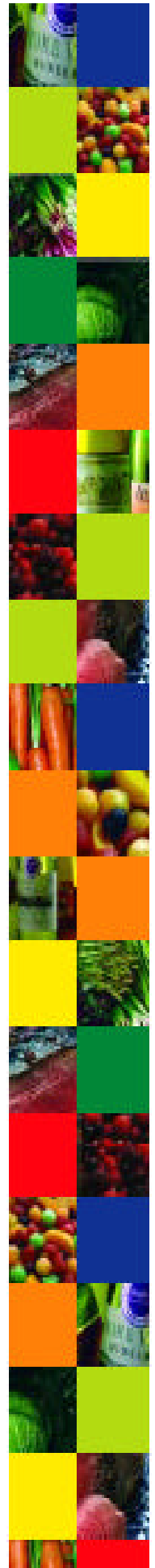




Extending Regional Hospitality



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9: MEASURING PERFORMANCE IMPROVEMENT

How do you KNOW you've improved if you haven't monitored your business?

If you have put a lot of time and effort into creating menus and identifying products, sourcing suppliers, building a quality product and attracting customers it would make sense to know it has been worthwhile. Measuring performance improvement also means that you can identify areas of your business that are not actually performing as well as you thought e.g. you might 'feel' that a local wine is selling well but looking at actual sale figures over a long period could give you a clearer picture. There is no point just putting more investment into an area that is not right when there are other solutions to the reason why it is underperforming.

In this section you will:

- Identify the types of measurements that can be carried out
- Identify what can be monitored within each type
- Identify your own measures and action

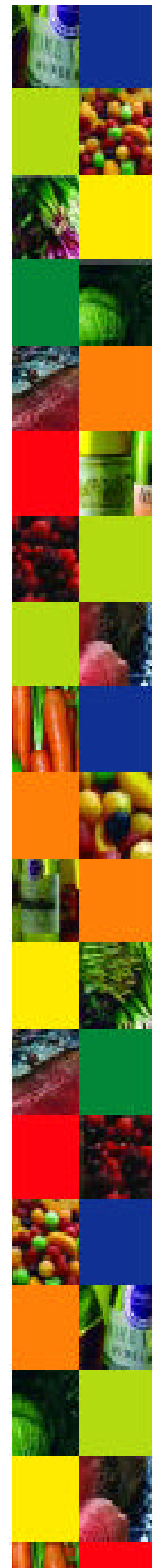
■ What you can measure

- Your suppliers – How are your suppliers performing?

If you have followed the guidelines in the first sections of this workbook you will be working in partnership with your suppliers and both of you would have discussed your ideas and expectations from the beginning and having set agreed targets to gain commitment at that point, here is where you check that the agreement you have made is working.

- ◆ Is your supplier meeting target delivery times?
Are delivery times as consistent as you first agreed?
- ◆ Is the quality of the produce / product as originally specified?
Are the rejects increasing to an unacceptable level against what was agreed?
- ◆ Is the supplier consistent with the product?

If a supplier is not achieving the targets then you need to discuss this with them. Ask for their reasons first, remember, it is a partnership. You may find that some of the problem lies with your business! See Section 1a - Building a Supply Chain Network.



■ EXERCISE:

Define what your supplier targets are. Assess if they are being achieved. What feedback will you give your supplier?

■ Your customers – What do your customers think?

Without customers there is no business, so getting feedback from people is vital for you to know that what you are offering is right. Being busy now doesn't mean it will last.

If you have put your heart and soul into your business it can be a brave step to ask your customers for their feedback – any negative comment can hurt. By stepping back from the personal viewpoint we can then often see that the comments are worthwhile. If one customer tells us that something is not right it may be that others feel the same way but didn't want to say anything. Business may be good at the moment – who knows what the future holds? Complacency has caused the downfall of many a business – large and small. The customer market is forever changing in its expectations and any business must keep its eye on what their 'customers want'.

Don't accept at face value the fact that just because you only get compliment letters there are no complaints. The majority of people vote with their feet – they just don't come back BUT they do tell other people about their negative experience.

How can you get customer feedback?

