

Foodservice Systems Management

Education Council

March 19, 2011

**Creative Strategies for Teaching Financial
Management in Dietetics**

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Outline

- My philosophy
- Students
- Some core topics and strategies
- Beyond the core topics and strategies
- Discussion

My philosophy

- Profit or not?

Traditional Model

1. Produce/Sell
2. Price
3. Control expenses
- 4. Profit**

Other Model

1. Produce
2. Sometimes Sell
- 3. Often *provide***
4. Price = depends
5. Costs often exceed
- 6. Protecting revenue streams, if any**

- **Closing gap**
- **Stopping the bleeding**

My philosophy

- Accounting
- Relational core concepts
- Accuracy and calculations
- 10%
- I'm perfectly ok being weird

Students

- Where are students at?
- Initial interest level = 2.2 (1 to 5)
- Often associate with:
 - Formulas, recipes, lots of calculations
 - Making a profit, sometimes greed
 - “Cheap”
 - Nothing to do with nutrition, non-clinical, only pertains to foodservice

Students

- Where are students at?
 - First day quiz, such as:
 - FTE
 - Contract management
 - Competitive foods
 - Average profit earned
 - Training fixes everything

Students

- Where should they be?
 - Their role
 - Their value
 - Their decision-making abilities

Some strategies you may find useful

- Where should they be?
- You might have them look it up...

Assignment – Importance of Financial Management

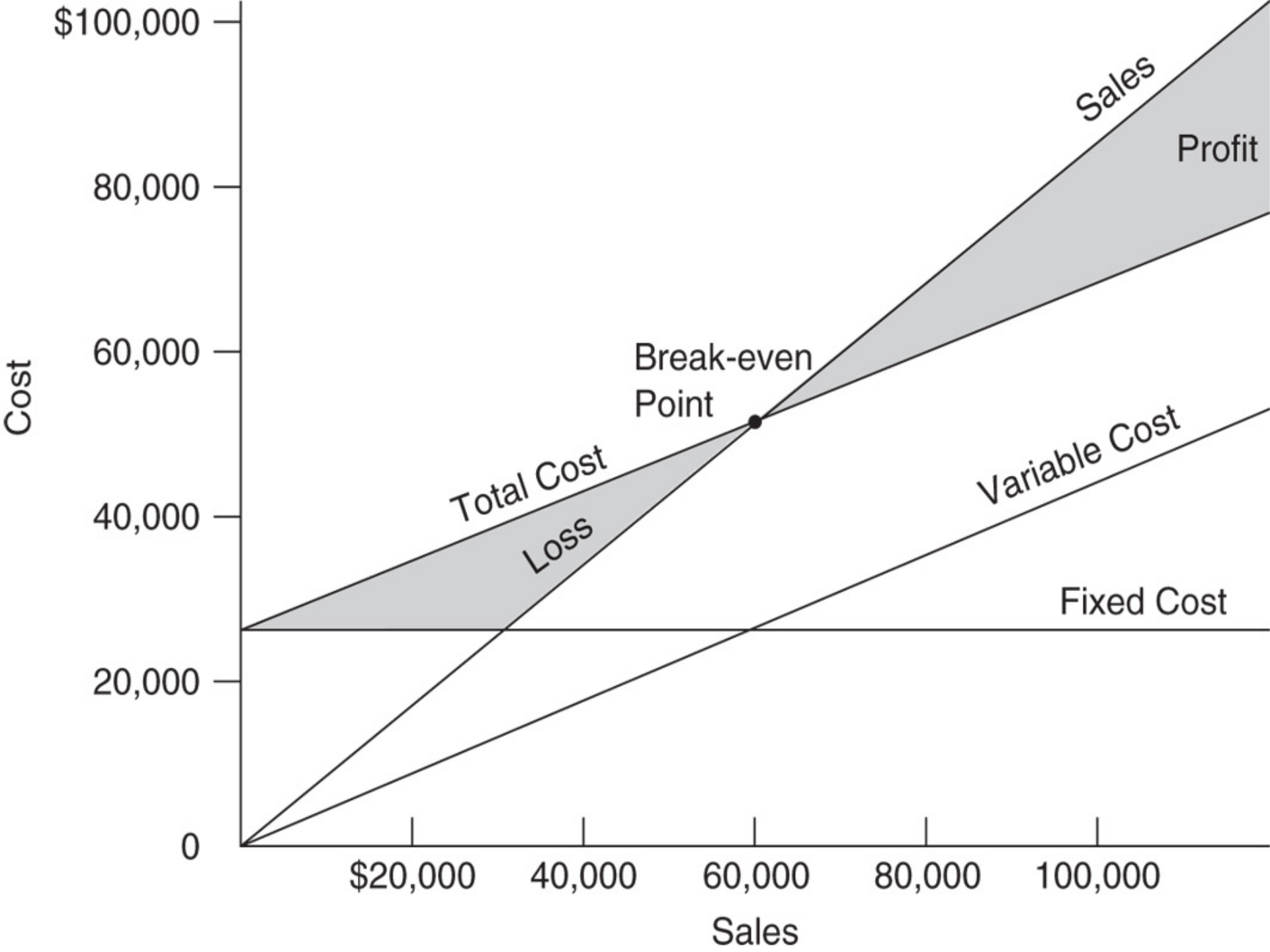
Review the literature for ANY examples of financial management in dietetics practice. Type a one or two page summary of your findings.

