

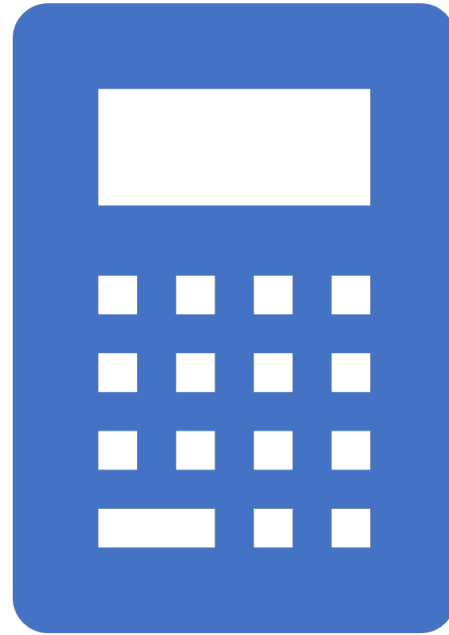


Understanding Your Bottom Line: Strategies for Lowering Costs and Increasing Profits

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IF YOU DON'T KNOW YOUR NUMBERS –
YOU DON'T KNOW YOUR BUSINESS



Traditional Profit Models and Formula

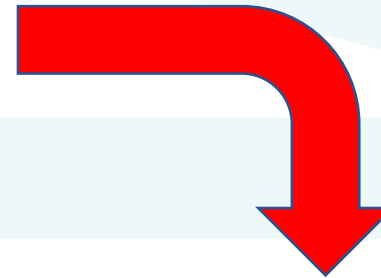
Basic Business Formula:

Revenue – Expense = Profit

- How do we increase profit?
 - Increase revenue and hold expenses
 - Hold revenue and decrease expenses

A New Way to Think About and View Profit

- The basic business formula has been:
- **Revenue – Expense = Profit**
 - Does this traditional thinking still hold up?



- A different perspective:
- **Revenue – Profit = Expense**
 - Promotes budgeting
 - Promotes attention to expense
 - Promotes paying yourself first

YEAR	2018	S
Plant	Variety	Da
CELERY	TENDER CRISP	
BOK CHOI		
ARZUOLI	ALBERT	
RED ONION	RED RIPP	
BROWN ONION	GLADALAN	
HEAD CABBAGE	RED	
CABBAGE	GOLDEN ACRE	
LEEK	BULGARIAN	
SPINACH		
POTATO		
SPRING ONION		
PBK CHOI		
CALIFLOWER	SNOWBALL	
LETTUCE	COS	
LETTUCE	OAK LEAF	
LETTUCE	LODLO ROUND	
LETTUCE	RED CORAL	
NASTURTIUM	JEWEL MIX	
NASTURTIUM	TIP TOP MIXED	
IMPATIENS	PAPPRI MIXED	
LAVENDER	STRECHAS	

Types of Costs

- Direct costs are what you pay outright for the food as well as costs related to portion sizes and food waste. Rent or booth rental at a market or event are direct costs also.
- Indirect costs are the things you pay for that aren't ingredients. This is part of your operation that adds to the value and quality of your food – think table décor, ambiance, lighting, etc.



Types of Costs

- Overhead expenses are what it costs to run your restaurant such as your marketing strategy and utilities.
- Labor expenses are part of your indirect costs. For example, if you are cooking a labor-intensive dish, you want to raise the price to accommodate the extra prep time and labor costs.



What Can Affect Our Costs?

- Volatile food costs usually account for what you pay for meat, fruits and vegetables as the prices for these items can fluctuate due to the seasons.
- Service costs can raise or lower the prices of your menu depending on the type of restaurant. For example, you can charge less at a casual restaurant because you spend less on service. If your restaurant is fine dining, the prices go up. Don't over-price here – make sure the price fits the quality of your service.



What Can Affect Our Costs?

- Pricing boundaries involve knowing the lowest and the highest amount you can charge for your menu item. For example, if you add a steak to your menu, know that you want to charge between \$15-25 for it. Know your profit margin for both ends of the spectrum. Then, research your market to know what they'll pay.
 - In what ways can we do market research? How is it most beneficial?



Expense Control

Every expense dollar saved becomes a dollar of profit!

