

PART 1

PURCHASING AND PRODUCT IDENTIFICATION

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THE PURCHASE SPECIFICATION: AN OVERALL VIEW[★]

The Purpose of this Chapter

After reading this chapter, you should be able to:

- List the information included on the purchase specification.
- Identify factors that influence the information included on the purchase specification.
- Explain the potential problems related to purchase specifications.
- Describe how quality is measured, including the use of government grades and packers' brands.

INTRODUCTION

A “product specification,” sometimes referred to as “product identification,” is a description of all the characteristics in a product required to fill a certain production and/or service need. It typically includes product information that can be verified upon delivery and that can be communicated easily from buyers to suppliers.

Unlike the product specification, which includes only information about the product, the “purchase specification” implies a much broader concept. The purchase specification includes all product information, but, in addition, it includes information regarding the pertinent supplier services buyers require from suppliers who sell them products.

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Large hospitality companies normally prepare purchase specifications. They usually seek long-term relationships with several primary sources and intermediaries and, before entering into these relationships, want to iron out every detail concerning product characteristics and desired supplier services. Smaller hospitality firms, on the other hand, tend to shop around for products on a day-to-day basis. These companies concentrate their efforts on preparing and using product specifications. If, for example, a particular supplier's supplier services are found lacking, these buyers will seek an alternative supplier who provides at least some of the desired supplier services.

Preparing detailed purchase specifications is not an easy task. It can be time-consuming, and a shortage of time is a major obstacle to getting this work done. If you plan to invest the time, money, and effort needed to develop adequate purchase specifications, you must be prepared to study the product's characteristics. Among the best sources here are the references the U.S. Department of Agriculture (USDA [www.usda.gov]) distributes. Many libraries carry these materials, or you can procure them from USDA offices or state agriculture offices. (These materials are particularly attractive because you can reproduce them without violating a copyright.) Further, many of these materials are now available online at the USDA's Website.

Other references are available as well. The U.S. government publishes purchasing guidelines for use by school food services that participate in the subsidized school lunch program (www.fns.usda.gov/cnd/Lunch). The various product industries, like the apple growers, also publish literature depicting characteristics of their products (www.bestapples.com). Industry associations, such as the Produce Marketing Association (PMA [www.pma.com]), similarly publish and distribute a significant amount of information that you can use to prepare specifications for fresh produce. And you can always find a supplier waiting to help you, especially if you buy from that supplier.

One decision you must usually make for yourself when preparing specifications is to choose the quality and supplier services you want. You cannot always expect to find a neat formula to guide you. This book offers several considerations that you should examine. But eventually you must make your own decisions concerning these other variables. You must also keep in mind that a purchase specification should contain more than just a brief description of a product.

WHY HAVE SPECS?

"Specs," or specifications, have several basic purposes and advantages, the primary ones being that: (1) they serve as quality control standards and as cost control standards (in these respects, specifications are important aspects of a hospitality operation's overall control system); (2) they help to avoid misunderstandings between

suppliers, buyers, users, and other company officials; (3) in a buyer's absence, they allow someone else to fill in temporarily; (4) they serve as useful training devices for assistant buyers and manager trainees; and (5) they are essential when a company wants to set down all relevant aspects of something it wants to purchase, to submit a list of these aspects to two or more suppliers, and to ask these suppliers to indicate (bid) the price they will charge for the specific product or service.

In short, a specification is a sounding board for your ideas through which you detail every relevant consideration. By contrast, a purchase order is much less involved. After you know what you want and from whom you want it, completing the purchase order is a formality. But it is a legal formality: a contract between you and a supplier that he or she will deliver goods at a specific time, for a specific price, to a specific place. The specification lays out the parameters of what you must have. The purchase order is a written or sometimes verbal—for example, over the telephone—contract that arranges an actual transaction.

WHO DECIDES WHAT TO INCLUDE ON THE SPECS?

Four potential decision-making entities are involved here: (1) the owner-manager or another top management official, (2) the buyer, (3) the user, or (4) some combination of these three. It is unlikely that the buyer would write the specs alone, without the advice of the supervisor and of the users of the items to be purchased. All companies seem to approach this issue differently, but the buyers and users do most of the legwork, all the while staying within overall company guidelines. That is, a top company official normally sets the tone for the specs, and the buyers or users complete the details. The biggest problem with this participatory approach is agreeing on what is a main guideline and what is a minute detail.

WHAT INFORMATION DOES A SPEC INCLUDE?

A spec can be very short; it might include only a product's brand name—nothing else. Alternately, it might include several pages of detailed information, which is often the case with equipment specifications.

Be aware that specifications are sometimes categorized as either “formal” or “informal.” A formal specification is apt to be extremely lengthy, perhaps several pages of information. Government agencies typically prepare formal specifications. The average hospitality enterprise owner-manager may prepare informal specifications, perhaps just a bit of information regarding product yield, quality, and packaging. You should not assume that the person preparing an informal specification is not cognizant of all of the

other information normally found on a formal one. It is just that the typical operator does not spend so much time writing.

The buyer is apt to include at least some of the following pieces of information on a spec:

1. **The Performance Requirement, or the Intended Use, of the Product or Service.** This is usually considered the most important piece of information. You must have a clear idea of what is supposed to happen.
2. **The Exact Name of the Product or Service.** You must note the exact name, as well as the exact type of product you want. For example, you cannot simply note that you want olives; you must note that you want black olives, green olives, or anchovy-stuffed olives, or whatever. In some instances, you must be extremely careful to indicate the correct name and/or type of merchandise desired, or you are apt to be disappointed at delivery time.
3. **The Packer's Brand Name, If Appropriate.** Packers' brands are an indication of quality. Some items, such as fresh produce, do not normally carry instantly recognizable brand name identification. Many other items do, however, and a buyer may be interested primarily in only one or two brands and not any others. If you do indicate a brand name on the spec, you may want to add the words "or equivalent" next to it. This ensures that more than one supplier can compete for your business. By noting merely the brand name, you may reduce the opportunity to shop around, since usually only one supplier in your area will carry that product.

In lieu of the words "or equivalent," some buyers prefer to add the words "equal to or better" to their brand name preferences noted on the specs. This phrase is used in conjunction with a brand name to indicate that the product quality characteristics desired must be similar or "superior" to the brand identified. The drawbacks with these words are that there may be several superior brands and that it may be very difficult for buyers to make a sound purchase decision if they are unfamiliar with some of them.

At times, it is very important to insist on a certain brand name and avoid all other comparable brands. For instance, if a recipe has been developed that calls for a certain brand of margarine, the buyer should not purchase another brand unless it is compatible with that recipe. In this case, the finished product may be unacceptable if a different brand is used.

