



## Why aren't we making a profit?

By Robin Bromley, Executive Officer, WA School Canteen Association Inc.

School canteens are small food businesses, not extensions of domestic kitchens and as such should be operated in a business-like manner. However, from the questions that are raised in our training sessions practices are highlighted that show some canteens are not being run as retail businesses, even though they are turning over thousands of dollars annually.

Many calls to the Association ask "What are we doing wrong, why are we are running at a loss?" Seldom is one single factor the reason. It is more likely to be a combination of things. In some cases it has been shown that the canteen is in fact trading profitably. However, due to a lack of stocktaking, the end of year picture does not reflect this.

Following is a checklist of the most likely causes for lack of profit. Use it as a guide to check best practice in your own operation.

- **You are trading five days per week without sufficient student numbers to sustain a five day operation**

This statement assumes you are paying staff at the appropriate rate. Small numbers will also affect your buying power and mark-ups applied. If you are a small school, then as a school community you must decide whether it is a priority issue for you to open five days a week. If so, then you will need to look at alternative ways to reduce the costs or be prepared to subsidise the canteen's operations. WASCA works on a 'rule of thumb' that you need 100 students for each day of operation, i.e. a school of 200 students or less is unlikely to be economically viable if it pays staff and opens more than twice per week.

- **Lack of standard serves and portion control**

Food must be made to the same quality and quantity **every time** it is prepared, irrespective of who is making it. This ensures customer satisfaction as well as correct costing of raw ingredients, e.g. **every** time a sandwich is made it contains the same amount of ingredient.

This is important, otherwise you will not make the budgeted margin of profit on that food item. For example, if the raw food cost to make a hamburger has been arrived at without the addition of cheese and one of the workers adds it because it is their own personal preference, then immediately your profit margin will decrease on that item. In fact, you may not even cover the cost if you are working on a small profit margin.

Work procedure cards stating the ingredients and amount to be used, aid the training of new workers and ensure standard serves. It is usually easier to write these up using terms the majority of helpers are comfortable with rather than in weights, i.e. half a cup of shredded lettuce, 3 slices of tomato, 1 tablespoon grated carrot.

Some food business also take photographs of the finished food items and add them to the card system, so that helpers know what the finished product should look like as well as what it should contain.

- **Incorrect methods of marking up from wholesale price to retail (selling) price. DO NOT USE OTHER SCHOOLS' SELLING PRICES TO SET YOUR OWN**

The overheads (costs incurred to run the business) are likely to vary between schools. Even if both employ one paid person, one may be paid at a higher rate than the other. **You must use your own overheads as a basis for calculation. Do not forget that there is GST payable on some items, the number of items this is applicable to will vary from school to school.**

When applying mark-ups, it is important that only stock purchased for over the counter sales be included. Any other stock purchased for functions within the school or bulk stock purchased for parents, should be excluded as inclusion of these types of transactions will affect the gross turnover figure. **Note: The bulk purchase of stock for parents is not a recommended practice and should be discouraged.**

- **No documented record of wastage**

The term 'wastage' includes the cost of lunches provided to volunteer help. Any left over food that cannot be sold is wastage. For example, the half bowl of lettuce left on Friday valued at 50 cents, the carton of yoghurt that split when dropped cost 50 cents. Add these sums to the morning tea and lunches provided to helpers, say 4 @ \$1.50 per person per day, and although they may seem insignificant amounts individually, they add up to \$30 per week or \$1,200 per year! They therefore represent a substantial overhead that must be factored into your costing.

**Note:** Providing morning tea and lunch to your voluntary help costs much less than employing a second person. However, it should be clearly stipulated exactly what is provided so that the cost is consistent and within the budget. Food provided to the students of helpers **MUST** be paid for unless you have decided to stipulate a certain amount, e.g. \$1 per child attending the school, to encourage more volunteer help. In the case of the latter, then this represents an overhead that must be factored into your mark-ups.

- **Stocktaking is not being carried out**

Stocktaking is recommended at the end of each term. The value of stock at the end of any given period is equivalent to cash in the bank (provided it will be used and not wasted due to over-buying). You may not appear to have any stock of significance at the end of term, but the paper products, sauce portions, dish washing liquid etc. all have a value and have been paid for by the canteen.

When calculating the value of stock on hand, it is calculated at the price you paid for it, not what you will sell it for after mark-up.

Stocktaking also provides proof of what stock was on hand in the case of insurance claims.

- **The menu offers too many choices**

The more choices on offer, the more money tied up in stock, more paperwork generated, and the more staff (whether paid or voluntary) required to produce it. Fewer choices that change regularly to offer variety, are easier to manage than extensive menus.

- **Lack of active marketing of the canteen and promotion of products sold**

No food business in today's competitive world can survive without promotion and this includes school canteens. The healthier choices in particular require active promotion to generate increased sales.

**Does your school have a copy of the manual, Management \$ense, Food Sense?** This manual, produced by FOCIS, deals in more depth with these issues and provides a comprehensive guide to managing a school canteen. It includes a CD containing templates of recommended forms to save you time.

In addition, it covers nutrition and menu planning, includes recipes and contains a chapter dealing exclusively with marketing and promotion techniques. It is the **must have** resource for school canteens and is available from School Canteen/Tuckshop Associations.