Some Core Concepts

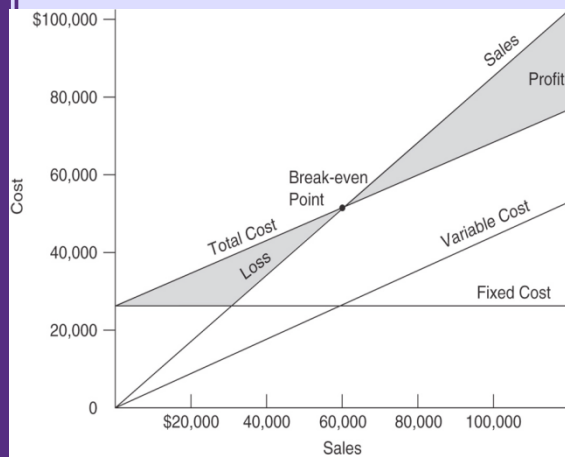
- Accounting Principles
- Break Even Analysis
- Food Cost
- Labor Cost
- FTEs
- MPLH
- COGS
- Inventory management
- Many others of course

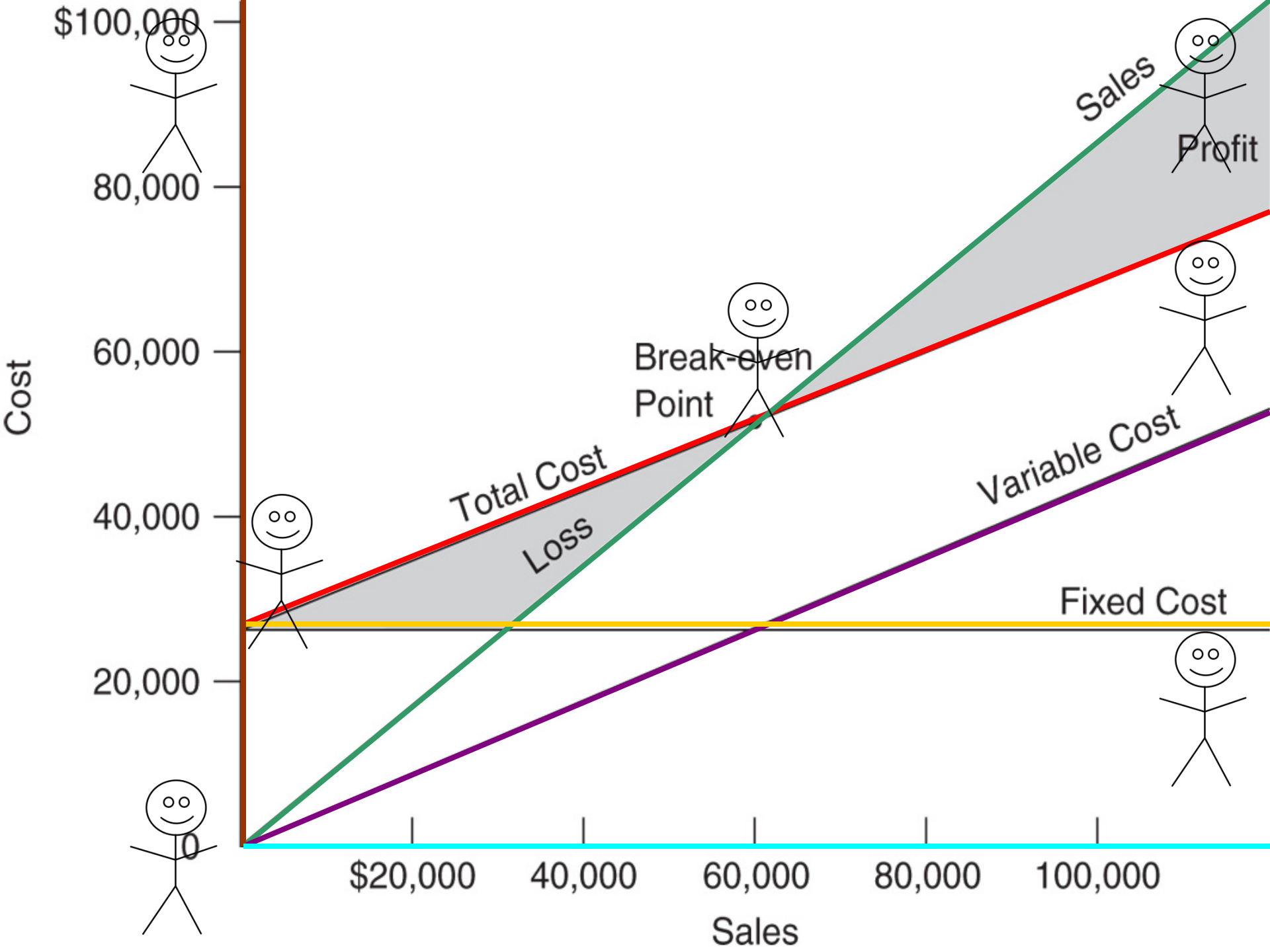
Some strategies you may find useful

- Accounting Principles
 - The foundation is still important, but...
 - Reality in operations?
 - You might consider the “upward impact”
 - $A = L + OE$
 - Balance Sheet
 - So, what about reports then?



Some strategies you may find useful





More on Break-even

Home Page | Questions & Feedback | Online Order Form | Free Calculators | More Information | Having trouble? | Search

New! **Breakeven Analysis** [Calculator][Definitions] [More Business Calculators](#)

Show all

Mortgages The breakeven analysis calculator is designed to demonstrate how many units of your product must be sold to make a profit. Hit "View Report" to see a detailed look at the profit generated at each sales volume level.

Loans

Credit Cards & Debt [MetLife® Official Site](#)
Make Your Retirement All About You. MetLife® Can Help. Find Out How!
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Auto [Break Even Analysis](#)
Easily Create Financial Statements Just Download Edit and Print Today!
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Free Break Even Analysis Template. Life is Hard. Make Work Easy.
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Calculate Mortgages And Loan Payments Right On iGoogle.
