

## **The 3 C's of Food & Beverage Inventory Cost Control**

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Everyone involved in Food & Beverage operations face a continuing battle over keeping their F&B costs under control. This material will expose you to a system called the “3 C's” that historically has continually proven itself to lower inventory and reduce costs not only in Food & Beverage operations, but also in any business that maintains inventory and relies upon inventory to produce what it sells.

Steve Argo was exposed to this system while Controller of a restaurant management company in the 1980's. His company began use of the principles of this system and it saved the company by reducing its F&B costs by 5.8% of total revenues. That company is still in business today.

Steve has validated this system in his professional career many times over the years. He will now share with you the basic principles and how the adherence to those principles will enable you to reduce your F&B costs:

#### **1) Basic principles of the 3 C's system**

##### **1. Common Sense**

1. All F&B managers know the “common sense” things to do within their operation in order to control costs.
  1. Verify all items received to items ordered
    1. Item as described
    2. Item priced as quoted.
    3. Acceptable condition
  2. Receiving personnel must sign all invoices on items received and date them so that any questions concerning the delivery can be addressed to the individual who received them.
  3. Accounting personnel must make sure that all invoices have been properly signed and approved, and that the invoices, if not computerized, are totaled properly.
  4. Continually negotiate prices on all items ordered, even through multiple vendors to ensure that prices are competitive. Never trust your vendor to provide you with the best price that his company can give you.
  5. Keep all costly products under lock and key and limit access to those products to personnel who have keys.
  6. Take daily bar inventories of all bars and all alcohol products.
  7. Constantly rotate all food products to ensure that wastage due to spoilage is kept at a bare minimum
  8. Constantly train kitchen personnel on the proper way to prep all food items to ensure that wastage due to improper preparation techniques is kept at a bare minimum.
  9. Do not allow garbage cans to leave the premises without close examination. Clear plastic garbage can liners will greatly assist in this effort. If that is not available, have a manager or supervisor inspect all garbage before it leaves the building.

## **Control**

2. The Common Sense principles must be maintained through a system of operational and accounting controls and procedures.
  1. Inventory must be taken as often as possible by managers, supervisors, or accounting personnel.
    1. Daily bar inventories must be taken by managers or supervisors. If taken by Bar or F&B personnel, it must be verified by a manager, supervisor, or accounting personnel.
    2. Establish par levels for all bar and alcohol storage to facilitate ease of ordering.
    3. In most F&B operations food orders are prepared two(2) or three (3) times weekly. During that process inventory counts of food items are established so that the need to quantity ordered is established. Establish this as something that must be done so that spoilage and wastage is reduced to a bare minimum.
      1. Establish orderly inventory storage arrangement with properly marked areas for every product to be stored, and so that employees will know where to put items ordered and received.
      2. Establish par levels for food inventory.
    4. Utilize technology by investment in it to reduce time required to take inventories.
    5. Establish periodic inventory observations by accounting personnel, and periodic inventory counts to ensure that policies and procedures are being adhered to.
    6. Review policies and procedures at least annually to ensure that they are up to date, and make any changes or additions that are needed.

## 2) **Commitment**

1. This is the most important of the **3 C's**. Every member of the F&B team and Accounting staff must be 100% committed to making the system work on a daily, weekly, monthly, and annual basis with no exceptions.
2. The Management Team must realize that you cannot totally trust any of the staff. However, with the proper controls, policies, and procedures you can trust every member of the staff if you hold them accountable and remain 100% committed to the system.
3. Remember, desperate people do desperate things. All of the Management Team and Accounting staff must be totally aware of each member of the staff's role in the system, and how their lives outside of the organization may affect their performance within the organization. This is part of management that must not be ignored.
4. If the commitment is 100% the system will work, and will result in the lowering of Food & Beverage costs from 2% to 6%.