



# *Introduction to Inventory and Purchasing*

## 1

### *Inside This Chapter*

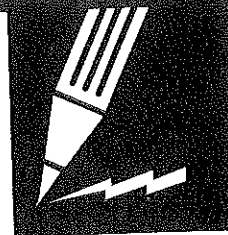
- The Objectives of Purchasing
- What to Buy

### *After completing this chapter, you should be able to:*

- Define purchasing, procurement, and product selection.
- Outline the objectives in the purchasing function.
- Describe the importance of maintaining an operation's competitive position.
- List the types of goods and services that might be purchased by a foodservice organization.

## Test Your Knowledge

- 1 **True or False:** The goal of purchasing is to obtain the lowest possible as purchased (AP) price. (See p. 4.)
- 2 **True or False:** Customer count forecasts and vendor delivery schedules are the only tools for ensuring that an adequate supply of product is available for sale. (See p. 4.)
- 3 **True or False:** Items should be purchased in large quantities to minimize time spent ordering. (See p. 6.)
- 4 **True or False:** Foodservice buyers compete against each other to obtain the best prices for goods and services. (See p. 7.)
- 5 **True or False:** Foodservice operations are both manufacturers and retailers; therefore, they do not have to purchase a wide array of products and services. (See p. 9.)



## Key Terms

As purchased (AP) price

As served (AS) price

Cash position

Competitive advantage

Cooperative or Co-op buying

Covers

Customer count history

Economies of scale

Edible portion (EP) price

Franchise

Popularity index

Procurement

Product selection

Profit

Purchasing

Vendor

## Think About It...

From where would a large, national chain purchase its goods and services? Why?

## Introduction

Whether a small neighborhood bistro, an employee cafeteria, or a national chain, all restaurants and foodservice establishments must purchase goods and services. Relatively few foodservice operations, however, are able to employ professional buyers. Therefore, products are often selected and ordered by personnel whose responsibilities and expertise lie in areas such as food production, service management, and office management.

Goods and services must be selected and procured in such a way that the operation has an adequate supply on hand for sale. They must meet established quality guidelines. Products and services must be purchased in a manner that minimizes the operation's capital investment. Obtaining prices equal to or lower than that of competitors can greatly enhance an operation's competitive position. Considering the wide variety of products that must be purchased, purchasers must possess a wide field of knowledge. In this chapter, you will consider the primary objectives of purchasing and the range of goods and services purchased in the foodservice industry. *Exhibit 1a* below illustrates the purchasing function.

### Exhibit 1a

#### Example of the Purchasing Function

Daniel Rizzano learned purchasing in a few ways. He learned it from his dad, who owns a franchise—a business that an independent owner buys from a company, along with the right to use the company's name, logo, and products. Daniel also learned the purchasing function while wearing just about all the hats in his own restaurant. He is the owner-manager-chef and buyer of his independent foodservice operation, Daniello's Ristorante, which is a neighbor to several other quaint *cucinas Italiano*.

He is solely responsible for **purchasing**—obtaining products and services of a desired quality at a desired price. Purchasing goods and services is much more than just buying them. Daniel must always be conscious of the true value of the items he is purchasing or procuring. **Procurement** is the entire process by which products and services are selected based upon quality and cost. This includes determining what goods and services will be needed, when they will be needed, and from what **vendors**—the companies that sell goods and services—as well as purchasing, receiving, and storing all the goods and services and managing the purchasing contracts.

During **product selection**—the process by which products and services are chosen based upon quality and cost—Daniel is conscious of what his neighbors' needs are. A few years ago, Daniel and some of the owner-managers of the other independent Italian restaurants in his area began combining their orders and cooperatively purchasing all their goods and services as a collective, in order to get lower prices from their suppliers. This is called **cooperative buying** or **co-op buying**. Daniel's dad, on the other hand, can choose to purchase his goods and services from his franchisor's central commissary and/or central distribution center. He can also purchase through a corporate-approved supplier that meets the franchisor's standards. This would allow him to take advantage of **economies of scale**—the savings that a multiunit business generates for itself by sharing the cost of purchasing goods and services.

While Daniel must select and procure all his goods and services in such a way as to ensure that he always has an adequate supply of quality goods and services for sale, he must also be careful to purchase them in a manner that minimizes his operation's capital investment. He must purchase a wide variety of products and services so his operation produces a **profit**—money received after all operating expenses have been paid.

Exhibit 1b

## Goals of the Purchasing Function

- 1. Maintain adequate supply.
- 2. Maintain quality standards.
- 3. Minimize investment.
- 4. Maintain an operation's competitive position.
- 5. Obtain the lowest possible edible portion (EP) or as served (AS) price.

## The Objectives of Purchasing

The primary objectives of the purchasing function are to maintain an adequate supply of products and services, maintain the quality standards established by a foodservice operation, minimize the operation's investment, maintain the operation's competitive position, and obtain the lowest possible edible portion (EP) or as served (AS) price, in order to contribute to the overall success of a foodservice operation. (See *Exhibit 1b*.)

Purchasing has a direct impact on the following:

- 1. Availability of items for sale
- 2. Type and quality of the operation's products
- 3. Available funds an operation has on hand
- 4. Profitability and competitive position of an operation

### 1. Maintain Adequate Supply

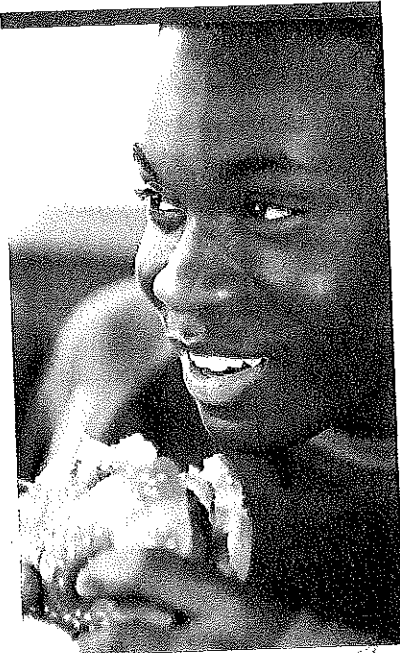
There are fewer things more disappointing to diners than ordering an item only to be told, "I'm sorry. We're out of that right now." The first goal of purchasing is to ensure that an adequate supply of product is available for sale. This is accomplished through a number of tools:

- 1. Customer count histories
- 2. Popularity index of items sold
- 3. Vendor delivery schedules
- 4. Availability of items from vendors
- 5. Analysis of outside influences that might affect an operation, such as conventions, festivals, and weather forecasts

Astute purchasers will look at the operation's **customer count history** for clues in forecasting the number of customers an operation might serve, also known as covers, in a given period. For example, the number of customers served during the month of March last year will give an indication of the number of customers that might be served this March.

