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# UNIT 26 FOOD SERVICES

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## 26.0 OBJECTIVES

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Food Service business is one of the most exciting businesses. Apparently, many persons try to open a restaurant without looking into the various facets of the food services. But for effective and efficient handling of food services operation **specialised** knowledge has a **significant** role to play. This Unit will provide you:

- an understanding of various functions of an operator of food services,
- an idea of different areas in food services operation, and
- necessary information about **successful** operation of food service business.

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## 26.1 INTRODUCTION

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The Food Service Industry is perhaps one of the largest industries in the world. If you look at the member of food service operations of **all** types, including wayside stalls, tea shops, push cart food vendors, industrial canteens, railway and airline catering etc., the industry employs a huge number of people. The industry is different in the sense that it has the unique characteristic of service industries – **i.e.** producing a **highly** producing perishable product. The food service business has a tremendous variation in menus, atmosphere, serving hours and types of customers. Hence it requires close coordination, effective personnel management and production know how to meet individual demands of the customer. The operations have to be closely monitored and very often immediate corrective action and controls are required. This Unit **will** provide you an idea of the **management** strategies and the important areas in food service to be taken care of in order to be a successful food service manager. In case you intend starting your own food service operations, we hope this Unit will help you in both, planning as well as managing the enterprise.

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## 26.2 PROFILE OF FOOD SERVICE INDUSTRY

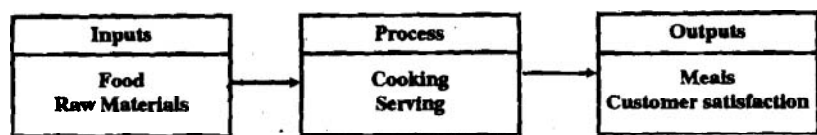
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According to **J.R.Pickworth**, a service delivery system (SDS) is an "**Operation in which product/services are created and delivered to the customer almost simultaneously**". The Food Service Delivery System (FDS) is one such specific SDS.

Eating out, once **a luxury**, is today considered by many in the urban areas as a necessity. Domestic attendants are getting expensive and fewer. Even for upper middle class income levels, it is now much easier to eat out at times than to **maintain** a full-time cook at home. Large segments of the population have had income increases which permit them to eat out more often, not only as a means of relaxation and escape from the monotonous chores of house keeping, but also as a form of pleasure, fashion or entertainment. Certain trends are noticeable in this regard. For example:

- There is a definite trend toward some basic types of food service operations. The growth of **fast, minimum service restaurants** is very noticeable. Catering primarily to the shopper, young men and women employed in offices and shops, these restaurants **satisfy** their customers need to save time and to eat reasonable quality food at moderate prices.
- There are also the rapidly growing **highway restaurants** all over the **country**. **As** people travel more within the country and are away from home a greater part of the time, eating out has to be a necessity.
- The third type operation that has and will continue **to gain** in popularity is the **atmosphere restaurant**. Eating out need not be merely an escape from routine housekeeping. Glamour, **stimulation** of all the senses, excitement, a feeling of satisfaction and well being **are all** part of the package that a good atmosphere restaurant sells in addition to food.

Here we must remember that in **all** the above types you are aware that all service **delivery** systems convert inputs into outputs. In the case of FDS this would be:



**Location** is virtually **the** most important factor for the success of a restaurant. The type of restaurant, its location, and its market are inextricably linked. For some types of **restaurants** it is essential to be located in the middle of a market. A restaurant devoted to business lunches needs to be surrounded by business **organisations**, and a fast-food counter must be located in a site where a large number of people constantly pass by.

There are certain unique aspects in the food services in India:

- There is a very large number of **small** units.
- These **small** units offer a **diverse variety** of products and services, capable of **satisfying** the guests **immediate requirements**.
- The product that is sold is **highly perishable**. **If you miss** today's meal, then that particular sale can never be made again as today is gone forever. Tomorrow, we will satisfy your requirement for tomorrow.
- There is a **very high service component** in the product. The human factor is a crucial **aspect** of this product. The requirement of having human production staff and servers has not been done away with. Hence, there is a very high labour requirement **both** in the manufacturing of food and for its service.
- Most of the raw material used is **non standardized**. Hence, staff **skill** requirement in evaluation of raw material to be used is of primary importance.
- Precise **co-ordination** in all operational functions **is** absolutely critical as the **guests requirements have to be met within a limited time**. The guest **is** also always in direct contact with the food service **staff** who get constant feedback on their performance.
- The customer, whom we refer to as a guest, **knows immediately** how well he or she has enjoyed the meal experience, unlike other products where it takes time to evaluate the quality of the product.
- The product in a restaurant is really the whole experience of food service, atmosphere and other facilities. Quality is evaluated by individuals on the basis of the level of importance given by them to different components of this experience.

