost factor in staffing a restaurant. Fast-food restaurants have the lowest labour costs (about 16 to 18 percent) with family and ethnic restaurants at about 22 to 26 percent and upscale full-service restaurants at about 30 to 35 percent.

iii) Prime cost

Combined food and labour costs are known as prime cost. In order to allow for a reasonable return on investment, prime cost should not go above 60 to 65 percent of sales.

There are various methods of control, beginning with effective scheduling based on the expected volume of business. In reality, because of the high cost of labour, today's restaurateurs manage by the minute. Once a rush is over, the effective manager thanks employees for doing a great job and looks forward to seeing them again. This may appear to be micromanagement, but an analysis of restaurants operations does not leave any alternatives.

iv) Controllable expenses

Controllable expenses are all the expenses over which management and ownership have control. They include salaries and wages (payroll) and related benefits; direct operating expenses such as music and entertainment; marketing, including sales, advertising, public relations, and promotions; heat, light, and power; administrative and general expenses; and 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. Successful restaurants operators are constantly monitoring their controllable expenses. The largest controllable expense is payroll. Because payroll is about 24 to 28 percent of a restaurant's sales, managers constantly monitor their employees, not by the hour but by the minute.

The actual sales results are compared with the budgeted amounts – ideally with percentages – and variances investigated. Most chain restaurant operators monitor the key results areas of sales and labour costs are also monitored closely, generally on a weekly basis.

v) Essentials of adequate Controls

All money earned must be watched all the way to the bank, and every dollar or pound spent must be analyzed to see if it is really necessary. Control provides information to management for operational decision-making purposes.

Industry experts describe the following losses resulting from a lack of controls:

- The food service industry loses approximately \$20 billion a year to theft and cash mishandling.
- One out of every three employees will steal if given the opportunity. This includes theft of cash, merchandise, and time.
- Approximately five percent to eight percent of gross sales is lost to internal theft.
- Thirty-five percent of all restaurants fail because of theft.
- Seventy-five percent of all missing inventory is from theft.
- Seventy-three percent of job applications are falsified.
- The majority of employees caught stealing have worked for an operation for an average of five to seven years.

4.0 Conclusion

Food and beverages operation is highly capital intensive and cannot take off without adequate finances. Management has to forecast the future need and expenditures for successful operation. The finances must be correctly utilized while the sales are well monitored to prevent loss of revenue. To achieve these, this unit had discussed financing of food service business and the various control measures to put in place for successful operation.

5.0 Summary

In this unit we have discussed the importance of finance, budgeting and the need to have proper and workable control system in the food service organisations. Balance sheet, the legal aspect as well as income and expenditure records were explained. Finally, possible loopholes to check for correct accountability and record keeping were also highlighted.

6.0 Self-Assessment Exercise

What various options are available for financing a fast- food business?

7.0 References/Further Reading

Nickels W, McHugh J and S McHugh (1999) 5th edn Understanding Business: Irwin McGraw-Hill USA.

Davis, B, Lockwood, A and S. Stone (2002) 3rd edn Food and Beverage Management: Butterworth, Britain.

Unit 3 Modern Trends Affecting the Hospitality Industry and the Future of Food Service Organisations

1.0 Introduction

The fundamental principle of restaurant operation is to reduce complexity because it adds to costs, threatens quality and causes inefficiency. A modern trend in the hospitality industry has been to develop a system of operation that can reduce complexity by changing or reducing a number of systems within the operation. The industry is highly dynamic and it is affected by on- going issues such as: legislation; outsourcing; health awareness; technology; supply chain management; political stability and industry concentration. The issue of current and future trends is important because pattern changes, characteristics change, the needs and customers taste changes while competition increases. The food service management must be up to date with the ever- changing market to remain relevant and run at a profit. The issue of current / future trend as it affects the food service operation will be treated in this unit.

2.0 Objectives

At the end of this unit, you should be able to:

- debate current industry issues and problems and formulate potential solutions
- assess and reflect upon performance and construct alternative approaches for the future.