Additionally, nearby hotel occupancy, area conventions, and forecasts of upcoming inclement weather will help purchasers determine possible increases or decreases in sales. They must also know whether a particular item will be available in the market, as well as whether a vendor can deliver it when needed.

Exhibit 1c



Customers expect the same quality product each visit.

## 2. Maintain Quality Standards

Each item an operation produces must meet its standards for quality. A guest who enjoyed the "Kipper Burger" last week expects the same "Kipper Burger" this week. (See *Exhibit 1c*.) Substituting ground beef of an inferior grade will directly impact this customer's experience and satisfaction. Ensuring that the operation maintains consistent quality is another objective of purchasing and begins with buying products of a consistent quality. Maintaining quality standards can be more easily achieved by:

- Following the operation's established quality standards for each item or service when purchasing
- Clearly communicating these standards to potential vendors

These guidelines, as set by the chef, manager, and/or owner, are easy to follow when purchasing brand-name items, such as alcohol or condiments. Fresh food, however, presents challenges (to be discussed in Chapter 4). Freshness, seasonality, and availability make maintaining quality a challenge.

## 3. Minimize Investment

If purchasers were allocated unlimited funds to buy unlimited amounts of goods at any given time, the purchasing function would be greatly simplified. The reality is that an operation's funds are limited, and purchasers must carefully weigh the value of a potential purchase to an operation against the operation's **cash position**—the amount of funds available to it at any given time. Minimizing an operation's investment is another objective of purchasing.

Tying up large amounts of capital in products that will produce profit at a date far in the future can cripple a foodservice facility's ability to operate. Buying too much product can be as damaging as buying too little.

In order to minimize an operation's investment, consider the following:

- **Customer count forecast**
- **Anticipated cash needs for a given period**
- **Availability of storage for products**—Facilities possess limited storage space. Although additional storage may sometimes be purchased, this expense adds to the overall cost of items.
- **The forecasted future costs of items purchased**—Prices for many food items fluctuate greatly depending upon the season and weather conditions. It is sometimes cost effective to buy larger quantities of certain items "in season" while their prices are lower. Over time, however, prices rarely fall.

## 4. Maintain an Operation's Competitive Position

When you think of making a major consumer purchase—for example, a television—you might first determine the screen size you want. Next, you might decide on the characteristics and features you desire. You might even have a particular brand in mind. Once you have made these decisions, you might narrow your choices to a particular model. In the end, you will shop around for the best price and service available.

Foodservice purchasers operate similarly, except that they must also compete against one another for the best prices for goods and services, in order to obtain a **competitive advantage**, or position in relation to other restaurants. Maintaining a competitive advantage is another objective of purchasing. If Restaurant A can get better pricing and/or services than Restaurant B for similar items, Restaurant A will have a competitive advantage.

Although simple in concept, achieving this advantage in practice is difficult. Competitors rarely disclose their costs, and vendors often apply pricing levels unevenly among establishments by giving larger, higher-volume clients an advantage in pricing and added services.

To obtain this advantage, purchasers must do the following:

- Choose vendors who will provide the best combination of price and service for their operational needs. Vendors sell more than products. They sell their services—frequency of delivery, emergency and odd-hour deliveries, flexible payment terms, low minimum orders, and consistency. Some larger vendors also include added services such as menu printing, free samples, and consulting services. Although the criteria for choosing vendors will be discussed more fully in Chapter 4, the idea of shopping around for the best prices and services cannot be emphasized enough.
- Within the context of the operation's quality standards, concentrate on obtaining the lowest possible **edible portion (EP)** price—the cost of an item after all trimming and fabrication but before cooking, or **as served (AS)** price—the cost of an item as it is served to the customer. Obtaining the lowest possible EP or AS price is another objective of purchasing and will be discussed in the next section.

## 5. Obtain the Lowest Possible EP or AS Price

Operations must focus on the true cost of each item as it is served, not the **as purchased (AP)** price, which is the price of an item before all trimming, fabrication, and cooking. The AP price is too

often considered the pertinent price. Cutting loss, labor costs during fabrication, and cooking loss contribute to a menu item's true cost. Obtaining the best EP or AS price is another objective of purchasing. This concept will be discussed further in Chapter 4.

## The Consequences of Mismanaging the Purchasing Function

Mismanaging any of the primary objectives of the purchasing function can create situations that negatively impact your operation. Failure to maintain adequate supply of product can create product outages, which can lead to lost sales and dissatisfied customers. Failure to maintain quality standards can result in purchasing goods and services that do not meet the operation's quality standards or the quality that customers have come to expect from your operation. Although customers might forgive the occasional inconsistency, consistent inconsistency will lead to a loss of customers.

Purchasing too much product—overpurchasing—can tie up too much of the operation's capital and leave the operation with insufficient working cash. Likewise, paying too much for product and services affects working cash by increasing the operation's costs and thereby decreasing its profits. Insufficient working cash means that less cash is available to pay bills and for other projects, such as upgrading kitchen equipment or expanding the dining room.