You are already aware of the basic management concepts and functions. these are equally applicable in the case of food services. For example you have to:

- Plan in **all** areas, **i.e.**, to start a new business or yearly, monthly, weekly **or** daily operations, costs, capacity etc.
- **Organise** not only the operations but decide on the **organisational** structure, spans of control, design jobs and delegate authority.

- Provide leadership as a manager. No single profile **can** be there of a successful manager in FDS. However, According to Rober **B.Lane: the most susccessful managers, certainly the leaders, have been successful not because of their technical back grounds or depth of experience they offer, but more so for their love for the business, as exhibited by their affirmity for their employees and guests, their penchant, for detail, and their absolute disire to provide quality, value and service to their market niche"** He further stressed that **"If there was one test to be given to those considering a serious food service career, it should determine whether, and to what extent, they have an inborn desire to serve others. If not, then they don't belong in the business"**.
- monitor and control operations.

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## 26.3 HANDICAPS AND MISCONCEPTIONS

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The food service industry has many problems. Even though the industry is very large, it is primarily made up of many small operations. This has made it difficult to go in for **organised** research and development as compared to other industries. Its major problems arise because of:

- Wide variations in products and methods of production,
- Manufacturing and selling in the same premises,
- Long hours of operations, and
- Maintaining quality of food and service.

Most of the inspiration for opening a restaurant comes from mistaken notions about this business. Hence, before you venture into this business as an entrepreneur you must have a very clear idea about investments, costs, profits and expertise etc. Let us examine some of these:

### i) Low Investment

People look around a restaurant while dining and get the idea that it doesn't cost much to open a restaurant. However, the cost is very high today, running into tens of **lakhs** for even a moderate size operation.

The confusion arises as the person's estimate of the cost of **equipment** and interiors is based upon the cost of household equipment and interiors and does not take into account the cost of infrastructure required.

### ii) High Profits

Most people who eat at restaurants have at one time or another been convinced that restaurant profits are enormous. **A** quick estimate of market prices for the meal items leads them to conclude that the profit on the food served in restaurants must be very high. People outside the industry estimate restaurant net profits to be as high as 50 percent. This is again because costs related to infrastructure, equipment, salaries, maintenance, marketing etc are not taken into account by the outsiders. Moreover the prices are related to the quality of the service and the atmosphere built around that service. In reality, anyone who knows the food business is aware that a well-run restaurant with a good volume of sales will be very satisfied with a 10 percent net profit.

### iii) Everyone Is an Expert

The assumption that expertise at home **can** be carried over into the operation of a restaurant is another factor in the launching of so many eating establishments. We all eat **at least** two meals a day and almost everyone has tried his or her hand at **cooking**. Many of us get complimented for the food we serve and our friends suggest that we should have a restaurant. However, **commercial restaurant operation and service of food at home are entirely different and a commercial operation is much more difficult for many reasons.**

Many of us believe that we can do **things** better. When we get poor food and service the first reaction is, that if we were running this place, such things would never happen! This

could be right. Inexperienced people have set up restaurants and become famous, rich and successful but the odds are very much against it!!

Many people feel that their town or locality needs a good restaurant. Actually most towns/localities could use a good restaurant, but this doesn't mean that one would be successful. Usually there are reasons why no good eating places exist, and it would be wise to study the situation carefully.

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## 26.4 SUCCESS REQUIREMENTS

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The Food Service business is a hands-on business where knowledge of theory alone will not be enough.

Practical knowledge of operations is essential as there is low margin of error. Coordination is most essential in order to give the customer the best in terms of food quality and service. Customer feedback is required to get an accurate idea of how the food service operation is doing.

Customer satisfaction is eventually determined by:

- expectations and other pre-experience standards,
  - a) product-service performance, and
- how an individual perceives the experience of receiving or using the service.