4. **U.S. Quality Grade, If Appropriate.** The federal government has developed U.S. grades to allow the buyer the option of using an independent opinion of product quality when preparing specifications. A good place to view U.S. quality grades

online is at www.ams.usda.gov/howtobuy. This site provides information on how to select numerous food products.

Unfortunately, since grading generally is a voluntary procedure, many items in the channel of distribution may not be graded. However, you can, at least, indicate a desired grade, along with the notation “or equivalent.” This will enable suppliers who do not have graded merchandise to bid for your business. Also, these suppliers then have a quality standard to guide them. Some states also have grading systems. For example, Wisconsin has a grading procedure to use for some dairy items (www.wisdairy.com).

5. **Size Information.** In most instances, buyers must indicate the size desired for a particular item. For some products, such as portion-cut steaks, buyers can indicate an exact weight. For other items, though, such as large, wholesale cuts of beef or whole chicken, usually buyers can only indicate the desired weight range. In some instances, the size of an item, such as lemons or lobster tails, is indicated by its “count,” that is, the number of items per case, per pound, or per 10 pounds.
6. **Acceptable Trim, or Acceptable Waste.** For some products, including many fresh foods, you may need to indicate the maximum amount of waste you will tolerate. Another way to say this is to note the minimum edible yield of a product you will accept. For instance, fresh lettuce may have varying degrees of waste, depending on how the food distributor processes it. Some lettuce is a cleaned and chopped, ready-to-serve product, whereas a typical head of lettuce has an edible yield of much less than 100 percent. Of course, you expect to pay much more for the product that has little or no waste.
7. **Package Size.** In most situations, you will need to indicate the size of the container you desire. For instance, the can size must be noted when purchasing canned vegetables.
8. **Type of Package.** In some cases, the type of packaging materials used is highly standardized. For example, dairy products packaging must meet minimum standards of quality. This is not the case for other items. Frozen products, for instance, should come in packaging sufficient to withstand the extreme cold without breaking. Some suppliers scrimp on this, and, while the quality of the product may meet your specification, the poor packaging will result in a rapid deterioration of this once-acceptable item.

Packaging can add considerable cost to the items you purchase. In some cases, the value of the packaging may exceed the value of the item. The cost of packaging of single-serve packets of salt, for instance, can easily be higher than the cost of this food ingredient.

When specifying the desired type of packaging, some buyers may require suppliers to use recyclable packaging materials. Alternatively, buyers may request reusable packaging, such as the plastic tubs some suppliers use to deliver fresh fish.

9. **Preservation and/or Processing Method.** For some products, you will be able to identify two or more preservation methods. For instance, you could order refrigerated meats or frozen meats, canned green beans or frozen green beans, and refrigerated beer or nonrefrigerated beer.

You also could specify unique types of preservation methods, such as smoked fish instead of salted fish, irradiated poultry instead of nonirradiated poultry, oil-cured olives instead of brine-cured olives, and genetically altered tomatoes instead of natural tomatoes.

The type of preservation and/or processing method selected often influences the taste and other culinary characteristics of the finished food product. Consequently, it is important for you to be familiar with recipe requirements before altering this part of the spec.

10. **Point of Origin.** You may want to indicate the exact part of the world that a specific item must come from. This is a rather important consideration for fresh fish. For instance, you may need to specify that your lobster must come from Maine and not from Australia.

Buyers may want to note the point of origin on some specs for several reasons. One is that the flavor, texture, and so forth of an item can differ dramatically among growing regions. Another reason is that the menu may state that an item comes from a particular producing region in the world; if so, it would be a violation of truth-in-menu regulations to serve an alternative product. Freshness can be another important consideration because buyers may specify nearby points of origin in order to ensure product quality. And, finally, buyers may indicate where a product cannot come from, instead of where it must come from, in order to adhere to various company policies and/or legal restrictions. For instance, for political reasons, some companies may refuse to purchase products that come from certain parts of the world.

11. **Packaging Procedure.** Some products are wrapped individually and conveniently layered in the case. Others are “slab-packed,” that is, tossed into the container. The more care taken in the packaging procedure, the higher the as-purchased (AP) price is apt to be. However, carefully packaged products will have a longer shelf life. In addition, they will tend to maintain their appearance and culinary-quality characteristics much longer than those products that are packaged indiscriminately.

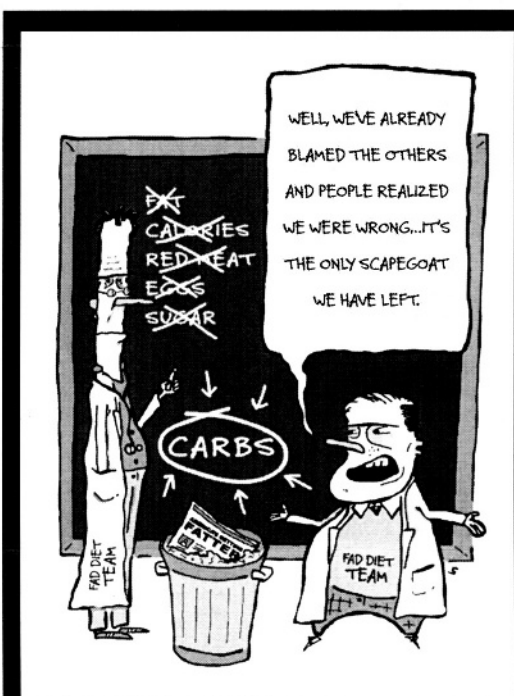
Another packaging consideration concerns the number of individual containers that normally come packaged in a case lot. For instance, it is traditional for No. 10 cans of foods to come packed six to a case. However, some buyers cannot afford to purchase six cans, or they cannot use six cans. Will the supplier sell fewer than six cans; that is, will he or she “bust” the case? Buyers who request busted cases run the risk of having few suppliers willing to compete for their business.

12. **Degree of Ripeness.** This is important for fresh produce. The same concept applies to beef items; for example, you may desire a specific amount of “age” on the item. Wines have a similar system that reflects, among other pieces of information, the year of production.
13. **Form.** This is an important consideration for many processed items. For example, do you want your cheese in a brick, or would you rather have it sliced? Do you want your roast beef raw, or do you want it precooked?
14. **Color.** Some items are available in more than one color. For example, buyers can order fresh red, green, or yellow peppers.
15. **Trade Association Standards.** Some trade associations establish minimum performance standards for items. This information can be commonly found in their trade publications (see Figure 1.1). For instance, the National Sanitation Foundation (NSF) International certification (www.nsf.org) seal on a piece of food-production equipment testifies to the equipment’s sanitary acceptability.
16. **Approved Substitutes.** Some buyers make it a habit to include on some specs a list of acceptable substitutes that the suppliers can deliver if they are out of the normal item. This can save a great deal of time and effort over the long haul since suppliers would not have to call buyers every time a product shortage occurs. Buyers also may like this convenience. Unfortunately, before determining approved substitutes, buyers must ensure that they are compatible with production and service needs. So, while this notation on each spec saves time and trouble eventually, it can be more difficult in the short run to spend the time needed to test all potential substitute items.
17. **Expiration Date.** Many buyers will not accept products if they are concerned about possible quality deterioration. To avoid this problem, they may indicate on some specs that suppliers must prove that the products delivered are not too old. For instance, some product labels list “sell-by” dates; these are sometimes referred to as “pull dates,” “best-if-used-by dates,” or “freshness dates.” For such items, buyers may want to add to their specs some reference to these dates.

