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## Manager-Customer Relationship in Food Service Commissary Operations

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# Manager-Customer Relationship in Food Service Commissary Operations

## **Abstract**

Documented reports of day-to-day decision-making in food service tend to emphasize technical aspects. However, this view does not represent completely the decision-making process managers go through. The author reports on the effect of the manager-customer relationship in decision-making by managers.

## **Keywords**

Food Service, Panning

# Manager-Customer Relationship in Food Service Commissary Operations

by  
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*Documented reports of day-to-day decision-making in food service tend to emphasize technical aspects. However, this view does not represent completely the decision-making process managers go through. The author reports on the effect of the manager-customer relationship in decision-making by managers.*

Recent studies that document how managers make day-to-day decisions on food service planning tend to emphasize technical aspects such as cost cutting and the monitoring of employee productivity.<sup>1</sup> While important, these observations often provide an incomplete understanding of the process by which managers make production decisions. Description of the technical aspects of managing food service operations omits consideration of the interaction of the manager not only with personnel in the operating unit, but also with people external to the operation.

To understand fully decision-making and planning in the food service setting, therefore, it is necessary to recognize that the management process involves decisions about both technical aspects and aspects influenced by the relationships between managers and various people with whom they interact as they accomplish those technical aspects of the job.

The food service commissary setting provides a particularly clear-cut example of how managers adjust their decisions for personal relationships with external customers as well as for technical reasons. Initial observations from a recent study which covered a wide range of issues related to decision-making and planning by commissary managers in southern Ontario<sup>2</sup> suggested that the manager's production decisions are all directed toward maintaining a smooth technical operation. Further examination showed, however, that a significant number of decisions are made as a result of interaction with the customer. These interactions may indeed be what forms the efficiency of the commissary set-up, flexible response to the customer,

who in turn sells the commissary's output to the ultimate consumer. Decisions, then, are influenced by the manager-customer relationship as well as by technical choices.

There are two kinds of interaction with people and entities external to the commissary. One group includes the ultimate consumer, the people who buy and consume the food. The other group is referred to as customers. The latter are organizational entities, most commonly other units within the same corporation or another kind of larger organizational entity such as a school district. In some cases, commissaries also sell their products to units external to a parent concern. The predominance of intra-corporate exchanges, however, heightens the sense of strictly rationalized interactions in commissaries. Moreover, since most units that buy from the commissary are within the same organizational framework, the notion that these units are "customers" has not been elaborated previously.

The study used snowball sampling to investigate 11 commissaries from four market segments, resulting in 21 managers, with not more than four from any one firm.<sup>3</sup> Each commissary operated as a unit of a larger firm or corporation, selling food produced to franchisees and company-owned units, or to non-corporate entities, effectively their customers. Of these 11 corporations, four were public, while seven were privately owned. The commissary manager reported to a director in the corporation who supervised commissary activities. While all produced food items, eight commissaries also performed a warehousing function, distributing dry goods, paper products, and other supplies to customers.

A qualitative approach was used to gather and analyze the data. Managers were interviewed twice on decision-making and planning, including customer relations and interaction. An initial interview based on a structured questionnaire was used to obtain information about actual industry practice, and a second interview used an interview guide<sup>4</sup> to ensure broad and inclusive coverage of the topics managers consider. Thematic analysis was used to analyze verbatim transcripts.<sup>5</sup> Categories were developed in the first reading, and the second allowed assignment of data to categories and notation of insights. From these groups, exemplars were selected to represent key themes<sup>6</sup> and to demonstrate the relationships and activities conducted by managers while interacting with customers.

### **Operating Efficiency Is Key Characteristic for Success**

The slowly-increasing body of literature on food service commissaries emphasizes the technical aspects of operating them. With centralized food procurement and production facilities, commissaries distribute prepared food items to remote locations for final preparation and service to the ultimate consumer of the products.<sup>7</sup> This process is seen as having distinct advantages over food preparation in many individual units, including economies of scale, lower inventory costs and investment, increased purchasing power, improved

monitoring of employee productivity, standardized products, and planning and control benefits.<sup>8</sup>

Advantages result from two sources: first, commissary operations have greater sales volume or greater volume per item produced, and, second, they have a relatively simple organization, generally operating one shift for only five days a week to produce a smaller variety of different products. Some analysts even see commissary operations as the answer to the major industry problem of escalating production costs.<sup>9</sup> As a result, the number of commissaries is increasing.<sup>10</sup>