To create and maintain a consistent and effective quality in a food service operation, it is necessary to have an integrated approach to the following factors:

- a) A culture of quality,
- b) Team orientation,
- c) Customer driven policies and procedures,
- d) Setting of standards and values,
- e) Development of human resources,
- f) Planning for quality,
- g) Building of systems to measure achievements, and
- h) Making changes before they are demanded by market forces.

**Check Your Progress-1**

- 1) Make a list of some special features of food services in India.

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2) Write down **some of** the requirements **to** become successful in food services.

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## 26.5 MENU

The food to be served in a restaurant is the basis of the restaurant operation. **The** type and variety of food to be offered will determine style of service, kitchen design, storage requirements and even interior decoration.

The menu lists the items or the **alternative** items from which a person may select to satisfy his need. The menu will vary in food service operations and **will** be affected by:

- The customer profile,
- Nutritional requirements,
- Potential numbers to be served,
- Availability of skilled staff,
- Area **and** equipment available for food preparation,
- Food combination i.e. variety in colour, texture, flavour, preparation method, etc., and
- Climate and seasonal **availability of foods**.

Table Service **Restaurants** generally have longer and more complex menus. Generally these restaurants select a theme and create an image through **menu** design and content, interior decor, style of service, advertising etc. Three basic types of menus are possible.

- i) Table **d'hote** - Set menus (such as **Thaali**)
- ii) A la **carte** - are **lists** of alternatives for each meal component or course where the customer selects the number of courses and specifies items he or she **wants** to eat.
- iii) A combination of i) **and** ii).

### **Cafeteria** or Buffet Service Restaurant

These are still in small numbers in India and are **generally** found in institutional feeding operations such as factory canteens. They offer a fixed number of **items** on the menu, **which** are on **display**, at a **fixed** cost to the customer. The non-institutional operations offer **unlimited** quantity to a customer at a **fixed** price.

### **Quick Service and Fast Food Restaurants**

These restaurants generally are **open** for long hours and offer the same menu **throughout** the day. The western **style** coffee shop **operation** is still in **limited numbers** in India and generally such coffee shops have a limited variety snack, lunch **and** dinner menu. In the west the **dinner** menu is slightly more extensive than the **lunch** menu. Menu items choice is based on popularity, **profitability** and **quick production** capability.

Fast food restaurants provide very **little** service, **generally** have **limited menus** and **offer** quick production **standardised items**. **In most western** fast food restaurants **items** are not really prepared to order. The **most popular ones** are produced continuously and the **others at regular** intervals to maintain a **predetermined supply level** and then kept packed ready for

service. Hence, menu variety has to be limited and that only to those items which can retain acceptable quality over a period of time.

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## 26.6 FOOD AND BEVERAGE COST CONTROL

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The food service business has a very **high** failure rate. It deals with a highly perishable product and easily spoilable raw materials. Many restaurant failures are not due to low sales but to high costs. Hence, the objective of a cost control system is to achieve desired **production** costs which are as per planned costs without sacrificing the quality or quantity of food served. The **F&B** control system should provide the food service operation system with adequate information about raw material costs, inventory levels, sales information and production efficiency. In fact the various aspect related to Financial Management discussed in Unit- 14, have to be applied in relation to the food service business.

**The kitchen** of any food service operation is equivalent to a factory which manufactures a number of products prepared with different methods and raw materials. Lack of control over purchase, storage, production or sales will affect profitability very adversely.

### Control System

The amount of control required is related to the size and complexity of the food service operation. A small restaurant cannot afford and does not need the same amount of control as a unit to ensure multi unit food service operation. However, information must be such that it **can** be acted upon to improve or correct a problem or potential problem. With proper controls and systems quality can be **standardised**, performance can be measured and effective planning made possible.

As a general rule all food service operation require ;

- a) **An effective Food Control System.** Control over food costs must be maintained from the\* time of **purchase** to the time of sale. Wastage, spoilage, pilferage **can** happen easily to food products and must be **minimised** through:
  - **controlling purchase** quality
  - setting detailed specifications and proper receiving procedures,
  - **minimising** stocks and storing on a FIFO (**first** in first out) basis,-
  - correct and accurate issuing,
  - detailed recipes, and
  - implementation of food production procedures.
- b) Management reporting must be timely and accurate and should also identify areas where problems need correction. For example the rise in the cost of one ingredient **can** affect costs of many products and timely corrective action **can** avoid higher costs and hence lower operating profits. In a normal **food** service operation a large number of items are sold and the percentage price increase due to inflation is not the same for each item. Hence, an annual increase in **sales/revenue** may not give a correct picture and the management may feel they are doing well. The **F&B** control department's analysis of net sales could in fact show that quantitative sale had gone down and increase in revenue was due to price increases which would help the management to analyse reasons for lower real sales.

