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Buyers' Guide

Managing a RETAIL Renaissance

Cost-cutting is the overriding emphasis for many healthcare foodservices, but the retail renaissance at UCLA Medical Center's Café Med shows that growing top-line sales is just as important a financial strategy.

LUNCHTIME AT UCLA'S MEDICAL CENTER CAFETERIA IS ABOUT AS dense as it gets in the onsite environment. With about 7,000 building occupants, even staggered lunch breaks can only partly remediate the crush of people who show up between 11:30 and 1:00 p.m. each day.

That kind of volume would be the envy of many operators, but it isn't something you can take for granted. In fact, a lot of it was only potential business six years ago, when the retail sales that did exist were far from covering the café's operating expenses.

The transition of this café, from one having an annual \$500,000 operating deficit to one making a positive contribution of over \$1.2 million a year, is a primary reason why Carlton Green, the foodservice director was hired to turn it around, won a Silver Plate award in 2001.

Beyond the extensive cost management strategies and organizational re-structuring he implemented in the late 90s (patient meal costs were cut from \$7.48/meal to \$3.45/meal in the first year) there is also a lesson in retail management demonstrated here, one many foodservice directors can learn from.

While a significant part of the turnaround did come from savings and cost-cutting, another large factor was that the retail foodservice nearly doubled its top line sales in a few short years. That was accomplished with almost no capital investment, even as competition from scores of commercial lunch establishments increased on the city streets just outside Café Med's doors.

In fact, the café itself isn't that attractive by many contemporary onsite standards. The Medical Center will move into a new facility by 2005, the result of much-tightened structural building codes in this earthquake-prone region, and for several years there's been a moratorium on making most improvements to the existing facility.

So without the renovation that is so typical of retail sales improvements of this magnitude, where have the top-and-bottomline results come from?

An emphasis on collaboration

As overused as the phrase might seem, conversations with managers at the Medical Center's foodservices department point to one major change that set the stage for the department's turnaround: a concerted effort to establish a collaborative team environment to manage operations.

That emphasis and the staff buy-in that accompanied it helped generate the greater efficiencies needed. It also made possible the improved quality and appearance of the café's freshly-prepared food, a hospitality management program to match that food to customer needs and wants, and the successful grab-and-go program that has dramatically grown the café's impulse and convenience sales.

At a Glance

Name:
UCLA Medical Center Annual Café
Revenues:
\$6 million
Annual Catering Revenues:
\$1.7 million
Transactions per day:
Breakfast: 2,000
Lunch: 2,800
Dinner: 1,700
No. of FTEs: 212



A TEAM APPROACH:

(from l. to r.) Rey Hernandez; Guy Scimenes; Patti Oliver, Manager of Clinical Nutrition Services; Mark Dyball; Carlton Green; Amy piotter, maria Shipkova; Lionel Valles; and Larry Harvey.

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Green found his key collaborators among employees already on the department's staff. Early on, three were selected for additional responsibilities in purchasing/finance, culinary oversight and hospitality services. Today, all three have advanced to management roles and are integrally involved in running the department.

"Mark Dyball (now the department's executive chef) and I had always worked well together, and had a lot of ideas about how operations here could be improved," says Rey Hernandez, who today serves as the department's hospitality manager. "But our department was like many—it was managed in a way that made it very hard to bring new ideas to anyone's attention.

"That changed when Carlton arrived. It was clear from the beginning he was looking for suggestions about how to reduce waste, improve the menu and use our culinary talents more effectively. We asked him for an opportunity to present an action plan on ways to improve our unit's operations, and he gave us the chance to do that and to put some of our ideas to the test.

"We looked at how anything could be changed if it promised improvement: our production systems, our temp sheets, our sanitation standards, our garnishing procedures," says Hernandez. "We tried moving people around to test their individual strengths and find out how they best worked together."

As Dyball and Hernandez sought ways to streamline operations and production systems, Green tapped Guy Scimenes, then the department's buyer, to work with him on purchasing, inventory and vendor contract issues. Every purchasing arrangement in the department was reviewed and many were renegotiated.

"We wanted to be completely self-supporting, and getting a better handle on costs was key to making that happen," says Scimenes, who today is the department's finance and purchasing manager.

"We evaluated the cost of meat, groceries, paper goods, disposables, our labor for restocking beverage coolers, equipment maintenance, everything. Then we looked at how those costs could be more effectively managed or reduced," either with different purchasing specs, by consolidating purchases with key suppliers, better portion control or a different labor allocation.

The product mix was also evaluated to ensure that it would support the menu mix Dyball and Hernandez were seeking to develop in the café. Existing and proposed menu items were costed out, adjusted or eliminated to ensure that there was nothing that could be sold at a loss. Financial reporting systems were enhanced to provide better budget feedback to a wider spectrum of staff.