Potential disadvantages to the use of commissaries include the high cost, of initial set-up, increased distribution costs, and problems with quality control, including maintaining the necessary sanitary working environment.<sup>11</sup> However, these difficulties are offset by increased efficiency of production. In the Portland School System,<sup>12</sup> centralizing food preparation for schools produced double the previous average number of meals per labor hour and resulted in labor savings of approximately \$500,000 per year. In another recent example, the co-chairman and co-chief executive of a chain of bakeries claims that his company became more efficient as it grew larger; producing 40 percent of its products in a commissary increased its net income significantly.<sup>13</sup>

### **Current Analysis Focuses on Ultimate Consumer**

To date, the role of the manager in commissary operations has been seen as managing the internal production process, with decisions made chiefly as a matter of technically-oriented choices. The hospitality literature currently recognizes relations with ultimate consumers and the goal of satisfying them. Relations with the ultimate consumer describe the actions of the firm to attract, maintain, and enhance consumers.<sup>14</sup> This approach focuses on the corporation's marketing program directed at ultimate consumers, and sets aside any concern with either the inner workings of the corporation or interpersonal relationships between the manager and the customer.

In addition, the decision-making process is conventionally seen as an entirely internal matter of economic rationalization. There is, for instance, a recognition of the need for routine exchanges over the delivery of goods or services generally conducted by letter or telephone. These interactions may be considered as relatively impersonal. They contrast to having relationships with customers — personal, ongoing, day-to-day interaction where the response of one participant matters to the other. Strictly objective interactions with customers miss a crucial part of the manager's responsibility for running the operation: the potential for improving the outcomes for both parties by taking advantage of the positive outcomes made possible by a closer working relationship.

Data from the study suggest that analyzing commissaries as if the only relevant dimension is economic rationalization results in an incomplete picture of decision making. The study reveals that there

is an intermediate layer between the commissary as producer and the ultimate consumer who purchases and uses the food service product. This group is the commissary's customers. It is with this group that the manager must maintain current sales and stimulate new sales. Any one customer represents significant percentages of the commissary's sales—between 2 and 8 percent—while one ultimate consumer of the commissary's products might represent only 0.01 percent of sales, perhaps less. As well, managers have both short and long-term goals that they must accomplish.

### **Decision Making Affected by Relationships with Customers**

The manager's decisions must be made while considering both the relationship with the customer and the outcomes of long-term goals. Evaluation of the data from the 11 sites and 21 managers in the study show that this customer relationship tended to be one of mutual involvement, with managers making the effort to establish and maintain customer satisfaction through frequent interaction. Often the contact was weekly or even daily, and was on the telephone or face-to-face. Managers also actively solicited information about the customer from corporate intermediaries.

Analysis of the data further shows that while these interactions occur during the manager's daily activities and influence decision making, the relationship also develops over time. It has a history and affects the behavior of the participants beyond the immediate exchange. While managers have both short and long-term goals for the business, they may make decisions that counter short-term goals but maintain the relationship and, thus, eventually accomplish longer-term goals.

It is possible to identify five different types of involvement that foster the manager-customer relationship: development of a mutual history; negotiation for mutually satisfactory outcomes; facilitation through involvement of an intermediary; distinction according to the relative importance of a given customer, based on the size and frequency of orders; and monitoring of customer satisfaction through quality.

Examining the influence of these factors on the total decision-making process used by commissary managers helps to explain how the customer relationship influences managers' decisions. Relationships between managers and customers result in a relatively intimate working knowledge of each other's operations. Managers understand that customers want a record of credible action. They develop a detailed portrait of each customer's requirements, including sales and costs, and generate the ability to make decisions that profitably capitalize on this knowledge. Sometimes they even reach the point of trading off short-term profit in the long-term interests of relational continuity and mutual satisfaction. These choices can, in turn, have a favorable impact on longer-run profit outcomes.

### **History Is Important in Relationships**

The first factor, the history of the relationship, influenced decisions made by both managers and customers. Managers knew how to maintain relationships with customers from the history. If the managers learned of a problem with a product or an order, they would contact the customers to check about the errors:

I make some phone calls and say, 'Do you have batch X in the cooler? It might not be good; go and check it and I'll give you some stuff that's right.' (Pizza 1-1, 7/17/90)<sup>15</sup>

It's nice for us to find that out first and say, 'Listen, I don't think you got all your [cola] this week, there's five cases coming to you,' and let them know before they find it because things do happen. (Salads 1-2, 6/27/90)

Using the history of the relationship, the manager was able to anticipate the customer's response to bad products or to delivery errors and to respond before a more serious problem arose. These actions looked after the relationship and showed concern for the customer, helping to develop the history further.

