

Real Challenges. Real Solutions.

Restaurant Food Waste: Look After the Bad Inventory, and the Good Inventory Will Look After Itself

With record-breaking inflation hitting the industry hard, knowing how waste occurs - and, more importantly, how to control that waste - can lead to the difference between a company's success and its failure.

Mark Samson, Managing Director at Getzler Henrich and Associates, shares what he has seen in struggling restaurants and the questions you should ask yourself about your own restaurant's inventory practices.

THE IMPACT

The biggest mistake most companies make today is not having the right person in charge of purchasing. Despite inventory being the largest asset in the borrowing base formula next to receivables, there is often no dedicated Inventory Manager. In dealing with distressed restaurants or food processing companies, we often see that management is detached from inventory control, relying too heavily on inventory systems and middle management. This type of poor inventory management, with the addition of volatility in food prices, can lead to significant financial impacts.

When it comes to who does the ordering, ask yourself these questions, do they:

- Know your usage levels?
- Over-order consistently?



- Physically review the "on-hand" levels, or do they complete the order from a desk?
- Order products in bulk because it is cheaper, but then fail to use them all before it goes bad.

Example: 1.5L bottles of red wine are ordered because it is cheaper by the ounce, but half of the bottle gets thrown away because it goes bad before it can be used.

Making sure the buyer has a clear understanding of these questions is vital to minimizing inventory waste. Therefore, only an employee skilled in purchasing, a senior executive, or the owner should negotiate and approve the purchase or reorder of inventory.

PRODUCTION & INVENTORY ISSUES

Over-Production

This can occur when the kitchen makes too much of a product that then goes

to waste if not used. The company should have an up-to-date prep list with Prepared and Ready ("PAR") levels established for both the prep kitchen and line prep. These PAR levels should be updated regularly based on sales. These accurate PARs can then be used in order books on a weekday and weekend basis.

Over-Portioning

This type of waste can occur when a larger portion is given to the guest than what is considered proper. This can be avoided by training cooks and servers on accurate portions of each dish, as well as emphasizing the use of tools such as measuring cups and scales. The best control is for portions to be prepared in advance. Conduct periodic portion audits to make sure that staff is staying within specified food weights.

INVENTORY MANAGER ROLE

The Inventory Manager is responsible for ensuring that best inventory practices are maintained, and they should report to the most senior level. Their first task should be to ensure that up-to-date stock room and refrigeration plans for inventory exist and that clear written instructions on how to count inventory are available.

PRODUCTION & INVENTORY BEST PRACTICES

Correctly Conducting Inventory

Conduct a full physical inventory weekly:

- Slow- and fast-moving inventory should be identified, with slow-moving inventory identified and discontinued as soon as possible. Establish a source to clear bad inventory efficiently.
- Slow and obsolete inventory must be visible to serve as a daily reminder of how much money is tied up in bad inventory. Donate obsolete inventory to charity if not expired.
- Implement cycle count procedures: Do not wait for year-end results to identify a problem. Do not hide problem inventory from your lender. If dealt with early, the recovery price will be close to the borrowing rate.

Purchasing the Correct Products

Purchasing the correct products in the correct amounts, including perishables, packaging, and consumables, allows for all orders to be completed seamlessly without the worry of wasting product. Poor purchasing choices are often the direct result of not having an inventory manager and can be minimized with the implementation of this new role.

Receiving and Recording Inventory Correctly

A good inventory manager will be meticulous in how the restaurant receives and records inventory. Is the product thoroughly checked when it comes in the back door? Are the boxes opened, and is the product analyzed to ensure it meets quality standards? Failure to complete this simple task greatly increases the chance of receiving a sub-par product that could have a much shorter shelf life, causing it not to be used in time and thrown away.

Make sure to have a goods-received journal (handwritten, digital, or via printouts). A roll-forward goods-received journal, cut off and totaled each week, will give an accurate instant look at the ratio of raw materials averages compared to revenue and cash needs (COGS).

Over-Pouring

It is very common for “experienced” bartenders to free-pour drinks without authority, inherently leading to over-pouring. This is a habit that they then teach by example. This can be avoided by measuring pours, using pour stoppers, or a liquor control system to cut waste and eliminate free pouring.

Over-Stocking

Pans should be, in most cases, only half full on the line and in the expo area. Overstocking cheese, dressings, salad, sandwich lettuce, sliced meat, etc., will cause the product to not stay at the proper temperature, which leads to spoilage.

Sales Records

A product that is not rung up on the guest checks is technically wasted or theft. Complete random ticket audits to ensure correct items are rung up on the servers’ tickets – especially soups, desserts, and beverages.