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Rates from 4.625%. APR 4.905%. Smart & Easy. Get Started Today!
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Canadian [Definitions](#)

French [Variable unit cost](#)
Cost associated with producing an additional unit.

Canadian [Fixed cost](#)

Australian Loans

Australian Saving

You will breakeven at 200 units.

| | |
|----------------------------|--------------------------------|
| Variable unit cost: \$2.50 | Total variable costs: \$625.00 |
| Fixed cost: \$500.00 | Total of all costs: \$1,125.00 |
| Expected unit sales: 250 | Total revenue: \$1,250.00 |
| Price per unit: \$5.00 | Profit: \$125.00 |

Calculate View Report

Internet 100%

- www.dinkytown.com

— <http://www.dinkytown.net/java/BreakEven.html>

Some strategies you may find useful

- Food Cost (percentage)
 - Very good at calculating
 - Good understanding = per menu item
 - However, the “department level” is critical
 - Let’s face it

Some strategies you may find useful

- Food Cost (percentage)
 - Numerator/denominator concept
 - Discussion versus calculation
 - Discuss at department level with distracters

Think: SHOULD I adjust top, bottom or both?

Think: HOW should I adjust top, bottom or both?

Think: WHAT is the impact = employees, customers and organization?

$$\frac{\text{Food Cost}}{\text{Revenue}}$$

Some strategies you may find useful

- Labor Cost (percentage)
- Same thing

Think: SHOULD I adjust top, bottom or both?

