

A TALL ORDER:

BEST PRACTICES FOR STRATEGIC FOOD SERVICE OPERATIONS



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WHAT IS STRATEGIC INNOVATION?

Strategic innovation in food service can be defined as “a process by which an organization develops a careful, well thought-out, tactical plan to improve and upgrade operations for freshness, uniqueness, and progressive growth.” This is a tall order to fill in today’s workplace environment, requiring considerable commitment, patience, and resources, from top to bottom throughout the organization to reach “Operations Excellence”.

A BALANCED APPROACH: THE FIVE “P’S” TO PROFITABILITY

Essentially there are 5 key elements to creating profitable concepts and programs:

1. Planning
2. Product
3. People
4. Positioning
5. Profitability

The first “P” – Planning, plays an important role in the first phase of strategic innovation, The Discovery Process.

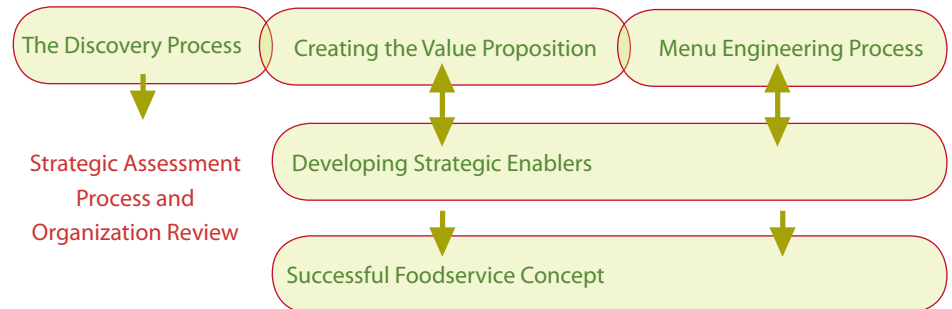
TOP 7 BEST PRACTICES ESSENTIAL TO PQ-PROFIT QUOTIENT:

1. Use up-to-date, accurate recipe specs and manuals in daily routines for efficiency & cost control.
2. Know your current food cost and penny profit for EVERY item.
3. Update menu variety minimum EVERY 4-6 months. Daily Specials.
4. Apply profit strategy to layout/design for efficiency and appeal, enabling flexibility to make changes quickly and inexpensively.
5. Deploy merchandising and marketing promotional materials.
6. Well trained friendly staff, product knowledge and active selling.
7. Employ effective operations accountability/reward systems.

FOUR ESSENTIAL PHASES

To achieve above average performance, I would categorize the activities in strategic innovation into four essential phases:

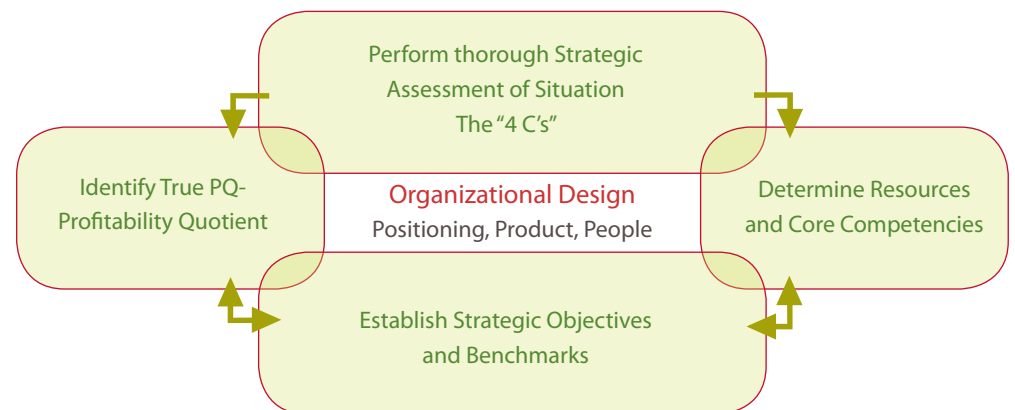
- Phase 1: The Discovery Process
- Phase 2: Creating the Value Proposition
- Phase 3: The Menu Engineering Process
- Phase 4: Developing the Strategic Enablers



Working through these four phases of strategic innovation and taking a balanced approach will lead your organization to deliver a successful food service concept.

Phase 1: The Discovery Process (Focus on Planning)

The Discovery process begins with a thorough strategic assessment of your unique situation, evaluating your strengths and weaknesses based on the 4 Cs commonly considered in the planning process: Customers, Competition, Categories, and Costs. This is a very critical step and is commonly brushed by in the planning process. The level of energy you apply in this early part of the planning phase will have the most direct impact on your ultimate performance results. When performed thoroughly, you will identify your true Profitability Quotient (PQ) and be able to accurately determine your core competencies and resources available. Once this is established you can formulate realistic and aggressive objectives and benchmarks for success.





