



Fáilte Ireland
National Tourism Development Authority



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DRIVING LEAN - PURCHASING, PRODUCTION & SUSTAINABILITY



Lean production

This topic at a glance ...

From smart purchasing to clever storage, how can you adopt lean principles to your breakfast production? Read the 'Tips on Managing Food Costs and Labour Costs.' Check out the support materials including fully costed menus for different options across dining room, room service and breakfast to go. Complete the 'Kitchen Cost Management Checklist' using our 'Food Cost Calculator' and applying best practice to see the savings. Other support tools include a 'Sample Credit Application Form', a 'Goods Check In Record Sheet', a 'Labour Cost Calculator' - to track labour cost per shift against your sales and a 'Summary of Sustainability tips.'

Although lean production has its origins in the motor industry, it's a concept that hotels can apply to food preparation and service.

Put simply, lean production is about eliminating waste. By streamlining and improving how you do things you can boost productivity and see financial benefits. In a good lean operation, quality will never be sacrificed.

How to adopt lean production for breakfast



Staff buy-in

Get your kitchen and service teams on board. Incentivise them to hit targets – this will increase morale, increase productivity and ultimately, increase customer satisfaction. This could be achieved by purchasing a new piece of equipment with the savings made from reducing the waste. Or by a cash incentive from the reduction in energy or water consumption.



Portion control

For the health-conscious guest, too big a portion is off-putting. Also, most people don't like to see food being wasted. You pay on the double for poor portion control; the cost of the food and the cost of disposing of it. You also potentially damage your reputation for being sustainable and responsible.



Buy quality

Better quality foods usually yield a greater number of portions than lower quality foods.



Buy seasonal

Using seasonal produce means that you win on two fronts - less waste and higher customer satisfaction.



Buy wisely

Don't over-order as it has a double negative impact – higher purchasing costs and higher waste disposal costs. When buying in food, understand how many portions different ingredients will give you.



Manage waste

Install a basic food waste costing system to track and record food waste as follows: measure and record breakfast waste every day and review it against your food and packaging waste reduction targets. Review the monthly waste disposal reports from your waste company. Can you increase recycling and reduce waste sent to landfill?



Switch off

Monitor energy usage and ask yourself; do you turn off all unnecessary equipment overnight? Is all your equipment operating at optimal efficiency? Is it worth switching to induction ovens or other energy-saving options? Look for technology that can help you reduce your energy usage.



Turn off

Monitor water consumption. Switching to push taps can have a big impact.

Do you know how much breakfast waste costs you?

Install a basic food waste costing system to record and track food waste by type:

- 1. Spoiled food or food that's past its use by date**
This happens where there are bad ordering practices, poor storage and a lack of focus on managing costs.
- 2. Plate waste**
This suggests portion control issues or incorrect ordering by service staff.
- 3. Excess production**
Your sleeper to breakfast ratio should determine quantities. It's a costly mistake to assume that this morning's quantities will be the same as this day last week.

3 TOP TIPS

1

Communicate with your team. Make sure they understand that quality and customer satisfaction actually increase as a result of effectively implementing lean production.



2

Lean production is not about cutting costs or scaling back on quality – it's about cutting waste and doing things more efficiently.



3

Lean production benefits staff, customers, your business, your reputation and the environment.



Guests are increasingly conscious about sustainability and don't like to see food being wasted. Why not develop a policy around responsible food consumption? This is not about being stingy with portions. It's about right-size portions and eliminating waste. How your staff communicate this message is important. It must be understood and communicated as a positive thing and if the guest wants more, they 'just ask'.

Managing appliance energy costs

For each piece of equipment, establish energy usage in KW/hr based against the equipment specification manuals. Place a notice on or beside each piece of equipment as to the running costs per half hour.

Use this formula to calculate energy cost by appliance:

$$\left(\frac{\text{appliance wattage} \times \text{number of hours the appliance is used per day}}{1000} \right) \times \text{your kWh rate}$$

Managing costs



The two biggest costs associated with delivering a great breakfast experience are:

1. Payroll costs
2. Food costs

Apply the Pareto Principal - which asserts that 80% of output results from 20% of inputs - and one quickly sees that controlling these two cost categories must be a priority for chefs and for management.