With a customer history in mind, a manager also knew when a customer had forgotten to place an order:

Our units have a set time to phone in for the orders. . . . There are variances, but they also can add on or delete during the week before I get there. The restaurant knows when I'm coming with the truck and if they haven't placed the order. . . . We would phone and say, 'Where is the order? What has happened? We know here what they will order roughly unless they have parties booked that I'm unaware of and there's nothing I can do about that, but we know what they ordered last year. I can match this up and then we can also let them know — this particular kind of steak you ordered, you ordered only that one, you usually order a little bit more. . . . It doesn't matter to me, but you know, we help each other this way. (Red Meat 1-1, 2/5/91)

Possessing this kind of knowledge allowed the manager to have an employee call the customer and check the omission.

The history of the relationship allowed the manager to make decisions about customer orders that could not be made otherwise. There were instances in which managers even adjusted customers' orders. One type of situation occurred when the commissary was short of finished product inventory and had to adjust because it could not fill all orders:

If [the customer] orders one sandwich, it's important that they get that sandwich because they don't have much and there's

nothing at that location to start producing something if they're short. So if we cut them, they're in trouble. Or if we substitute? We don't substitute; the reason why is [another product won't sell]. (Vending 1-2, 3/4/91)

The manager was careful in making the change and could only know the appropriate response with knowledge from the ongoing relationship.

Another type arose when managers knew from experience that customer order amounts were unreasonable, based on past history, for such events as Mother's Day:

We know how it works usually, everybody gets into it, 'Mother's Day's coming, boy, let's [order lots of product],' and then on Monday, they tell me, 'Why did you send me all that stuff?' And I say, 'You asked for it, not me. . . .' Now, we'll take a chance and say, 'Okay, you might run out, but we'll bring it in right after, fresher product.' So this way, we have a fresher product on the shelves at the store level. (Salads 2-1, 8/7/90)

Thus the manager used his historical knowledge to adjust the customer's orders.

In some relationships, on the other hand, managers could realize they would gain by inconveniencing the commissary to satisfy customers. They responded to a demand for the product on short notice by producing and delivering products or by allowing customers to decrease orders, thus leaving the commissary with excess finished product inventory. This attitude is illustrated in the following managers' remarks:

It's that last minute stuff that our customers tell us that they require and, I mean, if we want to be in the business, we got to react to it. (Salads 1-1, 6/22/90)

We're small enough that we can be pretty flexible with most of our customers. Barring any unforeseen circumstances, we're going to do our darndest to fulfil our requirements. Like I said before, that's all we really have to do is what we have to sell is our level of service. (Salads 1-1, 6/22/90)

Such events inconvenienced the commissary, disrupting the normal production activities. However, responses that maintained customer relationships took precedence over strict maintenance of efficiency.

### **Other Factors Influence Decisions**

A second aspect of customer relationships is the way in which negotiation affected the decisions made. The managers negotiated factors relating to product characteristics with their customers, as in the following example:



Now, the carrot instead of ending up cleaned, this size, is still this size. So, I did some up and took some over to see if that carrot's going to be fine with them because it's still the same carrot, but now it's much bigger because we're more efficient here. They had no problem with it, but, if they did, instead of a jumbo carrot, I might have had to go down to a large carrot. So we adjust according to what the customer wants, a satisfied customer. (Salads 1-2, 2/15/91)

These adjustments developed the relationship and, therefore, added to the parties' shared interests. There was give and take about product characteristics on the part of managers and customers to reach agreement on exactly what the product would be like. The degree to which the manager would change a product for a particular customer depended on the relationship with that customer, and the volume of the customer. If the change was worthwhile to the manager, and thus to the commissary's goals, the manager implemented it.

There were limits, however, to the negotiation. Each party could go only so far before their vital interests were affected. In a situation such as the following, the manager and customer have, in effect, divergent goals:

You've still got to put out a quality product and it's going to my customers and they see it and it doesn't matter to them whether I did it an hour faster than I normally do it. They just know that their dough doesn't look good today and they don't know why. (Pizza 1-1, 7/17/90)

The relationship was based on the desire of each party to maintain satisfactory relations, but the manager had to come to grips with the error in the operation by seeing it through the eyes of the customer. There were boundaries beyond which negotiation could not go.

