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# FOOD PRODUCTIVITY IN THE FOOD SERVICE INDUSTRY

by:

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**HOW TO KNOW YOU'RE GROWING OLDER**

-- The gleam in your eyes is from the sun hitting your bifocals.
-- Your little black book contains only names ending in M.D.
-- Your children begin to look middle aged.
-- You finally reach the top of the ladder, and find it leaning against the wrong wall.
-- Your mind makes contracts your body can't meet.
-- You look forward to a dull evening.
-- Your favorite part of the newspaper is "25 Years Ago Today."
-- You turn out the light for economic rather than romantic reasons.
-- Your knees buckle and your belt won't.
-- Dialing long distance wears you out.
-- You just can't stand people who are intolerant.
-- Your back goes out more than you do.
-- You sink yourteeth into a steak and they stay there.

Jerrico, as a restaurant company, is committed to productivity. To underscore our commitment to restaurant productivity, we use over 100 frozen products in our restaurants every day. The vast majority of the products that we serve our guests are, at one point in the distribution chain, frozen. We will serve over 45 million pounds of seafood, at a cost of 75 million dollars, this year, in Long John Silver's Seafood shoppes. We will purchase in the neighborhood of 12 million pounds of chicken representing purchases of over 22 million dollars. That volume is generated strictly by two items; our chicken plank which we refer to as "the best part of the best part of the chicken" and the chicken pegleg. The plank is a hand cut strip of the tender and succulent chicken breast. The pegleg is the first joint of the chicken wing known for its flavor and high meat to bone ratio. Yes, we place our hats over our hearts for the 37 million chickens who will sacrifice their lives this year for their old friend, Long John Silver's.

In our Jerry's Restaurants, we will serve over 2 million pounds of beef and pork products at a cost of over 3 million dollars. In total, Jerrico will purchase over 100 million dollars of frozen food for use in our 1,100 various restaurants this year.

We are dedicated to the use of frozen food for one main reason. The same reason that holds the key to our success in the 80's . . . QUALITY.

The quality of frozen food is proven in the trenches, at restaurant level, every single day. With the aid of frozen food we can offer our guests the same consistent quality in New York City as we can in Sacramento, California day in and day out. The consistency of delivery, the building block of a national restaurant chain, would be virtually impossible to achieve without frozen food.

In a very real sense, frozen food is fresher than fresh foods. On a recent

trip to Iceland, our purchasing people witnessed the fact that the cod we use in Long John Silver's is caught, processed, and frozen in a shorter time than it takes for us to receive, from nearby fields, the fresh cabbage we use for our famous fresh cole slaw.

It is the purchasing department's responsibility with accountability to the quality control department, to insure the quality of all frozen products from the time the raw material is raised or processed until it reaches the back door of our restaurants, They spend a great deal of time working with our suppliers learning everything they can about the way our products are produced and handled at plant level. Nothing is left to chance or speculation. No opportunity for improving product quality is left uninvestigated.

Our suppliers are, in a very real sense, our partners in profit. Without suppliers committed to quality and productivity, Jerrico's chances for success would be extremely limited.

Our purchasing department spends a great deal of time learning as much as they can about our restaurant operations. Equal time is spent with our suppliers to learn from them the innumerable ways they can aid us in improving our systems. Knowledge and consolidation of our mutual efforts help us insure the quality of the product we purchase.

Service is a very important criterion upon which we base purchasing decisions. It is our responsibility to guarantee that all of the products our restaurants need to operate are available for them at all times. With a national distribution program that task can be somewhat more complicated than it might sound. When menu promotions prove much more successful than originially forecasted or when mother nature does not cooperate with production schedules, the job of having the necessary inventory to support sales causes our purchasing people to grow a little more gray hair. It is through these challenges that our suppliers demonstrate their commitment to our success.

Whether it be the addition of a night shift on short notice or a trucker that drives round the clock to be certain a committed product arrives at a distribution center on time, service is often the margin of difference between our suppliers.

Price is also a concern we address to our purchasing responsibilities. We all know what prices are doing. Labor, energy, transportation are all costs that must be managed with a no nonsense approach. There is no longer room for unnecessary and hand-holding type services by suppliers or distributors; all superfluous frills must be eliminated.

Product cost is part of a relationship that we discuss every business day. That is the price/value relationship our customer uses as a basis to make his/her buying decision. We all know about the American consumer. Unlimited amounts of research and data lead us back to the basic premise that the American consumer will not spend his/her food dollar without a definite direct return in mind for that expenditure. The American public will not favor a restaurant with its patronage if that establishment does not offer a quality product at a price the consumer judges to be a relative value.

There is no way we can simply pass through the increased costs of our food products to the consumer in the same way a utility will, as they receive an approval for higher rates. So it is, in the area of product cost, that we must become more creative to survive and prosper. We all know about the level of productivity in this country. We read about it every day. Yet the reality of this situation seems somewhat distant--

something that does not affect restaurants. But let me warn you, our very existence in the food service industry depends on increased productivity. We must find ways to reduce or maintain product costs. No stone can be left unturned to achieve this goal. All avenues along the channel of manufacturing and distribution must be examined with a microscopic probe, to determine in what areas savings can be generated.

Our purchasing department works with suppliers to increase productivity in manufacturing, inventory control, and distribution and will continue to do so.

Our system purchasing and distribution program was originally established to guarantee that all products, as specified by our corporate food and beverage department, would arrive at our restaurants in acceptable condition; today it must also guarantee cost savings and productivity.