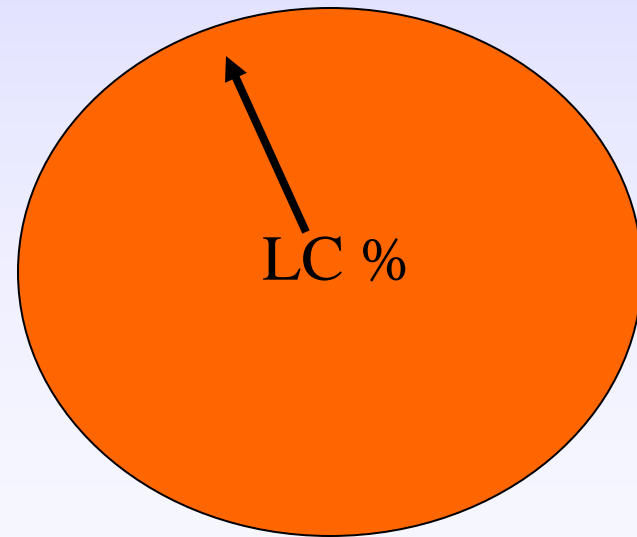
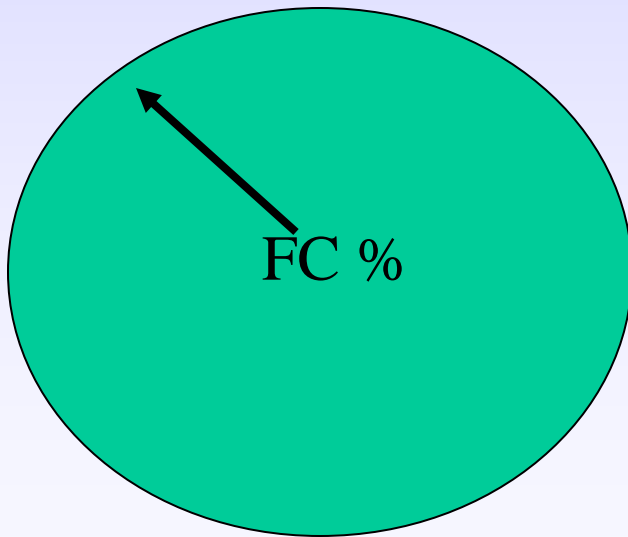
Think: HOW should I adjust top, bottom or both?

Think: WHAT is the impact = employees, customers and organization?

$$\frac{\text{Labor Cost}}{\text{Revenue}}$$

Some strategies you may find useful

- Food & Labor Cost RELATIONSHIP
Dashboard Concept



Some strategies you may find useful

- FTEs
 - Important – a common language
 - Very good at calculating/reciting
 - Not so good at “what it means”
 - A good analogy = GPA
 - Consider Nancy Hudson *Management in Dietetics* textbook
 - Another critical thinking idea

FTEs versus Labor Dollars

Scenario 1

- 2 cooks
 - 40 hours per week, each
 - 30+ years experience each
 - \$12.98 per hour
- 1 FT supervisor
 - salaried
 - \$35,000 per year
 - 20+ years experience
- 2 servers
 - 20 hours per week
 - \$5.50 per hour

Scenario 2

- 3 cooks
 - 40 hours per week, each
 - 2 – 4 years each
 - \$8.17 per hour
- 1 FT supervisor
 - salaried
 - \$27,000 per year
 - 5 years experience
- 4 servers
 - 20 hours per week
 - \$5.50 per hour