3.0 Main Content

3.1 Modern trends in the Hospitality Industry

Restaurants are now recording low sales on food service. The growth of health awareness tends towards more healthy diet. Guests are more associated with light meals such as breakfasts and snacks. Despite many challenges they face in the restaurants and in the increasingly competitive marketplace, restaurant operators are overwhelmingly optimistic about business conditions.

3.1.1 The value of value

Recognizing that repeat customers is a major source of revenue, restaurant operators are trying to make repeat visits as simple and satisfying as possible. One way to keep customers coming back is to maximize the value they receive for the price they pay. Consequently, restaurant operators are placing great emphasis on delivering more value for the money.

3.1.2 Building loyalty is no easy task

Despite the high level of customer satisfaction; the industry remains an extremely competitive arena. Customers may seem generally satisfied with restaurants but keeping them that way and keeping them coming back for more is a significant challenge in the eyes of restaurant operators. Restaurant operators are finding it more difficult to maintain customer loyalty now especially at lower-average-check-size operations.

3.1.3 Current Issues and Future Trends

Major trends in foodservice were more conceptualized and casualized dining rooms; standardizing menus and three-meal coffee shops; cutting prices; competitive pre-packaged, all-inclusive banquet meals and healthier menu items. All of these can also be applied to the foodservice scene both in the developed and developing countries.

The top two challenges were to help restaurant managers develop an entrepreneurial style that customers have come to expect at independent restaurants and create marketing and promotional program to drive sales. The restaurant operators have adopted four different approaches to this entrepreneurial challenge based around branding and/or joint ventures. With regards to marketing and promotion, some trends emerge.

First, restaurants no longer just think of their guests, as their market. They are segmenting their foodservice offering into different markets with promotions aimed at each. So a restaurant located in a business area may target office workers and business people at lunchtimes through local advertising and promoting.

Many restaurants have successfully developed Sunday lunchtime trade by promoting family lunches or “brunch” aimed at local householders.

Second, there is an increase in ‘loyalty dining cards’. These are ‘smart’ cards that entitle the holder to a discount related to how frequently the customer uses the outlet. Some hotels of international standard have all introduced this concept for their guests.

The restaurant’s concept is a special service style. Four-or-five-star hotels also provide lounge service, room service and banqueting which in some properties can generate more revenue than the three other types of business put together.

The management structure in hotel foodservice is more complex than in other sectors.

3.1.4 Product offering

Fast-food outlets sell a total consumption package or what is sometimes called the service package. This defines the offer and consists of a mixture of elements. The food, the burger and fries or the fish and chips, is only one part of this package. In takeaway food outlet, the service package consists of physical items or ‘tangible’ and service elements or ‘intangibles’ and that these two elements are about equal in proportion.

The success of modern fast-food operations greatly depends on their ability to meet the documented standards of operating procedures. Menus can be redesigned to give the consumers the priority desired. For example the introduction of assorted bread like wholemeal bread, salad bars, low- calorie, low- cholesterol and low- salt items with vegetarian options in the restaurant.

3.1.5 Maintaining Standard

In franchised fast-food operations the franchisee is bound by the franchise agreement to operate the business according to the documented procedure and is trained accordingly. The concept of inventory control is frequently used for auditing in both franchised and non-

franchised fast-food chains. For example, McDonalds, like many other chains, have area advisors and performance audit teams who regularly visit outlets to check operating performance against standards. They are especially concerned with performance related to QSV and C: Quality, Service, Value and Cleanliness. If a fast-food franchise is found consistently to be failing to meet standards the result can be that a manager is fined or the franchise removed.

Self-Assessment Exercise

Analyse the problems facing food service business today.

3.2 Human Resources Management

3.2.1 Recruitment procedure

Before starting the recruitment process for any required position it is of paramount importance to establish the exact skill set required. Internal benchmarking exercises with current high performing members of the team are invaluable in identifying the behaviours and competencies that work well for the environment. Using the objective information gained from such fact finding exercises, relevant job descriptions can then be designed and interviewing procedures put in place with clear focus on the competencies that should be measured during the process.