- Food cost
 - Is your COGS 33% or less?
- Labor cost
 - Is it 35% or less?
 - Use less labor by changing methods
- Do your prime costs equal 60% or less?
 - Materials and labor used in production
- Facility cost?
- Can you take advantage of utility incentives?
- Can you push CC processing costs to customer?
- Insurance?
- Continually review your expenses and look for savings



Calculating Cost of Food Sold

Food Cost Formula

Opening inventory		\$5,000
+ Purchases	+	\$30,000
<hr/>		<hr/>
Total food available		\$35,000
- Closing inventory	-	\$4,000
<hr/>		<hr/>
Cost of food sold (COGS)		\$31,000

How To Generate More Revenue or Profit

- Analyze *all* product costs to use the ones that will *not* compromise quality but *will* control expense
- Analyze procedures to maximize labor
 - Pitchers on tables, leaving checks early
- Analyze your menu
 - Is the menu so large it requires too much inventory (and waste)?
 - Does it hide the profit makers?
- Fill that kitchen
 - Partner with other operators
- Aggressively target take out (including drinks)

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HEAD CABBAGE	RED	
CABBAGE	GOLDEN AGE	
LEEK	BULGARIAN	
SPINACH		
POTATO		
SPRING ONION		
PAP CHOI		
CALIFLOWER	SNOWBALL	
LETTUCE	COS	
LETTUCE	OAK LEAF	
LETTUCE	LOUIS ROU	
LETTUCE	RED CORAL	
NASTURTIUM	JEWEL MIX	
NASTURTIUM	TIP TOP MIXED	
IMPATIENS	PAPRI MIXED	
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Food Cost

The actual dollar value of the food used in a foodservice operation.

- The cost of food sold to customers
- The value of food that is given away or wasted or lost through “shrink”