### Activity

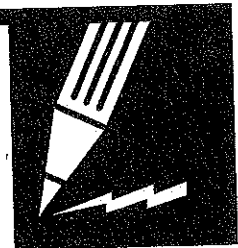
#### Profit and Competitive Position

Il Pescatore is an Italian restaurant known for its Shrimp Scampi. The restaurant sold 2,100 orders of Shrimp Scampi last month and paid the current market average of \$7.99 per pound for the Individually Quick Frozen (IQF) peeled and deveined shrimp used in the dish. Each portion requires six ounces of shrimp. Anna, the restaurant's purchasing agent, has found that she can exclusively obtain shrimp of comparable quality for \$6.99 per pound for the next month by purchasing from another vendor.

Assuming the market price of frozen shrimp remains stable and the restaurant sells the same number of Shrimp Scampi this month as it did last month, how much will Anna's purchase contribute to the operation's profit, and thus to its competitive position?

To help determine the answer, calculate the following:

- 1 What are the total pounds of shrimp used? \_\_\_\_\_
- 2 What is the new cost of the shrimp? \_\_\_\_\_
- 3 What is the total savings that will contribute to the operation's profit, and thus to its competitive position? \_\_\_\_\_



## Think About It...

What other items might be included in the product and service categories?

Exhibit 1d

## What to Buy

Restaurants and foodservice operations are unusual within the business world because they are both manufacturer and retailer. This requires operations to purchase a wide array of products and services. Generally, these items are divided into categories. *Exhibit 1d* provides you with a brief look at these categories and some of the items they might include. Duplications occur within several categories because the item may be purchased outright or contracted as a service. For example, a restaurant could purchase linen or contract a linen service to provide it.

## Product and Service Categories

### Food and Beverage

These are the items restaurants and foodservice operations actually prepare and sell. Examples include:

#### Food Items

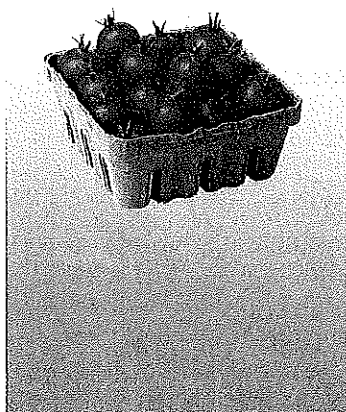
- Meat
- Poultry
- Eggs
- Processed food
- Fish
- Dairy
- Produce
- Dry and canned goods

#### Beverages—Alcoholic

- Spirits
- Beer
- Wine

#### Beverages—nonalcoholic

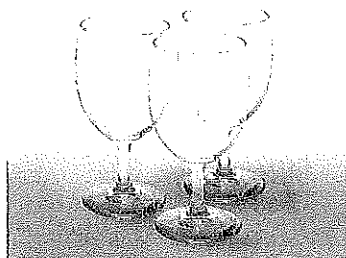
- Soda (Pop)
- Coffee and tea
- Juices
- Bottled waters



### Nonfood Items

These items are directly tied to the sale of food and beverages. For example, linen, candles, and flowers are used for tabletops, and paper bags are used for take-out orders. Other examples include:

- Linen and uniforms
- China and glassware
- Silverware
- Bar supplies
- Paper goods
- Cleaning supplies
- Menus and beverage lists
- Candles
- Flowers
- Music
- Kitchen utensils and supplies

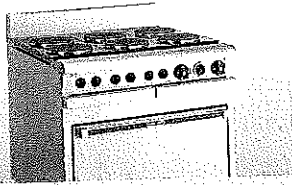




## Furniture, Fixtures, and Equipment

This category is also known as FFE or capital expenditures. Some of the items in this category may be purchased or leased, as is often the case with warewashing machines, ice machines, and beverage dispensing equipment. These "big ticket" appliances require significant maintenance and expensive repair. To reduce up-front capital expenses (especially during the start-up phase) and future maintenance and repair costs, many operations choose to lease these items rather than buy them.

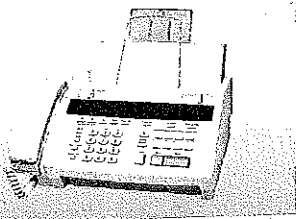
Other examples of furniture, fixtures, and equipment include:



- Tables, chairs, and barstools
- Lighting fixtures
- Bars
- Cooking equipment
- Refrigeration
- Plumbing fixtures
- HVAC

## Business Supplies and Services

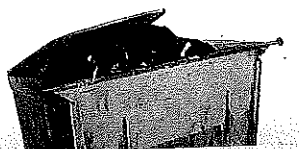
These services and supplies are required for the management or marketing of the operation:



- Office supplies and equipment
- Cash registers and point-of-sale (POS) systems
- Computers
- Credit card processing
- Financial and legal services
- Insurance
- Marketing and advertising

## Support Services

These support services are tied to the operational aspect of the business:



- Linen and uniform rental
- Waste removal
- Flower services
- Music services
- Pest control
- Parking and valet services

## Maintenance Services

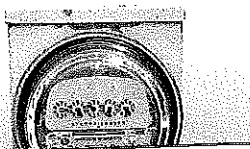
Maintenance services are required for the upkeep of the facility. These may include:



- Cleaning services
- Plumbing and heating
- Groundskeeping
- Painting and carpentry
- Equipment repair and maintenance

## Utilities

In many areas of the country, businesses can choose among competing utility suppliers. Facilities may obtain significant savings by carefully selecting the following utility suppliers:



- Gas
- Oil heating
- Electricity
- Telephone service
- Internet access

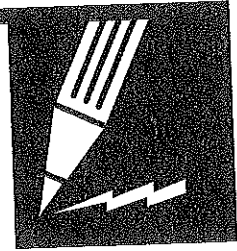
## *Summary*

The purchasing function occupies an important role within the restaurant or foodservice industry and greatly contributes to a restaurant or foodservice operation's bottom line. A purchaser must ensure that an adequate supply of product is available for sale to customers, the product is consistently at the desired quality, the operation is investing a minimal amount of its available cash, and the product is obtained at or below the price that competitors are paying.

