



A monthly newsletter brought to you by Walker Quality Services

#### Volume 2, Issue 2

#### December 2021



**District of the Month:** Proviso Township High Schools District #19

### **Top Stories in This Newsletter**



Process Improvement: Prime Costs



Thinking Skills: Find Your Calling



Training: Custom Per Site

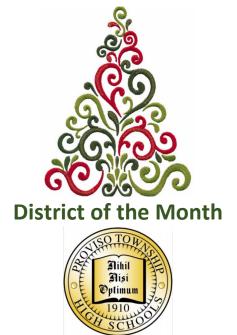


### Happy holidays Everyone,

During this season, take time to reflect upon all the good things we have, the people who have impacted us, and our partnership with you. It's amazing the achievement we have all made this year by working together as a team. WQS appreciates working with each of you and would like to express our sincerest appreciation for the trust you have placed in us.

May your holidays and New Year be filled with joy and birth new dreams.

Alfred Walker President



**District of the month is Proviso Township High Schools**. Proviso has showcased some of the yummiest locally sourced cafeteria meals and the students are eating more in the cafeteria than in the past. The food looks appetizing, staff are sporting their new uniforms with smiles on their faces, and students are giving positive reviews. Keep up the magnificent work! Your efforts are paying off. Students are returning to the cafeteria.



You must be, think, and act differently if you hope to be successful in a world that is forever changing.





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## PROCESS IMPROVEMENT: Prime Cost

The dining experience for our students is evolving. They have developed expectations about diet, nutrition, allergies, and sensitivities that are different from pre-pandemic expectations. Parents want a more health-conscious menu and students want taste and variety. The link between the nurse's office and food service is more important than ever. The communities we serve also have questions about sustainability and local sourcing in the purchase of ingredients.

With everyone demanding more accountability and transparency, we must balance customer taste trends with food and labor costs. This means knowing our prime cost.

#### Prime Cost

It is important to track recipe costs, ingredient costs, use and yield

regularly to understand the contribution margin of individual menu items. The biggest challenge with creating a menu is to balance popularity with food cost. This makes tracking prime cost important. *Prime cost is the cost of your food and ingredients (Cost of Goods Sold (CoGS)) and all your labor costs.* It's critical to maintain



accurate CoGS records and keep a close eye on labor costs. Labor is a critical component and the most expensive cost in any school food service operations.

Prime cost is dynamic. Collecting the numbers without action misses the opportunity to increase the customer experience and positively affect the bottom line. Knowing your prime cost will help you adjust your food costs, improve menu item margins, and trim your labor costs. If you don't monitor your food and labor costs, they can get out of control. For example, your inventory costs keep going up even though you order the same ingredients, or your labor costs are increasing due to unplanned overtime.

Fortunately, you can keep your food and labor cost under control by tracking them and taking appropriate action to reduce them. Because prime cost makes up such a sizable portion of your overall costs, it should influence how you hire and schedule staff, order inventory, price your menu and establish revenue goals.

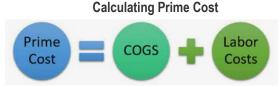
With so many changing costs and demands, tracking prime cost helps to increase operational efficiencies. We suggest calculating your prime cost daily, weekly, monthly and year to date. This will give you an overview of your costs and enable you to adjust early -- stop leaks before they get out of hand.

#### Prime Cost Percentage of Revenue

You want the prime cost to be 60% of your total food and beverage revenue. Labor makes up a slightly larger percentage of the prime cost than food. In a typical full-service school food service operation, prime cost will run slightly higher (60%-65%) than a quick grab and go (55%-60%). Since the pandemic, most schools continue to experience higher CoGS due to the addition of packaging costs for offpremises channels increasing your prime cost.

Use prime cost as a percentage of revenue to determine a benchmark for your operations. Compared and referenced regularly. It is better to set your own benchmark, your "*target prime cost*," industry benchmarks are a good alternate. Using a target prime cost helps to know and decrease your food and labor costs. As you adjust ensure that you are creating efficiencies and not compromising food quality or the customer experience. Set a specific goal, i.e., decreasing your

prime cost percentage from 62% to 60% in the next six months.