Cost breakdown of a meal (average %)



Food costs

As one of your biggest operating expenses, managing perishable food costs, amid fluctuating sales in the current environment, is extremely challenging.

Ten quick things to help control food costs:

1. Recipe costing – track usage and yield on every food item
2. Be careful not to over produce cooked food on busy breakfast days
3. Menu planning engineering – price menu items accurately
4. Food cost calculation – track variances between actual and theoretical food costs
5. Track food prices
6. Portion food appropriately
7. Do more food preparation in-house to control costs
8. Ensure correct food storage for all food categories
9. Closely manage inventory
10. Beware of sell by dates



Consistency in the kitchen helps manage costs and deliver on customer expectations

- ▶ Develop Standard Operational Procedures (SOPs) and presentation images for the production of all dishes on the breakfast menu.
- ▶ Give garnish specifications for each plate.
- ▶ Every time a meal leaves the kitchen, no matter who is cooking, the portion size and the flavour should not vary.

A note about gross margin

- ▶ Gross margins in the food and beverage sector aim to achieve a margin of +70% based on a maximum 30% food cost.
- ▶ The goal is to reach your profit margin whilst giving the customer value for money.
- ▶ Being able to track a declining margin can give you a warning that you must adjust your prices, your costs or your portion sizes.

To get a 65% gross margin

$$\text{Selling price} = \frac{\text{food cost} * 100}{35}$$

To get a 70% gross margin

$$\text{Selling price} = \frac{\text{food cost} * 100}{30}$$



What's your best margin breakfast dish?

It's a mistake to think that the most expensive menu item delivers the best margin. Make sure that you and your staff know the margin on all breakfast dishes. See the costed menu examples and use them to analyse and compare your costs.

Labour costs

An expensive overhead, labour costs must be closely monitored to ensure that they are minimised without compromising service.

Payroll cost percentages in Irish hotels vary from;

20%

in budget, high volume operations, to as high as

45%

in higher end premises with lower volume business.

To consistently control payroll costs, monitor them against key performance indicators (KPIs) such as;

- ▶ Covers to sleeper ratios
- ▶ Covers to chef ratios
- ▶ Covers to server ratios
- ▶ Covers to supervisor ratios

The most basic KPI is expressing payroll as a percentage of food sales. This is known as payroll cost percentage.



The table highlights some current trends in the hotel industry.

Employee	Type of service	Cost per cover, City hotel	Cost per cover, Provincial hotel	Service ratio, City hotel	Service ratio, Provincial hotel
BREAKFAST CHEF	Plate	€1.15	€0.93	1:130	1:85
SERVICE STAFF	Plate	€2.20	€1.60	1:50	1:35
BREAKFAST CHEF	Buffet	€1.44	€0.90	1:200	1:120
SERVICE STAFF	Buffet	€1.50	€1.50	1:80	1:50

Source: Alkimii 2020



Significant savings can be made by changing cooking methods to improve yield and cut down on waste, which is important not just financially, but environmentally too. It is also a moral imperative to work harder to reduce food waste.

A simple thing like using clear bin bags will raise awareness of what's being thrown out.



Something to think about ...

Depending on your market, a simple continental/breakfast to go bag might appeal to your guests. If so, you may not need to roster your chef to prepare breakfast, thereby reducing your biggest cost item, payroll.

Conduct the analysis, calculate the margins. Depending on your market and your location, such an offering could see you achieving a greater total revenue spend per guest than previously and without a big incremental labour cost.

Don't rush the decision, but don't dismiss the notion either. Do your research and keep your guest to the fore in your analysis.

Using technology to drive payroll savings

Using a payroll management system that's specially tailored to hotels can lead to significant payroll savings.

For example, a breakfast roster where five restaurant/kitchen staff are on duty from 06.30-12.00 and the chef from 05.30-12.00 sees a total of 35 staff hours and costs 40% of sales.

The same breakfast service using a split roster and staggered starts would see the five restaurant/kitchen staff working staggered shifts such as 06.30-11.00 or 08.00-11.00 or 08.30-11.00, with the chef being rostered from 05.30-10.30. Total for this roster is 20.5 hours and a payroll cost at 25.1% of sales.

Review your roster - consider staggered starts – what savings might you see?