- ◆ Comment cards – maybe a small card on the table or presented with the bill
The Hundred House Hotel is currently discussing the implementation of a customer comment card and this is an example of a draft format they are working on. This is only an extract from the whole card which includes their logo in full colour and a request for other information for a database to be collated

Your Details			
<i>From time to time we may like to contact you with various offers and information. Should you wish to receive any of these please complete your details below. None of your details will be used outside of the Hundred House Hotel.</i>			
Name: _____			
Title: Mr / Mrs / Miss / Ms Other: _____			
Address: _____			
Post Code: _____			
Email: _____			
Telephone Number: _____			
Particular Interest:			
	Accommodation	Dinning	Conferences/Private Events
Private:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Company:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please rate our hotel in the following areas					
Greeting	Excellent	Good	Average	Poor
Ambiance	Excellent	Good	Average	Poor
Staff	Excellent	Good	Average	Poor
Food	Excellent	Good	Average	Poor
Value	Excellent	Good	Average	Poor
Service	Excellent	Good	Average	Poor
Bar	Excellent	Good	Average	Poor
Wines	Excellent	Good	Average	Poor
Taking of Payment	Excellent	Good	Average	Poor

- ◆ A personal letter inviting comment – build a customer database from business cards and contact details on booking
- ◆ Customer questionnaires – sent to specific people from the database
- ◆ Compliment letters
- ◆ Complaint letters
- ◆ Talking to customers and asking them specific questions on the areas listed next
- ◆ Start a log of customer problems and comments they might make to staff
- ◆ Observe customer reactions – when food is put in front of people you can see from their immediate reaction how they feel about the way it looks and tastes
- ◆ External ‘mystery’ customers – this needn’t be an expensive company – ask someone who is not well known by your staff to come and eat or drink and give their feedback.

What feedback can you get from customers?

- ◆ Why they chose you – you can use their comments in future marketing
- ◆ Staff attitude and service
- ◆ Quality of food / drink
- ◆ Variety of food and drink offered
- ◆ First impressions
- ◆ Improvements – your customers may have eaten somewhere else that use a particular type of produce.

■ EXERCISE:

Decide how you can use customer feedback in your business. Set a date for reviewing the information collected.

Monitoring marketing activities

If you are spending money on marketing it is vital that you know it is effective, otherwise it is a waste of money and that money could be used better elsewhere.

If you are using collected customer business cards and booking details to form a database of information, ensure you use the database effectively to support the marketing of your business. If you know the type of products that are of interest to your customers you can really define your marketing activities. These activities in turn will be effective as you know you have an 'interested' customer already, they have already had a positive experience and will come back to you again. Keep the database up to date – good databases can be the critical success factor for some promotions.

Always ask customers if they make a booking where they heard of your business and record it on a sheet. This will give you an 'at a glance' monitor. If you have spent £450 on fliers to a specific market and had no business from it, then you need to reassess the situation – was the flier right for the market? Was the market right for the product? Rather than repeating the exercise because you did it once you can now decide to spend the money on something more effective.

If your main method of attracting customers is through word of mouth then customer feedback is of paramount importance to ensure you are still generating a positive reputation and that you are keeping up with the ever changing customer expectations. Tracking the number of repeat customers you have is a good gauge of customer loyalty and reputation.

Repeat customers can be the lifeline of a business during those 'off peak' times. There's no need to issue loyalty points! But smaller businesses can really win over larger companies by the personal recognition and service given to the regular customer. Noticing customers have come back, remembering their name maybe offering a glass of wine 'on the house' all goes a long way to enhancing even further your word of mouth reputation.

■ EXERCISE:

Review your marketing activities and set up a way of being able to monitor their effectiveness. Action to review at least annually.

■ Your staff – How dedicated are your staff?

Regularly monitoring your staff performance ensures that customer service standards are as consistent as possible (just as important as product consistency). Staff turnover is a huge cost that small businesses rarely calculate. It is not just a pay cost, being short of staff has a huge impact on your time, staff morale, customer service standards and pressure increases on everyone very quickly. It is very easy to get into a vicious cycle of bringing new staff in to an environment where existing staff are fed up with the extra work and give a negative impression to the new people who consequently leave after a short time. The smaller the business the less you can afford to lose staff or have the 'wrong person in the job'. Therefore feedback from staff and to staff is vital.