UPDATE

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Political cartoon #1 released



WFC's political cartoon series began with two scientists discussing what will be the newest "scapegoat" for selling more fad diet books.

In September, the first of four WFC cartoons was distributed to newspapers nationwide. Cartoons will be released quarterly and will depict clever messages to get consumers thinking about the truth and benefits of grain foods.

The Wheat Foods Council is an industry-wide partnership dedicated to increasing grain foods consumption through nutrition education and promotion programs.



Grain foods to be featured in "Easy Home Cooking"

WFC recipes, photographs, and grain food information will be featured in the February/March issue of "Best Recipes - Easy Home Cooking" magazine. Since the magazine is sold at grocery checkout stands across the country, it provides an excellent opportunity for the Council to reach its target audience. Magazines will go on sale February 10, 2004 and will include grains and breads in a special multi-page spread in the magazine's "Heart Healthy" section.

Approved by the WFC Executive Board, the project was made possible because of unanticipated funds that became available after the 2003-04 budget process. The project was included as an add-on for the 2003-04 WFC Communication Plan.

The chapter insert will be approximately eight pages and will feature the headline "A Lovin' Spoonful of Grains." The insert will also include text promoting the healthful benefits of eating grain foods and a description of the WFC. Recipes utilizing pasta, cereal, crackers, tortillas, flour, and bread products were submitted to the publisher. Additionally, the Home Baking Association's "Bake for Family Fun Month" (designated for February) logo will be included to encourage families to bake at home.

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Council members are
encouraged to reprint
articles from this
publication.

FIGURE 1.1 Trade associations provide information useful to buyers. Courtesy of the Wheat Foods Council.

What Influences the Types of Information Included on the Spec?

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18. **Chemical Standards.** Buyers might decide to specify a particular level of acceptable chemical use for some of the items they purchase. For instance, it is possible to purchase organic produce that is grown in chemical-free soil. Meat and poultry products raised without added chemicals in the animals' diets are also available in the marketplace.
19. **The Test or Inspection Procedure.** This is the procedure you intend to use when checking the items delivered to you or the services performed for you. Generally, this is the logical outcome of specifying the intended use. After you note the intended use, you should be prepared to indicate the tests or inspection procedures you will use to see whether your purchases will perform adequately.
20. **Cost and Quantity Limitations.** Buyers might indicate how much of the item or service is to be purchased at any one time. In addition, they might require an item to be removed from production and a substitute item to be sought when the cost limits are approached.
21. **General Instructions.** In addition to specific details, buyers might include such general details as: (a) delivery procedures, if possible; (b) credit terms; (c) the allowable number of returns and stockouts; (d) whether the product purchased must be available to all units in the hospitality company, regardless of a unit's location; and (e) other supplier services desired, like sales help in devising new uses for a product.
22. **Specific Instructions to Bidders, If Applicable.** Suppliers who bid for your business may want to know: (a) your bidding procedures, (b) your criteria for supplier selection, and (c) the qualifications and capabilities you expect from them.

WHAT INFLUENCES THE TYPES OF INFORMATION INCLUDED ON THE SPEC?

Several factors must be assessed before determining what information to include on a specification. Eight of these are:

1. **Company Goals and Policies.** These are probably most important. Overall managerial guidelines must be consulted before buyers write specs.
2. **The Time and Money Available.** Industry members continually argue the costs and benefits of written specifications. Obviously, we consider the time and money preparing specifications well spent.

3. **The Production Systems the Hospitality Operation Uses.** If, for example, a restaurant broils its hamburgers instead of grilling them, the fat content in its ground beef should be a bit higher than usual to compensate for the additional loss of juices that can occur if meat is broiled to the well-done state.
4. **Storage Facilities.** If, for example, freezer space is limited, a buyer may have to purchase larger amounts of fresh vegetables; a specification might carry this reminder.
5. **Employee Skill Levels.** Generally, the lower the skill level, the more buyers must rely on portion-controlled foods, one-step cleaners, and other convenience items. The trade-off is between a higher AP price and a lower wage scale. The balance in these issues is not always clear-cut; this is a good example of the trade-off concept that usually arises in value analysis.
6. **Menu Requirements.** For example, live lobster on the menu forces a buyer to include the words “live lobster” on the specification.
7. **Sales Prices or Budgetary Limitations.** If, for example, a restaurant is located in a very competitive market, its menu prices may be fixed by its competition. This fact may force a buyer to include cost limits for some or all food specifications.
8. **Service Style.** A cafeteria, for example, needs some food items that have a relatively long hot-holding life since the food may remain on a steam table for a while. This type of information might be included on the specs, especially the specs for preprepared food entrées.

WHO WRITES THE SPECS?

Generally, four options are available to the hospitality operation, including:

1. Company personnel can write the specs. This option assumes that the necessary talent to write them exists in the company somewhere.
2. Many specs can be found in industry publications, CDs, online services, and in government documents. Although they may not fit your needs exactly, they are at least a good starting point (see Figures 1.2 and 1.3).
3. You can hire an expert to help you write your specs. This is a reasonable alternative, as you can control the amount of money you care to spend for this service.

