

Foodservice Productivity: A New Metric

BY ALLEN SEIDNER

“HEY, ALLEN. I MADE eleven hundred dollars worth of food yesterday.” That’s how production whiz Jeremy Leeway returned my greeting when I recently walked into the prepared foods department of La Montanita’s Rio Grande store in Albuquerque. The whole department beamed with pride that day, with their cases well-stocked—a major facet of their team’s recipe for a steady stream of improving financial reports. They had been using a production schedule to record every item they produced, including each batch’s weight and retail value. And that raised the level of awareness and accountability among critical producers in the department.

“Every single person uses a production schedule,” says Jean Gonzales, assistant department team leader. “Even the clerks use one to track how many sandwiches they make.” Now, with a critical mass of key staff members understanding the economics of their department, they embody a confidence that comes from knowing how to improve their department’s sales and labor productivity.

Production Value per Production Hour incorporates sales, labor dollars, and production labor hours.

Does your department struggle to keep your cases full while enduring labor rates in excess of your budget? If so, I’d like to offer up a new way to think and talk about setting goals and growing the productivity of your foodservice production staff. You might be thinking you already have a calculation that focuses on productivity: SPLH, or sales per labor hour. But SPLH has two distinct limitations in this regard. For one thing, SPLH doesn’t have anything to do with the actual labor dollars your department is paying out every week, it’s only about sales volume and labor hours. Secondly, unless your department’s merchandising cases are consistently bursting with product,

you may have a sales problem, but it’s really because you have a production problem.

So talking about sales per labor hour doesn’t isolate the problem well enough to address the challenge. Here’s another way to understand this quandary: As a general rule we want our foodservice departments to spend one-third of their sales on labor. If exactly half of your department’s labor hours are spent on necessary nonproduction activities, then each producer would need to produce not just three times—but six times—the cost of his or her own labor.

A new metric for productivity

Indeed, a new metric for production-focused productivity improvements is in order: the PVPH, or Production Value per Production Hour. Whereas SPLH figures out the sales your team needs to generate per hour of everyone’s labor, PVPH calculates the retail value of the food your production staff needs to generate per hour of their production labor. And where SPLH refers only to sales and labor hours, PVPH incorporates sales, labor dollars, and production labor hours.

FOODSERVICE LABOR PRODUCTIVITY & PRODUCTION VALUE PER PRODUCTION HOUR (PVPH) ANALYSIS											
Position	Shifts per Week	Hours per Shift	Total Hours	Wage	Total Labor	FTE	Production Ratio	Non-Prod Ratio	Production Hours	Non-Prod Hours	
Foodservice Leader	5	8	40	\$18.00	\$720	1	5%	95%	2.0	38.0	
Kitchen Coordinator	5	8	40	\$16.00	\$640	1	33%	67%	13.2	26.8	
Service Coordinator	5	8	40	\$14.00	\$560	1	15%	85%	6.0	34.0	
Hot Bar Chef	14	8	112	\$14.00	\$1,568	2.8	80%	20%	89.6	22.4	
Service Case Cook	7	8	56	\$14.00	\$784	1.4	80%	20%	44.8	11.2	
Pastry, Dessert	7	8	56	\$12.00	\$672	1.4	80%	20%	44.8	11.2	
Salad Cooks	7	8	56	\$12.00	\$672	1.4	80%	20%	44.8	11.2	
Salad Bar	7	8	56	\$10.00	\$560	1.4	80%	20%	44.8	11.2	
Kitchen Asst./Dishwash	14	8	112	\$9.00	\$1,008	2.8	10%	90%	11.2	100.8	
Packager & Merchandiser	7	8	56	\$9.00	\$504	1.4	0%	100%	0.0	56.0	
Opening Service Staff	7	8	56	\$9.00	\$504	1.4	20%	80%	11.2	44.8	
Mid-Shift Service Staff	2	8	16	\$9.00	\$144	0.4	20%	80%	3.2	12.8	
Closing Service Staff	7	6	42	\$9.00	\$378	1.05	20%	80%	8.4	33.6	
Current Weekly Foodservice Sales	Days Open	Labor Rate Goal	Shifts/day	Hours/week	Avg. Wage	Weekly labor \$	FTE	Production Hours	Nonprod Hours	Production Hours	Nonprod Hours
\$21,000	7	34.00%	13.4	738	\$11.81	\$8,714	\$18	43.9%	56.1%	324	414
Addl. Weekly Sales for Current Labor to=Goal	Addl. Sales Needed/Day	Labor Rate	"Rush" Hrs /Day	Addl. Sales Needed per "Rush" Hr/Day	SPLH	SPLH Goal	Current PVPH	PVPH Goal	Addl. Production Needed Per FT Producer's Shift		
\$4,629	\$661	41.50%	5	\$132	\$28	\$35	\$65	\$79	\$91		