The **most** important cost figure in a food service operation is the **food/beverage** cost which reflects the cost of **food/beverage** consumed **compared** to the revenue received from **food/beverage** sales. This can be done on a daily weekly and on a monthly basis. In smaller operations a daily consumption analysis is also **very** useful as not only does it give the food cost but also gives a very accurate analysis of shortages.

**Setting up** of standards and **recipes** is the starting point **of any cost control system**. Detailed purchase specifications ensure that food **stuffs** of the correct quality **are** used and standard **recipes** ensure a consistent standard product, both in terms of quality and in term of quantity or **portion size**.

The **concept of uniformity** cannot be underestimated as it is an essential ingredient of **F&B Control** as well as for achieving a lasting and long term guest satisfaction. In a detailed and elaborate food cost control system, the actual **F&B** costs as per purchase and stocks are compared with **F&B** costs based on issues and **F&B** costs based on standard costs. These are food cost based on number of portions sold of each item, their standard in-house recipe and hence use of raw material, and finally cost of this raw material **based on** correct market prices. This standard cost indicates the cost of food that should have been used and when compared with actual food cost, indicates the efficiency of the **food** service operation.

**Uniform System of Accounts for Restaurants**

This system basically classifies income & expense items so as to not only provide a Profit and Loss statement and Balance Sheet, but also to provide a consistent management information system for analytical use by the management. It gives a clear picture of the major functional aspects of the business and how each major item contributes to it.

**Check Your Progress-2**

1) What are the factors to take care of for deciding the menu?

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2) What is the importance of control system in food services?

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**26.7 FOOD SERVICE HYGIENE**

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More and more people in the world are eating out. For example in the US, almost half the meals eaten are purchased through Food Service operations. In India **along with** the practice of eating out, methods of agriculture production, food prices, food distributions and food preparation have changed. Dietary habits are also changing and **people** are experimenting with new types of food such as hamburgers, pizza, ice creams, **etc.**

Food contamination is a real possibility **and** its causes **can** be:

- infected food handlers,
- contaminated food supplies,
- unsafe food handling practices,
- unsanitary **equipment**, and
- hazardous chemicals.

Since the **beginning** of time, through trial and error, people have learnt how to **prevent** contamination of the food they **eat**. In the colder countries meat was sun dried, salted, smoked or chilled to preserve it. In warmer parts of the world, food was well cooked not only to improve the texture and flavour, but also to keep it safe.

As the food service industry grows in India, the chances of illness due to this are likely to grow due to multiple handling of processed foods if proper sanitation practices are not observed. Food of proper quality will have to be bought, stored safely, cooked properly and served correctly. **All** employees **will** have to be carefully screened for illnesses, and trained and motivated to learn and apply proper, hygienic food handling practices. The kitchen equipment and utensils etc. **will** also have to be of such quality and standard that they help and not adversely affect the sanitation effort.

Most **food** service illnesses are due to:

- **Using** improper raw material,
- Failure to properly refrigerate food **requiring** refrigeration,
- Failure to thoroughly heat and cook food,
- Infected employees,
- Using of raw, contaminated ingredients that receive no further cooking,
- Allowing food to remain at bacteria incubating temperatures, and
- Cross contamination of raw foods with cooked items and freshly pre processed food by workers or by infrequently cleaned equipment

It must always be remembered that the end food product can only be as good as the ingredients used to prepare it. **All** food material must be **checked on receipt** to ensure that it is of the required standard. **Specifications should be made for each item** purchased to see that it conforms to the required minimum standards. Storage must be on the basis of FIFO and as far as possible **minimum** food stock should be kept and that only in **specific** designated areas. All these aspects are related to operation's management.

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## **26.8 COMPUTERS IN FOOD SERVICE OPERATION**

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The Food Service business is **highly material and labour intensive, with a high inventory turnover**. The process of ordering, receiving, storing, issuing, **producing** and serving of food products **can** be quite-complex. Probably no other business has such a large number of transactions as the food service business and has so many employees handling cash.