"We all have to abide by the numbers and we are constantly communicating our budget performance of target vs. actual," says Scimenes. "That way the chefs can see how they've done with expenditures for food, meat, fish, poultry, and other categories and staff can see where and how the café is making its money. When there are cost variances, they can be compared with revenue variances to see if they are justified."

Revenue accounting was also tightened, especially to make sure that all transfer monies were collected and accounted for clearly in the monthly income statement. That included a debit-card residency program for medical students that accounts for nearly \$1 million in annual meals, the medical center's meal ticket program for guests and a partnership with the university to accept "Bruin" card flexdollar purchases. All total, about \$1.5 million in transfer credits now accrue to the department's revenue line on an annual basis.

Going for retail gold

With the cost side of the operation largely addressed, full attention turned to retail. Under Green, the café had already abandoned its previous policy of basing the café menu on the day's patient menu; Dyball and Hernandez had been experimenting with the breadth of café food offerings and stations, looking to their own staff for ideas, and seeking to collect more direct feedback from customers.

"We talked to our existing and potential customers and found we weren't offering them what they wanted," says Dyball, the café's British-born executive chef. "That's why they were going out to Westwood Blvd. or Charles Young Drive (main streets outside) to the commercial eateries there.

"We also made it a point to explore the specific interests of "micro groups" within our employee population," he adds, "those whose choices were dominated by salads, vegetarian, grilled and other fare. Such customers perceive variety differently, since they largely expect it within a more narrow part of the overall menu.

"We found that people wanted cookies. More bakery items, Fresh fish and fresh vegetables. Many things that simply weren't available from us at the time, but which could be. We got the café manager and the executive chef together, reconciled our direction, and structured the operation so there would be more cooperation. We didn't want to be seen as just another hospital cafeteria. We wanted to rise to the level of a well-run B&I account, and set that as our goal.

"We went from 4 oz. to 6 oz. servings of meat loaf," says Dyball. "We make our own demi-glace and our own onion rings. Fresh vegetables prepared to give the plates more color and texture. We elevated comfort food to more than the fast food you can get anywhere.

"Six years ago our deli station was terrible: we added a wider range of condiment choices, of breads or deli meats and other ingredients. We designed combo packages with soups and salads and made signature soups a key item. We developed Atkins diet-friendly sandwiches using low-carb bread for those who wanted them and began packaging gourmet sandwiches for grab-and-go diners. Now it's one of the most popular areas in the café."

Another major change: the introduction of an evening meal program customized for potential in-house customers, "instead of a program managed as a 'necessary evil,'" Dyball says. There is less traffic in the evening, "so the menu can focus more on display cooking techniques and specific customer requests."

Twenty-seven different nationalities are represented by employees in the kitchen, "and we looked to tap the expertise those individuals have in their own regional cuisines and comfort foods," he adds.

Doesn't this kind of experimentation raise food costs? "It does make purchasing food less predictable," Scimines says. "But we try to use ingredients we already stock or can obtain readily from a broadline distributor. It is very important that production, purchasing and retail are in sync—it's one of the areas where a collaborative environment really pays off."

Café revenues have increased 80% since 1996, while employment at the hospital has remained virtually flat. Food costs hover at about 40 percent, labor at about 35 percent. "Our revenue increases and the fact that we ensure profitability have given us a lot of credibility with our senior administration," says Scimines. We benchmark with Solucient and are much more productive than we were before."

In an environment where virtually every other service the hospital provides is billed externally, with payments often outstanding for 90 days or more, "our café revenue is an anomaly," says Green. "The consistent monthly cash flow has real value and that is something we emphasize to our Administration."

Adds Scimenes: "We weren't seen as a revenue-generating center before 1997. But since then, we've worked to educate the budget office and financial services people to the idea that we offset our costs by our retail revenue. At the end of the day, we want to speak their language, and express the café sales as revenue per patient day."

Retail Strategy #1: Upgrade The Dining Experience

High volume operations like Café Med too often rely on cycle menus and assemblyline service. Green's team was determined to make the café's food more appealing to existing customers and more likely to attract new ones. Some of the steps they took:

Food, glorious food. Core menu items will always be there, but the menu specials tell the story: Beef Provençal with Saffron Rice and Korean Salad. Tagine of Lamb with Cous Cous. Salmon Steaks with a Brandy Pumpkin Sauce. Cantonese Lemon Chicken. Thai Tofu Salad. Salmon Cucumber Salad. Malaysian Lamb Curry. Kalua Pork with Spinach. Hawaiian Tiger Shrimp Flambéed Stir Fry. Thai Chicken Coconut Soup. The variety goes on and on, and so does the demand at lunch.

Use specials with guaranteed appeal to build traffic. A culture of constant menu experimentation has helped the department identify many new items with out-of-the-ordinary appeal. "When they develop followings, we menu them strategically," to build traffic at key times says Hernandez.

