



FOOD AND BEVERAGE MANAGEMENT

SIXTH EDITION

BERNARD DAVIS,
ANDREW LOCKWOOD,
PETER ALCOTT AND
IOANNIS PANTELIDIS



Food and Beverage Management

This introductory textbook provides a thorough guide to the management of food and beverage outlets, from their day-to-day running through to the wider concerns of the hospitality industry. It explores the broad range of subject areas that encompass the food and beverage market and its main sectors – fast food and casual dining, hotels and quality restaurants and event, industrial and welfare catering. It also looks at some of the important trends affecting the food and beverage industry, covering consumers, the environment and ethical concerns as well as developments in technology.

New to this edition:

- New chapter: Classifying food and drink service operations.
- New international case studies throughout covering the latest industry developments within a wide range of businesses.
- Enhanced coverage of financial aspects, including forecasting and menu pricing with respective examples of costings.
- New coverage of contemporary trends, including events management, use of technology, use of social media in marketing, customer management and environmental concerns, such as sourcing, sustainability and waste management.
- Updated companion website, including new case studies, PowerPoint slides, multiple choice questions, revision notes, true or false questions, short answer questions and new video and web links per chapter.

It is illustrated in full colour and contains in-chapter activities as well as end-of-chapter summaries and revision questions to test the readers' knowledge as they progress. Written by a team of authors with many years of industry practice and teaching experience, this book is the ideal guide to the subject for hospitality students and industry practitioners alike.

Bernard Davis wrote the first edition of this book and led its development through the second and third editions to become the best-selling text that it is today.

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Sixth edition

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Peter Alcott and Ioannis S. Pantelidis

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Preface to the sixth edition

The preface to the first edition published in 1985 explained that

This book has been written to explain the complexities of managing food and beverage outlets. The purpose is to examine the wide range of subject areas that come within the orbit of operational food and beverage management. [. . .]

The book has been planned to contribute to various first degree courses in Hotel and Catering Administration and Management; and in addition, the book has been written for practicing catering managers, food and beverage managers, food and beverage controllers and all their assistants who may wish to formalize and update their knowledge, in order to improve the profitability and productivity of their operations and to enhance their customers' satisfaction. [. . .]

This book is based on our own practical experiences and from first-hand information obtained from practitioners, within both large and small companies and units, in the many segments of the industry, who so generously gave up their time to answer and discuss many of our questions while undertaking research for the book.

Given the pace with which the world has changed, it is in some ways surprising that, in the 32 years since that first publication, the main tenets of the book have not changed. We are still trying to explain the increasing complexity of food and drink service and to do so we have to cover an ever broader range of topics and terminology. We have still aimed the book at students studying for first or higher degrees in something which is now referred to as hospitality management, and hope that practicing managers can also find some useful additional knowledge here with the continuing objective of improving the profitability and productivity of their operations and, of course, enhancing the satisfaction of ever more discerning customers. We hope that our own practical experience and the research we have conducted still make the book a relevant and useful tool.



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It is a cliché, but true none the less, that this book would not have been possible without him. He has made a hugely significant contribution to hospitality education and to the development of food and beverage managers around the world. Heartfelt thanks go to him from all his previous students and mentees now practicing all over the world for his energy, his determination and above all his professionalism. Thank you.

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Chapter

1

Introducing food and beverage management

CHAPTER OBJECTIVES

After working through this chapter, you should be able to:

- Understand the complexity of the hospitality industry.
- Identify the size and scope of food and beverage operations.
- Distinguish between market and cost orientation.
- Identify the key responsibilities of food and beverage managers and the constraints that may be placed on them.
- Explain the factors affecting the nature of the meal experience and recognize the manager's role in ensuring coherence.

Introduction

The provision of food and beverages away from home forms a substantial part of the activities of the hospitality industry and, indeed, of the economy as a whole. Like the industry of which it is a major part, food and beverage operations are characterized by their diversity. Outlets include private and public sector establishments and range from small, independently owned and operated units to large multi-national corporations managing global brands, and from prison catering to catering in the most luxurious hotels in the world.

It is, however, very difficult to get hold of consistent statistics about the hospitality industry and about food and beverage operations, as there is no one single definition of what the boundaries of the various industry sectors and sub-sectors are and therefore what should and should not be included.