The third aspect of customer influence on decision making was the intervention of an intermediary. In commissaries, customer complaints were either handled by a corporate supervisor or dealt with directly by the commissary manager. When the corporation was involved, commissary managers responded to the problems identified by these representatives:

We have a sales and service network which are our representatives. Now, basically they're out there making sure the stores are performing under the agreement, the stores are clean and the product is right; quality is there. They also get the input back from the stores where they're having problems. They document those and talk to us about them. The initial complaint comes back from the stores. If there's a performance problem with the dough, they usually know within a day if it's not performing properly. So there are a number of characteristics they

are looking for and we hear that back. They'll phone their rep and they'll phone us right away because we have to go in and try and isolate the problem. (Pizza 2-1, 3/8/91)

The decisions were influenced by what was often the intermediary's even more intimate knowledge of the customer.

On the other hand, the knowledge of the manager could help when information was needed for sales activities handled by the intermediary:

I'm not involved in sales. Because of my purchasing job, I do know a lot of people in the industry. Yes, I do talk to them and say, 'Look I have that and that and that, are you interested?' I will refer them to somebody who wants to do a sales pitch. I do prepare the price and the price list in this office and will distribute it to the salesperson. In fact, I can go out as a salesperson, but it is not my job. (Red Meat 1-1, 6/26/90)

Decision-making was affected indirectly in that the manager limited interaction, and turned responsibilities over to the corporate salesperson. As a result of selected action on the manager's part, the two worked together to develop the relationship with the customer.

The fourth type of customer influence on the manager's decision making was derived from the importance of the customer. Usually managers had some required sales level for retaining an item in production; otherwise, it would be removed from the menu. Decision making was affected by a manager considering whether or not a customer would be lost if the item were removed:

When we revise the menu every two months, we keep an eye on the numbers. If it is not feasible to carry a certain product, we print out a notice on the computer sheet telling them that as of [such and such a date], we will be discontinuing this product. You do get some flak about it because you've got one guy who sells. . . let's take the kielbasa and cheese. You're only making 10 every day. It doesn't pay for you to buy it by the case and keep it. You only cut so many every day. So you tell him you're going to discontinue it. Yes, you do get some flak. It depends how important. . . I shouldn't tell you this, but it depends on how important that customer is to me. (Vending 2-1, 2/12/91)

We have one account that likes our potato salad a lot, but they want a slight deviation to our existing recipe and their volume would be sufficient for us to alter our recipe to what they require in order for us to secure more of their business. (Salads 1-1, 6/22/90)

While a short-term goal was to maintain efficiency, the relationship between the manager and the customer, and particularly the size of the account's purchases, affected menu planning decisions, resulting in retaining a small volume item on the menu. It is interesting to note the manager's unwillingness ("I shouldn't tell you this") to admit that his decision was influenced by his relationship with the customer.

### **Quality Considerations Rank High**

The fifth and final influence was consideration of quality when assessing customer satisfaction. Managers considered customer satisfaction with quality to be extremely important and necessary to maintain business. The example below shows how a commissary manager expressed the need to see quality — although the word is not used, but implied — through the eyes of the customer:

I think as far as customer satisfaction, that sort of thing, that's very short-term, you know it has to be short-term, but it's also very important long-term too. If you're going to be able to keep a customer that you plan on trying to get, you've got to know what turns his crank and be able to satisfy that requirement. (Salads 1-1, 6/22/90)

Managers indicated that delivering the desired product on time in the desired quality is essential to maintaining the relationship which ultimately resulted in staying in business.

Maintaining frequent interaction with a customer helped to gauge satisfaction with quality. It developed the relationship so managers understood customer wants.

In most cases, I talk to every one of our customers on average at least once a month and I go see them. If they don't like the product or if they don't like something that's happened, fine, then we change it. (Salads, 1-1, 6/22/90)

A less obvious part of maintaining quality is to be sensitive to customers' changing needs.

With the franchisees, we're in the stores. We talk to the stores every night. We know when the mailings [of promotional material] are going to hit and all that kind of stuff. So, they're doing this mailing in this area, there's probably going to be an increase [in sales]. (Pizza 1-1, 2/13/91)

Frequent contact was a means of insuring quality.

Business expanded as a result of the relationship because the customer knew the quality of the product produced. In the following example, the manager explains how a customer selected his

commissary to produce another new product, thus increasing commissary sales:

We were approached to do [a new product that he did not want to get into]. . . . 'Here are my volumes and will you be able to do it?' And we looked at it and said, 'Okay.' . . . He's been dealing with us with the carrots and lettuce and likes our products, knows we do the [microbiological] tests, knows we run a quality shop and that's what he's looking for. We're easy access to him. He can phone us. Like today, they phoned and they were, I guess, mixed up on their lettuce and they needed another 40 cases first thing in the morning. We're just finishing it now. (Salads 1-2, 2/15/91)

This provides direct benefit to both the manager and the customer: the customer gets a quality product and the manager gets additional business.

