

Georgia Restaurant Association Food Cost Tool Box

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Food Cost Overview

Food Cost is an important area that everyone can have an impact on. This is why it is important that every Manager understands factors and situations that can affect food cost. Before you can diagnose a food cost problem, you must understand the essentials of food cost. The objective is to define food cost, which controls it, and how it is controlled.

Basic Terms

Food Cost (as a percent of sales)

Amount of money to produce the product divided by the sales of that product

Inventory

Beginning Inventory: The amount of food (in dollars) on hand at the beginning of an inventory period

Ending inventory: The amount of food (in dollars) on hand at the end of an inventory period

Purchases

The amount of dollars spent on food products

Cost of Goods Sold

Beginning Inventory (\$\$) + Purchase (\$\$) – Ending Inventory (\$\$) = the dollar amount of food product used known as Cost of Goods Sold

Food Cost Calculations

Food cost is based on the amount of food used related to food sales. To calculate food usage, take the beginning food inventory, add food purchases for that period or week, and subtract the ending food inventory. For example, if beginning food inventory is \$15,000, total food purchases for the week are \$28,000, and the ending food inventory is \$14,000, the usage for the week is \$29,000.

Determining Food Costs

Beginning inventory \$ (+) Purchases \$ (-) Ending inventory \$ = Usage \$ + Sales \$ = 'Food Cost' as a percentage of sales or 'Cost of Sales'

Food Cost Control

Food Cost control is a team effort. The manager/kitchen manager is directly responsible for the employees that control food production. They must be continually training their team so that the integrity of the food stays intact with minimal waste. Managers control food costs by doing line checks and watching portion sizes. They also make sure that all dishes are rung in and comped correctly.

How to control Food Cost

There are five areas that we impact to control food cost. The areas are Food Purchases, Receiving Food, Food Storage, Good Production, and Food Inventory.

1. Food Purchases: Ordering the proper amount for storage and rotation. Maintain par levels so that there are always enough products, but not so much that there are waste. Buying right and monitoring supplier prices to get the best price for the quality specified.
2. Receiving Food: Ensuring that the product ordered is the product received and paid for. Proper receiving requires matching the order guide/purchase order to the delivery.
3. Food Storage: Storing product at the optimal temperature for quality and proper shelf life.
4. Food Production: Maintaining proper temperatures while prepping items, and training the Crew to get as much yield out of raw product as possible.
5. Food Inventory: Counting product using accurate weights and measures with up to date pricing, consistently every week/period/month.

Recipe Book Form (Use for each prepared menu item)

Menu Item Name:

Description/Category: (How the menu item should be described to the customer including quality attributes)

Price:

Cost:

Ingredients: (name, weight/volume)

Preparation: (step by step – numbered)

POS location: (if possible show keyboard layout)

Picture of menu item plated:

Food Cost Process Checklist

This checklist should be completed on all food cost inventories.

1. _____ **Stock room, coolers and freezers are rotated, neat and organized**-all box flaps are cut. This allows for ease of inventory.
 2. _____ **Pull copy of physical ending inventory and review.** Check for any errors. Review UOM (unit of measure) for items as well at this point. Review for any raw pricing issues.
 3. _____ **Verify Waste has been entered** on a DAILY basis for current period
 4. _____ **Verify all purchases are posted** and check pricing is correct. Correct any outstanding pricing/invoice issues with suppliers.
 5. _____ **Review Employee Meals** dollar amounts on the Daily reports-Are employee meals being rung up daily? If not develop actions to correct.
 6. _____ **Pull Raw and Completed Waste /Promo Data** for current period. This data identifies what is being wasted and promo'd. Review top wasted items-develop plans to address. It also shows dollar amounts.
 7. _____ **Complete Food Cost Sheet** for appropriate time period. Compare Actual to Targets and develop appropriate action plans for improvement.
 8. _____ **Complete all action plans now.** Actions should be specific and measurable. Communicate action plans and actionable assignments to your management team and staff ASAP.
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Ways to save money by buying smarter:

- Know the price before you buy - ask suppliers to provide order guides (price lists) as frequently as their prices change. You have the right to know the price before you buy and you should take that into consideration when placing your order. Don't let small weekly price changes catch up with you over time.
- Look for quantity discounts - most suppliers charge extra for broken cases. Evaluate the opportunity to take advantage of full cases for items (especially non perishables) based on your storage space.
- Evaluate impact of price trends - periodically re-calculate the food cost based on current prices. Proteins can have peaks and valleys in pricing, peaks may result in changing the menu items or pricing, valleys may create opportunity to run featured items to capture more margin.
- Receiving - Take a few extra minutes to check in every order. Make sure quantities match the order (and invoice), double check weight of high cost proteins priced by the pound.

