

Purchasing Control

These are the steps involved in purchasing process in order to ensure food cost control and avoid pilferage so that food costs does not go high.

a) Aims -

The primary aim in purchasing of food is to obtain the best quality of merchandise, based on specifications established at the most favorable price.

b) Purchasing staff -

Purchasing is a function concerned with the search, selection, purchase, receipt, storage and final use of a commodity in accordance with the catering policy of the establishment. The person responsible for purchase is also responsible for receiving, storing and issuing. In large hotels, there is a full time purchase manager/officer responsible for all purchases – F&B commodities and non-consumable. In small hotels, the storeroom items (food) are purchased by an assistant manager, and perishables (food) such as meat, poultry, fish, vegetables, etc. are purchased by the chef.

c) Source of Supply -

A catering establishment depending on its size, type and style and also on the quantity and quality of commodities required decides on the source of supplies, they may be –

- i) direct purchase in cash from market,
- ii) through suppliers – on contract & in cash,
- iii) direct from wholesalers.

d) Selection of supplier -

In case of selection of a supplier, a great deal of exercise and detailed enquires have to be made -

- i) details about the firm, to find its reputation,
- ii) information from other customers about their product and services,
- iii) recent price lists,
- iv) trade terms and conditions such as cash discount, trade discount, etc.,
- v) sample of products to check quality,
- vi) a visit to the supplier's firm,
- vii) minimum order level,
- viii) ordering procedures,
- ix) delivery procedures,
- x) part deliveries or standing orders,

On selection, the suppliers are put on an approved "suppliers' list" and periodically they are evaluated on -

- i) price performance
- ii) quality performance
- iii) delivery performance

e) Types of food purchased -

There are 2 categories -

- i) Perishables – these are those items that have a short useful life after they are received. They are best to be procured on a daily basis with 1-3 days stock in hand. E.g. – vegetables, dairy products, etc.
- ii) Non – Perishables - these are those items that have a longer shelf life. They can be stored for weeks or even months. E.g. – cereals, pulses, etc.

f) Quality Purchasing –

The quality of an item to be followed would be determined by the Purchase Manager, Executive Chef and the F & B Manager as per the catering policy, the menu requirements and its price range, which should be stated in the Standard Purchase Specification (SPS).

The quality to be purchased should be stated in terms of grade or brand .

E.g. – Tomato Ketchup - Kissan

Prawn – Grade A

Food Quality

Factors for different commodities:

The food quality factor is mainly concerned with the food i.e.:

Texture

Composition

Keeping qualities

Flavor

Smell etc.

The food quality factors for certain commodities are as follows:

A) FRUITS&VEGETABLES

1. Count & weight
2. Wastage in terms of peel.
3. Shape and size
4. Color
5. Firmness
6. Smell
7. Taste

B) CANNED FOODS

1. Drained weight.
2. Density(juices etc)
3. Color
4. Taste and appearance

DEFINITION OF YEILD

It is the maximum usable amount that is obtainable from a particular product.

TESTS TO ARRIVE AT A STANDARD YEILD

- Usually yield tests are performed on food bought as purchased and need to be converted to ready to cook.

- Items received already proportioned need not undergo any yield test.(soybean, cashew etc)
- Some foods received ready to cook might need yield tests.

- Yield test tells us:
 1. Yield of kg, lts, grams, portions&so on.
 2. Cost per kg, lt, gm,&so on.

- Yield tests are pre control technique because we know the cost of the item and we can adjust the menu selling price before serving the item.

The objective of yield testing is simply to discover the respective yields of whole range of commodities available for any one purpose and to determine the unit cost concerned.

➤ Example of test to arrive at standard yield:

a) BUTCHERY TEST

1. Waste
2. Useable meat
3. Bones
4. No. of portions
5. Fat amount and color
6. Color of meat flesh
7. Bone structure
8. Color of bones

b) COOKING TEST

1. Cooking time

2. Cooking losses
3. Taste after cooking
4. Appearance after cooking
5. Flavor after cooking
6. Shrinkage

The above mentioned points are observed in these tests. These tests can be used to compare two examples. They form a basis for standard purchase specification.

g) Definition of SPS

Standard Purchase Specification (SPS) is concise descriptions of quality, size, weight or count factors desired for a particular item.

An SPS must contain –

- i) Definition of each item,
- ii) Grade or brand name of the items,
- iii) Size, weight or count,
- iv) Unit against which prices should be quoted,
- v) Special note for the commodity,
- vi) Photograph of the ideal / standard item, e.g. – table apple, cherry tomato.

Objectives of SPS –

- i) to establish a suitable buying standard for a particular commodity for the catering establishment,

- ii) to furnish to the suppliers in writing in specific terms the requirements of the catering establishment,
- iii) to help in deciding the price of a commodity,
- iv) to obtain a standard product,
- v) to measure the performance against the standard product.

Advantages of SPS -

- i) establishing a buying standard of a commodity so that a standard product is available for the customer,
- ii) inform the supplier in writing, by drawing, or with a photograph or describing precisely what is required,
- iii) provides detailed information to the receiving department and store as to the standard of foods to accept,
- iv) makes everyone aware of the differences that can occur because of the difference in size, weight, quality and quantity of a product.
- v) the specifications act as an aide memoire to all concerned of what was agreed.

h) Purchase Procedure

The purchase procedure will depend upon the nature, size, standard, location of the establishment and the forecast of future requirements.