FTEs versus Labor Dollars

Scenario 1

My calculations show

4 FTEs

&

About \$100,000 labor

Scenario 2

My calculations show

6 FTEs

&

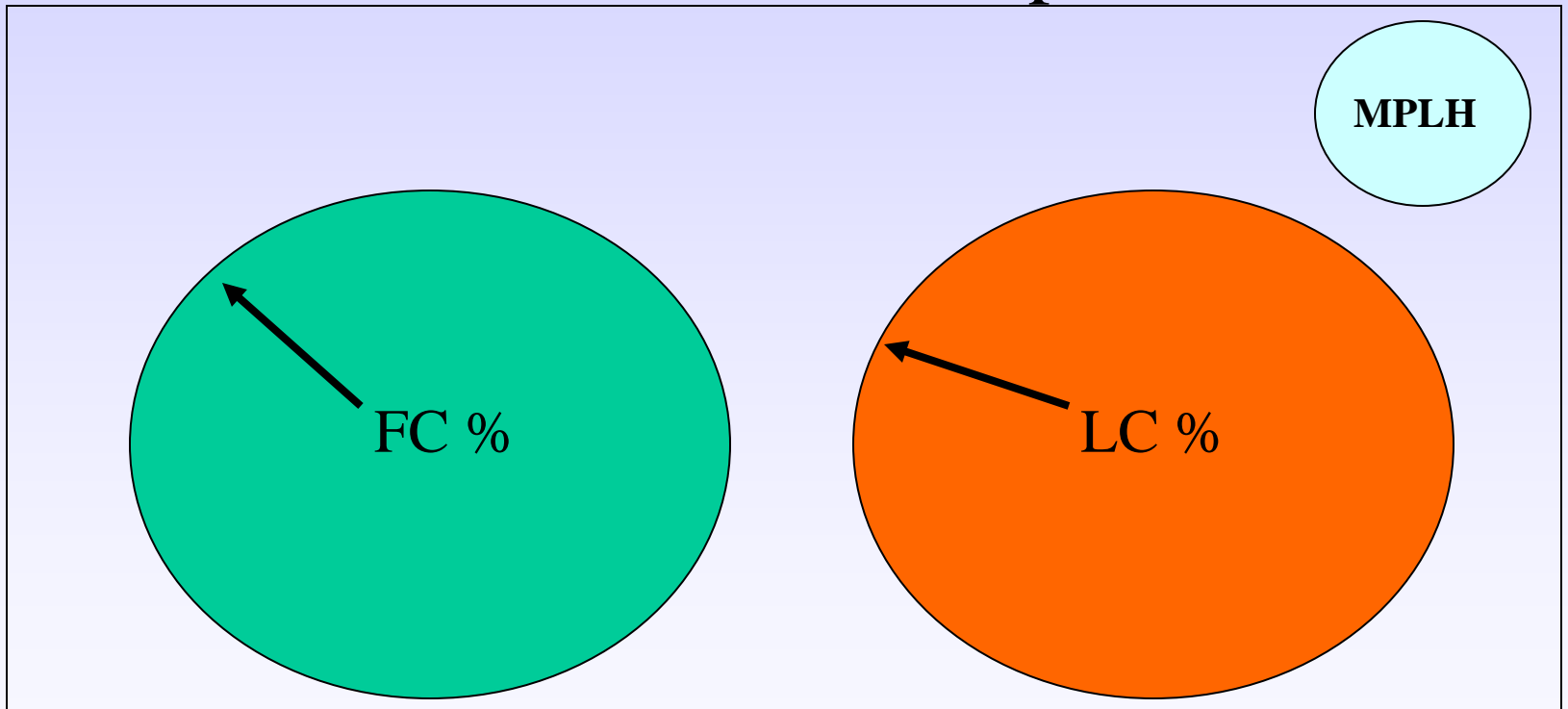
About \$100,000 labor

The “so what” is important here

Some strategies you may find useful

- Meals per labor hour (MPLH)
 - Good at calculating if you ask them to
 - Not so good at “understanding” it
 - The key – What is a meal?
 - This is once case where “higher” is better
 - Too high?
 - Again, numerator/denominator concept
 - What is the impact given different scenerios

Dashboard concept



Some strategies you may find useful

- Cost of Goods Sold (COGS)
 - Good at calculating if you ask them to
 - Not so good at “understanding” the vulnerabilities