Five ways to Impact Food Cost through Effective Floor Control

Restaurant profitability requires effective Floor Control. Managing Food Cost, the largest P&L expense, is essential to optimizing profits.

Discuss Food Cost opportunities observed from your shifts at weekly team meetings. Use the G.A.M.E. method of problem solving to correct Food Cost opportunities. As you move into the “Make a Plan” phase of G.A.M.E., here are ten ways to assist you in optimizing Food Cost through effective Floor Control.

Procedures:

- Observe all crew procedures, coach if necessary.
- Observe portion sizes, addressing yield items as appropriate.
- Remove any barriers that prevent staff from delivering quality products in the proper amount of time for your operation: i.e. equipment positioning or staffing.
- Insure proper execution of on-the-floor training.

Raw Product:

- Avoid overstocking at the prep table, fry station, coolers, freezers, etc.
- Check code dates to insure product is rotated.

Product Waste:

- Check waste containers to insure discards are in the proper location.
- Count waste accurately.
- Check code dates of incoming products to insure proper remaining shelf life.

Security:

- Keep keys in possession of the shift manager.
- Keep all high value storage areas and back door locked, have a manager present when opened.
- Kitchen team should only assemble orders that are on the KVS (Kitchen Video System) or called back by the manager
- Ring up all employee and manager meals.
- Reconcile promo against POS/cash register amount during drawer counts/check out.

Communication:

- Inform the kitchen crew of the restaurant’s top 3 opportunities. Obtain their assistance.
- Recognize, reward and communicate successes to management and crew during your shift.

G.A.M.E. approach to optimize Food Cost

G.A.M.E. is a simple four step method of problem solving useful in all situations. Here is the G.A.M.E. approach to help you to improve Food Cost.

G Gather Facts *(What's the Problem?)*

- Insure accuracy of reports: Inventory, product mix, daily sales reports.
- Check for administrative errors: Transfers, Waste recording, Invoice entries, etc.
- Observe staff procedures, product storage and handling while managing your shift
- Identify problems on-the-floor

A Analyze *(Why is this happening?)*

- Analyze reports and identify opportunities.
- Determine your restaurant's largest dollar loss items
- Ask "Why" the problem is occurring. Continue asking why until you determine the root cause

M Make a Plan *(What would work better?)*

- Make plan realistic and obtainable
- Plan must be easy to implement
- Plan must include measurement of with tactics
- Plan must include accountability of timely results
- Assign each manager a part of the action plan
- Communicate plan to all restaurant staff