STRATEGIC ASSESSMENT

Customers

- Satisfaction
- Motivation
- Eating Behaviors
- Market Trends
- Product Migration Path

Competitors

- Menu Offering
- Quality/Spec.
- Service Level
- Price Structure
- Positioning & Marketing
- SWOT Analysis

Categories

- Management Structure
- Product Profiles
- Variety
- Complexity
- Measurement Systems

Costs

- Supply System
- Perform ABC
- Shrink Factors
- Productivity
- Identify Sales & Profit Gap Opportunities

What's your true PQ (Profit Quotient)? There are many variables by which to evaluate your true PQ, but I have outlined what I believe are the Top 7 indicators. If you take anything away from this article today, ask yourself if you are following these 7 Best Practices Essential to Profit Quotient; if you answer no to any of these, you could be leaving valuable dollars on the table.

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Phase 2: Creating the Value Proposition (Focus on Product)

As we move into the second stage of strategic innovation, Creating the Value

Proposition, the second of the Five "Ps" to profitability, Product, becomes the primary focus.

We begin with conceptual development of the concept and products. This phase is where you lock in your sales and profit potential to ultimately maximize your return on investment. In consideration to your consumers, if you performed a thorough strategic assessment on the 4 Cs, one being Customers, you will have identified key considerations for your menu such as ethnic influences, emerging trends in the migration path, etc. and when looking at competitors, identify your target customer, the largest market share potential outside your core customer base.

It's important to identify who your core customers are, their eating behaviors, spending habits, occasions and frequency, combined with the trend in migration paths to develop the appeal of your value proposition, incorporating Time of Day (TOD) & Day of Week (DOW) targeted sets into your operation to maximize sales. The value proposition must exist and realistic consideration must be given to the enablers that will be required to deliver operations excellence such as: efficient and effective design, focus on directional flow, ease of service delivery, proper signage and imaging enablers such as lighting, menu boards, etc., to deliver your concept

effectively. It's important to create a distinct identity.

KEY MENU AND PRODUCT DEVELOPMENT FACTORS

Customers

- Demographic Profiles, Core & Target Audience

Behaviors

- Buying/Eating Motivations, Occasions, Frequency

Trends

- Emerging Products, Downstream Migration Path

Value

- Quality, Variety, Convenience, Images, Price

Enablers

- Supply Chain, Standards, Management Systems

Goal Attainment =

- Strong Strategic Framework, Improved Business Performance and Competitive Posture

MIGRATION PATH

The next very critical element to developing your product and concept is to understand what I call the migration path. That is, to anticipate your customers' needs and understand how emerging market trends will impact your business and when to determine how aggressive you need to be in evolving your programs. To understand the migration path and leapfrog over your direct competition, you must look outside your direct competitor and look upstream and laterally to non-direct competitors.



7 Essential Elements to Effective Menu Engineering:

1. **Value** - Strong Proposition, Focused, Delivered
2. **Appeal** - Menu Breadth, Ethnic Diversity, Occasion
3. **Selection** - High Variety, Low Complexity, Cat. Mgmt.
4. **Identity** - Ambiance, Image, Positioning, Marketing
5. **Price** - Profitable ABC Models, Cost Controls, High PQ
6. **Efficiency** - DQPS Turn Frequency, Delivery Systems
7. **Execution** - Simplified, People Enablers, Less is More!

OPERATIONS EXCELLENCE: ACCOUNTABILITY AND REWARD SYSTEMS

- Organization Infrastructure
- Product Quality/Menu
- Merchandise & Marketing
- Training & Safety
- Performance Benchmarking
- Management Standards
- Daily Operating Systems
- Distribution Supply Chain

In today's marketplace, the value equation is increasingly complex. It is simply not enough to be the best price in town, as price is simply an anti into the game. A powerful value proposition offers the customer a high level of Quality, Variety, Freshness, Consistency, Convenience, Service, Atmosphere, and Price, all playing very important roles in the consumer's mind when determining value perception.

The key is to move through this phase in a methodical order, always applying the elements of the value proposition in your decision making process. All too often we may feel pressured to develop a program in the face of diminishing performance, and skip right past true product development and menu engineering, moving straight into designing a floor-plan first, before we even know what our value proposition is. This can be a fatal oversight and often will lead to customer dissatisfaction and ultimately negative comparable sales over time.

Phase 3: The Menu Engineering Process (Focus on Product and Positioning)

The third phase of strategic innovation is Menu Engineering, a process of developing your recipes, specs, and variety to maximize sales and profitability. The menu engineering process is a very important exercise, and your ability to perform this phase will ultimately dictate your theoretical food cost and labor cost for the duration of the concept, setting the bar for the level of sales and profit that can be achieved. No matter what you do operationally, if your venue is not engineered effectively, you will never reach your true PQ-Profit Quotient.

