# KEN EMERSON ACCENT ON MANAGEMENT

## STABILIZING MENU PRICES

It is probably correct to state that the final test of the success of a golf or country club's food and beverage operation is the figure on the bottom line of the annual financial statement. I would like, now, to suggest a more practical guide—one more easily understood by the average member: the stability of the menu prices.

In the business world the slogan, "You have to buy right to sell right" is axiomatic. It is equally true for golf clubs. This statement should not be interpreted as detracting in any way from the requisite for good internal controls. Unfortunately, the current inflation is fast becoming a standard excuse for increasing menu prices. An examination of purchasing policies will produce some unexpectedly good results in the effort to hold the price line.

Efficient purchasing requires all of the following:

1. Product specifications;
2. Competitive bidding;
3. Immediate-use buying;
4. Immediate-pay buying.

Instituting any of these measures will stabilize menu prices. If a club is using all four, the results will be gratifying to both members and management and will ultimately stabilize menu prices and contribute toward successfully meeting the profit and loss test.

### PRODUCT SPECIFICATION

This simply means written standards for all products used by the club. These include container types and sizes; whether fruits are to be packed in water or syrup; the number of shrimp in a pound and oysters per gallon; the average weight and type of trim on meat cuts, and quality grades for all products. Management must develop these specifications if it is to make any reasonable evaluation of comparative prices and if wholesalers are to be able to provide accurate quotations.

Basic to standard setting is an evaluation of menu policy and staff capability. A limited menu that does not permit full use of leftovers requires more stringent standards than the club with a busy dining room and large menu. A club with a capable butcher on the staff can take advantage of the savings that come with buying prime cuts of meat. A club with ample storage space can purchase products in larger quantities.

Whatever the circumstances of the individual club, written standards are a requirement for efficient purchasing.

### COMPETITIVE BIDDING

Even when a club manager knows he will probably buy most of a given product from a particular purveyor, he still should secure competitive bids. Not only is this practice the only reliable way management can be sure of getting the cheapest price, but it is the only sure way it can know what is going on in the marketplace.

Competitive bidding will also keep the regular suppliers from becoming careless or too casual in handling the club's orders.

Although larger clubs have the time to secure bids on individual items, small organizations also can profit by putting the day's or the week's requirements in a specific area out to bid, *i.e.*, produce, meat or dairy products.

### IMMEDIATE USE BUYING

Contrary to today's trend to hedge against inflation by large-lot purchasing, "buy big" does not always mean "buy right." It is only necessary to note that the back shelves of too many club storerooms are loaded with items that have been inventoried each month for the last year—and will have to be inventoried each month for the next year—to understand that many clubs over-buy.

A usage analysis should be made of each inventory item, giving consideration to storage area and cost, maintenance and inventory expenses and fire risk and insurance. Purchasing in quantities should be determined only after a full consideration of these factors.

Quantity buying is a speculation on future market prices; risky at best, disastrous at worst. To see how risky speculative quantity buying can be, consider the case of the club that ordered a month's supply of prime ribs the day before the beef freeze was lifted. The club discovered that prices dropped for that particular cut by 20 cents a pound the day after.

With the exception of some staples, condiments and shortening and of house brand liquors and special wines, a good rule is to buy only for a two-week period.

### IMMEDIATE PAY BUYING

The wheels of business are greased by credit, but they're turned by hard cash. The wholesaler operates on an exceedingly thin margin. When a club takes more than 20 or 30 days to pay its bill, the wholesaler must borrow to pay his.

The cost of that loan is going to be added to the unit cost the club pays! This increase may only be 2 or 3 cents a unit, but if the unit price is 25 cents, it represents a 10 per cent hidden charge that might have been avoided.

When a club is short on funds, it often "borrows" by holding up bills. If accounts are paid 20 days late, and the wholesaler increases prices even by as little as 5 per cent, it means an annual interest of 60 per cent. At these rates it is wiser to borrow from a bank.

The savings will show on the menu. □