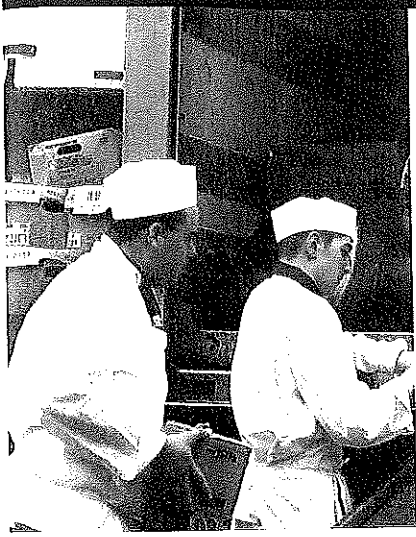
Failing to meet these objectives can damage the operation's reputation, limit the business' ability to meet its future financial obligations, reduce an operation's profitability, and put it at a competitive disadvantage.

A restaurant or foodservice operation must purchase a wide variety of goods and services in order to operate. Examples include food, beverages, equipment, and services, some of which could be either purchased or leased.

## Review Your Learning



- ❑ Which of these is an objective or goal in purchasing?
  - A. Obtaining the lowest possible AP price
  - B. Balancing the tradeoff between quality and price
  - C. Ordering in a way that ensures an adequate supply of product is on hand
  - D. Leasing equipment
- ❑ Why is it important to minimize an operation's investment?
  - A. To maintain adequate cash reserves
  - B. To minimize storage costs
  - C. To ensure continued operation
  - D. All of the above
- ❑ When comparing prices among vendors, buyers must focus on
  - A. EP price.
  - B. AP price.
  - C. the quantity available.
  - D. the weather forecast.
- ❑ Which of these items is frequently leased rather than purchased outright?
  - A. Ranges
  - B. Warewashing machines
  - C. Tables and chairs
  - D. Paper goods
- ❑ Those charged with purchasing must
  - A. possess a wide field of knowledge.
  - B. purchase food of specific quality.
  - C. avoid purchasing too much product.
  - D. All of the above



# *The Purchasing Function*

## 2

### *Inside This Chapter*

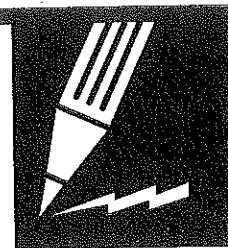
- Purchasing in a Foodservice Operation
- How Purchasing Affects an Operation's Employees
- The Purchaser's Qualifications and Job Duties
- Ethical Considerations Related to Purchasing
- The Administration of Purchasing Activities

### *After completing this chapter, you should be able to:*

- Describe how the purchasing function is organized in a foodservice operation.
- Summarize the knowledge, skills, and abilities a purchaser must possess.
- Describe the duties and responsibilities of purchasers.
- Describe ethical considerations related to purchasing.
- Identify issues involved in administering purchasing activities.

## Test Your Knowledge

- ❑ **True or False:** The purchaser's decisions impact other personnel within the operation. (See pp. 16–17.)
- ❑ **True or False:** The purchaser does not need to be concerned with quality standards; this is the concern of the chef and quality assurance manager. (See p. 20.)
- ❑ **True or False:** The purchaser must take advantage of any discount offered. (See pp. 23–24.)
- ❑ **True or False:** Establishing reciprocity is completely legal. (See p. 21.)
- ❑ **True or False:** Cash discounts are a serious ethical transgression. (See p. 24.)



## Key Terms

Blanket order discount

Buyer's authority

Buyer's responsibility

Cash discount

Free sample

Job description

Job specification

Kickback

Promotional discount

Purchasing skill sets

Quantity discount

Reciprocity

Steward sales

Volume discount

## Introduction

The purchasing function does not happen in isolation in a restaurant or foodservice operation. Whether buying is performed by an owner/manager or organized into a larger buying department, the actions and decisions made related to purchasing impact all of the operation's employees, from managers to hourly staff. Likewise, all the vendors who provide the operation with its goods and services are affected.

The job of purchasing includes many duties that require a variety of skills and abilities. Performing purchasing activities includes administrative work and maintaining supplier relationships, as well as dealing with potential conflicts of interest, among other issues. Therefore, you must possess certain professional qualities and follow firm guidelines and ethical standards to effectively purchase goods and services for your operation.

In this chapter, you will explore the internal and external relationships that drive the purchasing function, the duties that make up this function, and the characteristics needed to perform those duties. You will also learn about the reasons and safeguards for maintaining ethical and professional behavior, as well as issues you might encounter while administering purchasing responsibilities.

## Purchasing in a Foodservice Operation

Regardless of a restaurant or foodservice operation's size, someone must perform a certain number of purchasing activities. These activities will either directly or indirectly impact all the various facets of an operation. Therefore, it is important for anyone in the purchasing role to establish and maintain relationships with his or her fellow employees in order to better meet the needs of the operation and, ultimately, the needs of the operation's customers.

Exhibit 2a

### Organizational Chart for Purchasing in Small- to Medium-Sized Independent Operations

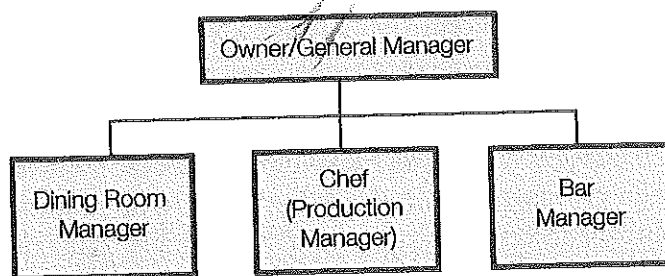
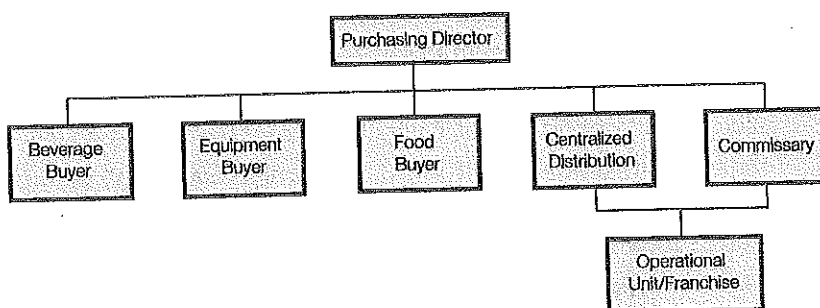


Exhibit 2b

### Organizational Chart for Purchasing in a Chain Operation



### Organization of the Purchasing Function

In independent or single unit operations, the purchasing agent is often the owner/manager. In some medium-sized independent operations, responsibilities for purchasing are divided among the owner and various unit managers. For instance, the owner might be responsible for purchasing food items, while the bar manager might be responsible for beverage purchasing. A typical purchasing organizational chart for small- to medium-sized independent operations looks like the one in *Exhibit 2a*.

