

# A Study On Cost Cutting & Control In Food & Beverage Service Department

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**Abstract:** The study aims at finding out the various cost cutting measures for controlling costs in food & beverage service department. The study is also illustrating about the various new and necessary segments which can generate maximum revenue for the new entrants in F & B service industry. This growth and rise in consumerism has given a need to find upcoming trends as well as shifting preferences of consumers in the segments. This study also illustrates various cost control measures to be able to help food & beverage entrepreneurs or existing food & beverage establishment owners in maintaining the food & beverage cost in check. The consistency in maintaining the cost under control or cutting the cost at right time and right place, in turn helps in profit maximization, another aim of this study. This study also aims to highlight the need for staff training and their development & Retention. This study also aims at finding out various cost cutting measures and their varied applicability in different sections of the same business operation. Role of implementation of different controls in modulating and affecting staff behavior

**Index Terms:** cost cutting, cost control, maximizing revenue, effects of cost cutting, talent development & talent retention

## 1 INTRODUCTION

Cost Cutting, in layman terms is reducing costs, in a commercial activity or in any state of affairs of life wherever monetary transactions are involved. The sole intent of cost-cutting is to improve profitability by reducing its expenses. Various cost-cutting strategies applied by organisations are firing employees, cutting down employee salary, cutting down staff benefits, redesigning or restructuring the operational processes, reducing overheads such as office rent by relocating to less expensive office or place and minimizing or cutting costs of advertising or seasonal vendors, etc. In Delhi NCR region, Delhi is most developing and advancing in comparison with other two segments known as Gurugram and Noida. Out of the various reasons commercial growth has pushed migration of people from various locations to Delhi/NCR. This acted as a blessing for food & beverage entrepreneurs, start-ups and current business enterprises for expanding and settling their food & beverage outlets or to enter the new markets. Due to the rising consumerism various food & beverage outlets have immersed in delhi/NCR to capitalize the available opportunity such as Quiznos, Blue Frog, Chili's, Spot Café & Bar, Chicago's Pizza, Cocoberry, Red Mango etc. New F&B formats have also emerged as casual dining, QSR, Café are trying to approach the guest with new innovative location advantage to the consumers by making them accessible at office complexes, educational campuses, highways, fuel stations, airports, and metro stations have also become lucrative. And so cost cutting plays a very vital role in controlling and managing the operations in alignment with organizational objectives but also plays a negative role in view of the employees or guest as the case may be.

It is quite evident that Organizational Strategies, Workforce Strategies, Strategies for waste reduction and continuous exploration of innovative technological advancement are some key indicators as well as touch points which if paid attention to will surely make the organizations growth upward or to disdain if managed poorly. Generally any business firm tries to minimize on expenses by cutting various costs such as payroll cost, raw material cost, reducing cost of procurement such as ordering in bulk rather than in small quantities and also by doing product augmentation rather than exploring new products or services. Also in addition to the above reducing portion size of the dish, changing standard recipe keeping quality similar and minimizing, reducing or substituting the raw materials with inferior quality keeping portion size similar are the elements including but not limited to increase sales price keeping quality & portion size optimum effecting the guest & staff perception.

- 1) To study effects, of various cost cutting measures applied to maximize profit with minimum expenses, on guest & staff.
- 2) To observe the negative effects of efforts made for maximizing profits.
- 3) To understand the psychology of guests as well as staff who are either indulged or affected by cost cutting measures.
- 4) To analyze the effect of cost reduction on human resource
- 5) To analyze the relationship between cost cutting/reduction and firm's strategy for opting outsourcing as an alternative.

Also satellite towns of Delhi/NCR starting up to grow becoming bigger opportunity for existing brands and will be a boon for upcoming brands giving them an opportunity to settle to expand in areas where potential is bigger and service is low or poor in terms of quality, delivery or price.

## 2 REVIEW OF LITERATURE

Increasing sales is not the only way to increase profits. Profit margin can be increased by decreasing costs, like food and beverage costs, whereas general perception in always on increasing sales. This is why Food and Beverage Control comes is very crucial and unavoidable component in the process cost cutting. Unambiguously the term food &

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beverage control looks to lead to control the usage and wastages related to food & beverage commodities. Having said that it is more important to work on behavior and attitude of food & beverage staff to achieve objective of food & beverage control. A food & beverage controller might need to direct, regulate and restrain the action of people to achieve the desired goal. Control of food & beverage comprises various major focus areas out of which namely four are the prime ones which are mentioned below,

- Cost of food- cost incurred in preparing food.
- Cost of beverage- cost incurred in preparing alcoholic beverages served in restaurant and bars.
- Labor Cost- cost incurred in payroll with taxes of the restaurant staff.
- Other Expenses- include kitchen equipment, electricity, water charges, rent etc.