Product Rotation

“First in, first out.” Use day dot stickers. Be aware of slow-moving items.

Excess Inventory: “If you don’t sell it, you’ll eventually smell it.”

Every product on the shelf has the potential to expire, spoil, spill, or get stolen. Inventories should be run at the bare minimum while never running out of supplies. The smaller the inventory, the easier it is to ensure the products are handled correctly.

Looking after the bad inventory will lead to good inventory optimizing profits

Employee Meals

Best practice is for employee meals to be at the same time. There should be no free food unless authorized by a



manager, and employee meals should never be allowed to be bagged and taken home. Family and friend discounts should be properly recorded in the P/L.

Customer Returns

Poor production by line cooks is the greatest issue in this area. Make sure that all cooks are thoroughly trained to produce the products properly.

Additionally:

- **Timeliness of Order Pickup:** Make sure the product is not sitting in the expo window longer than necessary, causing the quality to drop significantly. Sitting too long will also cause these products to be returned.
- **Server Errors:** Sometimes servers will make a mistake in ringing in the order. Hold servers accountable for mistakes and follow up on repeat mistakes. Keep a tracking log of server errors and review it regularly.

Pricing Menu Dishes Correctly

If a product is not moving or the cost of the item is out of line, it is your responsibility to influence change to either adjust the quality, adjust the price, or remove the item altogether. If it is over-priced, it is tough to sell.

Recording and Totaling Waste

Keeping a record on hand of total waste is important for the company to be able to visualize how much waste

they create on a monthly or weekly basis. Keeping this record will help catch waste problems early on.

Visual Reminders

In all shift meetings for the servers and cooks, demonstrate the proper portion of a different menu item daily. Additionally, keep a clear plastic bucket on the line to throw all food waste into. This gives kitchen staff an ongoing visual aid showing how much waste is happening.

"Clean As You Go"

Clean and organized restaurants run good costs! Wasting product is a natural consequence of a messy environment. The prep station condition tells the character of the chef!

Scraping Policy

When a line or prep cook uses a spatula to scrape the inside of a container, pan, or can, "the inside should look like the outside when they are done." Restaurant owners and managers can check to see if this is followed by watching the line cooks when they change over the pans on the line or by looking at all the pans and containers that are put into the dish area. They may only save hundreds of dollars thrown away every year from that mantra not being followed, but this practice maintains discipline.



Adjusting Quickly

If a problem is identified, have a sense of urgency to correct it. Do not allow a problem to continue for weeks before putting a plan in place to correct it.

Communication

Controlling waste is not a one-person job. Employees must be involved. Talk about waste every day in team meetings. Discuss what is being wasted. Give team members praise for their improvements and display signs about the "Waste Problem" in your kitchen. Whole-team buy-in is necessary and must be "top-down," which can be achieved by having it a standing item at manager meetings.

Holiday Files

These files should contain valuable information for each major holiday and include sales, tallies, prep lists, order guides, special menus, etc. This information will help to properly prepare for the upcoming holiday and avoid overproducing, which causes excessive waste.

Backup Plans

When reach-ins, coolers, and freezers go down, what do you do? Planning for this type of emergency could potentially save the company thousands of dollars. How often during the day does staff check temperatures? If there is a borderline temperature, they should take immediate action, tell management, and follow procedures to save temperature-sensitive food items. ■

About Mark Samson

Mark is a veteran of more than 30 years in both crisis management and operations and has worked with both US and foreign retail, distribution, and manufacturing companies. His areas of expertise include operations restructuring, business plan analysis, performance improvement, cash and vendor management, bankruptcy consulting, and interim management services. Over the past 20 years, he has served as Interim CEO, CRO, president, and financial advisor for more than 140 companies in the United States.

Mark has been involved in the retail, food, and apparel industry for more than 30 years. Since the COVID-19 pandemic, he has restructured several high-end apparel and restaurant concept rent leases. Mark led the team restructuring Diesel Jeans USA, taking them in and out of bankruptcy in 38 days, winning the 2019 M&A Award for Deal of the Year under \$100 million. In 2021 Mark and his colleagues won the \$100-250 million M&A deal of the year for his work advising the secured lender group of Rubies Halloween Costumes.

Mark has significant board experience and currently serves on several boards. In the past, he served on the board of a joint venture between an emerging market government, private enterprise, and the World Bank. He holds a B.B.A. in Economics and Marketing from the University of South Africa and is a member of the TMA and ABI. Mark has been published in the NY Law Journal and Franchise Enterprise magazine.



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