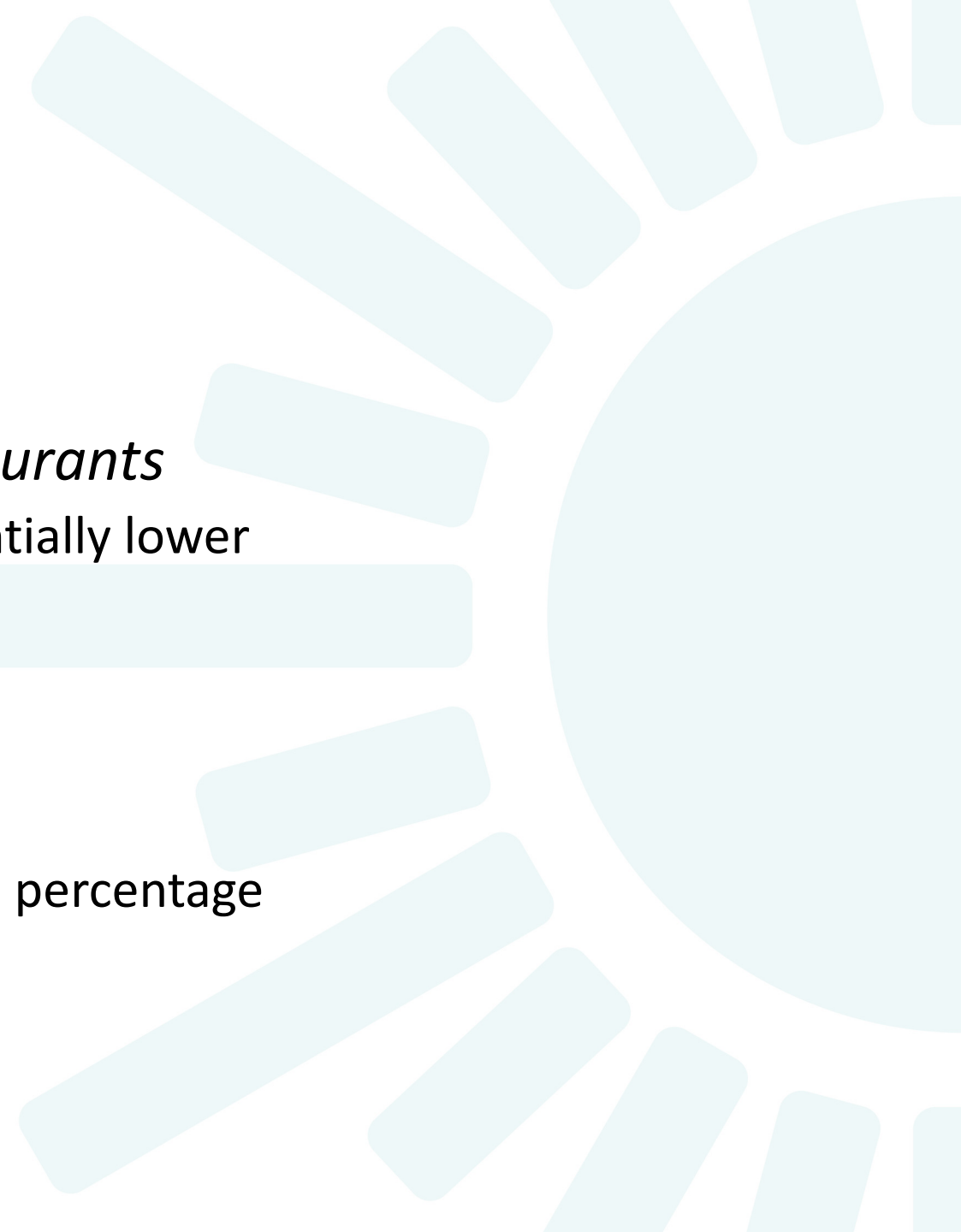
How To Control Food Cost

- Menu Planning
 - Cross utilization
 - Portion size and control
 - Examples?
 - Use all edible trim
 - “Nose to tail eating”
 - Plan production to avoid leftovers
 - Plan to use leftovers
 - EX. Baked Potatoes
 - Order in small batches, especially on perishable items
 - EX. Fresh herbs

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SPINACH		
POTATO		
SPRING ONION		
PAK CHOI		
CALIFLOWER	SNOWBALL	
LETTUCE	COS	
LETTUCE	ORLEAF	
LETTUCE	LODLO ROND	
LETTUCE	RED CORAL	
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Food Cost Percentage

- Food Cost Percentage
- Should hover around 30% in most *restaurants*
 - Your individual operation could be substantially lower
 - Example: coffee or drink cart
- Calculating
 - Percentage = food cost/menu price
 - OR
 - Wholesale price of food/restaurant sales = percentage



Food Cost Percentage

Food cost ÷ Sales = Food cost percentage

\$7,000 ÷ \$25,000 = 0.28 or 28.0%



Food Cost Percentage

$$A \div B = C$$

A = Food Cost **B** = Sales **C** = Food Cost Percentage

What happens to C if A and/or B change?



Menu Price: Food Cost Percentage Method

- Choose your ideal food cost percentage.
- Determine the raw food cost of the menu item
- Calculate your price using the following equation:
- Price = Raw Food Cost of Item \div Ideal Food Cost Percentage.

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LEEK	BULGARIAN	
SPINACH		
POTATO		
SPRING ONION		
PAP CHOI		
CALIFLOWER	SNOWBALL	
LETTUCE	COS	
LETTUCE	OAK LEAF	
LETTUCE	LODLO ROUND	
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Menu Price: Food Cost Percentage Method

- If your deal food cost percentage is 28%, and your raw food cost is \$4.
- The equation will be as follows:
- $\$4.00$ (Raw Food Cost of Item) \div 28% (Ideal Food Cost Percentage). The price you will use for your menu will be \$14.29.

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POTATO		
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Recipes

Recipe- a written record of the ingredients and preparation steps needed to make a particular dish.

First, read through a recipe in its entirety to determine:

- Intended use
- Necessary conversions



Recipes

- Measure ingredients accurately
- Make sure to use the right units of measure (each, bunch, dozen, etc.)
- Standardize recipes for increased efficiency






Standardized Recipes

For a standardized recipe, include as many of the following items as possible:

- Name of dish
- Yield information
- Portion/Serving size information
- Ingredient names
- Ingredient preparation instructions
- Equipment needed
- Preparation steps
- Service information (garnish, plating)
- Holding and reheating information
- Critical control points