ACTIVITY 1

Before you go any further with this chapter, write down eight different occasions when you might eat out of the home and attach a different example of business you might use to each occasion. For example, taking my girl/boyfriend out to celebrate their birthday – The Ivy; popping into town at lunchtime for a sandwich and a coffee – Pret A Manger, and so on.

Size and scope of food and beverage operations

If the hospitality industry is considered to cover all undertakings concerned with the provision of food, drink and accommodation away from home, this will naturally include all food and beverage outlets. In other words, food and beverage provision is simply one element of a broader hospitality industry. In conceptual terms, this raises few problems except possibly with take-away food establishments, where in some cases the food may be taken home for consumption even though it is prepared and provided away from home. In practice, however, there are a number of difficulties in considering the hospitality industry as embracing all food and beverage establishments and outlets. This arises because, following a number of official and commercial attempts at definition, the hospitality industry is often considered to have a much narrower scope. The official definitions have excluded many food and beverage outlets. For example, the Standard Industrial Classification (CSO, 1992) gives hospitality a reasonably broad coverage, as shown in Table 1.1, but even here parts of employee and welfare catering are either omitted or included in other sectors. This book adopts the broadest possible approach, aiming to consider all types of food and beverage operation wherever they may appear.

Table 1.1 Size and scope of the hospitality industry

Number of enterprises	2010	2011	2012	2013	2014
Accommodation	15,075	15,159	15,205	15,365	15,513
Licensed restaurants	23,245	24,894	24,091	24,860	25,274
Unlicensed restaurants and cafés	11,208	11,711	12,424	13,759	14,824
Take-away food shops and mobile food stands	26,934	27,107	27,945	28,525	28,781
Event catering and other food service activities	7,031	7,967	7,651	8,003	8,221
Beverage serving activities	44,351	43,498	41,515	40,810	39,369
Total number of enterprises	127,844	130,336	128,831	131,322	131,982
Total turnover (£million)	2010	2011	2012	2013	2014
Accommodation	17,650	18,566	19,822	20,222	22,918
Licensed restaurants	10,052	11,898	12,010	12,423	13,526
Unlicensed restaurants and cafés	6,893	8,222	8,283	10,025	10,347

Number of enterprises	2010	2011	2012	2013	2014
Take-away food shops and mobile food stands	6,072	5,570	5,640	6,292	5,661
Event catering and other food service activities	7,971	8,553	8,925	8,269	9,139
Beverage serving activities	19,709	19,513	19,675	19,802	20,604
Total turnover	68,347	72,322	74,355	77,033	82,195
Total employment (thousands)	2010	2011	2012	2013	2014
Accommodation	377	407	409	416	418
Licensed restaurants	333	373	379	402	387
Unlicensed restaurants and cafés	196	214	230	266	265
Take-away food shops and mobile food stands	156	178	174	192	181
Event catering and other food service activities	253	212	249	222	261
Beverage serving activities	540	484	469	471	531
Total employment	1,855	1,868	1,910	1,969	2,043

Adapted from the Office for National Statistics, licensed under the Open Government Licence v.3.0.

Table 1.1 provides the latest figures from 2014 on the size and scope of the UK hospitality industry available from UK government sources. The figures are based on the definitions in the Standard Industrial Classification 2007, shown in full in Table 1.2. The data show a pattern of fairly consistent growth across most sectors of the industry for the first five years of the decade from 2010.

In terms of the number of businesses, in the five years since 2010 the industry has grown by just over 3%. However, this overall growth hides significant differences between sectors. The unlicensed restaurants and cafés sector, including coffee shops such as Starbucks, Costa and Pret A Manger, has grown by just under 25%, with event catering and other food service growing the number of enterprises by nearly 15%. Licensed restaurants, take-away food shops and the accommodation sector have grown between 8% and 3%, but the beverage serving sector, including pubs and clubs, has seen the number of enterprises fall by over 12.5%. In particular, the number of wet-led pubs, where most of the revenue comes from alcoholic beverages, has seen a very high number of closures.