A signature Mexican tostada offered on Mondays brings in customers who don't visit the café otherwise. A Filipino breakfast menu with authentic meats like papsilog and lonsilog bolstered that daypart. English style fish-and-chips are so expected on Fridays that servers have to explain to customers when it's temporarily dropped from the menu.

Attention to visual appeal. "We focused on improving our presentations," says Dyball. That meant using tablecloths to dress up stainless steel counter tops; garnishing food displays and trays; training staff to plate food with more attention to how it would appear to the customer. Carved melons and other fruits are frequently on display and freshly-plated food samples are standard at main café stations.

"Customers look closely at those plates," says Hernandez. "It's how they decide what they want to eat. You have to dress up entrees with sides and a garnish that make them feel good about what they're about to order, and keep those plates looking that way all through the meal period."

Educate staff and the customers. "It is very important for staff to be knowledgeable about what they are

serving and able to communicate that information to customers" says Dyball. "How a dish is prepared, the kind of dressing or sauce used, whether vegetables are steamed or buttered, and so on." Servers are trained to talk with customers about the day's meal offerings. To encourage that kind of interaction, hundreds of weekly menus are printed up each week and used both for promotion and as discussion guides in staff meetings. The back of each flyer promotes the dinner menu, with its own specials, to help draw traffic to that period.

Expand secondary dayparts. Dinner meal service is often necessary in hospitals but frequently loses money because of low participation and added labor, and it was no different at UCLA. To build traffic, Café Med initiated display cooking in the evenings and took advantage of reduced traffic to offer more customized selections based on customer requests. Evening menus are now always different than those at lunch.

Similar changes were made for breakfast: omelets customized to order; fresh fruit plates based on seasonal produce availability; "paired plates" of fruit, croissants and yogurt. A "news bundle" includes a cup of coffee with a copy of *USA Today*. "Dinner participation is up 50 percent in the last three years," says Hernandez. "Breakfast is up 35 percent."

Encourage chefs to interact with customers. "You need to be out in front of your customers, to be a mini-personality" for them," says Dyball. "We encourage them to ask for recipes, to send in e-mail comments and to ask questions about the food."

Retail Strategy #2: Appeal to the Convenience Diner

Green's managers determined that many lost sales occurred because "convenience diners" didn't want to wait in line for the prepared foods that dominated Café Med's original offerings. Over a three year period, they repositioned the café's product mix and reputation so it was seen as a convenient place to get a grab-and-go meal.

Start with the beverage offerings. Initially, the café had only about a half dozen refrigerated display cases. The department surveyed customers to identify the most popular beverage brands and flavors and then approached suppliers to renegotiate its arrangements.

"Close to 5,000 people come through the café every day and restocking was a major expense," says Green. "We asked suppliers to provide their own labor for stocking the cases if they wanted to be represented and then almost tripled the amount of merchandising space we allowed for them."

Beverage inventory must still be delivered through the department's receiving system and tightly managed P.O.S. data is used to closely sales of individual lines. Data shows that almost 20 percent of the café's daily sales now comes from the fountain and bottled drinks category.

Build impulse sales. Grab-and-go merchandising racks, display cases and coolers have been tucked into virtually every available corner and wall space of Café Med. Variety is everywhere. There are 17 major bottled beverage brands and racks of grab-and-go items that literally include everything from soup to nuts.

A back-of-the-envelope count today shows 22 bakery and snack displays, nine refrigerated sandwich and dessert cases, 18 beverage coolers and 14 fountain drink stations. They merchandise a wide range of impulse items in addition to the items available from Café Med's mainstream food stations and its sushi, salad and pasta bars.

Use grab-and-go sandwiches that drive higher-margin sales. At Café med, grab-and-go "gourmet" sandwiches have a higher price point than standard deli station sandwiches. They are merchandised in a special refrigerated case and feature upscale breads and other "valueadding" ingredients. They also don't qualify for value-priced bundles, but encourage impulse buys of higher priced bottled beverages which are merchandised nearby.

Leverage hot beverage sales. Green lobbied for money to make one major equipment purchase—a mobile food prep station he bought at auction for \$7,000 and which was set up as a stand-alone espresso station outside of the regular servery area. That station has its own register and merchandises pre-packaged salads, upscale muffins and pastries and cold beverages in addition to Starbuck-brewed coffee. "It rings up \$35-40,000 a month in sales and paid itself off almost immediately," Green says. "The most surprising thing was that it appears there was almost no cannibalization of existing sales."

Modify operations to increase customer throughput. Over 50 percent of the department's sales occurs between 11:00 a.m. and 1:30 p.m. each day, and systems were modified to ensure throughput could be maximized during that time. Employee breaks were re-scheduled so rush staffing would always be at full strength; cash registers were programmed so single key entries can ring up the most common

meal specials and bundles; vendors were asked to restock beverage coolers during the rush period; and cashier lines were modified to increase checkout capacity by 25 percent. Everything is structured to keep traffic moving.

by John Lawn (editor@food-management.com)

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