The purchasing function's structure in chain operations might include a purchasing vice president or director, who in some cases performs all purchasing activities, or in other cases directs or monitors them for all units and/or franchisees. An organizational chart for this model might look like the one in *Exhibit 2b*.

## *How Purchasing Affects an Operation's Employees*

Since the purchasing function affects all aspects of the operation, it is, therefore, safe to say that it also affects all of an operation's employees. Part of your responsibilities as a purchaser is to ensure that you provide the right goods and services to the operation's employees in a manner approved by your supervisor. Failure to do this can lead to inefficient work processes, budget difficulties, and employee and customer dissatisfaction.

Specifically, you must consider how your purchasing efforts affect the following groups:

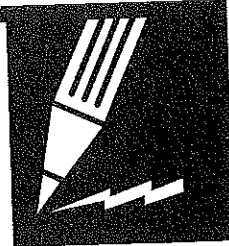
- **The general manager.** Since purchasing has a significant impact on the budget, your general manager, who is typically charged with monitoring an operation's overall budget, will be carefully watching your spending and performance. The GM will also expect any purchaser to be an effective representative of the operation when dealing with vendors and other employees, as well as to circumvent any unethical, legally embarrassing, or unprofessional situation.
- **Other managers.** As a purchaser, you must work cooperatively with your fellow managers, some of whom have no buying authority, to ensure the success of the operation. For example, a chef or production manager who purchases fruit and other garnishes for the entire operation must verify with the bar manager what that area needs. Likewise, the bar manager might purchase the wines and spirits used in the kitchen, items which the chef will have to specify.
- **Hourly employees.** As a purchaser and a member of management, you must ensure that employees have the tools and products needed to do their jobs, which includes everything from lockers to whisks to order pads.
- **Other departments or teams.** As a purchaser, you are in a somewhat unique position in that you must work with most, if not all, departments within an operation. This poses a number of challenges and opportunities. Each department has a limited view of the operation and sees it from its own perspective, whereas you must have an overall or "big picture" view of the operation. Although these relationships possess the potential for friction, they also offer an opportunity for better understanding of the needs and

goals of an operation and its divisions. Occasionally, for example, you might need to work with the marketing, sales, or creative teams if and when an alteration to the menu is required, appropriately revising which products and services to order based on the menu change. These kinds of revisions then lead you to work with the kitchen team to ensure that the correct products are being ordered.

## Activity

### It's Not My Fault

It is not uncommon for conflicts to arise between the purchaser and the production managers who use the products and services purchased.



In this role-play activity, a conflict has emerged between the purchaser and the chef because of a disproportionate amount of food spoilage and waste, which has resulted in food cost increases that are subtracting from the operation's profit. Individuals who assume the roles should take a few minutes to write a brief script based on the role descriptions.

- 1 A discussion ensues between the purchasing manager and chef, who vehemently debate their respective positions.
- 2 The owner/manager learns of the conflict and intervenes.

#### Roles: Purchaser, Chef, and Owner/Manager

**Purchaser role description:** You are a conscientious and budget-oriented, full-time purchaser who makes a point of obtaining good buys. You believe that the chef is responsible for the food cost increases. You maintain that the chef does not control the kitchen staff during food production, which causes unnecessary spoilage and waste and results in increased food costs.

**Chef role description:** You are an outstanding chef who argues that the purchaser buys inferior products.

**Owner/Manager role description:** You are a reasonable and impartial owner/manager who needs to determine what and who to believe, as well as what to do.

After viewing the role-play, discuss the problem and possible solutions. Use the following questions as a guide:

- 1 What is the main issue?
- 2 What can be done in the future to circumvent this potential conflict?
- 3 Why is it important for the purchaser to maintain relationships with colleagues, as well as with his or her supervisor and hourly employees?



## *The Purchaser's Qualifications and Job Duties*

For each job in a restaurant or foodservice operation, there are tools that describe the job in detail and the characteristics of the individual best suited to perform it. A **job specification** lists the desired knowledge, skills, and abilities a person should possess to successfully perform the functions of a specific job.

### *The Purchaser's Job Specification*

A person performing the purchasing function must possess qualities that categorically can be placed in four **purchasing skill sets**: technical, conceptual, interpersonal, and other qualities. Since the tasks a purchaser must perform typically require proficiency in all these areas, the job specification for a purchaser, regardless of the type of operation, should be comprised of some combination of the four of them.

#### *Technical Skills*

Whether you purchase all the goods and services for an operation or you are responsible for a smaller, specific group of items, you must understand what you need to buy. You should also understand the intricacies of each of those products or services and how employees will use those items (see Chapter 1 for various lists of potential items). In addition, you will need to determine calculations such as prices and quantities. Examples of technical skills might include:

- Costing a recipe
- Preparing bid sheets
- Calculating order quantities
- Implementing new technologies to improve purchasing efficiency and inventory management

#### *Conceptual Skills*

Conceptual skills relate to the overall operation or "big picture" view of an operation. Ideally, a purchaser understands how his or her job affects the overall success of the operation. Conceptual skills include:

- Budgeting expenditures
- Forecasting sales
- Organizing the purchasing function

## Think About It...

What are some additional technical, conceptual, interpersonal, and other skills that a buyer should possess?