Looking at turnover provides a slightly different picture of the make-up of the total of over £82,000 million. Again, it is the unlicensed restaurant and cafés sector that has shown the most growth, with an increase of almost a third since 2010. The accommodation and licensed restaurant sectors have also performed well, seeing a rise of around a quarter, but it must be remembered that the revenue for the accommodation sector includes bedroom sales as well as food and drink sales, and this may well be where the majority of growth has come from. Event catering and other food service saw a 14.5% growth in the

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number of enterprises but only a 13% growth in turnover. This could suggest a saturated market where more businesses are competing for a reasonably static market. While the pub sector saw a nearly 13% growth in the number of enterprises, their revenue has grown by over 4%. This suggests either a consolidation of the sector with a smaller number of larger businesses, or that each business, now more likely to be food-led, is showing much better sales performance. The reality is probably somewhere between the two. The only sector to see a decline in turnover is the take-away sector. This sector has been affected by the growth of eating at home and home delivery services, such as Deliveroo, which deliver from many high street brands as well as traditional take-aways.

In employment terms, the industry now employs over two million people, a growth of almost 10% in the last five years. Despite the decline in numbers of pubs, this sector still employs more people than any other at just over half a million. The second largest sector is accommodation, but again, this carries the warning that it also includes employees outside the scope of the food and drink departments. Once again, the highest growth has been in the coffee shop sector, which has added around 26% more employees in five years.

ACTIVITY 2

From the previous discussion and Table 1.1, which sector of the industry do you consider to be the most important and why?

Consider the comparison presented in Figure 1.1. Does this change your opinion?

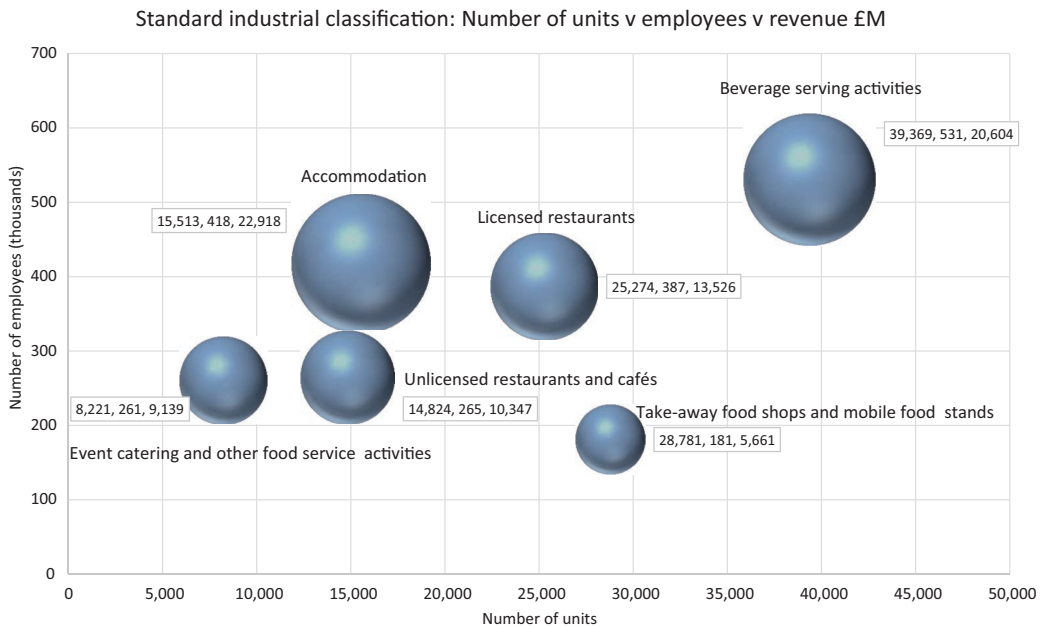


Figure 1.1 Comparison of industry sectors

Adapted from data from the Office for National Statistics, licensed under the Open Government Licence v.3.0

Standard industrial classification

The figures given above come from the UK government and are based on the Standard Industrial Classification, 2007. For analytical purposes, economically similar activities may be grouped together into ‘industries’, for example into agriculture, motor vehicle manufacture, retail distribution, catering and national government service. A system used to group activities in this way is described as an ‘industrial classification’. Such a classification usually starts with a small number of broad groups of activities that are then subdivided into progressively narrower groups so that the classification can be used with varying amounts of detail for different purposes.

The first comprehensive Standard Industrial Classification (SIC) for the United Kingdom was issued in 1948. The classification has been revised on many occasions, and in order to comply with EU data standards, the SIC was redrawn in 2007 and the new classification scheme came into effect at the beginning of 2008. While the old SIC had only four main groups – hotels and other accommodation; restaurants, cafés and take-aways; pubs bars and clubs; and canteens and contract catering – the new scheme as shown in Table 1.2 is much more comprehensive. There is a lot of information here, but it is worth looking at the various headings in some detail to understand the differences between the different classifications.

