

Is It Worth The Trip?

How many times have we heard from a customer, "I bought that for less at the warehouse store"? This is an all too common conversation between a DSR and the restaurant operator. What the operator doesn't realize is there's a cost involved in shopping at these warehouse stores.

What do you say to an operator who starts to brag about how much they saved by shopping at these warehouse stores? Think about how you have responded. It has happened to all of us one time or another. Here are a few questions, facts, costs and a worksheet to help break down the reality of shopping at these warehouses stores.

QUESTIONS

- How do you legally keep frozen items frozen?
- How do you keep fresh meat below 41° F?
- What do you say to the Health Department when you pull up in your pickup truck and the inspector is waiting for you?
- If you have a liability question about a product, who do you call?
- How much have you saved when the Health Department tells you to throw out all the meat you bought because it is above 41° F?
- What does your time cost?
- How far are you driving?
- How much does it cost you in gas?
- What is the cost of insurance to cover an employee driving a truck or van?
- What are your vehicle maintenance costs?
- What does it cost your business by you not being there to make sure there's no employee theft or unnecessary expenses?

FACTS

- You must transport meat, poultry, fish, frozen vegetables & fries, cheese or dairy products, including eggs, in such a way as to maintain proper temperatures.
- Not all products carried at these warehouse stores are USDA inspected. One example might be eggs.

- If the Health Department finds an operator transporting temperature sensitive items that are not at acceptable temperatures, these items will be trashed and a fine levied against the operator.
- With a second offense, an operator can lose their Health Permit.
- Club Stores offer limited varieties and usually don't offer the brands that are most flavors of brands that are the most popular
- Free merchandising material and equipment is offered by manufacturers to customers buying from foodservice, not Club
- Variety Packs don't offer the right mix of products demanded by consumers

COSTS

- How much is the operator's time worth? \$10.00 an hour, \$15.00 an hour or \$20.00 an hour? See formula below.
- Fuel costs: See formula below.
- Insurance costs: See formula below.
- When manufacturer allowances and rebates are considered, Club pricing differences are negligible
- Wear and tear on the vehicle:
 - Brakes (how often do you get a brake inspection?)
 - Tires
 - Shocks
 - Oil Changes

HEALTH ISSUES

- Improper product storage temperatures are a contributing factor for approximately 40% of food borne illness outbreaks according to the Center for Disease Control (CDC).
- The "Optimal Zone" for bacteria growth is between 40° F and 140° F.
- Every 5° rise in temperature above 40° F reduces the shelf life by one half in beef.
- Bacteria reproduce by doubling their numbers every 15-20 minutes with proper nutrients (moisture and protein found in beef) and favorable temperatures.
- Best practices recommend storage temperature at 30° – 32° F.
- Keep all storage and display case temperatures below 40° F.

WORKERS COMPENSATION

This is an area that can be very costly to the restaurant operator. Usually an operator pays a yearly or monthly fee. If there are frequent claims against their workers compensation policy, the rates will jump. How comfortable is the operator that there will be no accidents with an employee driving a truck or van to a warehouse store? If there is an accident and that employee is disabled for an extended period of time, the costs could run into the hundreds of thousands of dollars.

On the following pages are some examples and simple worksheets to figure some of the costs incurred when an operator spends their work hours shopping at these warehouse stores.

WORKSHEETS

Fuel Costs

Example: An operator travels 45 miles round trip. His vehicle gets 10 miles per gallon. Fuel cost is \$3.69 per gallon. How much did this trip cost in fuel? To get exact mileage you can use Map Quest (<http://www.mapquest.com>).

	Total Mileage:	45
÷ Miles per gallon, the vehicle averages:	10 miles per gallon	
	Total fuel consumed on this trip:	4.50 gallons
	X the price per gallon of fuel:	\$3.69 per gallon
	Total cost in fuel for that trip:	\$16.61

TOTAL MILEAGE		_____
MILES PER GALLON OF VEHICLE	÷	_____
TOTAL FUEL CONSUMED		_____
PRICE PER GALLON OF FUEL	x	_____
TOTAL COST OF FUEL FOR TRIP	=	_____

Hourly Wage

Example: According to Map Quest, the travel time would be 2 hours. Shop time would approximately be 1 hour and 30 minutes. This would give a total time of 3 hours and 30 minutes. Let's say the operator earns \$75,000.00 annually. Take \$75,000.00 and divide by 2,080 hours (40 hours per week x 52 weeks). That would be \$36.06 per hour.

	Travel time:	2 hours
	Shopping time:	1 hour, 30 minutes
	Total time spent:	3 hours, 30 minutes
	Annual wage:	\$75,000.00
	÷ 2,080 hours	\$36.06
	X Total time spent:	3 hours, 30 minutes
=	Total payroll cost:	\$119.00

TRAVEL TIME		_____
SHOPPING TIME	+	_____
TOTAL TIME SPENT	=	_____
ANNUAL WAGE	x	_____
2,080 HOURS	÷	_____
TOTAL TIME SPENT	x	_____
PAYROLL COST	=	_____

Car Insurance

Example: This is not a huge expense, but needs to be considered. Average costs for insurance can be anywhere from \$1,500.00 to \$2,500.00 a year or more.

Annual cost of insurance:	\$2,500.00
÷ 1 year:	365 days
Cost per day:	\$6.85 per day

ANNUAL COST OF INSURANCE		_____
1 YEAR (365 DAYS)	÷	_____
COST PER DAY	=	_____

Cost Recap

FUEL COST	\$ 16.61
WAGES	\$119.00
INSURANCE	<u>\$ 6.85</u>
COST OF SHOPPING TRIP	\$142.46

FOOD FOR THOUGHT

As MAs, we have to be value added to our customers. It is our responsibility to help our customers focus on every aspect of their business. It is up to you to be the best! Set yourself apart by becoming a partner to your customers. Help build their success by showing value added products and smart business practices. Show your customers cost effective solutions designed to keep them profitable and ahead of their competition.

There are many ways to show customers how valuable buying from you can be. Sometimes we need to remind them. We can't get stagnant or lazy. We have to show new items, show weekly specials and bring in samples. Bring in a Broker. The more knowledge you have, the more information you bring them, the more responsive you are to their needs, the more they will look to you for their supplies. One valuable tool you can offer is a Business Review. We sit with our customers to offer them ways to be more profitable and show them how we can be a valuable partner for their business.

Most of us got into this business because it's an industry that people will always need. The Food Service Industry will survive all economic climates. People need to eat. You are a Professional MA that will give customers a "hands-on" approach to this industries future. Our customers are owners and operators of restaurants, not grocery shoppers and truck drivers. They need to be spending their valuable time with their business representing and controlling their future success.