



Smart Purchasing Practices

for Foodservice Supplies

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In most long-term healthcare facilities, the foodservice department accounts for half of the supply spend of the whole operation. It is critical to the success of the foodservice department that systems are in place, followed, and staff understand the purpose. Technology is a great tool to create a better and more efficient department.

Recently a nursing facility in North Carolina implemented systems to help lower costs and watch purchases closer. In the past, staff would just call the distributor and order products without regard to what was on the menu or in inventory and essentially there were no controls. Because of this new system, a staff member was caught ordering a case of cheesecakes at a cost of around \$200 and trying to leave the building with it. We have to wonder how long things of this nature were occurring prior to them putting the ordering systems in place.

Keep these practices in mind to help prevent loss and pilferage:

- Product theft will cost your operation. Implement procedures and systems to reduce this risk.
- An order guide should be followed based on what is on the menu. Items that are ordered and are not on the menu need to be questioned.
- There should be controls on all exit doors and delivery areas both inside and out, so that someone cannot walk out to their car with product, or hide it nearby.
- A scale should be used for all appropriate deliveries.
- All orders need to be inspected and verified.
- Place orders electronically and use reports available to improve your operation.
- Don't allow suppliers to substitute products without your permission.

Here are some great purchasing tips to help contribute to a more efficient, less costly, and higher quality foodservice operation.

Suppliers offer promotions on a regular basis to boost their sales. The sales representatives are provided with incentives to boost their sales during this timeframe. The incentives can be cash, prizes, or trips. One area within the facility that needs to be monitored is soaps and chemicals that are dispersed through an automated system. During one holiday promotion in December, the sales reps were given incentive to sell more of their products to move them out of the supplier's inventory. One method of selling more products was to increase the amount of product being dispersed. For example, even though it called for one ounce, the representative increased it to two ounces; therefore, the facility ran out faster and had to order more of the product. The sales rep reasoned that for a period of about 6-8 weeks, the facility would not catch that they were using more product. This became known as "Christmas titration."

To safeguard against these types of unethical practices, gain knowledge of costs and follow these guidelines.

- Do not allow sales reps to place their own orders.
- Know your overall costs per resident day, as well as by area within your department.
- Know your costs compared to other facilities.
- Make sure staff knows how to use equipment and does not use excess products/supplies, thinking if one is good, two must be better.
- Having too much inventory is just as bad as running out all the time.

The price being paid for the products you use is very important, but there are many other factors that weigh on your cost per resident day.

A number of years ago, a distributor sales rep came to the foodservice manager with a special on ground beef. The deal was well below what she had been paying so she ordered double the quantity. The product came in and it was fine. The foodservice manager was very proud of herself for saving her facility quite a bit of money. What was not so good is that the foodservice manager never verified that she received the price quoted. We uncovered this at the business office while looking at the invoices and noticed a lot more ground beef than usual had been ordered. Of course, the price on the invoice was the normal price, but with the foodservice manager we were able to get a credit from the distributor.

Be mindful of these things when ordering, receiving, and signing invoices for products.

- The lowest price may not be the best value.

- Systems must be in place to verify prices.
- Understand how your distributor prices your account by "mark up" or "margin." There is a big difference in the prices you pay between a 10 percent markup vs. a 10 percent margin.
- Use a Group Purchasing Organization (GPO) to help lower your costs.
- Verify that supplier credits are received.
- Ask your distributor to let you know about any specials and closeouts.
- Evaluate products by doing blind cuttings.
- If using a manual tray card system, consider upgrading to an electronic version.
- If you are performing resident care functions manually, consider upgrading to an automated system to manage your residents' needs.
- Don't assume larger sizes are less expensive than smaller sizes on a comparable basis, like per ounce.

Performing intake studies can help significantly lower costs by identifying what residents are not eating and placing items on menus that they will find more agreeable. At one facility in New York, nourishments were their second largest expenditure. This can happen if residents are not being fed properly or they don't like what's on the menu. Make sure you take advantage of the electronic reports available to you from your distributor to help you identify areas that may need closer scrutiny.

When residents are not eating their meals in order to keep weight on, your expenses in other areas like nutritional supplements will also increase. In a study of nursing facilities that we did during the second half of 2008 and the first half of 2009, we found the median average of what was spent on nutritional supplements per resident day was \$0.48. The median average means that there are an equal number of facilities above and below that average. Do you know your costs per resident day for key product areas like nutritional supplements, and are these costs appropriate?

Most of the above ideas and suggestions can be implemented at a nominal cost and without too much hassle. Implementation of these ideas and your own will contribute to a more efficient, less costly, and higher quality operation. **DM**

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