Table 1.2 UK Standard Industrial Classification of Economic Activities 2007

SECTION I ACCOMMODATION AND FOOD SERVICE ACTIVITIES

This section includes the provision of short-stay accommodation for visitors and other travellers and the provision of complete meals and drinks fit for immediate consumption. The amount and type of supplementary services provided within this section can vary widely.

This section excludes the provision of long-term accommodation as primary residences, which is classified in real estate activities (section L). Also excluded is the preparation of food or drinks that are either not fit for immediate consumption or that are sold through independent distribution channels, i.e. through wholesale or retail trade activities. The preparation of these foods is classified in manufacturing (section C).

55 ACCOMMODATION

This division includes the provision of short-stay accommodation for visitors and other travellers. Also included is the provision of longer term accommodation for students, workers and similar individuals. Some units may provide only accommodation while others provide a combination of accommodation, meals and/or recreational facilities.

This division excludes activities related to the provision of long-term primary residences in facilities such as apartments typically leased on a monthly or annual basis classified in Real Estate (section L).

55.1 Hotels and similar accommodation

This class includes the provision of accommodation, typically on a daily or weekly basis, principally for short stays by visitors. This includes the provision of furnished accommodation in guest rooms and suites. Services include daily cleaning and bed-making. A range of additional services may be provided such as food and beverage services, parking, laundry services, swimming pools and exercise rooms, recreational facilities as well as conference and convention facilities.

This class includes accommodation provided by: hotels, resort hotels, suite/apartment hotels, motels.

This class excludes: provision of homes and furnished or unfurnished flats or apartments for more permanent use, typically on a monthly or annual basis; see division 68.

continued

Table 1.2 continued

55.2 Holiday and other short-stay accommodation

This class includes the provision of accommodation, typically on a daily or weekly basis, principally for short stays by visitors, in self-contained space consisting of complete furnished rooms or areas for living/dining and sleeping, with cooking facilities or fully equipped kitchens. This may take the form of apartments or flats in small free-standing multi-storey buildings or clusters of buildings, or single storey bungalows, chalets, cottages and cabins. Very minimal complementary services, if any, are provided.

This class includes accommodation provided by: children's and other holiday homes, visitor flats and bungalows, cottages and cabins without housekeeping services, youth hostels, mountain refuges.

This class excludes: provision of furnished short-stay accommodation with daily cleaning, bed-making, food and beverage services; see 55.10 provision of homes and furnished or unfurnished flats or apartments for more permanent use, typically on a monthly or annual basis; see division 68.

55.20/1 Holiday centres and villages

This subclass includes: provision of holiday and other collective accommodation in holiday centres and holiday villages.

55.20/2 Youth hostels

This subclass includes: mountain refuges.

This subclass excludes: protective shelters or plain bivouac facilities for placing tents and/or sleeping bags; see 55.30.

55.20/9 Other holiday and other short-stay accommodation (not including holiday centres and villages or youth hostels) not elsewhere classified (n.e.c.)

This subclass includes: provision of holiday and other collective accommodation other than that provided in holiday centres and holiday villages or in youth hostels.

55.3 Camping grounds, recreational vehicle parks and trailer parks

This class includes: provision of accommodation in campgrounds, trailer parks, recreational camps and fishing and hunting camps for short-stay visitors; provision of space and facilities for recreational vehicles. This class also includes accommodation provided by: protective shelters or plain bivouac facilities for placing tents and/or sleeping bags.

This class excludes: mountain refuges, cabins and hostels; see 55.20.

55.9 Other accommodation

This class includes the provision of temporary or longer-term accommodation in single or shared rooms or dormitories for students, migrant (seasonal) workers and other individuals. This class includes: student residences, school dormitories, workers' hostels, rooming and boarding houses, railway sleeping cars.

56 FOOD AND BEVERAGE SERVICE ACTIVITIES

This division includes food and beverage serving activities providing complete meals or drinks fit for immediate consumption, whether in traditional restaurants, self-service or take-away restaurants, whether as permanent or temporary stands with or without seating. The fact that meals fit for immediate consumption are offered is the decisive factor rather than the kind of facility providing them.