The purchase procedure has the following steps -

- i) preparing standard purchase specification
- ii) contacting new suppliers

- iii) taking quotations from both new and approved suppliers
- iv) selecting suppliers
- v) discussing and deciding delivery needs with the suppliers
- vi) placing purchase order form.

➤ **Sources of supply**

- A establishment depending upon its size, type and style and also on its quantity and quality of commodities required decides its sources of supply.
- It may be direct purchase in cash form market or suppliers on contract basis or directly from the whole seller.
- In case of selection of a supplier a great deal of exercises and detailed enquires have to be made on selection, the supplier are put on an approved suppliers list and periodically they are evaluated on price, quality and delivery performances.

Purchasing Methods –

i) Contract Purchasing

A contract is entered with a supplier for the commodities to be supplied at regular intervals, usually at an agreed upon price which is advantageous for both.

- a) The specific period contract - it determines the source of supply and the price of goods for a stated period i.e. for 3 to 6 months suitable for items which has fairly stable price like bread, butter, milk etc.

b) Specific quality contract - it aims to secure continuity of supply of a given quality of an essential item of an agreed price over a particular trading period- suitable for fruits, vegetables etc.

ii) **Periodical Purchasing**

The requirements of the establishment are periodically estimated and orders are placed on a weekly / fortnightly / monthly basis. This is suitable for groceries.

iii) **Daily Market List / Daily Market Quotation**

This method is used for purchasing perishables on a daily basis. A daily market list is prepared by the executive chef on the basis of quick stock taking of food. On receipt of the 'Daily Market List' the purchase officer contacts approved suppliers for their prices and then orders for the supplies.

iv) **Cash & Carry**

It is purchasing from the market at a competitive price, and the buyer can personally check the quantity and quality of each item. The purchaser has to pay in cash and has also to arrange for the goods to be transferred to the establishment.

v) **'Paid Reserve'**

In this the caterer buys in advance a large quantity of items like beef, jumbo prawns, etc. to cover the needs of future months and stocks of which is kept with the supplier, and the supplier is paid for this. The caterer requisitions his requirements from the supplier.

vi) **Cost Plus**

In this case, the approved supplier is paid exactly the same price that he has paid for the commodities plus an agreed percentage to include the cost of handling, delivery charges and a margin of profit. Suitable for welfare catering establishments.

vii) **One Stop Shopping / 'Total Supply'**

There are some suppliers who are able to offer a full supply service of all commodities. The advantage of this system is that the establishment has to negotiate with one supplier, a reduced volume of paper work and fewer deliveries.

viii) **Centralized Purchasing**

Suitable in chain operations. In this system the requirements of each individual unit is relayed to a central office. The central office decides the total requirements of all units and then makes total purchases either, for delivery to the individual units by the dealer, or, for centralized delivery.

ix) **Sealed Bids / Tender Purchase**

In this procedure sealed quotations are required from one or more suppliers and orders are placed where the terms are of best advantage to the buyer, after all elements of price, quality, yield and service are considered. For a Govt. institute the offer goes to the lowest bidder.

x) **Standing Order**

The supplies of certain food items (especially of highly perishables like – milk, ice-cream, bread, etc.) can be asked for a supply without securing price quotation first. However, it is very important that the latest prices of these items are available to the person when checking the bill for these items.

Additional Methods

Apart from the above mentioned method of food purchase the following methods are also applicable in hotels:

EMERGENCY PURCHASE

To purchase an item on an emergency basis, a risk purchase form has to be filled up & sent to the supplier.

TOTAL SUPPLY METHOD

There are some suppliers who are able to offer supply service of all the commodities. The advantage of this system is that the company has to negotiate with one supplier & there is a reduced volume of paper work.

PURCHASE ORDER FORMS

It is a complete record of all orders made and it helps the receiving department to take necessary action for any foodstuffs arriving late.

The purchase order is made in 1 + 5 copies...

Original copy--- to the supplier

1st copy -----to accounts

2nd copy-----to purchase department

3rd copy ----- receiving department

4th copy ----- indenting department

5th copy ----- master copy.

j) Ordering Cost -

it is the cost incurred in placing an order with a supplier, e.g. – stationery, manpower, time, transportation, etc.

k) Carrying Cost -

It is the cost incurred in making arrangement for the commodities to be delivered to the establishment, e.g. – manpower, transportation, etc.

l) Economic Order Quantity (EOQ) -

The quantity, which is most economical to order & to stock considering all factors bearing on the situation. the basis of the EOQ is the usage rate, ordering cost and the time taken. Basically the focus is on maintaining optimum levels of each units are there in each lot and the speed at which they are used up from the stores.

$$E.O.Q = \sqrt{(2A \times C_p) / S_c}$$

Where A = Annual Usage, Cp= Cost of Purchase, Sc=Storage Cost (per unit).

The size of the economic order quantity depends upon

- Inventory Carrying Cost.
- Cost of Purchasing.
- Consumption
- Interest on Capital
- Quantity discount.

Sometimes Economic Order Quantity is called Re-Order Quantity.

XYZ HOTEL LTD
PURCHASE ORDER FORM

No..... For.....

DateStore dept

Reg.no.....

To (suppliers)

<u>QUANTITY</u>	<u>DESCRIPTION</u>	<u>PRICE</u>	<u>TOTAL</u>
	(all deliveries accepted subject to count, wt., and specifications)		
		TOTAL=	

ALL GOODS DELIVERED

TO.....

ON.....

The acceptance of this order is
acceptance of all conditions herein.

SIGNATURE
(Purchase Officer)