

# Food Buying: Getting Together

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One way that clubs might reduce food and related costs is by forming a cooperative purchasing company.

In Chicago a group called RFB did just that. Here's how the plan works



*Restaurants, clubs, hotels, hospitals, schools, rest homes and race tracks in the Chicago area have organized a cooperative purchasing company to reduce costs of dry goods, frozen foods, produce, paper goods, dairy products and poultry. The cooperative is called Restaurant Food Buyers, Inc. (RFB). The organization began in 1955 with a group of 25 who formed the company by issuing a stock certificate of ownership which won the endorsement of the Chicago Restaurant Assn. The purpose in founding the company was primarily to lower food prices by reducing the costs of distribution and, through concentration of purchasing power, to greatly increase the group's economic influence.*

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#### How RFB works

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From the original group of 25, the cooperative now numbers approxi-

mately 200 members. Warehouse storage space has grown from zero to 30,000 square feet, and the company in addition now has 6,000 square feet of freezer space. This group of independent retail operators has, in 16 years, grown from zero sales to a volume of \$3,500,000.

How does the cost of business differ from that of wholesale jobbers? Perhaps the easiest answer is that any company which extends credit to its customers expects a percentage of loss from unpaid bills. RFB eliminates the credit risk because each member must make a cash deposit of 6 per cent of his average yearly purchases, and this deposit must be a minimum of \$500. Further, because the members are their own customers, they have no salesmen, no entertainment expenses and no advertising. Expenses are strictly confined to bare costs.

Employees, other than full-time

paid employees, include members who serve without financial gain. An important group, other than officers and directors, is the quality control committee which selects and approves the sources of supply. Day to day decisions on lots may be made by general manager J.A. Reivitz and the purchasing staff, but the responsibility is very much in the hands of the members.

Producers' samples are submitted to RFB which then grades them by appearance and taste using Government standards. RFB selects two qualities, generally canners' labels. Although the "fancy grade" costs more per unit, it may be a better bargain because its net drained weight is likely to be greater.

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#### Advantages of the plan

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Members save money under the plan. On price comparisons with



other wholesalers, a new RFB member can expect to save from 8 to 10 per cent over the prices paid before joining. In addition, a member whose order exceeds \$500 receives a 3 per cent volume discount. At the end of the year an annual rebate is distributed to each member. The last annual rebate or dividend equaled 1.6 per cent of the total sales of the organization, an indication that the company operated efficiently.

A second advantage to a member is that he receives only one delivery. This not only reduces receiving time, but also reduces ordering time. Each member orders by phone from a catalogue supplied monthly, with price lists corrected weekly. A member can easily price the competition from his RFB book. The book reflects quality of merchandise so that a member can select his price per unit to suit his business. With a single telephone call, a member can order

brand names of many products as well as RFB labeled goods. This saves many hours of chatting with salesmen. Currently there are over 4,000 separate items available for selection. Many items are standardized and used by the majority of restaurants and food service operators.

Third, there is a time saving because only one invoice is sent and vouchered. The bookkeeping department will be more than appreciative. Invoicing by RFB has progressed from handwritten to computerized modern billing techniques.

Fourth, purchasing by quality standards reflects dollar savings. Brand names may be consistent, but house packaging by wholesalers is inconsistent. Of all the fields of food marketing, fresh produce presents the most problems. The lack of standards in packaging, brands and quality adds to confusion. Although the problem is improving, the situa-

tion still leaves much to be desired. The variety of prices offered, sizes of packages, varying qualities confronting the buyer daily make this area of operation time consuming and for only the most expert. RFB now has a program based on consistent delivery of the best possible produce purchased at the lowest possible price.

Fifth, by ordering from RFB there are no rebates, price cuts, kickbacks, premiums or other hidden gimmicks to make a quick sale at a high price. There is little reason to wonder about a receiving man or purchasing agent when he places orders with the cooperative. There is no personal incentive in doing so.

The organization of a cooperative really provides a hedge on the cost of rising prices. It does so by the convenience of facilitating purchases at the lowest possible price and by saving time in ordering and receiving. □