The USDA operates an “Acceptance Service” (www.ams.usda.gov/gac/) that permits hospitality operators to hire USDA inspectors to help prepare specs. The inspectors check the products you buy at the supplier’s plant to make

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| American Bakers Association | http://www.americanbakers.org/ |
| American Beverage Institute | http://www.abionline.org/ |
| American Egg Board | http://www.aeb.org/ |
| American Institute of Baking | http://www.aibonline.org/ |
| American Meat Institute | http://www.meatami.com/ |
| American Poultry Association | http://www.ampltya.com/ |
| American Seafood Distributors Association | http://www.freetradeinseafood.org/ |
| Beer Institute | http://www.beerinstitute.org/ |
| Canned Food Alliance | http://www.mealtime.org/ |
| Florida Fruit and Vegetable Association | http://www.ffva.com/ |
| Food and Drug Administration | http://www.fda.gov/ |
| Foodservice Equipment Distributors Association | http://www.feda.com/ |
| International Beverage Dispensing Equipment Association | http://www.ibdea.org/ |
| International Dairy Food Association | http://www.idfa.org/ |
| International Foodservice Manufacturers Association | http://www.ifmaworld.com/ |
| National Cattlemen's Beef Association | http://www.beef.org/ |
| National Fisheries Institute | http://www.nfi.org/ |
| National Food Processors Association | http://www.nfpa-food.org/ |
| National Frozen and Refrigerated Foods Association | http://www.hffa.org/ |
| National Pasta Association | http://www.ilovepasta.org/ |
| National Poultry and Food Distributors Association | http://www.npfda.org/ |
| National Soft Drink Association | http://www.nsda.org/ |
| National Turkey Federation | http://www.eatturkey.com/ |
| North American Association of Food Equipment Manufacturers | http://www.nafem.org/ |
| North American Meat Processors Association | http://www.namp.com/ |
| NSF International | http://www.nsf.org/ |
| Produce Marketing Association | http://www.pma.com/ |
| Quality Bakers of America Cooperative | http://www.qba.com/ |
| Retail Bakers of America | http://www.rbanet.com/ |
| United Egg Producers | http://www.unitedegg.org/ |
| United Fresh Fruit and Vegetable Association | http://www.uffva.org/ |

FIGURE 1.2 Some government and private agencies that provide product information useful to buyers.

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| U.S. Department of Agriculture | http://www.usda.gov |
| Agricultural Marketing Service | http://www.ams.usda.gov/ |
| Dairy Market Branch | http://www.ams.usda.gov/dairy/index.htm |
| Fruit and Vegetable Branch | http://www.ams.usda.gov/fv/ |
| Livestock and Grain Branch | http://www.ams.usda.gov/lsg/ |
| Poultry Market News Branch | http://www.ams.usda.gov/poultry/ |
| U.S. Department of Commerce | http://www.commerce.gov/ |
| National Marine Fisheries Service | http://www.nmfs.noaa.gov/ |
| Wine and Spirits Wholesalers of America | http://www.wswa.org/ |
| World Association of the Alcohol Beverage Industries | http://www.waabi.org/ |

FIGURE 1.2 (Continued)

sure they comply with your specs (see Figure 1.4). They then stamp each item or sealed package to certify product compliance. This is often done for meat products. The acceptance service is provided for a fee, which the supplier usually pays. Although this expense may be included in your AP price, the service could save you money by assuring you that you receive exactly what you want.

4. The buyer and supplier can work together to prepare the specifications. The problem with this arrangement is that the buyer usually neglects to send the specs out to other suppliers for their bids. Also, the cooperating supplier may help slant the specs so that only he or she can provide the exact item wanted. Nevertheless, this is the option most independents find realistic, given their limited time resources and prospective order sizes.

The question of who writes the specs is important to hospitality operators because few part-time buyers have enough time to learn this task thoroughly. If operators want to prepare their own specs, they often consult outside expertise.

The reasonable compromise seems to be to hire someone on a consulting basis to help write the specs or, if this is too expensive, to work with the specs found in various trade and governmental sources. The usual approach, to huddle with a supplier, may actually be least advantageous, but it does allow operators to spend more time in other business activities.

A. M. Pearson and Tedford A. Gillett, *Processed Meats*, 3rd ed. (New York: Aspen Publishers, 1998).

Arabella Boxer, *The Herb Book: A Complete Guide to Culinary Herbs* (Berkeley, CA: Thunder Bay Press, 1996).

ComSource *Canned Goods Specifications Manual* (Atlanta: ComSource Independent Foodservice Companies, Inc., 1994) [out of print].

ComSource *Frozen Food Specifications Manual* (Atlanta: ComSource Independent Foodservice Companies, Inc., 1994) [out of print].

Elizabeth Schneider, *Vegetables from Amaranth to Zucchini: The Essential Reference* (New York: William Morrow, 2001).

Ian Dore, *Shrimp: Supply, Products, and Marketing in the Aquaculture Age* (Toms River, NJ: Urner Barry Pub. Co., 1993).

Ian Dore, *The Smoked and Cured Seafood Guide* (Toms River, NJ: Urner Barry Pub. Co., 1994).

Ian Dore, *The New Fresh Seafood Buyer's Guide*, 2nd ed. (New York: Van Nostrand Reinhold, 1991) [out of print].

James A. Peterson, *Fish & Shellfish: The Definitive Cook's Companion* (New York: William Morrow, 1996).

John R. Romans, *The Meat We Eat*, 14th ed. (Upper Saddle River, NJ: Prentice Hall, 2000).

Kenneth T. Farrell, *Spices, Condiments, and Seasonings*, 2nd ed. (New York: Aspen Publishers, 1999).

Lewis Reed, *SPECS: The Comprehensive Foodservice Purchasing and Specification Manual*, 2nd ed. (New York: John Wiley & Sons, 1993).

North American Meat Processors Association, *The Meat and Poultry Buyers Guide on CD-ROM* (McLean, VA: North American Meat Processors Association, 2002).

North American Meat Processors Association, *The Meat Buyers Guide* (McLean, VA: North American Meat Processors Association, 1997).

North American Meat Processors Association, *The Poultry Buyers Guide* (McLean, VA: North American Meat Processors Association, 1999).

Seafood Business, *Seafood Handbook* (Portland, ME: Diversified Business Communications, 1999).

The Produce Marketing Association *Fresh Produce Manual* (Newark, DE: Produce Marketing Association, 2002).

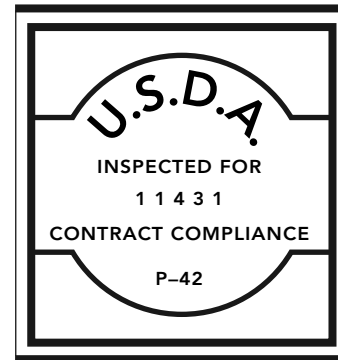
FIGURE 1.3 Some comprehensive reference materials buyers can use to prepare product specifications.

POTENTIAL PROBLEMS WITH SPECS

As in most business activities, you should consider several costs in addition to benefits in specification writing. There are, for example, a number of clearly identifiable

FIGURE 1.4 An inspector employed by the USDA Acceptance Service will inspect the buyer's order on the supplier's premises. If the order meets the buyer's specifications, the government inspector will apply a stamp, such as the one shown here, to the package.