The formula for calculating prime cost is:

#### CoGS + Total Labor Cost = Prime Cost

Your CoGS is the cost of the raw ingredients (food and beverage ingredients including packaging costs) that make up your menu items during a specific time period. Gather the following:

- Beginning F&B inventory cost: cost of food and beverage including packaging at the start of the time period
- 2) New purchases: cost of food and beverage you bought
- Ending inventory cost: cost of food and beverage including packaging left over at the end of the time period.

#### Step 1: Determine Your CoGS.

Beginning F&B inventory + purchases – ending inventory = CoGS.

#### For example:

- after taking an inventory of your storeroom, refrigerator, and freezer, at the start of the month you have \$10,000 in inventory
- 2) During the month, you received \$4,500 of new inventory, and
- at the end of the month, after a stock count, you have \$8,000 in inventory.
- 4) Calculate CoGS:

\$10,000 beginning inventory + \$4,500 purchases – \$8,000 ending inventory = \$6,500 CoGS

#### Step 2: Determine Your Total Labor Costs

- Hourly Employees: divide the employees into groups of people with the same salary. Add the total number of hours worked in each pay group, and then multiply the hourly rate by the total number of hours worked.
- 2) **Salaried Employees:** determine the amount paid out to each employee during the specified period.

For simplicity, let's assume your total labor cost for the specified month is \$7,000.

Step 3: Calculate Prime Cost and Prime Cost Percentage of Sales

Using the CoGS and labor numbers from our examples, the prime cost would be:

\$6,500 CoGS + \$7,000 labor cost = \$13,500 prime cost. Next, we'll use the prime cost ratio formula to determine the revenue generated from the prime cost:

*Prime cost* ÷ *total sales x 100* = *prime cost percentage* Using \$22,000 in sales during the month, calculate the prime cost percentage as:

#### \$13,500 prime cost ÷ \$22,000 total sales x 100 = 61.4% prime cost

#### Ways to Reduce Prime Cost

- Buy only what you need using purchase orders (reduces waste, spoilage, and over-portioning) and retain the purchase orders for recordkeeping.
- Focus on selling your highest gross profit menu items although having higher food costs. This sometimes mean more profit. Monitor closely.





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- Review CoGS and labor reports daily to help identify issues early and then take immediate action.
- 4) Know your sales and number of customers served per labor hour for each day.
- Use your POS systems to track your staff's time and attendance and generate reports showing sales and customers served for every hour of labor.
- 6) Cost out your menu items and recipes.
- Create a primary inventory list with a price for every ingredient. Use the list to calculate the cost of recipe and menu items and then compare with the selling price.
- Establish daily prep level pars and schedule prep for off-peak hours. To control freshness, waste, and spoilage, determine the correct amount of food to prep by shift based on anticipated sales.
- Evaluate suppliers and supply costs regularly. If an ingredient has risen in price, consider a less expensive brand, negotiate a lower contract price with your present supplier, or try an alternative supplier.

#### Conclusion

Prime cost is volatile and will rise and fall with your operations. Your objective is to keep your prime cost as percentage of sales ratio as consistent as possible. Visualize trends, seize new opportunities, and make changes where needed. The only way to control your most volatile costs is to measure them every day. Track your inventory, adjust in the moment, and stay current with what you have and need. Use an inventory management application to facilitate this process.

When adjusting to reduce prime cost, ensure that you're not compromising food quality or customer service. The best customers are those that keep coming back and recommending your food to others. Providing an awesome experience at a good value is a major factor in getting our students to return.

