

Food Cost FALLOUT



With food and beverage costs eating up more than one-third of a restaurant operation's sales, it makes good sense – and more than a few dollars – for operators to keep close tabs on their food and beverage expenditures. While costs can vary widely depending on the menu item, the CRFA's 2011 Operations Report puts average food and beverage costs in Canada at around 35 per cent of sales, or about \$21 billion each year. With that much money at stake, foodservice operators have literally billions of reasons to ensure that food and beverage standards and practices are in place.

The first step is to know that you do not bank a percentage of sales – you bank dollars. Canadian operators don't buy 35 per cent, they buy \$21 billion from suppliers. Think first about your food costs on a per-guest basis. From there you can build:

- A clear recipe for every major item on your menu, making sure that each recipe delivers good value for money to your guest;
- Cost bars for different price points. Proteins like steak have higher prices to cover higher food costs per guest; starch items have the opposite, and;
- A food theoretical to tell you what your food cost should be to manage your yields, product losses and sales mix.

Once you are clear on the money you make for every guest on your food, you need to build good operating practices. The trick is making sure that what you intend to do is what actually gets done in your restaurant – even when you are not there.

Nothing improves your menu effectiveness and reduces your costs like being fresh. Sounds backwards doesn't it? However, the foods which sell the fastest are usually the best tasting and are the freshest. Guests can



tell when the “product is not fresh” and they reward operators that are.

The garbage bin is a terrible place for the food. If guests do not value something it will end up in the bin. Yes, the garbage bin is actually one of the most accessible guest survey tools you have. Cutting yields on high-cost proteins and produce through inefficient food preparation and ordering are other ways you can end up with valuable product in the garbage truck. Guests don't pay for anything that ends up in the landfill, or the compost for that matter.

Adopting standard portion sizes is a great way to make sure you deliver consistent value to your guests and that you never scrimp. It is also a very handy method for making sure you do not run out of product, particularly when you are doing a promotion. In the end, if you engineer your menu right, you should never have guests feeling they never quite got enough for their money.

Finally, you will make more money if you spend time working on how your food affects your unit economic model. Your unit model is your profit engine, your “formula for making money.” Getting your model right includes learning:

- Which menu items drive sales per hour when you are busy;
- What menu items increase the number of hours you are busy, and;
- How higher guest counts, gained from having compelling food, drive down all of your other costs per guest.

A profitable restaurant is not easy to create, and is not easy to operate. Getting your “formula for making money” right will take you a long way toward getting the most out of your current restaurant or foodservice location. Take time to “work on your business,” instead of just “working in it.” Spend less time “jumping in” and instead think about your food and you just might make more money.

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