Three factors influencing breakfast rosters



1. Forecasted number of staying guests (sleepers)



2. Estimated uplift to breakfast (those on B&B rate + upselling from room only bookings)



3. Estimated uplift from those attending meetings or other events in the hotel



Best practice for managing breakfast payroll costs

To manage breakfast payroll costs, conduct this six-step exercise every week.

1. Each Thursday morning look at the business forecast for the following week and predict how many guests are going to breakfast each day.



2. Write the rosters for both kitchen and restaurant based on how many covers each respective member of staff will cover. This should be a predetermined standard based on experience and grading level.



3. Cost the roster and calculate a potential payroll cost for the following week.



4. Once completed, roster should be submitted for sign off and no changes thereafter should be allowed unless with prior approval. This is key.



5. If the business demand changes between the time of approval on the Thursday to the real time, then each roster should be amended as appropriate and again signed off.



6. At the end of each day/week the rosters need to be reconciled against forecast, so that productivity can be assessed and improved where necessary.



- ▶ It is good practice to assign responsibility for controlling labour costs to a manager, usually a food & beverage manager.
- ▶ Incentivise good control appropriately.
- ▶ Effective rostering is critical.
- ▶ Reduce labour turnover. Don't overlook the cost of losing high-performing staff.

Formula to calculate labour costs

$$\text{Labour cost \%} = \text{payroll costs} \div \text{F \& B revenue} \times 100$$

If you don't have a payroll technology system that includes tracking labour cost on a shift by shift basis, we recommend you download our easy to use '**Labour Cost Calculator**' and guidance note, in the support materials to this module.

3 TOP TIPS

- 1 As gross profit is normally the key performance measure for hotel chefs, there is often a race to deliver breakfast as cheaply as possible. Review your approach – is the pressure to minimise labour costs actually costing you in the long term?
- 2 Set standards for your kitchen to standardise recipes, quantify portion size and standardise, monitor and control staff meals.
- 3 Make sure your staff know which dishes have the best gross margin and incorporate this into your upselling training programme.

Smart purchasing

The breakfast ingredients you buy, when you buy them, who you buy them from, how much they cost, when you pay the invoice ... Individually, all relatively simple decisions. Collectively, though, your procurement practices can really drive efficiencies and, ultimately, impact positively on customer satisfaction.

Characteristics of good purchasing practices in hotels:

- ▶ **Good relationships with suppliers:** Working closely with suppliers means that you can purchase more efficiently and achieve significant savings in the kitchen.
- ▶ **Aggregating volumes:** Using fewer suppliers can drive economies through pricing and savings on administration. However, it's important not to do so to the exclusion of sourcing from local and artisan producers. Calculate any cost savings and weigh them up against the benefits (for your menu, for your customer) of using seasonal ingredients from local producers.
- ▶ **Local sourcing:** In addition to being good for the local economy, many customers are concerned with food miles and they like to know about provenance and supporting small scale and traditional producers. Some businesses choose to only source products from within a 20 or 50 mile radius. As well as having a quality offering, this is a powerful communications message that can make your breakfast offering unique among your peers.
- ▶ **Responsible and sustainable purchasing:** Customers like to see evidence of your business being responsible, such as fair working conditions and fair trade.
- ▶ **Long term agreements (LTA):** These drive economies through rebates and discounts.
- ▶ **Technology:** eProcurement platforms can offer greater control and spend analysis.
- ▶ **Seeing breakfast as an important part of the bigger picture:** A clear understanding of overall hotel expenditure along with the percentage that purchasing affects – usually around 70% for a hotel, and the role of breakfast as part of the overall mix.
- ▶ **Good procedures:** Put in place a trained purchasing specialist, communicate your purchasing strategy across the hotel (supported by the heads of department), install purchasing software that links the POS and accounts system, purchase order process and so on.

Buyers group

Consider working with other local hotels to form a buyers' group, especially for the products that you buy from large suppliers. There may be savings by pooling resources and negotiating discounts if ordering as a group in a single geography. The power of many!



The 8 steps of a good purchasing process

1.

Identify goods or services needed

2.

Choose and partner with supplier/s

3.

Pricing

4.

Negotiate contract terms

5.

Finalise the purchase order

6.

Receive delivery and check order is correct

7.

Receive invoice and process payment

8.