Source: United States Department of Agriculture.



costs, and there are some cleverly hidden problems. Some potential problems with specs include:

1. Delivery requirements, quality tolerance limits, cost limits, or quantity limits may appear in the specs. If these are unreasonable requirements, they usually add to the AP price, but it may be questionable whether they add to the overall value.
2. Some inadvertent discrimination may be written into the specs. For example, the spec may read, "Suppliers must be within 15 miles to ensure dependable deliveries." Dealing with a supplier 16 miles away could cause legal trouble because of this.
Worse, if a spec effectively cuts out all but one supplier, you will have wasted your time, money, and effort if your intention was to use the spec to obtain bids from several sources. You do, of course, still have the benefit of having specified very precisely what you want. This gives you a receiving standard and a basis for returning unacceptable product.
3. The specifications may request a quality difficult for suppliers to obtain. This situation adds to cost, but not always to value. In some situations, the quality you want cannot be tested or inspected adequately without destroying the item. In these cases, however, a sampling approach may ensure the requisite quality. Before you embark on such an expensive process, careful consideration is called for.
4. Some specs rely heavily on government grades. Unfortunately, some may not be specific enough for a foodservice operator's needs. For example, USDA Choice beef covers a lot of possibilities: There are high-, medium-, and low-choice grades. Also, grades do not usually take into account packaging styles, delivery schedules, and so forth. Thus, U.S. grades alone are not adequate for most operations.

5. Food specifications are not static; they usually need periodic revision. For instance, a spec for oranges might include the term “Florida oranges,” a perfectly reasonable requirement at certain times of the year. But during some seasons, Arizona oranges might be preferable. It costs time, money, and effort to revise specifications. Moreover, if you cannot determine exactly when to revise, not only might you receive what you do not want, but your customer might also become dissatisfied if you are forced to serve the food because you have no acceptable substitute.
6. The best specs in the world will be of no use to you if the other personnel in the hospitality operation are not trained to understand them and to use them appropriately. For example, a buyer may be adept in the use of specs, but if the receiving agent does not have similar expertise, he or she may accept the delivery of merchandise that is not in accord with the properly prepared specifications.
7. The potential problems and costs multiply quickly if the spec is used in bid buying. Some of these additional problems include the following:

Getting Hit with the “Lowball”

The term “lowball” refers to a bid that is low for some artificial or possibly deliberately dishonest reason. For instance, bidders may meet a buyer’s spec head on; that is, they may hit the minimum requirements and might even reduce their normal profit levels in order to win the bid. Once they are in, they may try to trade up the users.

Lowballing is a fairly standard way of doing business for suppliers trying to woo buyers away from their regular suppliers. These suppliers are willing to sacrifice a bit of revenue in the short run for the opportunity to establish a long-term and potentially more profitable arrangement. Suppliers know that once they get their foot in the door, buyers may get comfortable and stick with them through force of habit.

To avoid falling for lowball prices, buyers need to shop around frequently, which means they need to keep their specs current. This tends to keep suppliers competitive and more responsive.

Inequality Among Bidders

If your specs are too loose, that is, if too many suppliers can meet the specs, you run the risk of finding several suppliers of differing reliability bidding for your business. Choosing one of the less reliable suppliers can result in serious operational problems.

This problem is particularly prevalent in the fresh produce trade simply because the available qualities of fresh produce change continually and some buyers do not know exactly when to revise their specs. Several suppliers may bid for your lettuce contract, and several qualities may meet your specifications. Suppose one supplier has a good product, and he bids 60 cents per pound. Suppose, too, that another supplier has lettuce that she could gain good profits on even if she sold it for 55 cents per pound. What she probably will do, though, is enter a bid for 59 cents per pound because she has discovered that the other supplier will bid 60 cents. You gladly accept the 59-cent bid, and—who knows?—the quality may be satisfactory. To avoid this problem, do not use the costly bidding procedure unless you are willing to expend a great deal of effort to keep your specifications current.

A related problem occurs whenever an inexperienced buyer accidentally rigs the procedures by asking a supplier who has a high AP price and high quality to bid for the business. In the preceding example, the 59-cent-per-pound bidder is very happy to include the 60-cent-per-pound bidder in the process. The wise buyer strives to include in the bidder pool only responsible, competent, and competitive suppliers who are able to follow through if they win the buyer's business.

Sometimes, good suppliers may unintentionally differ significantly from others bidding for your business because of unanticipated changing business conditions. For instance, some suppliers who bid for your business may do so only when their regular business is slow. Consequently, you may be forced to continually change suppliers, which could cost you time, trouble, and money in the long run. In addition, although you may indeed receive an AP price break, when their regular business picks up, these suppliers may decide to stop bidding for yours.

Specifications that Are Too Tight

Tight specifications tend to eliminate variables and allow a buyer to concentrate on AP prices. Unfortunately, if only one supplier meets the buyer's specifications, that buyer will end up spending a lot of time, money, and effort to engage in specification writing and bidding, and still find there are only two choices available: take it or leave it.

Large hospitality companies sometimes run into a similar problem when they demand items that only one or two suppliers are able to deliver. For instance, a typical large hospitality firm wants to purchase products that are available nationally; this ensures that all units in the company use the same products, and this, in turn, ensures an acceptable level of quality control and cost control. The number of suppliers who can accommodate national distribution, though, is limited.

Advertising Your Own Mistakes

Bids may be entered on a three-month contract basis. If your specifications are in error, you can look forward to being reminded of your mistake whenever a delivery comes in.

Redundant Favoritism

The buyer who writes several specs, sends them out for bid, and then rejects all of the bids except the one from the supplier he or she usually buys from anyway is a genuine annoyance. This practice is followed by some operations that must use bid buying. The buyer solicits a bid for, for example, corn chips. Three companies bid. But the buyer decides to buy from supplier A because this supplier's product is always preferred. If this is the case, why seek bids?

Too Many Ordering and Delivery Schedules

Another potential problem with bid buying is the possibility that you will have to adjust to several suppliers' ordering and delivering schedules. A large hospitality organization can handle this extra burden. But if a small firm is accustomed to receiving produce at 10:00 A.M., it can be a difficult readjustment for that operator to receive produce at 2:00 P.M. one week and at 9:00 A.M. the next. (We have seen this need to readjust operating procedures cause a great deal of trouble, especially when a delivery must sit on the loading dock for a while because no one is free to store it. When the receiving routine is broken, ordinary problems multiply.)

And Always Remember . . .

The object of bid buying is to obtain the lowest possible AP price. But if the lowest possible AP price does not, somehow, translate into an acceptable edible-portion (EP) cost, you have gained little or nothing.

The costs and benefits of specification writing are never clear, and the subject becomes more confusing when you complicate it with a bid-buying strategy. We believe writing specs is generally necessary because they help you to clarify your ideas on exactly what you want in an item. We are not so confident about the bid procedures, though. For some items, such as equipment, bids may be economically beneficial to the hospitality operator. But on the whole, the buyer who uses this buying plan had better know

as much or more about the items as the supplier. Only large operations consistently approach this requirement.