SETTING UP YOUR VENUE

The facility must have efficient flow for ease of shop and labor efficiency. The venue design and equipment will lock in your labor cost for the concept, so

applying the "less is more" philosophy is critical to high sales through-put and Sales per Labor Hour (SPLH), and requires a high level of attention to detail in the menu engineering process to properly set the stage for success. Careful evaluation of your equipment and merchandisers is required, as this has a direct impact on your service level and ultimately your sales growth. Cutting corners in these areas can have negative impacts long-term.

No stage is complete without proper props, fixtures & decor to showcase the star of the show – the Food – applying high impact visual merchandising techniques in your menus, signs, presentations and lighting. If you are in retail, you have the added challenge of how to create abundance, while controlling shrink in an environment where food is on display during all TOD sets and often around the clock. This can be achieved if you properly engineer an efficient menu that targets TOD and DOW sets and addresses visual appeal opportunities with effective use of merchandising props & décor.

To perform daily execution, the "actors" (the staff) must know their lines and know their product well, know when to que for service, what to say, and when to properly communicate the great value of your menu to offer service excellence. The entire show works in concert to deplete and replenish efficiently and effectively.

Phase 4: Developing Strategic Enablers (Focus on People)

As we move into the final phase of Strategic Innovation, developing the Strategic Enablers, the last of the Five "Ps" to profitability, People, becomes our primary focus.

DEVELOPING THE STRATEGIC ENABLERS

Operating a food service concept without proper enablers is like driving a car blind down the highway, you cannot see the



bumps in the road nor can you see what great opportunities are passing you by. Without a solid road map, the operational standards and tools cannot be executed effectively and will lead to diminishing returns, unsatisfied staff, and ultimately, decreased customer satisfaction. For those of you in retail, this is a whole new animal and complex, compared to stocking bottles on a shelf with a shelf life of months. In food service, we're handling products that have days and even minute shelf lives; products are highly susceptible to inconsistencies, sales spikes, and shrink. Operating a successful food service operation requires a whole new vocabulary, understanding of food service elements, and communicating to and enlisting resources in the organization to support a total dedication to achieving the established plan goals.

When developing your concept, you must constantly validate the Five "Ps" to profitability throughout the strategic phases, asking if you can realistically execute your plan to a high quality level. Do you have the resources to develop the enabler tools, to ensure operations excellence? And if not, can you evolve the organization and program, enlisting additional support resources from vendors and business partners at a rate in which to achieve a common goal and result? Important questions to ask yourself would be:

- Is your organization set-up in a way that enables proper support and monitoring of results? What do your people need at store level, district/ regional support levels in terms of training, marketing, systems reporting?
- Is your supply system efficient? What are your EFR ratios, shelf life standards, product life, production/ sell cycles?
- Are you offering the best quality possible to enable a high value proposition? Are your specs

documented, monitored, and do you have proper handling controls for temperature, shelf life, rotations and standards to ensure freshness and product success?

- Do you have effective daily operating tools in place to ensure efficient and consistent execution? Do you utilize daily OCS checklists and are they initialed and completed daily every shift? Do you use production/waste logs and track sales and costs daily?
- Do you have accurate, up-to-date training guides and specific standards by venue, function, task, with clear expectations and support tools for product knowledge and suggestive selling, to enable your people to become experts at what they sell? These items enable the consistent service level that defines leaders in the marketplace.
- Do you have management standards in place in terms of training, marketing, daily operating systems, financial reporting, and tracking?
- Do your reporting systems support category management and penny profit reporting, the tools necessary for effective menu engineering and profit management? Do you perform ABC, know your DQPS and have effective inventory & menu management cost control systems? Do you perform sales and profit gap analysis monthly, by category and item?
- Do accountability and reward systems exist? Are they effective in motivating sales and profit growth monthly?

UNLOCK YOUR FOOD SERVICE POTENTIAL

By applying a balanced approach to the Five "Ps" to profitability: Planning, Product, People, Positioning and Profitability, you can unlock the true

power of your menu and potential of your food service concept.

Applying strategic innovation combined with effective growth strategies, will lead to: competitive advantage(s), improved customer satisfaction, accelerated sales and profit growth, increased market share, and ultimately goal attainment! ©

Deborah L. Holand owns and operates Food Sense, Inc., a national food consulting business formed in January 2000 and is a convenient store specialist. She has over 25 years experience in the food service industry, working across all channels from fine dining to fast casual restaurants and specialty gourmet retailers, to conventional supermarkets and convenient stores, commissaries and catering among other venues. Deborah's diverse experience spans all facets of operations and corporate management to include: Concept Development; Revitalization of Profitability; Business Growth Strategies; Project Planning and Analysis; Menu Development; Labor Optimization; Operations Cost Management; Marketing and Visual Merchandising.



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