Maintain accurate records of invoices

1. Identify goods or services needed

Review recipes and ingredient lists. Could you reduce or streamline your requirements for perishable ingredients? Understand how each ingredient contributes or eats into your profit margin.

Agree food costs and stick to them. Measure them against KPIs such as weekly sales and purchases.

Review figures every week - waiting until month end might be too late to react. Also review the figures on a monthly and quarterly basis and compare with the previous year.

2. Choose and partner with supplier/s

Purchasing is not just about product range, quality and price. Factors such as reliability, credit terms, service level agreements (SLAs), account management, delivery arrangements, accreditations, regulations and training supports, are all part of the decision on who to buy from.

Good communication between your hotel and your suppliers is essential. They are experts in what they do, so draw on their knowledge when planning your breakfast menu. Make sure they know that you are flexible and open to new ideas. You want to be the first hotel they call when they have a good deal on offer.

Buy in season – discuss seasonal calendars and production schedules with suppliers. Seasonal produce offers the best value for money and increases customer satisfaction.

Aim for a balance between maintaining quality.

At their most basic level, ordering and purchasing rely heavily on an intimate knowledge of inventory, clientele, sales mix and forecasts.

3. Pricing

Review pricing regularly, particularly items where prices fluctuate throughout the year.

If the buyer buys wisely, the price will correspond to the quality of the food.

Aim for fixed pricing for a 3 or 6 month period or if you have not locked in prices with the supplier, ask for weekly price lists. These should highlight fluctuating prices and indicate which ingredients are the best value that week. Negotiate to prevent ad hoc price increases.

4. Negotiate contract terms and conditions (T&Cs)

Draw up a report detailing your historical spend in volume and value. Then, calculate what you will spend in the year ahead. Guarantee this business and lock in prices where practical, but allow budget for seasonal purchasing.

Understand Long Term Agreements (LTAs) where, based on your spend, you get an annual rebate. These often incentivise you to spend more for a greater rebate. However, be careful; purchasing more than you need to secure a larger rebate is a false economy. Explore whether a monthly discount could be more beneficial than an annual rebate.

Make sure your contract addresses issues such as delivery dates and times, decanting and packing removal arrangements, order lead times for just-in-time ordering and credit payment terms.

The 8 steps of a good purchasing process (continued)

5. Finalise the purchase order

Examine ordering patterns on a daily, weekly and monthly basis. Identify how much you need to run your breakfast operation, thereby preventing over-ordering.

Implement a Purchase Order (PO) system for everything you buy. It avoids confusion and makes for better accounting.

6. Receive delivery and check order is correct

Agree delivery times so that you have a nominated person available to check goods in and avoid a time when the kitchen is busy. Check all deliveries against the PO. Spot check weights and batch codes regularly to ensure no mix-ups. Assign responsibility to one key person to check goods. Arrange, where possible, for the supplier to remove packaging.

7. Receive invoice and process payment

Depending on your contract terms, payment will be on delivery or within a defined time period after delivery. Prompt payment, especially to small suppliers, will strengthen a sense of partnership between your hotel and your suppliers. Aim for online payments which are cheaper and usually faster to process.

8. Maintain accurate records of invoices

Work closely with the hotel's purchasing manager and/or financial controller. Help them understand why buying a more expensive product might increase yield or sales and demonstrate the link between customer preferences and higher sales.

Carry out regular invoice audits for pricing accuracy and monitor credit notes for returns.

The importance of specifications

A clear and concise specification describes what you need to purchase and helps to avoid misunderstandings. The specification should include:

- ▶ Product description
- ▶ Brand name, if any
- ▶ Performance and or function – what is required of the product
- ▶ Whether the product is generic or bespoke
- ▶ Whether or not ISO standards apply

3 TOP TIPS

1

Never compromise quality for a better price.



2

Don't ignore shelf life when considering what looks like a bargain.



3

Analyse purchasing patterns to ensure you order enough but not too much. Over-ordering plays havoc with your gross profit.



Purchase peak-season produce in bulk (when it is delicious and inexpensive) and find creative ways to use it, such as drying, freezing, and preserving.

Invest in proper food grade storage containers so that you can decant on delivery and return the packaging to suppliers. Or encourage suppliers to invest in reusable or biodegradable containers; these will save money on single use packaging in the long term.