Food cost if expressed in percentage is a restaurant's total food purchase divided by the restaurant's total sales. There are two types of food cost in a food and beverage service outlet known as Plate Cost & Period Cost. Plate cost is expressed as cost to prepare a dish/Sales Cost. Whereas Period Cost is the ratio of Total Food Usage/Total Food Sales. To obtain period cost with the given formula it is necessary to calculate food usage with the help of below mentioned formula  
Beginning Inventory of a specific period + New Inventory Purchased of same period – Ending Inventory of same period = Total Food Usage in a particular period.

**After calculating the total amount used, the Cost Of Goods Sold may be calculated as :**

Total Food Usage/Total Food Sales = COGS (Cost of goods sold).

**To calculate the COGS in percentage, multiply it with 100:**

$COGS \times 100 = COGS\%$  Period costs help in determining the cost of any specific items be it cost of beer bottle or wine bottle or cost of wine glass sold to the guests. One important point to keep in mind while using this COGS formula is to match right class of food usage with same class food sales to obtain right figure of food cost-period cost. Apart from calculating food cost there are several other important factors to be considered such as Menu Item Forecasting, Standardized Recipes, inventory Management, Purchasing, Vendor Management, Receiving, Storage. Keeping a control on the Beverage Costs is one of the most tedious tasks as over-pouring, and spilling is very frequent and leads to inflated costs.

**To track and control beverage cost formula is mentioned below:-**

Cost of beverage sold/ Beverage sold= Beverage Cost percentage Out of various factors, labor cost contributes highest, making it a significant part of the entire Restaurant Cost. Labor cost comprises salaries and wages, but it also includes other labor-related costs as well such as employee meals, training, uniform, etc. Food cost, beverage cost, labor cost along with other expenses contribute to overall cost being borne by food and beverage establishment hence all these costs require equal amount consideration and due diligence in controlling them. Maximizing revenue in any food & beverage outlet is based on one very important factor that is ability to allocate funds the right way so that it is easy to build multiple revenue-generating, guest-centric segments across

their operational model. According to speakers on an F&B panel at "The 2017 Lodging Conference," hoteliers who are doing F&B best know how to combine trends with experiences to yield high-margin operations. In-room dining services and mini bar service is becomes a costly affair for hotel operators if revenues earned are not as per budget. A recent study done by Taitiana Roku ,in U.S hotels reveals that in room dining revenues per occupied room dropped by 4.2% in spite of consolidated increase in food & beverage revenue per occupied room by 2.7%.Out of the various ways of maximizing food & beverage revenue it is often mistakenly missed that guests may not prefer massive food & beverage overhaul but would love to choose from unique offerings that a hotel is offering. Inclusion of food & beverages of nearby areas' favorite foods & beverages along with any popular cuisine may attract more guests. This also enables sustainable cycle of business supporting local businesses leaves a positive image creating loyal brand perception for the hotel. This makes hotel more profitable in turn. Staff training focusing on training staff on newest of technological advancements is of utmost importance as it imparts efficiency being utilized in guest handling. Also the required equipment and machinery if provided and available at work place helps staff finishing their tasks efficiently and providing on time service to the guest. Hence all these factors all together create a space for staff so that they can engage with guest- the most important objective to be achieved for maximizing food & beverage revenue. As mentioned in opinion article "Key Strategies to Help Hotels Boost F&B Profit" by Adam Hoydys- "Hotels around the globe are now investing in a new kind of in-room F&B services, including in-room cocktail service (a dedicated barista curating delicious cocktails in the room) and high-end appliances that offer by-the-glass wine. In-Room, by-the-glass wine has proved especially promising, boasting a capture rate of 25-35% versus the less than 1% capture rate from mini-bars."

### 3 PROPOSED METHODOLOGY

This study is based upon primary data & secondary data and that has been collected from text book, research papers and websites.

### 4 ANALYSIS, FINDINGS & INTERPRETATION

- a) A low-cost position is an advantage in most industries, as it allows a company to out-earn and out-invest its peers for growth.
- b) A cost is reduced effectively whenever cost cutting is done through manpower outsourcing.
- c) Change in suppliers instead of compromising on quality of food or reducing portion size is a better a useful solution.
- d) It is important to know that cost cutting is not about just cutting the cost it is all about cutting in the right quantity.
- e) Incidentals expenses may be consolidated.

### 5 CONCLUSION

- a) It may sound easy but difficult to apply that a cost cutting measure effective for one business unit may seem ineffective for other unit in the same operation cycle or in case of hotel good for a department but worst for another.
- b) It looks easy to lay off people but it is very difficult to restore the manpower. Also with the people leaving the organization, a certain amount of skills and experience is also being lost. Hence it is necessary to keep minimum

manpower with minimum resources sufficient to keep the operations smooth and going.

- c) Long term objectives must not be sacrificed in keeping the short term objectives fulfilled as in long run organization may come in difficulties to achieves business results from short term replacement.

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