### **New Dimension Is Added to Decision Making**

The technical decisions internal to commissary operations are not the only factors influencing decision making. Efficiency is affected by relationships between the manager and the customer. Thus, commissary decision making is not strictly a matter of internal rationalization, nor is the world of the commissary manager as orderly as study of technical decisions indicate. To maintain and enhance relationships, managers may respond to non-routine requests by customers. Decisions that conflict with short-term goals such as efficiency may be used to accomplish longer-term goals of overall profitability. Therefore, the manager's understanding of customer relationships forms a significant part of effective commissary management.

The detailed knowledge gained through a history of interaction can be translated into increasing efficiency in current manager-customer interaction. For example, waste can be reduced by anticipating errors. New opportunities can be capitalized on, and a continuing flow of orders can be anticipated from customer loyalty. While technical production efficiency may be realized by converting from decentralized to centralized production, there is more to managing a commissary than merely implementing economies of scale.

Data show clearly that maintaining and enhancing the relationship with the customer is necessary to achieving the technical outcomes that have been the previous focus of the literature. Commissaries can achieve and maintain efficiency enhancing relationships if managers attend to the history of the relationship, determine outcomes through negotiation with customers, make constructive use of intermediaries, take cognizance of the relative importance of a particular account, and satisfy

customers by meeting their quality expectations. Without considering this interactive part of the process, the methods used in management decision making, including those for technical considerations, cannot be fully understood.

The larger data base available shows even more modifications and exceptions; therefore, generalizability of the observations presented is unknown. This research was conducted in commissaries with between three and 30 employees, which is considered relatively small. It is unclear if the same relationships would develop if the commissaries were much larger because it would become difficult for the manager to know all customers. However, in this sample, routine contact did occur and the manager knew all customers. It is likely that as the size of a commissary increases, and therefore the number of customers, this kind of contact would decrease or customer service agents (i.e., intermediaries) would need to be added to maintain the customer relationship described.

## References

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<sup>2</sup>Catherine Erma Ralston, "Managing Food Service Commissaries: Systematic Analysis of Dynamic Decision-Making by Managers," Doctoral dissertation, University of Wisconsin-Madison, 1992.

<sup>3</sup>The product spread included (1) individual food items such as sandwiches for vending machines and mobile trucks (n=6 firms, 13 managers); (2) pizza dough production (n=2 firms, 3 managers); (3) mayonnaise based salads for fast food restaurants (n = 2 firms, 4 managers); and (4) red meat cutting for a chain of white tablecloth restaurants (n = 1 firm, 1 manager).

<sup>4</sup>Michael Quinn Patton, *Qualitative Evaluation and Research Methods*, second ed., (Newbury Park, CA: Sage Publications, Inc., 1990), p. 280.

<sup>5</sup>Matthew B. Miles and A. Michael Huberman, *Qualitative Data Analysis: A Sourcebook of New Methods*, (Beverly Hills, CA: Sage Publications, Inc., 1984).

<sup>6</sup>Patton, *op. cit.*, pp. 429-430.

<sup>7</sup>Donald E. Lundberg, "A Look at Restaurant Commissaries," *FIU Hospitality Review*, (Spring 1984), pp. 7-13; Edward W. Underriner, "The Commissary: Transition Stage from Restaurant to Factory," *The Consultant*, (July 1978), pp. 3236; Nan Unklesbay, "Hospital Foodservice -- 1978 and Beyond," *Journal of Food Protection*, (June 1978), pp. 471-475.

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<sup>10</sup>Toft, *op. cit.*

<sup>11</sup>Ronald Francis Cichy, "The Application of Quality Assurance Principles to a Commissary Food Service System," Doctoral dissertation, Michigan State University, 1981.

<sup>12</sup>"Portland School System Chooses a Central Commissary," *Cooking for Profit*, (August 1984), pp. 12-13.

<sup>13</sup>Walkup, *op. cit.*

<sup>14</sup>Robert C. Lewis and Richard E. Chambers, *Marketing Leadership in Hospitality: Foundations and Practices*, (New York: Van Nostrand Reinhold, 1989), p. 63.

<sup>15</sup>Each exemplar is identified with a code such as Pizza 1-1, 7/17/90 that indicates the informant's market segment, the firm number in that segment, and the date of the interview.

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