THE OPTIMAL QUALITY TO INCLUDE ON THE SPEC

You frequently hear references to “quality” products. To most people, a “quality” product represents something very valuable. However, when business persons talk about quality, they are referring to some “standard” of excellence. This standard could be high quality, medium quality, or low quality. In other words, suppliers offer products and services that vary in quality. In most cases, they can sell you a “high quality,” “highest quality,” “substandard quality,” or almost any other quality you prefer.

It is important to keep in mind that quality is a standard: something to be decided on by company officials and then maintained throughout the operation.

We do not intend to second-guess the types of quality standards that hospitality operators develop or decide upon. Rather, our objective is to examine the typical process by which the optimal quality is determined.

WHO DETERMINES QUALITY?

Someone, or some group, must decide on a quality standard for every product or service the hospitality operation uses. If somebody decides to use a low choice grade of beef, this decision should reflect the type of customers the operation caters to, the restaurant type, and its location, among other factors.

Most analysts agree that a hospitality operator can hardly decide on quality standards without measuring the types of quality standards his or her customers expect. As the AP prices are translated into menu prices and room rates, customers are affected. The quality of the product purchased affects customers’ perceptions of the operation, too. On the other hand, for the most part, supplier services are apparent principally to management. It is clear that value has many facets.

Most hospitality operations conduct some sort of market research to determine the types of value their customers, or potential customers, seek. The owner-manager’s greatest responsibility is to interpret the results of the market research and translate them into quality standards. In other words, he or she must examine: (1) the overall value retail customers expect; (2) “supplier” services, that is, the property’s surroundings, service style, decor, and so on; and (3) the typical menu or room price ranges attributable to his or her type of operation. Then the owner-manager must formulate a definition of quality standards. So, in the final analysis, the consumer really has the major say in determining the quality standards an operation establishes for most of its items.

Company officials may have a bit more latitude in determining the quality standards for those operating supplies and services retail customers do not directly encounter—items such as washing machine chemicals and pest control service. In these instances, it is interesting to note the number of people who may become involved in these determinations. A large group of company personnel may help work out these quality standards. The owner-manager, the department heads, and the buyer often influence the decision. Hourly employees may also be consulted since they constantly work with many of the products and services and are, hence, most familiar with them.

Quality standards for supplies, services, and equipment normally come from the top of the company. Buyers exercise a great deal of influence in these areas, though, because they get involved in such technical questions as “Is the quality standard available?”, “What will it cost?”, and “Can it be tested easily?” The ultimate decision, though, usually rests with the owner-manager or, in the case of chain organizations, an executive officer.

MEASURES OF QUALITY

A buyer is expected to be familiar with the available measures of quality, as well as their corresponding AP prices and ultimate values. Several objective measures of quality exist. Here are some of them.

Federal-Government Grades

Under authority of the Agricultural Marketing Act of 1946 and related statutes, the Agricultural Marketing Service (AMS [www.ams.usda.gov]) of the USDA has issued quality grade standards for more than 300 food products. These grade standards for food, along with standards for other agricultural products, have been developed to identify the degrees of quality in the various products, thereby helping establish their usability or value.

Federal-government grades are measurements that normally cannot be used as the sole indication of quality. This is true because federal-government grading is not required by federal law, except for foods a government agency purchases for an approved feeding program, or for commodities that are stored under the agricultural price support and loan programs; as a result, a buyer must use other measures of quality for ungraded items. Where possible, though, U.S. grades are the primary measures of quality that buyers use most frequently, at least at some point in the overall purchasing procedure.

The federal government, by legal statute, inspects most members of the channel of food distribution. Generally, the federal government's role is to check the sanitation of production facilities and the wholesomeness of the food products throughout the distribution channel. In some instances, states have set up additional inspector-powered agencies that either complement the federal agencies or supplant them.

Ordinarily, to be graded, an item must be produced under continuous federal-government inspection. Meat and poultry items and items that require egg breaking during their production process are always made under continuous inspection, but other types of items may not be.

The federal government will provide grading services for food processors, usually those at the beginning of the channel of distribution, who elect to purchase this service. Some of these producers buy this service, and some do not. Some opt for U.S. government grading because their customers include these grade stipulations in their specifications. Alternately, in some cases, the state requires federal grading. For example, several states require fresh eggs to carry a federal quality grade shield.

The grading procedure usually takes a scorecard approach with the products, beginning with a maximum of 100 points distributed among two or more grading factors. To receive the highest grade designation, a product must usually score 85 to 90 points or more. As the product loses points, it falls into a lower grade category. In addition, graders work under "limiting rules," which stipulate that if a product scores very low on one particular factor, it cannot be granted a high grade designation regardless of its total score. The grader usually takes a sample of product and bases his or her decision on that sample.

Grading can be a hurried process that can tax the resourcefulness of even the hardest grader. Although some food producers accuse graders of being capricious, unreasonable, and insensitive to production problems, the grading system actually functions fairly well.

Some buyers in the hospitality industry have been conditioned to purchase many food products primarily on the basis of U.S. government grades. The effect of government grading has ultimately been to create demand among retail consumers for specific quality levels; for example, consumers are conditioned to buy USDA Choice beef or USDA Select beef in the supermarket.

A major problem with grading is the emphasis graders place on appearance. Although appearance is an overriding criterion used in U.S. government grading, this sole criterion is dangerous for the foodservice industry because our customers are not making a purchase based solely on visual inspection but, rather, are purchasing and almost immediately evaluating the product based on taste and other culinary factors.

A number of other problems are associated with U.S. government grades. These additional difficulties include: (1) the wide tolerance between grades—so much so that buyers quickly learn that when they indicate U.S. No. 1, they must also note whether they want a high 1 or a low 1 (this tolerance gap is especially wide for meat items); (2) grader discretion—graders operate under one or more “partial limiting rules,” which allow them to invoke a limiting rule or not; (3) the deceiving appearance of products—for example, some products can be dyed (like oranges), some can be waxed (like cucumbers), and some can be ripened artificially and inadequately (like tomatoes); (4) the possible irrelevance of grades to EP cost—for instance, a vine-ripened tomato may have a high grade and a good taste, but it may be difficult and wasteful to slice; (5) the fact that graders could slight such considerations as packaging and delivery schedules, which are important in preserving the grade—for example, a lemon may look good in the field, but if it is not packaged and transported correctly, it could be dry and shriveled when it arrives; (6) a raw food item is not a factory-manufactured product, and, therefore, its quality, as well as its U.S. quality grade, can fluctuate and may not be consistent throughout the year; (7) the lack of uniformity among terms used to indicate the varying grade levels—for instance, some items are labeled with a letter, some with a number, and some with other terminology; and (8) the lack of a specific regional designation. There is, for instance, a big difference between Florida and California oranges, particularly during certain times of the year.