This division excludes the production of meals not fit for immediate consumption or not planned to be consumed immediately or of prepared food which is not considered to be a meal (see divisions 10: manufacture of food products and 11: manufacture of beverages). Also excluded is the sale of not self-manufactured food that is not considered to be a meal or of meals that are not fit for immediate consumption (see section G: wholesale and retail trade).

continued

Table 1.2 continued

56.1 Restaurants and mobile food service activities

56.10/1 Licensed restaurants

This subclass includes the provision of food services to customers, whether they are served while seated or serve themselves from a display of items. The meals provided are generally for consumption on the premises and alcoholic drinks to accompany the meal are available. This subclass includes: restaurants, cafeterias, fast-food restaurants. The subclass also includes restaurant and bar activities connected to transportation, when carried out by separate units.

This subclass excludes: concession operation of eating facilities; see 56.29.

56.10/2 Unlicensed restaurants and cafés

This subclass includes the provision of food services to customers, whether they are served while seated or serve themselves from a display of items. The meals provided are generally for consumption on the premises and only non-alcoholic drinks are served.

This subclass includes: restaurants, cafeterias, fast-food restaurants. The subclass also includes restaurant and bar activities connected to transportation, when carried out by separate units.

This subclass excludes: concession operation of eating facilities; see 56.29.

56.10/3 Take-away food shops and mobile food stands

This subclass includes the provision of food services to customers to take-away or to have delivered. This includes the preparation and serving of meals for immediate consumption from motorized vehicles or non-motorized carts. This subclass includes: take-out eating places, ice cream truck vendors, mobile food carts, food preparation in market stalls.

This subclass excludes: retail sale of food through vending machines; see 47.99; concession operation of eating facilities; see 56.29.

56.2 Event catering and other food service activities

This group includes catering activities for individual events or for a specified period of time and the operation of food concessions, such as at sports or similar facilities.

56.21 Event catering activities

This class includes the provision of food services based on contractual arrangements with the customer, at the location specified by the customer, for a specific event.

This class excludes: manufacture of perishable food items for resale; see 10.89; retail sale of perishable food items; see division 47.

56.29 Other food service activities

This class includes industrial catering, i.e. the provision of food services based on contractual arrangements with the customer, for a specific period of time. Also included is the operation of food concessions at sports and similar facilities. The food is usually prepared in a central unit. This class includes: activities of food service contractors (e.g. for transportation companies), operation of food concessions at sports and similar facilities, operation of canteens or cafeterias (e.g. for factories, offices, hospitals or schools) on a concession basis.

This class excludes: manufacture of perishable food items for resale; see 10.89; retail sale of perishable food items; see division 47.

56.3 BEVERAGE SERVING ACTIVITIES

This group includes the preparation and serving of beverages for immediate consumption on the premises.

continued

Table 1.2 continued

56.30/1 Licensed clubs

This subclass includes the preparation and serving of beverages for immediate consumption on the premises by: nightclubs, social clubs.

This subclass excludes: reselling packaged/prepared beverages; see 47; retail sale of beverages through vending machines; see 47.99.

56.30/2 Public houses and bars

This subclass includes the preparation and serving of beverages for immediate consumption on the premises by: bars, taverns, cocktail lounges, discotheques licensed to sell alcohol (with beverage serving predominant), beer parlours.

This subclass excludes: reselling packaged/prepared beverages; see 47; retail sale of beverages through vending machines; see 47.99; operation of discotheques and dance floors without beverage serving; see 93.29.

Source: UK Standard Industrial Classification of Economic Activities 2007 (SIC, 2007): Structure and explanatory notes, London: Office for National Statistics

In reading through the current classification, there are a number of interesting issues for note.

- First, the very detailed nature of the descriptions and the very precise nature of the language used, including specifying types of activity that are included and also types of activity that are excluded. The activities excluded will appear in the national statistics under a different heading.
- Second, the definition of food and drink service operations as activities providing *complete meals* or drinks *fit for immediate consumption*. The emphasis here is on ready to eat food and drink and not on the manufacture or retail of food that needs reheating or reconstitution. This may cause some problems for supermarkets, who sell large amounts of sandwiches – for immediate consumption – but also large amounts of ready meals to take home and prepare for dinner. Where would a rotisserie chicken fit into this description?
- Third, the inclusion of mobile food stands, being specifically mentioned in the classification for the first time.
- Fourth, the introduction of the category of event catering, which has seen substantial growth over the last few years, but perhaps strangely the inclusion of industrial or contract foodservice as part of this category. This ‘other food services’ category now also includes travel catering and catering at sports grounds, as well as at factories, offices, hospitals or schools, but only on a contract or concession basis and so still excludes the majority of public sector catering.
- Fifth, what is a beer parlour? The classification scheme is actually much more detailed than can be presented here but does contain some interesting types of business. A detailed list can be found on our companion website.