#### **Resources:**

- Schwager, A. and Meyer, C. Understanding Customer Experience. 2007. https://hbr.org/2007/02/understanding-customer-experience
- On the Line/Accounting. How to Calculate Your Restaurant's Prime Cost. 12/01/2021. https://pos.toasttab.com/blog/on-the-line/restaurantprime-cost
- Hannon, Joe. How to Calculate Prime Cost in a Restaurant. 10/23/2019. https://www.restaurant365.com/blog/how-to-calculate-prime-cost-in-a-restaurant/

## THINKING SKILL: Find Your Calling

The future appears to be coming at us faster thanks to technology, social media, and the rate of change. We have to learn to be flexible, agile, shift when needed, and go after what we want. Consider the Mother Goose rhyme:

Jack be nimble (flexible/agile)

Jack be quick (adaptable/shift when needed)

Jack jump over the candlestick (going after what we want). The more flexible, adaptable, and agile we are, the quicker we can change and seize opportunities. You must adapt and shift quickly because the world is not standing still, it is continuously shifting.

Think of a cheetah going after its prey. The cheetah is the fastest

cat there is, yet speed alone is not what makes this cat unique. It is the fact that it can quickly speed up, shift directions, leap sideways, make tight turns, and can stop on a dime (figure of speech) that gives the cheetah its great



hunting skills. The cheetah adapts to get what it wants.

It is our responsibility as human beings to constantly update our position on as many things as possible, both in the workplace and in our private lives. It is important to realize that your best today will not meet tomorrow's challenges. You have to keep getting better because tomorrow's challenges will need more than today's abilities. To have the best choices tomorrow, make the right choices today.

- To keep getting better:
- 1) Learn something new.
- 2) Try something different

- 3) Find something better
- 4) See something bigger.

Everyone can improve. Continue to learn, unlearn, and relearn. Try things you have not considered before. Take what you are doing today and think of how you can make it better. See the big picture as it will keep getting bigger. Move forward courageously in the midst of uncertainty. Learn your calling.

Your calling matches who you are. To begin discovering your calling ask yourself:

- 1) What lights you up?
- 2) What do you love learning about?
- 3) What could you talk about for hours?
- 4) What can you do to make a positive difference in the lives of others?

Your calling taps into your passion. It helps you to face the unknown. You want to align your talent, skills, experience, and opportunities with your calling. Do something at which you are good. Does this help you to feel appreciated? Couple this energy with passion and you will find the fuel you need to pursue your calling.

Your calling can change your perspective. You see the world differently. Where you once saw obligations and responsibilities you will shift towards seeing options and opportunities. Your calling will lift your heart and give you purpose. Your purpose will motivate you – getting back to your passion and getting your priorities straight. It will stretch you by developing your potential. It will direct you intentionally, giving your life and your work significance. Your calling will help you to overcome obstacles – it's what you can draw upon when you hit a wall in your life. It helps you to also care deeply about the why -- why you are you doing what you do. Acting on your calling will move you in a manner that allows you to overcome obstacles and it will bring fulfillment.





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To find your calling, think about your **singing moments**. The times when you were making a positive difference for others. Think about your **crying moments**. The times when you saw misused or abused people or yourself. Also think about your **dreaming moments**. The times when you dream of getting the training you need so you can make a difference, a significant and positive impact on others.

Think of your calling from a long-term perspective. Expect to draft your story with a pencil and eraser, not a pen. Your plans will change as you learn, adapt, and grow. Be patient as you discover and hone your path in life as it will take time.

We all have a destiny to fulfill. Read to receive wisdom from trusted sources, deepen your understanding about your calling and increase

your commitment to follow your calling. Finally, ask others to join you and help you with your calling. Finding and moving towards your calling is well worth it.

#### **Resources:**

Maxwell, John. Leadershift. 2019. Harper Collins Leadership Ottaway, Alison. Ten Strategies for Gradually Figuring Out Your "Life's Calling. 2020, June 29. Mindbodygreen.com Torgovnick May, Kate. Seven Lessons about Finding the Work You Were Meant to Do. 2016, Apr 29.

### FOOD SERVICE...HARD AT WORK!



Figure 1. Proviso High School District Food Line



Figure 2. Navasota ISD Food Service Team



Figure 3. Proviso High School District Food LineFigure 4. Raymondville ISD DinnerEditor: Dr. Denise Chatam Walker, Vice President, WQS

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