Encourage suppliers to adopt the approach of minimal packaging i.e. no boxes that are only one quarter full. This will save them space and running costs.

Switch to biodegradable bags if *sous vide* cooking.

Storage and controlling stock

Reducing inventory levels should be a priority for every kitchen manager. The key to this is regular ordering, whilst taking into consideration:

- ▶ Frequency of delivery
- ▶ Storage of stock on hand
- ▶ Sales forecasts

No two operations will have the same inventory or frequency of purchasing. Purchases should be kept at a minimum, but at the same time flexible enough to take advantage of seasonal fluctuations and availability.

Date, label, and rotate stock correctly. Avoid eroding your margins through unnecessary waste.

Create stocktaking reports in Excel with headings for each product or product group so you can see exactly where your money is going.

Poor storage practices cause spoilage and cost you money. You pay for the food and you pay for disposal.

3 TOP TIPS

1

Reduce costs by being smart in how you order, store, prep and cook food.



2

Be rigorous in your stock control.



3

Avoid margin erosion by rotating stock, storing properly, dating, and labelling correctly.



Sustainable breakfasts - where to start?



Start with small wins

- ▶ Ask your supplier to deliver produce in reusable containers. Decant product from large packs into reusable containers on arrival rather than ordering small disposable pack sizes.
- ▶ Consider your energy and water usage: look at everything and consider whether it needs to be turned on as much as it is. In the long-term consider installing some automated lights and centralised switches for everything that doesn't need to be kept on at night. In the short-term, remind staff to turn off lights and equipment that do not need to be kept on. Again, this can all save money.
- ▶ Consider alternatives to printing (which also makes sense with regard to COVID-19 safety). Can you pivot to using menu boards or link to a QR code from customers' phones to read and order from the menu on screen?
- ▶ Think local: can you buy more from local suppliers and could this potentially reduce the carbon footprint of your purchasing, while also contributing to your local economy?

Think Reduce-Reuse-Recycle

This mantra makes sense, keep it in mind.

- ▶ First think, is this really needed? Do children really need a straw with their drink? Do the 'grab and go' breakfasts need a full set of cutlery? Try to avoid items like disposable cutlery, napkins etc unless they are requested or required. Remember, they are also costs, so it all affects your profitability.
- ▶ Reuse is almost always next best, and trumps using recyclable, compostable or biodegradable disposables, which require resources and energy to produce. Linen napkins are better than paper, washable delph and containers are better than disposable. Offer guests real delph when having coffee in-house, disposable should never be the default. Accept reusable cups from guests (you can find examples online of contactless service systems for reusable cups making it completely safe to continue accepting these even during Covid-19 restrictions).
- ▶ Disposable should always be the last option, not the first. Whenever choosing any kind of disposable items, ensure they can and will be recycled or commercially composted, but remember they will need to go into the correct waste stream for this to happen.



Question everything (and make demands!)

- ▶ Let your suppliers (food and non-food) know that you want to be more sustainable by not only reducing packaging, but by sourcing locally and sustainably produced food and stock with a lower environmental footprint. Ask your suppliers to provide you with the sustainability credentials of their products - most importantly their 'end of life' and how they will be disposed of.
- ▶ Look at every aspect of the business through a sustainability lens; being more efficient and less wasteful will make you more sustainable and more profitable. Question everything!



Get your team on board

- ▶ Being more efficient and sustainable, and preventing waste, takes a whole team and you will need their buy-in. Lead from the top, but make sure you let everyone know you are on a mission to become more sustainable and get their input and ideas.
- ▶ Consider setting up a 'Green Team' amongst the staff who will champion sustainability.
- ▶ Consider staff incentives for reducing waste; after all, it is going to save you money on the double (since you pay for waste twice, when you purchase it and when you dispose of it).

Shout about it!

- ▶ Don't miss a chance to tell the guest of the measures you are taking to become more sustainable. Just as the tent cards or stickers in guest bathrooms explain how much water and detergent have been saved through not changing towels every day, find ways to let guests know how you (and they) are contributing positive environmental impacts through the various sustainability measures you have implemented.
- ▶ If you really take sustainability seriously it can become a huge selling point for your hotel, which will attract new guests and create loyalty. Look at sustainability schemes and accreditations that could support you on that journey, as well as promote your success.