## Interpersonal Skills

Interpersonal skills are related to how well a purchaser works internally with the employees, as well as externally with established and potential vendors. Interpersonal skills include:

- Training receiving staff
- Dealing with vendors and delivery agents (drivers)
- Cooperating with other managers

### Other Qualities

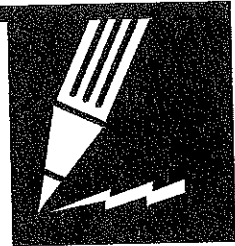
Purchasers must also have other important qualities in order to succeed at their jobs. These traits include:

- Education
- Work experience
- Ethical character (integrity, honesty)
- Desire to work for and advance in the particular operation

### Activity

## Purchaser Wanted

Based on the skills needed to be a purchaser, create a job ad for the purchasing manager at Elenora's Eclectic Eatery, a large, independent operation that serves an assortment of menu items on a regular basis. It is also known for its flair in creating specialty seasonal recipes.

This image shows a single sheet of white paper with horizontal blue or grey ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

## The Purchaser's Job Description

A **job description** describes the specific duties an employee must perform, typically in the form of objectives and operational guidelines. A purchaser's job description will be shaped by the specific operation's policies and needs and should include, but not be limited to, the types of duties listed in *Exhibit 2c*. Another example of a purchaser's job description from a listing of occupational titles found on the U.S. Department of Labor's Web site is shown in *Exhibit 2d*.

Exhibit 2c

### Examples of Purchaser's Job Duties

- |  |  |                                    |
|--|--|------------------------------------|
| ■ Negotiate contracts                            | ■ Coordinate activities involved with procuring services and goods | ■ Determine method of procurement  |
| ■ Investigate suppliers' facilities              | ■ Monitor the operating budget                                     | ■ Monitor storeroom inventories    |
| ■ Define and monitor cost and inventory controls | ■ Develop purchase specifications                                  | ■ Establish inventory stock levels |
| ■ Maintain supplier price lists, files, etc.     | ■ Identify, select, and train purchasing staff personnel           | ■ Follow shipping procedures       |
| ■ Research and identify new products             | ■ Forecast trends  | ■ Adhere to quality standards      |
| ■ Follow code of ethics                          | ■ Review requisitions  | ■ Control products                 |

Exhibit 2d

### Example of a Purchasing Agent's Job Description

**162.157-038 Purchasing Agent; alternate titles: Buyer**

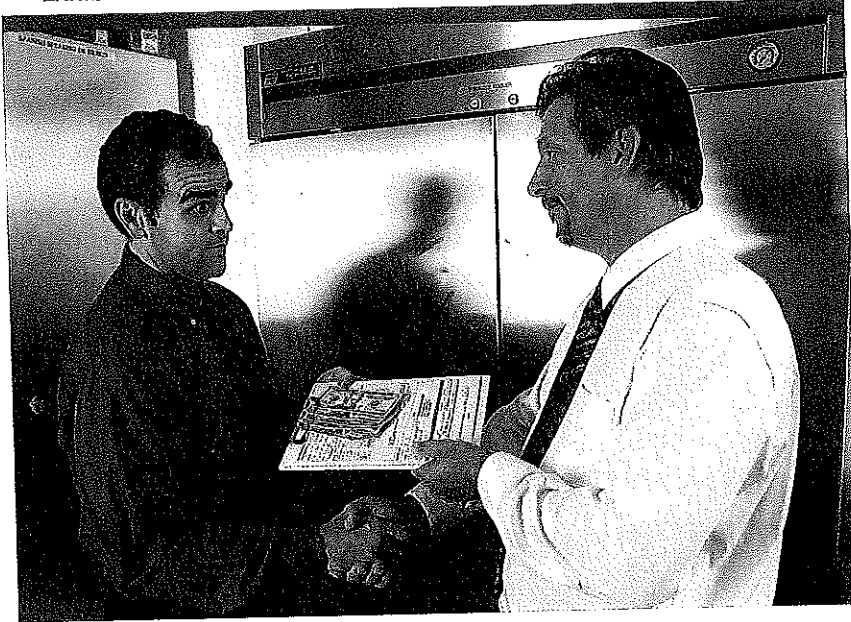
Coordinates activities involved with procuring goods and services, such as raw materials, equipment, tools, parts, supplies, and advertising for establishment. Reviews requisitions. Confers with vendors to obtain product or service information, such as price, availability, and delivery schedule. Selects products for purchase by testing, observing, or examining items. Estimates values according to knowledge of market price. Determines method of procurement, such as direct purchase or bid. Prepares purchase orders or bid requests. Reviews bid proposals and negotiates contracts within budgetary limitations and scope of authority. Maintains manual or computerized procurement records, such as items or services purchased, costs, delivery, product quality or performance, and inventories. Discusses defective or unacceptable goods or services with inspection or quality control personnel, users, vendors, and others to determine source of trouble and take corrective action. May approve invoices for payment. May expedite delivery of goods to users.

Source: U.S. Department of Labor

## Ethical Considerations Related to Purchasing

The rules and guidelines concerning ethics in purchasing are there to protect all the parties involved. Most operations have a written code of ethics that purchasers must commit to following. These rules will help guide your behavior when you are faced with certain questionable circumstances, as outlined in the following sections.

Exhibit 2e



Kickbacks are the most serious ethical transgression.

### Kickbacks

Kickbacks are money or other gifts received by an individual in return for purchasing from a specific vendor. Kickbacks are often perceived as the most serious ethical transgression a purchaser can commit. This practice is also illegal. (See *Exhibit 2e*.)

### Accepting Gifts

Accepting gifts from vendors should be avoided. Accepting gifts differs from accepting kickbacks in that there is no real expectation that the person receiving the gift will

purchase something from the vendor, though the distinction can be hard to see at times. Accepting a gift from a generous vendor with whom you have a relationship may cause you to feel a psychological obligation to that vendor. Therefore, an operation's ethical code should direct you to decline gifts to avoid any appearance of a kickback, as well as to avoid any personal conflicts.