All products are purchased through our purchasing department at our national headquarters here in Lexington, Kentucky. Likewise, all invoices for products purchased for distribution through the systems purchasing program are paid for and owned by Jerrico. For those services we charge a small fee which is part of the cost that each shoppe or restaurant pays for the items purchased through the distribution program. The service charge is minimal and is being reduced on an ongoing basis: at some future date it will be completely eliminated.

The food service industry once thought that restaurants required daily delivery or at least 2 to 3 times per week service and that distributors either conformed or perished.

Today, it is only good business for both end user and distributor to, at least, strive for weekly deliveries. More important, concentration of all possible needs into the hands of a single distribution program is the most cost efficient means for restaurants. Not because of energy alone, but for efficient use of restaurant labor, minimizing record keeping, reducing accounting processes and for the savings involved through larger purchasing power which should provide lesser servicing costs on the part of the distributor and the restaurant itself.

For example, 96% of the raw materials and supplies used in a Long John Silver's and 75% of those used in a Jerry's Restaurant are provided by weekly one-stop distribution. The balance is primarily comprised of bakery goods, fresh produce and dairy products. The problem we have a Jerrico is, can we stretch the program to 10 days or two weeks?

I doubt it for three negative reasons: (1) storing greater inventory would require larger storage areas which in turn means a greater area to heat or cool, not to speak of the increased cost of such building additions. (2) Capital needs for the costly addition of larger freezer and cooler capabilities, which in turn calls for greater energy costs required to maintain the temperatures. And lastly, (3) the cost of added dollars which the inventories would require.

We currently use one distribution firm nationwide for our Long John Silver's restaurants--Martin Brower. We use nine of their distribution centers located strategically across the country. Martin Brower, acting as our agent, places orders against our national commitments with our suppliers, controls the levels of our inventory, delivers product to our shoppes and invoices each restaurant for the product it receives. Martin Brower receives direction from our purchasing department concerning inventory levels and through their mutual efforts we experience 24 turns per year on our inventory of frozen and dried foods and supplies.

For the services they perform, Martin Brower receives a specific fee per case. That fee is derived through a formula based on case weight and displacment--basically, the number of cases moved through the national distribution program on an annual basis. The total mark-up by Jerrico and Martin Brower to our company and franchised shoppes is less than 10% over delivered cost.

The system purchasing program is nearly ten years old and Martin Brower has been our exclusive distributor for Long John Silver's since the inception. They deliver food and supplies to each Long John Silver's restaurant once a week. They call each restaurant on the same day each week for their order and deliver the product three business days later at a very specific time. Martin Brower, likewise, delivers all of our frozen food to the Jerry's Restaurants. Baumann Paper Company, located in Lexington, Kentucky, operating under an agency agreement, delivers paper goods, dry food, canned goods and supplies to our Jerry's division.

Our distribution programs insure quality control, productivity, efficiency and economy of scale. One phone call placed to the appropriate individual located at Martin Brower Headquarters in Chicago can change a product or program in over 1,100 restaurants located in 38 states across the country. Our distribution program also enables us to establish national selling prices for the products our stores purchase through the system.

Since our purchasing department specs and purchases under the watchful eye of our quality control department, the systems purchasing program enables us to guarantee the specific products and the quality of the products that are delivered to company owned shoppes. With franchise participation well above 95%, the system goes a long way to help us monitor the quality level of the products that are served in our franchise operations.

We consistently evaluate our systems purchasing program to determine if there is a better mode of distribution. No area, concept or idea that might improve productivity or create a new efficiency is left unproved. Recently, we instituted contests to improve and reduce the amount of time taken to unload a delivery truck when it arrives at the shoppe. This has the support of both Martin Brower and our top operational management and is monitored in the field on an ongoing basis. The contests have successfully improved productivity for both Martin Brower and ourselves.

Knowledge will become increasingly essential for survival in the 80's. Product knowledge, knowledge of production capacities and capabilities, knowledge of market and current and potential customer within that market will be a necessity. Times are good. Sales are there to be made. New products are waiting to be created and marketed. All of us in the restaurant business look to organizations such as yours for this creativity. We are excited about the 80's and feel they will give us the opportunity to further develop our businesses to their greatest potential.

In closing, I feel I would be remiss if I did not remind you there is a national election scheduled for Tuesday, November 4, 1980, exactly three weeks from tomorrow. Four hundred thirty-five members of the House of Representatives, 34 senators and a President and Vice President of the United States will be elected to lead our country and influence our lives through 1984. This election is a serious responsibility for every American citizen and, yes the citizens of Russia, Iran, China, Great Britian, Germany, Japan to mention only a few. Key senate seats are up for re-election as well as the possible change in party leadership in the senate. Sociologists and futurists agree we are living

in what Thomas Wolfe calls the "Me Decade" . . . Focus on Self Improvement, Self Fulfillment . . . these are the catch words of today. Less than 20 years ago, John F. Kennedy said, "Ask not what your country can do for you, rather ask what you can do for your country." Today--1980--Americans say, "What has the country done for me lately?" or paraphrased, "What have you . . . the politicans done for me?" Whether it be Chrysler Corporation, food stamp receipients, welfare receipients, habitual law breakers, our new immigrants from the Carribean, farm subsidy receipients, anti-draft activists or big oil. We must recognize we are living in fateful times. The stakes are high . . . domestic inflation, breakdown of criminal justice, fewer people believing in the work ethic and productivity. And, perhaps more importantly, the recognized weakness of our country, militarily, versus a country such as Russia, whose military power is growing each day and whose announced goal is to conquer the United States . . . you and me!

Carefully consider the candidates, I mean really evaluate them against the problems facing our country, not your personal problems. Then vote on November 4th for the ones whom you feel can most likely lead us out of our problem areas.

Thank you.

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