Arithmetically speaking, your Production Value per Production Hour is equal to your weekly sales divided by the sum total of hours staff are engaged in production-focused activities. In the example shown here, our department is doing \$3,000 a day in sales and is allocating three shifts a day to service staff labor, two shifts a day to dishwashing, one shift a day to packaging and merchandising, and the equivalent of one and a half shifts a day to leadership and other administrative duties (including ordering, receiving, cleaning, leadership, etc.).

When you shake out the share of time each person is expected to spend on production-focused work, it might very well be less than half of your total labor hours. Again, even though we talk about having our sales be three times our labor costs, this is why we're saying that cooks need to produce roughly 6 times the value of their labor to generate the product and the sales that pay for all of the other necessary support services.

To follow our example department that's generating \$3,000 a day in sales, our labor budget would be roughly \$1,000 a day—or, at an average wage of about \$11.80, the equivalent of 10.6 shifts a day. But our department is actually running 13.4 shifts a day, and we struggle to keep all of our merchandising cases fully stocked. Our overspending on labor requires that we generate an additional \$660 a day in sales to meet our labor goal of 34 percent. In this example, our SPLH is \$28 and we're needing to grow that to \$35. If our cases were consistently bursting with product, then our conversation could simply be focused on service staff doing a better job of stocking, merchandising, sampling, and otherwise better tuning in to the tastes of each customer so as to generate more sales.

If, however, our cases are anything short of full all the time, the conversation we really need to have is with the producers—and they need this more specific and relevant metric by which to set a goal for their improved production value. They need to know the current value of their production per production hour, as well as the department's PVPH goal.

In less time than it's taking you to read this article, you can get acquainted with the PVPH Calculator and have your own department's current and desired PVPH figured out. Here's how:

1. Get your department's most recent weekly sales and payroll reports. You'll need to know the number of hours everyone worked and their wage rates.
2. Download the PVPH Calculator from the "Free Docs" page of my website at www.thoughtforfoodconsulting.com. (The production schedule mentioned earlier is also available here.)
3. Click on the "PVPH Blank Template" tab at the bottom of the document. Enter the required data in the white cells and let Excel calculate the values in the green-shaded cells. Use the additional instructions on the document as guidance for entering a "Production Ratio" for each position.
4. Review and analyze the resulting calculations to understand the specifics of your department's productivity challenges. Educate department staff about sales, labor productivity, and the PVPH calculation, and you'll be halfway toward achieving improvements. In our example department, we'll be talking with our kitchen staff about raising their production from \$65 to \$79 per hour—which is what our department needs to shrink our labor rate to 34 percent, and to grow our SPLH from \$28 to \$35.
5. Develop strategies for achieving your goals. The better educated your staff are about the specifics of the challenge, the better they will be able to put their heads around the problem and into some solutions. They each do a job every day that you, as department leader, don't do. Who better to devise meaningful strategies and changes to improve productivity and grow your sales?

Use the PVPH Calculator regularly to track the progress of your department. Armed with the specific productivity data necessary to beat your sales and labor goals, use of the PVPH can be a turning point in becoming a proud and successful foodservice operation. "We're making lots more food, and we have a lot less waste, because we have a production record to look back on," Gonzales says. "And we had record-breaking sales last week." ■