

# Taking the Guesswork out of Your Food Costs

By Denis Catroun

Control is essential in today's economy where you have a very small profit margin

**Y**ou probably go through this routine once a month, usually nearing the end of the cycle. You have just completed your inventory count, entered your values in your spreadsheet and while the machine is compiling the results on a master sheet, you are eager to find out the value of your food cost.

You are organized! Your computer's hard disk is well de-



signed. The formula is: Opening Inventory + Purchases (net of course) - Closing Inventory = Cost of Goods. Then you adjust your figures for whatever credits need to be applied (staff meals, promotions, management meals etc.) and you divide this value by the total net sales. Hallelujah, your food cost is 16 percent.

You are overjoyed, your chef is a genius! He deserves a raise, so you start writing him a check. As you are writing the check, you start sweating: What if a head hunter discovers you have a great chef? He will be in demand and find a job at a hotel where his salary will be in the six figure range...Your hand is shaking and you decide to add another zero, after all you've just had a great month with a 16 percent food cost. You can afford it.

Maybe not?

What is wrong with this scenario?

Nothing is wrong, you are just missing three important pieces of information. The first is your potentials' report, that is your theoretical food cost. Should your food cost really be 16 percent. The only way to find out is by analysing your potential cost as calculated by your Point of Sales system. The second missing factor is the preference report: what did you sell this month? If you have only been selling coffee, it is understandable that your food cost be situated at 16 percent and lastly you need to know the status of your expenses (petty cash, labor, maintenance...).

Let's envision the situation from a different angle. Same data! But your food cost is 42 percent. Don't fire your chef yet. Check what you have sold. If your sales are mainly the Lobster Salad with a Beluga Caviar Sabayon, your food cost could be 42 percent. **Bottom Line:** There is a lot more money to be made from a Lobster Salad than a cup of coffee.

Elaborating further on the concept of potentials, what do they tell you? Potentials are the barometer telling you that your actual food cost is or is not in line with your theoretic-

cal food cost. It presupposes that your recipes have been adequately spelled out and costed. So let's say your theoretical food cost is 31 percent and your actual food cost, as determined by your inventory count is 33.5 percent? What should you do?

There are a few questions you should ask yourself:

- Did I update the prices on my inventory sheets and do I have an accurate count?
- Have my purchases been posted in the appropriate accounts?
- Are my recipes properly costed and the cost price adequately entered in my Point of Sales system?
- Do I have a lot of "Open Food" items in my Point of Sales system?
- When was the last time I updated by cost prices and selling prices?
- Is a supplier having fun with my money?
- How much food waste do I have for this period?

Those questions are relatively easy and quick to answer. If you have a satisfactory answer for each of the questions which apply to your situation and the answer does not modify your food cost, then you're in for a little staff investigation.

**Check portion control on a regular basis and without the kitchen's knowledge. This is where your money is going.**

Preference reports give you a detailed account of what has been sold for a given period. It helps you delete the unpopular items from your menu, increase the price of your popular items and it can help you compute your potentials if your system does not compile them for you.

Here are a few suggestions to help you control the food & beverage aspect of your operation:

- Use a market list for your purchases, get three quotes for all your items and mark down on that list the price and supplier you have chosen. Leave this list in the receiving area for the receiver to verify the expected incoming goods and match the prices with the bill.
- Spot check all incoming goods, systematically at first and then sporadically. Do not forget to check the goods if you are dealing with a new driver.
- Use a reliable scale to weigh all incoming goods which are sold to you by weight as opposed to by the case or by the piece.
- Open all the cases of fruits and vegetables from the bottom when spot checking them. A dishonest supplier is likely to have the top layer of the case impeccable and the bottom layer deplorable.
- Refuse all deliveries during lunch and dinner unless you really need your goods.
- Update your inventory list prior to every count.
- Check portion control on a regular basis and without the kitchen's knowledge. This is where your money is going.
- Make sure the kitchen does not issue any food without a coupon, then match the coupons with the preference report for that particular day.
- Keep your inventories very low, the lower your stocks the less there is to steal and to count at inventory time; the less there is to count the lower the margin for error.
- Negotiate with your suppliers, make sure they know that their competition can provide with better prices. Keep them on their toes. They will probably think you are bluffing but they can't really take that chance.
- Staff and management should be responsible for what they consumer in the restaurant and should sign their own bills.

- Only managers should have authority to void items and exempt from taxes.
- Keep an eye on what is being disposed of in your kitchen's garbage; you might make some interesting discoveries.
- Most of those principles apply to beverage control as well.

**Keep an eye on what is being disposed of in your kitchen's garbage; you might make some interesting discoveries.**

- Soft drinks in tanks, beer and wine in kegs should be weighed when taking down inventory. The remaining value should be calculated to have an accurate count.
- Do not forget to make the necessary transfers from the bar to the kitchen and vice versa and give the appropriate credits and charges.

Regardless of the size of your operation, selling food is how you make your money. Good control is essential, especially in today's economy where you have a very small profit margin. Never forget that food and beverage control starts at the top. If you show interest and concern, your staff will be impressed by your awareness to the matter and act accordingly.

*Denis Catroun is an instructor at Trends College in Vancouver and Director of Liaison of the Association of Food and Beverage Directors of Vancouver, Canada. He can be reached at (604) 687-8830.*