AP Prices

To some degree, quality and AP prices go hand in hand. The relationship, however, is not usually direct. One notch up in AP price does not always imply that the item’s quality has gone up one notch too. AP prices, though, are considered good indicators of quality by many hospitality managers, especially novices.

Packers’ Brands

Some food producers resort to their own brand names and try to convince buyers to purchase on the basis of these names.

The terms “brand names” and “packers’ brand names,” although often used interchangeably, do differ to some extent. For example, the word “Sysco” is a brand name, but the terms “Sysco Supreme,” “Sysco Imperial,” “Sysco Classic,” and “Sysco Reliance” are the company’s packer’s brand names. In this case, the Sysco supplier offers several levels of quality, with Sysco Supreme representing its highest quality and Sysco Reliance its lowest (see Figure 1.5).

| THE TOP TEN BROADLINE DISTRIBUTORS | |
|------------------------------------|--|
| Food Services of America | www.fsafood.com |
| Golbon | www.golbon.com |
| Gordon Food Service | www.gfs.com |
| J&B Wholesale | www.jbwhsle.com |
| Performance Food Group | www.pfgc.com |
| Reinhart FoodService | www.reinhartfoodservice.com |
| Seneca Foods | www.senecafoods.com |
| Sysco | www.sysco.com |
| U.S. Foodservice | www.usfoodservice.com |
| Zanios Foods | www.zaniosfoods.com |

FIGURE 1.5 Some organizations and companies with packers' brands.

Both brand names and packers' brand names are indications of quality standards; however, packers' brand names are very specific quality indicators, whereas most brand names are much more general. A packer's brand system is essentially that food processor's personal grading system; that is, the food processor uses his or her personal "grade" in lieu of a federal quality grade. The companies that use such grades usually offer at least three quality levels: good, better, and best. Food processors typically identify their different quality levels by using a particular nomenclature (such as that Sysco uses) or by using different colored package labels (see Figure 1.6).

Even though they are not widely known in many parts of the country, packers' brands exist for many products. In some cases, the food processor uses the brand name in conjunction with U.S. grade terminology. For example, a fresh-produce packer might stencil on a box the designation "No. 1." This would indicate that the item was not produced under continuous government inspection, and that, in the opinion of the packer, who is not a government grader, the product meets all U.S. requirements for U.S. No. 1 graded products.

Packers' brands, too, present problems when they are designed to overlap U.S. grades. So, for example, a beef product that might be marked a high USDA Select instead of a low USDA Choice might be switched to the packer's brand. This will permit it to carry a quality designation that food buyers might generally associate with USDA Choice. In addition, packers' branded merchandise, unless it is a meat or poultry item or includes egg breaking in its production, may not be under continuous government inspection. However, even if a food processor does not purchase the U.S. government

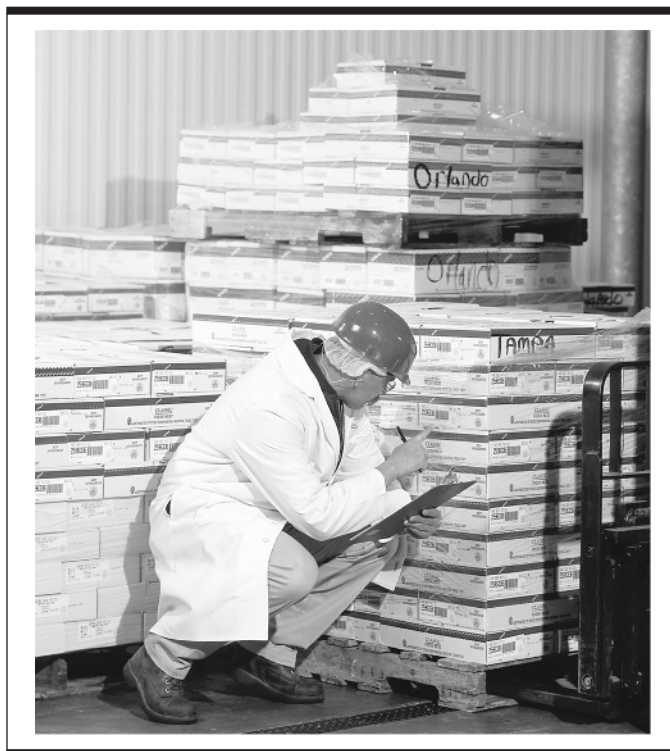


FIGURE 1.6 An example of packer's brand packaging. Courtesy of Sysco Corporation.

grading service, he or she must still undergo an inspection procedure. But inspection is concerned only with safety and wholesomeness; it makes no quality statement. Only U.S. grading makes quality judgments.

Brand names may possibly be a little more reliable than government grades because the brand extends over several other considerations, not just the food product's appearance. For example, the brand can also indicate a certain size of fruit and a certain packaging procedure. In addition, for products that do not come under the grading system, brand names may be the logical alternative.

Some food buyers also think that packers' brands are a bit more consistent from day to day and month to month, though not everyone feels this is true. Some argue that the U.S. government graders are not always so consistent. A brand's supposed consistency should effect a more consistent and predictable EP cost. It is critical to recall that the EP cost is more important; the AP price represents only your starting point.

Keep in mind that in this text, we use the term “packer’s brand” a bit more frequently than the term “brand name” merely because it seems as if our industry uses such terminology more often.

Samples

It may be necessary to rely on samples, and one or more relevant tests of these samples, when assessing the quality of new items in the marketplace. Samples and testing are commonly used to measure the quality of capital equipment.

Endorsements

Several associations endorse items that we purchase. For instance, NSF International attests to the sanitary excellence of kitchen equipment. The Foodservice Consultants Society International (FCSI [www.fsci.org]) is an association of food-service consultants whose members must achieve rigorous standards. We find, however, fewer associations endorsing foods and operating supplies.

Trade Associations

Various organizations, such as the National Cattlemen’s Beef Association (NCBA [www.beef.org]), and other trade groups, help set quality standards that the buyer can use.

Your Own Specifications

A buyer may use some combination of all of the measures we have been discussing and work them into an extended measure of quality. This lengthy exercise usually finds its way into the specification. In many cases, particularly when a hospitality operation needs a special cut of meat, a unique type of paper napkin, or special cleaning agents, this extended measure is the only appropriate one.

As we imply throughout this discussion, few buyers consider only one of these quality measures. But, in our opinion, too many operators become overreliant on only one measure when it would be more appropriate to consider two or more.