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### Think About It...

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Is it ethical for a purchaser to take advantage of vulnerable suppliers—those that may be in a slump?

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### Reciprocity

Reciprocity is an arrangement whereby you agree to buy from a vendor in return for some kind of business from that vendor.

For example, the vendor may promise to hold his or her company's holiday party at your restaurant, or the vendor may promise to refer business to the restaurant. Reciprocity generally complicates the client/vendor relationship and should be avoided.

## Free Samples

Vendors will often offer **free samples**—small quantities of goods or equipment at no charge—to restaurants. It is best to avoid accepting free samples unless the operation has a genuine interest in considering that product for future purchase.

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### Think About It...

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Can allowing personal purchases lead to dishonesty? If so, how?

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## Personal Purchases

Some companies allow their employees to take advantage of the company's purchasing power so the employees can buy goods for their personal use at discounted prices. This is also known as **steward sales**. These types of purchases are typically limited to designated dates throughout the year, such as holidays. In general, however, this practice should be avoided. Many operations discourage steward sales because some employees might be tempted to make purchases on behalf of their extended family and friends. An exception to this policy, however, would be when the operation chooses to sell goods to its employees in an effort to relieve itself of "dead stock" or overages.

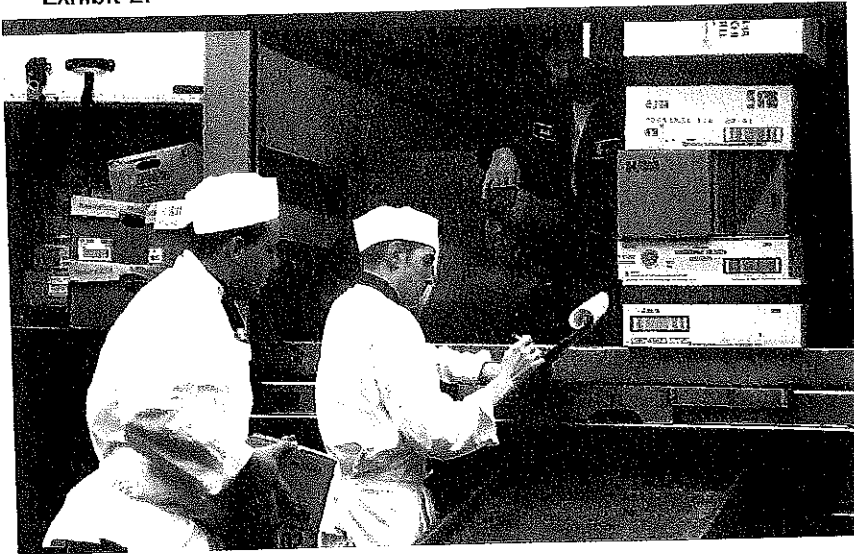
## *The Administration of Purchasing Activities*

While it is important for you to know how to handle the ethical challenges to the purchasing function that occasionally arise, most of your time as a purchaser will be spent dealing with the many day-to-day administrative activities of the job, which can be overwhelming if not managed appropriately. There are also some common problems related to purchasing that you must know how to address quickly in order to ensure the purchasing function runs smoothly in your operation.

## Responsibility vs. Authority

When handling the purchasing for your operation—whether you buy for a department or for the whole company—you must understand the extent and/or limitations of your decision-making power. Responsibility and authority are distinctly different, although they are often mistakenly seen as the same thing. **Buyer's responsibility** describes the set of activities that the purchaser manages, whereas **buyer's authority** describes the limits of power the purchaser has to accomplish those activities. For example, you might be responsible for purchasing kitchen equipment, but you will most likely be limited in the amount of money you can spend on a single

Exhibit 2f



Vendors sometimes bypass the buyer and make deals directly with the chef.

purchase without supervisory approval. Understanding and abiding by these boundaries will help you to be successful at purchasing the right products according to the operation's expectations.

### Backdoor Selling

A vendor might be tempted to bypass you and deal directly with the individual who will use the product, such as a food supplier who circumvents a buyer in order to deal directly with the chef. (See *Exhibit 2f*.) Most operations seek to avoid backdoor selling because it can

negatively affect an operation's bargaining position and the price the operation pays for products. It also might create tension between the purchaser and the person who is making the unauthorized purchase.

### Vendor Discounts

Throughout your operation's relationship with a vendor, you might be presented with various types of discounts for the products and services you purchase. The decision to take advantage of a discount (or to let one pass) requires careful consideration of the opportunity's benefits and/or pitfalls. Some types of discounts are:

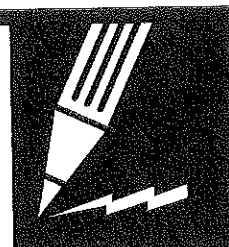
- **Quantity discounts.** A supplier may offer a **quantity discount** if an operation purchases a specified, large amount of a particular product. By purchasing a large amount of a product, you are most likely receiving that item at a low per-unit cost. Your storage facilities, however, must be able to handle the unusual amount of the item in a way that does not jeopardize its quality or the quality of other stored products.
- **Volume discounts.** Like quantity discounts, **volume discounts** are awarded based on the total amount of product purchased. With this kind of discount, you may purchase more than a single product type. The purchase order can include a long list of various items preordered in small amounts. When these items are summed, however, the supplier discounts the total cost. This discount is also known as a **blanket order discount**. To take advantage of a volume discount, an operation might have to commit to ordering a certain amount during a given time period or to some other limitation.

- **Cash discounts.** A cash discount is offered from a vendor for preparing an order, paying cash on delivery (COD), or paying within a specified period of time. The benefit of this discount must be balanced against the operation's cash position and estimated cash needs.
- **Promotional discounts.** Promotional discounts are reductions offered on a specific product or products for a limited period of time. These savings are short-term. The price cut may in some cases be dramatic, but you must consider the long-term cost (of storage, for example) of buying the product.