Think 'bigger picture'. A recruitment advertisement can also be a great way to raise the profile of the company.

Speak directly to the recruitment advertising sales team, they should be able to provide statistical data that will detail circulation figures and average response rates.

Ensure any material used is top quality and the content communicates effectively to the wider audience.

3.2.2 The Online Option

Online advertising has opened up channels which enable recruitment advertisements to reach a global candidate marketplace. This can help to attract a wider variety of candidates and a higher volume of applications. Job vacancies placed on the company's own website are a popular method of recruiting.

3.2.3 Stay Competitive

The recruitment marketplace is highly competitive for Hospitality and restaurant business. Competitor analysis can prove insightful; new ideas help contribute towards fresh initiatives to use in positioning a company as an employer of choice. The depth of a piece of research of this nature can range from the basic gleaming of information from peers, right through to commissioning a consultancy to undertake a specific exercise focusing on the key areas of interest.

Invest time in staying aware of continuously changing expectations, particularly with regard to remuneration, training, development and on-going rewards and benefit schemes.

3.2.4 Deliver the Promise

By taking the time to create a robust interview process, this in itself will help to ensure that educated and considered decisions are made when employing new staff. Make certain that the expectations established at the initial interview stages are managed and met once the candidate is on board.

3.3 Staff /Marketing

3.3.1 Customer Loyalty Equals Higher Profits

There is an old adage in the service industry, 'You don't get a second chance to make a good first impression.' This saying is particularly true in the service industry, because employees are being challenged to deliver excellent customer service, a vital component in guest retention and particularly challenging for a franchise restaurant chain of independent owners.

The company must empower its staff to use initiative in ensuring customer satisfaction.

The word hospitality evokes images of friendly service where everything is in working order, and consistency of product, to mention a few. However, when customer expectations are exceeded -in other words, provide beyond their basic needs- to create guest loyalty and a highly successful operation.

The management and the team should be able to render unique service capable of bringing added value to the guests. This is one of the things that keep guests coming back, even if the competitors in the same area have brand new restaurants.

3.3.2 Brand Differentiation

Product differentiation is a critical aspect of marketing plan. It includes taking the time to greet guests with a smile and thanking them for their business. In addition, providing consistently quick service and follow-up on response to any request will go a long way in adding value to your guest's stay. Believe it or not, 'it's the little things that matter'. As a general rule in any business, it takes up to ten times the cost and effort to gain a new customer as it does to keep one you already have. There was a case where the captain positions himself at the ship's entrance to greet or bid farewell to every passenger. A party was given tagged 'captain's cocktail party', where, in fact, many of the guests were identified by name, as the captain has made it a point to meet with guests throughout the cruise. In my opinion, the same basic hospitality principles should be a common practice by the service operators.

3.3.3 Visible Value

Visible value for your guests is important. By offering unique services during the guest's stay at the hotel, it brings success in creating customer loyalty.

This is called brand differentiation. It is extending to guests as something they won't see or get from the competitors. Visible customer value generates repeat business and the cost to

the hotel operator is minimal if anything. The end result gives the guest nothing less than an outstanding service experience; in other words, hospitality. The ability to create visible value isn't exclusive to one chain. Anyone can do it.

4.0 Conclusion

This unit has been able to discuss the current issues, problems and potential solutions to successful food service operation employing modern techniques. Assess and reflect upon performance and construct alternative approaches for the future.

5.0 Summary

This last unit has given an up- to-date successful food service management in spite of the ever- changing market. The issue of continuing to remain relevant and running the business at a profit was also considered.

6.0 Self-Assessment Exercise

What techniques would you consider as modern trends for sales appreciation and higher profitability?

7.0 References/Further Reading

Davis, B, Lockwood, A and S. Stone (2002) 3rd edn Food and Beverage Management: Butterworth, Britain.'

Jones P. (2002) Introduction to Hospitality Operations 2nd edn. Thomson: USA Walker J. (1999) Introduction to Hospitality 2nd edn Prentice: USA.