

IS THERE A FOOD SERVICE PLAN THAT FITS THE SIZE OF MY ORGANIZATION?

There really isn't any facility that is too small to offer a food service to your employees or students. The real question for you to answer is how much is it worth to your organization to have a food service? Although food service generally increases productivity and morale which can make an on-site food service cost effective, there are out of pocket costs that must be considered. The smaller the student or employee (food service customer) population, the larger the cost to you for offering food service. Like most businesses, food service is based on numbers. In addition to the initial cost for space and equipment there are ongoing costs for utilities, sanitation and equipment maintenance. Then there is the ongoing cost to operate your food service. For example, it takes a certain number of food service workers to provide your service regardless of the number of meals produced. As a silly example, an employee working one hour at \$10/hour without considering taxes and benefits, and serves one meal during that hour, then the labor costs \$10 for the meal. If you serve ten (10) meals in the same hour, your labor costs \$1 per meal.

What are the most common types of food service operations?

First, there is a **profit and loss** food service operation. This is one in which there are enough customers to financially support the food service. There are many factors that enter into a food service being able to be self-supporting and operate on a profit and loss basis. Some of these factors are hours and days of service, size of kitchen and dining room, type of equipment in the kitchen, and the menu offerings, just to name a few. A simple Monday through Friday breakfast and lunch service, depending on where in the country you are located, will probably need 550 to 600 employees or students in your facility daily to operate on a profit and loss basis. Normally about 33% of the potential customers will eat throughout the day. Of course, as stated above there are a lot of variables that affect the number of customers to enable a food service to operate on a profit and loss basis.

Another type of food service is one that is **subsidized**. This is one that generally doesn't have enough customers to enable the food service to financially operate on its own. There will need to be an amount of money, in addition to customer sales, to subsidize the food service. This can come from different sources. The two most obvious is the organization pays a subsidy, usually a flat amount weekly or monthly to enable the food service to continue. The other source is from another entity such as the vending machines or vending company. In a subsidized food service the food service operator (self-operated or by an outside vendor) operates the food service, sells the products, keeps the revenue from the sale and receives the subsidy. If the service provider operates the food service properly it will make money which it keeps. If it doesn't operate it correctly the loss is absorbed by the food service provider. Since the subsidy is usually a flat payment it is easier to budget, and there are no surprises.

The third type of food service is a **cost plus** basis. This type of food service operates with the business or college being responsible for all losses, but it also receives all profits, if any. The operator of the food service receives a management fee (the plus portion) for operating the food service. It has almost no risk to the food service provider, with the company or college shouldering all the risk. Although this is normally used for small accounts, any size food service can operate on a cost plus basis. Advantages to cost plus enables a company or college to control menu prices. For example, if you want a lunch offered for a dollar, it can be done because you pick up the loss from operating the service. Want a free catered event? No problem. The loss incurred by the "free" catered event is paid by the company or college.

In summary, from a purely financial position, size matters. The larger the number of customers the less likely you will need to pay for the on-going operation of your food service. That said, even a small population can have food service if the organization is willing to pay to make it happen.