How can you monitor staff?

- ◆ Set standards and procedures and train all your staff
- ◆ Take time to have 1-1 discussions
- ◆ Give feedback on good points as well as those that need working on and tell them when they have done things better
- ◆ Give support – people can't change if they don't know what they should be doing
- ◆ Train a member of staff to be a 'mentor'. This person can then effectively encourage and support your staff on a daily basis to achieve the standards you want
- ◆ Be an example – you can't expect your staff to smile at customers if you don't!!
- ◆ Include your staff in decisions about procedures
- ◆ Encourage your staff to tell you if they think a customer is unhappy or has mentioned a problem but not actually complained.

■ EXERCISE:

Identify for each member of staff what they do well and any improvement areas. Set up individual discussion meetings and give them feedback.

- Financial measurements – How has your work affected the bottom line?

Small companies often don't use financial measurements to the same level as large companies as spending time doing the job is the main focus. Sometimes doing the accounts is a bit of a trial and the quicker it is over with the better!

However, with the best will in the world you can be committed to giving great customer service and a fantastic product but if you're not making money then you have no business and have let lots of people down including yourself.

Here are a few financial measurements that would make sense to use and go hand in hand with the 3 factors we have looked at.

- ◆ **Suppliers**
Value of reject deliveries divided by the value of purchases over a year. This would indicate problems with rejects products that as it might vary over the year might not be immediately apparent.
- ◆ **Customers**
Average spend per head over a year – total revenue divided by the number of customers served.
- ◆ **Marketing**
Revenue development – revenue from new markets divided by total sales revenue for the year.

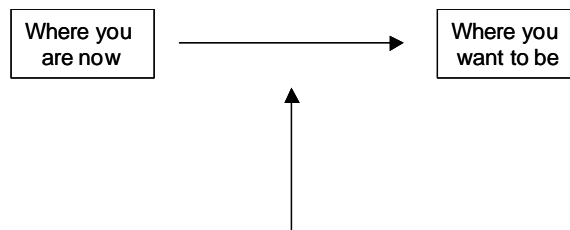
- ◆ **Staff**
Turnover – total leavers during the year divided by the number of employees.
Value added – pre tax profit divided by total wage cost over a year.
- ◆ **Labour Productivity**
Total wage cost divided by total sales resource over a year.

These measurements can be obtained from your Profit and Loss or are easily collected once a system is in place.

■ EXERCISE:

Identify which calculations might be appropriate for your business. Ask your accountant if there are other measurements that would be applicable to your business. Set up a tracking system.

■ Taking action



The bigger the gap the more action has to take place

Formalising a simple budget to control costs is often an effective way forward. This helps to keep control on expenditure or at least warning bells start to ring if an specific area becomes 'overspent'. Cash flow is often a problem for small businesses and keeping control of how much is spent and when can support.

■ EXERCISE:

Devise an annual plan that shows monitoring of suppliers, customers, staff and financial measurements (this may include a simple budget plan).

■ Compare your performance with other similar businesses

“Benchmarking is the practice of being humble enough to admit that someone else is better at something and wise enough to try and learn how to match and even surpass them at it.”

Partaking in benchmarking projects can allow you to broaden your expectations. It is a way of helping you to understand your current position and plan for the future.

The *Business Health Check* is designed by the Best Practice Forum for hospitality, tourism and leisure and is offered for hotels and restaurant businesses taking part in the Extending Regional Hospitality West Midlands Region project. The contact address is on the back of this workbook.

■ Summary

- How do you KNOW you've improved if you haven't monitored your business?
- Measuring performance improvement also means that you can identify areas within your business that are not actually performing as well as you thought.
- You can measure your suppliers, your customers, your staff, financial measurements.
- Without customers there is no business.
- Being busy now doesn't mean it will last.
- Complacency has killed many a small and large business.
- If you're not making money then you have no business and have let lots of people down including yourself.