With the development of computers, many of the tasks which were done manually, are being done by computers today. In the pre 1960s manual cash registers were used in **the** west. They were mechanical machines with basic functions, used at the Point of Sale (POS). Today, with the development of electronic Point of Sale terminals and cash registers, for effective cash management, sale analysis and reordering systems much effort is being made in the back offices. Though **not** as noticeable as the cash and service management systems, the accounting and inventory control systems can be equally important as they help in improving labour productivity, effective cash flow monitoring and improved operation systems, resulting in cost savings.

The POS system **can** be expanded as per requirement and hence investment is only on what is needed and the organisation is protected from obsolescence. Printers and terminals can also be provided as and where required. Menu changes are easily absorbed and functions such as material consumption, stock records, automatic material ordering are also possible. The POS system now is able to provide managers with essential information to make the correct decisions.

Beside normal sale requirements, computers are being used for Planning and Budgeting, Financial **Accounting**, F&B Control, Profitability Analysis, Operational Controls and Project Management.

Modern food service operations are constantly evolving with the aid of fast developing information technology which assists better management.



The food service operation should not only understand the business itself but also the market, the competition and the social, economic and demographic dynamics of the environment. Market feasibility analysis is the most crucial step toward the successful implementation of a potential food service project. In order to open a new restaurant or take up any food service project we have to do a number of things:

- Define and analyse who our customers (or potential customers) are,
- Analyse the competition (or potential competition) in the market and near its fringes,
- Analyse how we fit into that market, **i.e.** how well we fulfil customer needs compared to the competition,
- Survey the social, economic, demographic, technological and political environments.

**Information** on the above areas help you to decide your course of action. Before deciding your strategy of operation it is essential to analyse your own strengths and weaknesses. The toughest part of the pre-planning process is self-analysis. You cannot use competition to its fullest advantage unless you understand your own concept – your operation, its reasons for being, its reason for success and its strengths and weaknesses. Once the strengths and weakness of the operation are known deciding which alternative strategy to choose will be an objective decision. Your strategy should be based on customer requirements, how they are being met at present and what is your **organisational** strength. Then comes the various tools of marketing for restaurant. They are:

- Advertising,
- Publicity,
- Product presentation,
- Menu,
- Service,
- Decor,
- Pricing
- New Products, and
- **Market** Segmentation, etc.

When all these components are totally consistent with the overall concept and are totally integrated with each other, the ultimate goal of the organisation is achieved. (We have discussed the marketing of foods in a separate Unit in TS-6).

No marketing strategy in food service is going to work unless it is operationally practical and can be implemented. In the restaurant business, we cannot fool the customer by the packaging and design of the product. **Ultimately the most successful advertising is by 'word of mouth'** and the success of a food service operation will depend on how **well** it can satisfy its customers needs and desires and make them feel that they are getting value for money.

### Check Your Progress-3

1) **What** are the causes of food contamination?

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- 2) If you want to start a restaurant, what will be the **first** step in your planning?

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## 26.10 LET US SUM UP

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Managing food services is an exciting business. Whether you are managing your own food services business or working for others it is essential to have proper knowledge about the operations of food services. This Unit has introduced you to the food services business in India, misconceptions about it and how to achieve success. We have also explained some **important** areas in **the operation** of food services like preparation of menu, cost **control**, hygiene, application of computers and marketing. Last but not most important yardstick to measure success in this business is the guest satisfaction. In case you intend to start your own **small** business in this area you must consider the issues mentioned in this Unit.

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## 26.11 ANSWERS TO CHECK YOUR PROGRESS EXERCISES

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**Check Your Progress-1**

- 1) See **Sec.26.2**.
- 2) After reading Sec.26.4 you have to identify certain factors.

**Check Your Progress-2**

- 1) Customer profile, number of customers, season, availability of **staff**, etc. See **Sec.26.5**.
- 2) Nature of product, raw **materials**, purchase and serving **products** are key areas in food **services**. Control is necessary to avoid waste, to **rationalise** costing, to provide satisfactory service and to gain profit. See **Sec.26.6**.

**Check Your Progress-3**

- 1) See **Sec.26.7**
- 2) You have to write about the pre-operation survey of the market and to mention the different areas in which information should be collected. See **Sec.26.9**.