### Activity

#### What to Do?

An operation's code of ethics guides and safeguards purchasers from perceived acts of impropriety. Given the scenarios below, determine the circumstances under which the purchaser may agree to an arrangement or practice.



- 1 Marcus Washington is the purchasing manager for The Bethesda Grill. A large vendor has offered Marcus a 5 percent cash discount on invoices paid within ten days of delivery.

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- 2 Darlene Kelly has worked in various foodservice operations most of her life and has always made personal purchases, also known as steward sales, at Thanksgiving, Christmas, and other holidays. She has purchased steaks, roasts, or hams for her own family's celebrations from the operation's suppliers. She recently became employed at a new restaurant.

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### Vendor Service: Late Deliveries, Substitutions, and Back Orders

Terms of service with a vendor must be established prior to placing an order. Delivery schedules, product continuity, and specifications for appropriate substitutions should be established in a contract at the beginning of the buying relationship. You must then monitor vendor performance to ensure that these established criteria for products and services are being met.

Ways to do this include:

- **Spot-check deliveries to ensure the appropriate product is being delivered.** For example, you might weigh a few steaks from a recently delivered box—choose cuts from the middle of the box, not just those from the top layer—to ensure the proper weight has been shipped.
- **Maintain good communication with the receiving staff.** Be sure to talk with those in charge of receiving products. They are the best source of information about how a vendor is performing—if trucks are on time, if food safety is being maintained during transport, etc.
- **Keep in contact with the vendor.** Take the time to report any issues with shipments to the supplier. By showing your vigilance to the operation's standards, vendors will be more likely to maintain them.

### Receiving and Storing Inadequacies

Proper receiving and storing facilities and procedures are necessary to ensure that products are properly inspected, evaluated, and stored. It is vital that you understand the physical characteristics and limitations of your receiving and storing areas so you can order the correct amount of product and have adequate facilities to hold certain products without losing safety or quality. Become familiar with the capabilities of your various storage areas, and be sure the equipment is in good working order.

You must also ensure that your receiving and storeroom personnel have the tools they need to perform their assigned jobs. Various thermometers, dollies, and appropriate shelving are just a few examples of the many kinds of equipment this staff needs. Those with signing authority for deliveries must also have accurate specification information.

Finally, you must monitor employee performance in these areas to ascertain whether proper procedures are being followed. Training is key to proper performance. Maintaining good communication and providing continuous, constructive feedback are also two important ways to accomplish this.

### Inefficient Use of Time

Time is a critical factor for purchasers. You will often need to move quickly when presented with an opportunity from a vendor or when a problem occurs with a storage facility. Additionally, you will be expected to complete purchasing tasks despite any issues that arise.



To accomplish all these objectives, practice smart time management. Create task lists that divide your large responsibilities into smaller tasks that can be completed on a daily or weekly level. By dividing large activities into a controllable size, you can organize your work schedule more effectively. Once you have this list, be sure to follow through on it. Evaluate your success against the plan to see which tasks took more or less time than you expected. Many managers also find that time management tools such as a PDA or a time planner help them organize their time more effectively. Finally, be sure to keep meetings on target and on schedule. Meetings with vendors and in-house departments are an integral part of the buying process, but an unfocused, lengthy session can wreak havoc on your daily plans.

## *Summary*

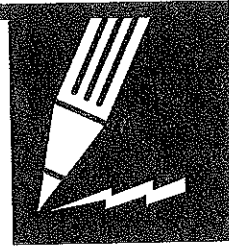
Whether buying is performed by an owner/manager or organized into a larger buying department, the actions and decisions related to purchasing impact all of the operation's employees, from managers to hourly staff. Part of your responsibilities as a purchaser is to ensure that you provide the right goods and services to the operation's employees in a manner approved by your supervisor. Failure to do this can lead to inefficient work processes, budget difficulties, and employee and customer dissatisfaction.

A person performing the purchasing function must possess qualities that categorically can be placed in four purchasing skill sets: technical, conceptual, interpersonal, and other qualities. A purchaser's job description will be shaped by the specific operation's policies and needs and should include duties that relate to these skill sets.

The rules and guidelines concerning ethics in purchasing are there to protect all the parties involved. Most operations have a written code of ethics that purchasers must commit to following. Kickbacks, accepting gifts, reciprocity, free samples, and personal purchases are all areas of ethical concern.

While it is important for you to know how to handle these ethical challenges, most of your time as a purchaser will be spent dealing with the many day-to-day administrative activities of the job, which can be overwhelming if not managed appropriately. There are also some common challenges related to purchasing that you must know how to address quickly in order to ensure the purchasing function runs smoothly in your operation. These range from vendor management to receiving and storing maintenance to effective time management.

## Review Your Learning



- 1. Which of these lists the duties to be performed for a particular position?
  - A. Job description
  - B. Job specification
  - C. Skills listing
  - D. Job posting
- 2. When should a purchaser accept free samples?
  - A. When inventory turnover is low
  - B. Always
  - C. When the operation has a genuine interest in using the product
  - D. When the item has a high value
- 3. The ability to cost a menu item is considered a(n)
  - A. conceptual skill.
  - B. interpersonal skill.
  - C. technical skill.
  - D. necessary skill.
- 4. When a vendor attempts to sell a product directly to the end user rather than to the purchaser, it is called
  - A. backdoor selling.
  - B. direct selling.
  - C. circumventive selling.
  - D. targeted selling.
- 5. Paying an invoice on the day it is delivered can result in a
  - A. quantity discount.
  - B. blanket order discount.
  - C. cash discount.
  - D. flat discount.
- 6. Which of these might be considered an interpersonal skill?
  - A. Training a receiving clerk
  - B. Researching prices
  - C. Following a budget
  - D. All of the above
- 7. Which of these is an issue involved in administering the purchasing function?
  - A. Backdoor selling
  - B. Receiving and storing inadequacies
  - C. Inefficient use of time
  - D. All of the above
- 8. Which of these is *not* an ethical transgression?
  - A. Free samples
  - B. Reciprocity
  - C. Volume discounts
  - D. Accepting gifts