IS THE QUALITY AVAILABLE?

Another aspect of quality a buyer must know is whether the quality desired is available at all. This is quite a practical question. It is useless to determine quality standards if the quality you want is unavailable. Oddly enough, some types of quality are too often unavailable to the hospitality operation. A chef who wants low-quality apples to make homemade applesauce may find that suppliers do not carry such low quality. (Food canners usually purchase them all.)

In addition, a buyer must pay particular attention to the possibility that the quality desired is available from only one supplier. This may or may not be advantageous. In some cases, an owner-manager may take this opportunity to build a long-standing relationship with one supplier. But some company officials are not especially eager to lose flexibility in their supplier selection.

It is easier than you think to restrict yourself unknowingly to one supplier. If this does not happen because of the quality standards you set, it may happen because of the AP price you are willing to accept.

THE BUYER'S MAJOR ROLE

We have noted that the buyer usually provides his or her supervisors with the information they need to determine quality standards. Buyers normally do not set these standards by themselves, but they do generally participate in these decisions. The buyer's major role here is to maintain the quality standards that someone else has determined. Generally, the standards have some flexibility. But whatever the standards are, and whatever the degree of flexibility, a buyer must ensure that all of the items purchased measure up to company expectations.

THE OPTIMAL SUPPLIER SERVICES TO INCLUDE ON THE SPEC

Buyers normally have a major voice in determining supplier services, though they generally have less to say regarding economic values that the company should bargain for.

If you want specific supplier services, chances are you will severely restrict the number of purveyors who can provide what you want. Consequently, if you like the bid-buying activity, you must be prepared to put up with a variety of supplier capabilities. In our experience, it is the supplier services that we become so attached to since, for many items, not that much difference in quality usually exists.

KEY WORDS AND CONCEPTS

| | | |
|---|---|---|
| Advantages and purposes of specs | Intended use | Product substitutions |
| Agricultural Marketing Service (AMS) | Limiting rule | Pull dates |
| Approved substitutes | Lowball bid | Purchase specification |
| Best-if-used-by dates | Measures of quality | Returns |
| Bid from a supplier | National Cattlemen's Beef Association (NCBA) | Ripeness |
| Busted case | National Sanitation Foundation (NSF) | Samples |
| Buyer's major role in setting quality standards | International | Sell-by dates |
| Chemical standards | Optimal quality to include on a spec | Size of a product |
| Color of a product | Optimal supplier services to include on a spec | Slab-packed |
| Cost and quantity limitations | Package size and type | Standards of quality |
| Count | Packaging procedure | Stockouts |
| Difference between "brand name" and "packer's brand name" | Packer's brand | Test procedures for delivered products |
| Endorsements | Packer's "grade" | Trade association standards |
| Equal to or better | Partial limiting rule | Trim |
| Expiration dates | Performance requirement of a product | Truth-in-menu regulations |
| Foodservice Consultants Society International (FCSI) | Point of origin | USDA Acceptance Service |
| Formal versus informal spec | Potential problems with specs | U.S. Department of Agriculture (USDA) |
| Form of a product | Preservation and/or processing method | U.S. government quality grade |
| Freshness dates | Problems associated with the use of U.S. grades as a measure of quality | Waste |
| General and specific instructions to bidders | Produce Marketing Association (PMA) | Weight range |
| Industry and government publications | Product identification | What influences the information included on a spec? |
| Information included on a spec | Product specification | Who determines quality? |
| | | Who should the spec writer be? |
| | | Yield |

QUESTIONS AND PROBLEMS

1. What is a purchase specification? How does it differ from a product specification?
2. What are some of the reasons hospitality operations develop purchase specifications?
3. What information is included on a typical purchase specification?
4. Assume you are the owner of a small table-service restaurant.
 - (a) How much time, money, and effort would you spend to develop specifications? Why?

- (b) Assume that you do not want to write specifications; you want to rely strictly on packers' brands and government grades to guide your purchasing. What are the advantages and disadvantages of this strategy?
5. Explain how the following factors influence the types of information included on the specification:
 - (a) Company policies
 - (b) Storage facilities
 - (c) Menu requirements
 - (d) Budgetary limitations
 - (e) Employee skills
 6. What are the costs and benefits of hiring an outside consultant to help you write specifications?
 7. What are the costs and benefits of writing specifications and using them in a bid-buying strategy?
 8. Which items do you think a buyer should receive bids on? Why?
 9. Explain how company personnel normally determine quality standards for the food products they use.
 10. How does a buyer usually get involved in determining quality standards? What is his or her major role once these quality standards are set?
 11. Describe five measures of quality. Name some advantages and disadvantages of each.
 12. Why do you think endorsements are used so much in measuring the quality of consulting services?
 13. Are AP prices good measures of quality? Why or why not?
 14. Some industry practitioners feel that hospitality operators can set quality standards for some non-food supplies without considering their customers' views. Do you think this is true? Why or why not?
 15. A product specification for fresh meat could include the following information:
 - (a)
 - (b)
 - (c)
 - (d)
 - (e)
 - (f)
 16. Why are expiration dates important to include on fresh-food specs?
 17. A food-processing plant normally must undergo continuous federal-government inspection for wholesomeness if:
 - (a)
 - (b)
 - (c)
 18. List some problems that the buyer will encounter if he or she is overreliant on U.S. grades.
 19. What is the primary difference between a brand name and a packer's brand name?

20. Should a small hospitality operation prepare detailed purchase specifications, or should it prepare product specifications? Why?
21. What is the most important piece of information that can be included on a spec?
22. When should a buyer use packers' brands as an indication of desired quality in lieu of U.S. quality grades?
23. When should a buyer include on the specification "point of origin"?

EXPERIENTIAL EXERCISES

1. **What are some potential advantages of limiting yourself to one supplier, the only one who can meet your quality standards?**
 - a. Write a one-page answer
 - b. Provide your answer to a hotel manager and ask for comments.
 - c. Prepare a report that includes your answer and the manager's comments.
2. **Why would package quality be important to a foodservice buyer? Would you be willing to pay a bit more to ensure high-quality packaging? Why or why not?**
 - a. Write a one-page answer
 - b. Provide your answer to a foodservice manager and ask for comments.
 - c. Prepare a report that includes your answer and the manager's comments.
3. **Develop a purchase specification.**
 - a. Write a purchase specification using information provided from one of the agencies in Figure 1.2.
 - b. Provide your answer to an executive chef and ask for comments.
 - c. Prepare a report that includes your specification and the chef's comments.
4. **Identify an agency that provides product information on a Website and that is not included in Figure 1.2. Write a one-page paper explaining how the Website can be used to help purchasing managers to write specifications.**