ACTIVITY 3

Take your eight occasions and businesses identified earlier and try to fit them into the categories described above. Why are some easy to categorize and some more difficult? Are there any that you cannot find an appropriate category for?

Food and beverage management

What do managers do?

There has been substantial interest in the nature and definition of the work of the manager over many years. Figure 1.2 presents a model which has been developed to synthesize much of this work for the hospitality industry (Li, Buhalis and Gray, 2006).

Hospitality managers have explicit and implicit goals, or responsibilities, which are concerned with ensuring the organization's continued success and survival, as well as their own personal interests, such as career progression. For hospitality firms, there are three main types of objectives that management must be concerned with, which are to ensure that the guest feels welcome, that facilities work for the guest and that the operation will continue to provide service while also making a profit (Powers and Barrows, 2003).

The goals that are set are shaped by factors which include the organizational structure and culture, the economic situation, national culture, available resources, cognitive and moral rules and their own personal attributes. Managers in the hospitality industry face a more uncertain and complex work environment than in many other industries due to its unique service characteristics. This complexity is then coupled with the cultural differences of different business climates and environments and the managers' personal values.

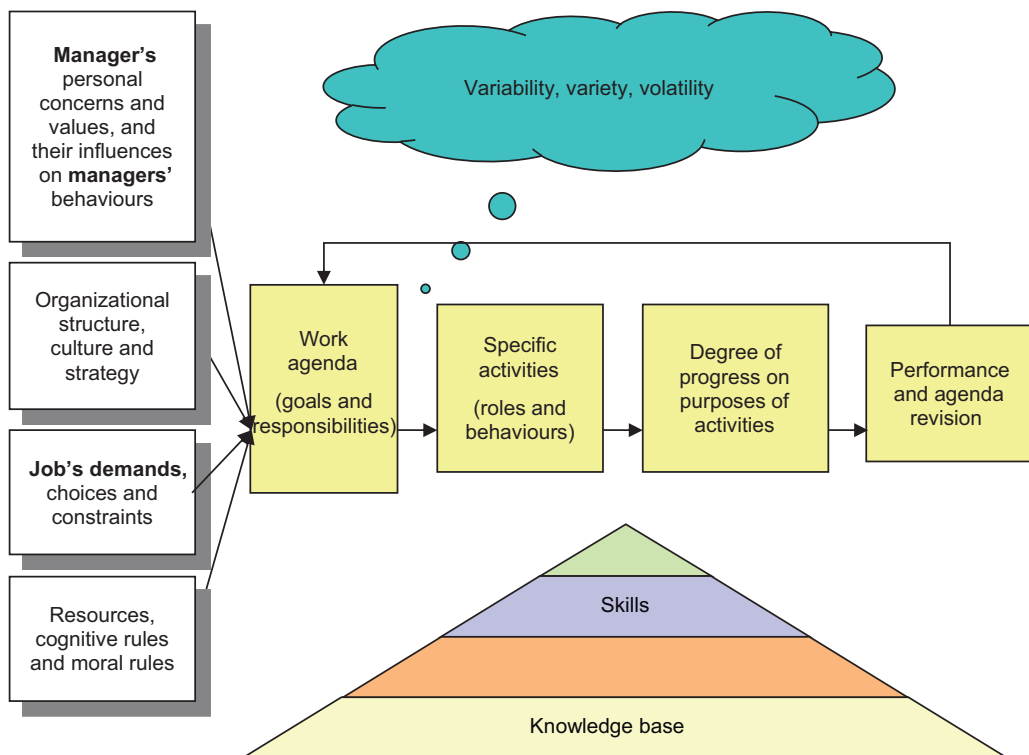


Figure 1.2 Exploring the manager's work in the hospitality industry
Adapted from Li, Buhalis and Gray (2006)