Beginning Inventory ← *Vulnerabilities?*

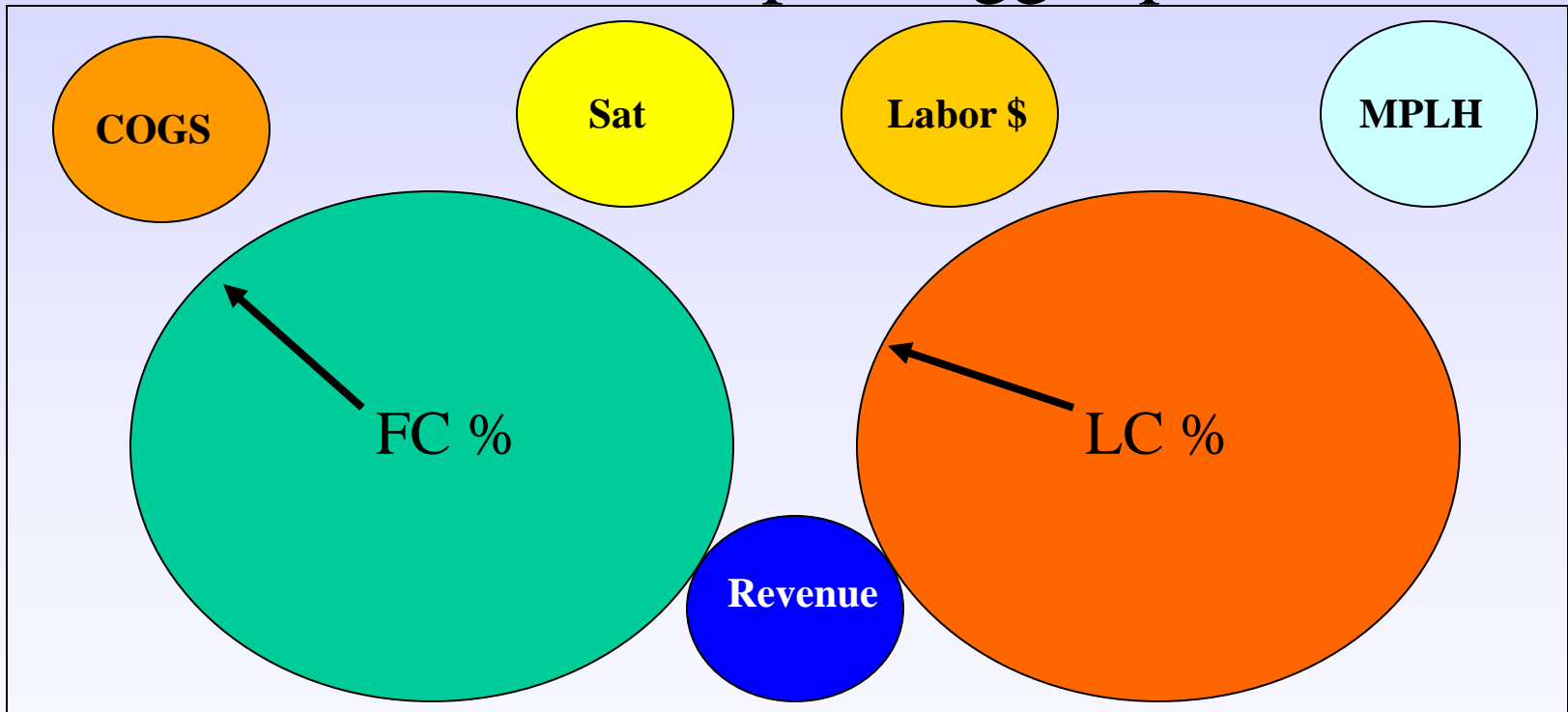
+Plus Purchases ← *Vulnerabilities?*

Minus Ending Inventory

COGS

Potential Impact?

Dashboard concept – bigger picture



Some strategies you may find useful

- Inventory Management
 - “Ordering Things” & “Keeping Things in Order”
 - Good analogy = gas tank
 - Make them freeze a little

Some other strategies

- Contract Management versus Self-op
- Not just a foodservice thing
- Often, cost control issue
- Facts, debates, interview questions

Some other strategies

- Variance analysis and management
 - Big picture
 - Use **their** language, use things they like to hear
 - For example...
 - Patient lab values
 - Client weight loss
 - Other