Standardized Recipes

			<h2 style="margin: 0;">Chicken a la King</h2>			
Recipe Card & Process			Menu Price:	\$12.99	Last Updated: August 12, 2020	
Ingredients	# of Units	Unit Type	Cost per Recipe Unit	Ingredient Cost	Recipe Directions & Process	
Chicken	4	oz	\$0.06	\$0.22	<ol style="list-style-type: none"> 1) Get the chicken to come inside. 2) Read chicken a book. 3) Have chicken take a nap. 4) Get chicken on the treadmill. 5) Pluck feathers from chicken. 6) Boil rice. 7) Cook beans. 8) Mix everything together. 9) 10) 11) 12) 13) 14) 15) 	
Rice	12	lb	\$0.12	\$1.22		
Flour	3	oz	\$0.05	\$3.45		
Cooked Pork Chops	4	lb	\$1.24	\$0.25		
Rice	5	oz	\$0.25	\$1.03		
Cream Cheese	6	oz	\$0.32	\$0.45		
Chives	2	Tbsp	\$0.57	\$0.01		
Beans	3	lb	\$0.23	\$3.25		
			Recipe Cost:	\$9.91	Plating & Server Info <ol style="list-style-type: none"> 1) Put chicken on plate. 2) Place beans on left. 3) Place rice on left. 4) Pour cream cheese over chicken. 5) Sprinkle chives over chicken. 	
			Portion Cost:	\$2.01		
			Food/Portion Cost:	18.60%		
			Gross Margin Per Portion:	\$2.84		
			Portion Yield:	4		
Comments: Signature Dish Made to Order						

This Recipe Card and Process, provided by Elaman1234 Consulting, is intended for internal use only.

Recipes are not to be photocopied, duplicated, or otherwise shared with persons outside restaurant owner's establishment.

Recipe Calculations

- Scaling
- Converting
- Yield %
- Translate from purchase units to recipe measurements
- Butcher's Yield Test



Recipe Calculations

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SPINACH		
POTATO		
SPRING ONION		
PAP CHOI		
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LETTUCE	OAK LEAF	
LETTUCE	LODLO ROUND	
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- $\text{Desired Yield} \div \text{Original Yield} = \text{Recipe Conversion Factor}$
- $\text{Number of Portions} \times \text{Portion Size} = \text{Total Yield}$
- **APC (As Purchased Cost)**
 - $\text{As Purchased Cost} \div \text{Number of Units} = \text{APC per unit}$
- $\text{As Purchased Quantity} - \text{Trim Loss} = \text{Edible Portion Quantity}$
- **Edible percentage yield = % of edible product after processing**
 - $\text{Original weight or count} \div \text{after processing weight} = \text{Yield Percentage}$

Recipe Calculations

- Divide serving size by edible yield percentage.
 - This will tell you how much raw product you need per serving.
 - $6 \text{ ounces} / .75 = 8 \text{ ounces}$
- Divide 16 ounces by the amount of raw product needed per serving
 - This will tell you the number of edible servings you can get from one raw pound of roast beef.
 - $16 \text{ ounces} / 8 \text{ ounces} = 2 \text{ servings}$
- Divide the number of guests by the number of edible servings per raw pound
 - This will give you the amount of raw roast beef you must requisition.
 - $110 \text{ servings} / 2 = 55 \text{ raw pounds}$



Food Math Calculations

Edible Portion Quantity \div As Purchased Quantity = Yield %

Edible Portion Quantity \div Yield % = As Purchased Quantity

As Purchased Quantity \times Yield % = Edible Portion Quantity

Edible Portion Quantity \div Portion Size = # of Servings

As Purchased Cost \div Yield % = Edible Portion Cost

More Food Math Formulas

- Total Cost (recipe) ÷ Yield = Unit (serving) cost
- Edible Portion (EP) ÷ As Purchased (AP) = Yield Percentage
- Cost of Food ÷ Total Sales = Food Cost Percent
- *Recipe conversion:*
 - New Yield ÷ Old Yield = Conversion Factor
 - EX. $15 \div 10 = 1.5$
 - Multiply conversion factor by the amount of product to give you the new required for the new desired yield
 - EX. $1.5 \times 48\text{oz.} = 72\text{oz.}$
- *The method of figuring menu pricing is to determine the monthly food percent and divide the food cost percent into the raw food cost*
 - Raw food cost ÷ food cost percent = menu or selling price



THANK YOU!
ANY QUESTIONS?
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