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What is Your Food Cost?

by Robert Welcher

Columbus, Ohio—When I ask food service operators, “What is your food cost?” they often reply, “Last month it was 38%.” referring to last month’s profit and loss statement. Then I repeat my question, I ask, “What is food cost, not what was your food cost!” What I am attempting to find out is whether they know what their food cost should be, not what their food cost was according to their last profit and loss statement.

“Food doesn’t become garbage until it goes into a garbage can.”

“What is food cost?” is a question asked by CEO’s, Vice Presidents, Regional Directors and Managers thousands of times a day. Food cost is the most critical factor in maintaining a controlled and profitable restaurant operation. Food cost is not something that just happens, it is something that must be defined, coached, worked and maintained.

You can’t control what you don’t define.

Many operators believe an ideal food cost is a thirty-three percent. Actually, food cost may be higher or lower, depending on the type of restaurant and the menu. To determine the ideal food cost it is necessary for operators to develop standardized recipes, cost-out the menu by menu items and adjust it



by item sales to provide a defined food cost. Once the defined food cost is determined, it is necessary to maintain the ideal food cost by producing a weekly food cost percentage. The food cost percentage is determined by performing a weekly inventory, extended by product costs, totaled and divided by weekly food sales. The weekly food cost allows the operator to effectively monitor and control food costs.

Define your food cost and monitor on a weekly basis.

Most operators do not know their ideal food cost and unfortunately rely on their profit and loss statement to “define” food cost for them. This approach can literally rob an operator of hundreds of thousands of dollars a year. To control food costs operators must

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first define their food costs and then monitor the costs on a weekly basis.

Food doesn’t become garbage until it goes into a garbage can.

While working with a national chain, I observed a new hire processing vegetables—lots of vegetables. For the first week, this prep person filled a fifty-five gallon garbage can every night. I explained to them the importance of not wasting food and that their top job priority was to stop making food garbage. After working with them and showing them how to properly prep food, the garbage can went from full every night to a mere whisper in just two weeks. Pro-

duce costs went from 5.5% to 3.5% — a significant savings for the restaurant.

Take onions for example. Instead of cutting the tops and bottoms off the onion and throwing them away, imagine the savings from just coring the stem and root. This simple prep technique can save approximately 5% of your onion cost and from a cost savings standpoint, even at a low to moderate volume, this could add up to thousands of dollars a year.

"Once you buy it ,
you own it"

Now take this a step further and add all the other food items that could be processed more efficiently—the potential savings are astronomical.

Fundamentals - purchasing and execution.

Before food gets to your guest, two fundamental things happen: purchasing and execution. Negotiating with a supplier to lower a price by ten cents a pound might be positive, but how the food product is treated, once it is purchased is of paramount importance. The difference is what you do to the food products from the time they are delivered until they reach the guest's table.

Ultimately, the success of any cost control system lies with the operator. The operator must continuously monitor food costs. When food costs gets out of whack, either too high or too low, the operator must determine the source of the variance, and then take immediate action to train, coach and motivate and bring food costs back in line.

What is food your cost ?

Quite simply, food costs what food costs. It's a matter of how the food products are treated once they are purchased and before they get to the guest. When you receive it, you own it.

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