Some other strategies

- Variance analysis and management
 - Use their language, use things they like

Nutrition Care Process

1. Nutrition Assessment
2. Nutrition Diagnosis
3. Nutrition Intervention
4. Screening and Referral
5. Outcomes

Financial Care Process

Using the Dashboard

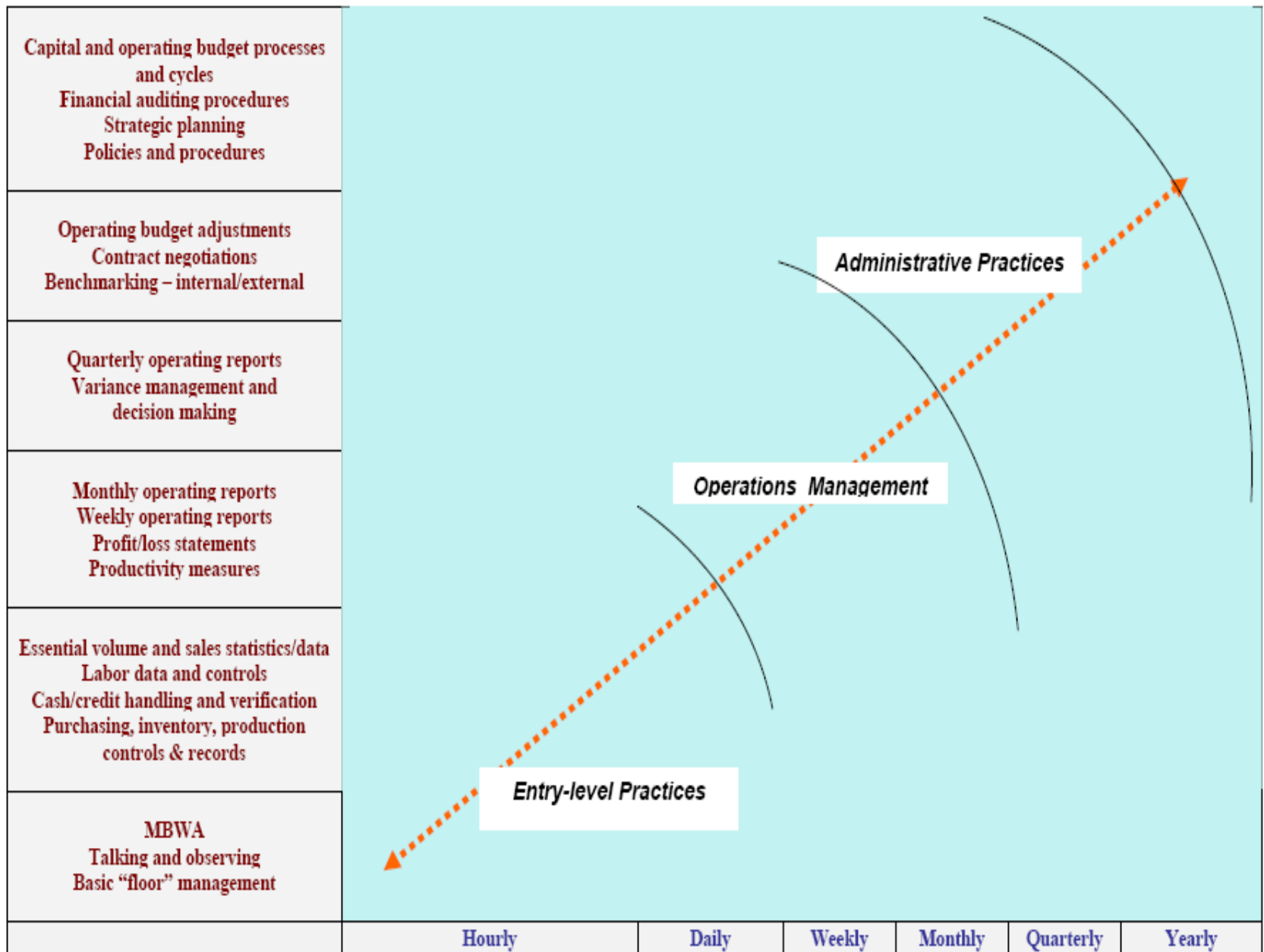
- 1. Financial Assessment*
- 2. Financial Diagnosis*
- 3. Financial Intervention*
- 4. Communication*
- 5. Outcomes*

Some other strategies

- Ok, Dr. Sauer
- “I understand the meaning of some of this”
- “I understand it might be important”
- “Enough with the so what”

*“How do I really know WHEN to
DO some of this?”*

Methods and tools used to control costs



Timing of management functions related to controlling costs

Some strategies you may find useful

- I believe students need **think differently,**
yet realistically
- Using other examples

Thinking Differently

- Catering
- Napkins

Thinking Differently

Assignment:

1. Watch the video
2. Go to work or go watch something
3. Explain the situation to me
4. Suggest an idea
5. Include rough dollars – **give them some slack here!**
6. Also, discuss the “flow of fuel”

Some strategies you may find useful

- Back to food cost percentage, pricing and engineering

Employee discounts

- For example:

| | |
|------------------|---------------|
| <u>Food Cost</u> | <u>\$1.00</u> |
| Revenue | \$2.00 |

What if – 40% employee discount? = 83%

Keep in mind – labor cost isn't included yet

Some strategies you may find useful

- Stakeholders and communication
 - Put into role & discuss different perspectives
 - Clinical RD, Manager (RD), Director, Dept. Employee, Administrator, Customer, Other Staff (non-F&N)
- Financial philosophy
- Obviously, guest speakers
- Other topics
 - Vending
 - Cash handling
- Last day quiz