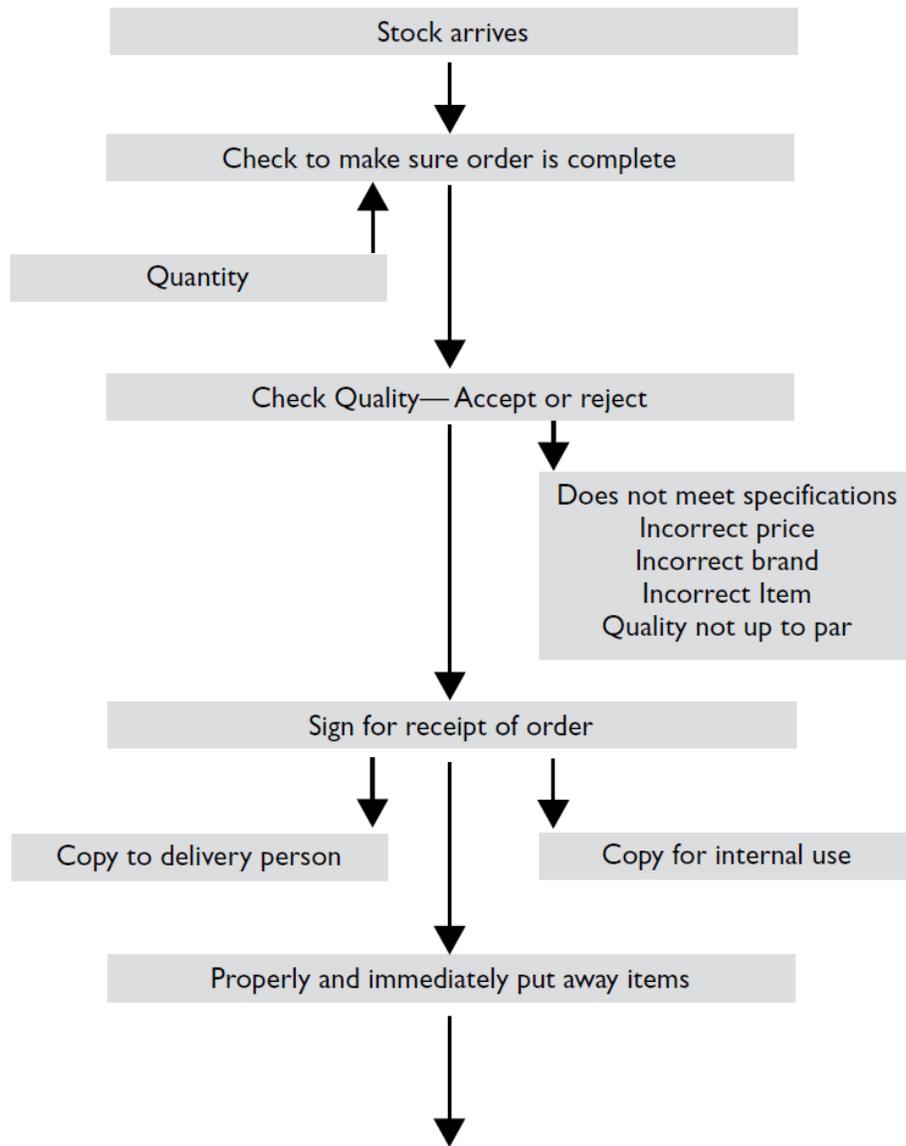
E Execute and Evaluate *(Make it happen consistently!)*

- Execute the plan
- Monitor the results (measurement)
- Evaluate progress made on the top Stat dollar loss items
- Refine the action plan as necessary
- Communicate, communicate, communicate
- Recognize and reward results

Inventory Control Troubleshooting Guide

KEY SUCCESS FACTORS	ACTION ITEMS
<p>☐ Stock levels are in line with sales projection</p>	<ul style="list-style-type: none"> • The restaurant or ordering manager should do an inventory travel path just before receiving a delivery. Check stock levels and how well build-to's are working. • Check actual sales from the previous order cycle against projected sales used to prepare the current order, and analyze any significant differences. Check the promotional calendar to anticipate product trends. • Tour restaurant and determine if stock levels are reasonable. This is best done the day before deliveries.
<p>☐ Build-to's are in place and reflect current product mix</p>	<ul style="list-style-type: none"> • Calculate and insert build-to quantities on order form based on usage • Revise your order form to include only the products your restaurant uses. This saves time and prevents ordering items you don't need.
<p>☐ Deliveries are checked for order accuracy, quality, and condition</p>	<ul style="list-style-type: none"> • Schedule the same manager/delivery team to handle deliveries consistently. Train the team to assess order accuracy and quality, rotate the product properly, check code dates, and contact the supplier when something isn't right.
<p>☐ Products are stored properly (location, safety, and rotation)</p>	<ul style="list-style-type: none"> • Ensure that storage temperatures in refrigerators/freezers are acceptable. Refrigerators/freezers that are too cold or too warm could cause product damage, which significantly reduces shelf life. • Rotate product during receipt and usage to ensure product with shortest shelf life is used first. First In First Out (FIFO). • Set up a map of where products should be stored in the freezer, refrigerator, and storage room, and show stacking heights.

RECEIVING SYSTEM



Taking a Deeper Dive into Food Cost Control

Dumpster Dive: the purpose of the dumpster dive is to evaluate food and paper waste, look at dumpster usage and evaluate the corral area.

1. Open the food waste dumpster door. Examine the bags and any other items. Is there excessive food waste with prepped food? Are boxes present that should be in the card board dumpster? Is the dumpster size adequate for the needs of the business?
2. Are all boxes broken down in the card board dumpster? Is the dumpster size adequate for the needs of the business?
3. Check linen containers for misuse of towels or product.

Refrigeration Refrigeration that does not run efficiently can have a big impact in the following areas: food cost/waste, electricity usage, repair bills, and capital expenditures. In addition, food quality , food waste and food safety are impacted.

1. Is freezer evaporator drain line heat taped and insulated? (Ice accumulation on floor or cartons under evaporator pan indicates that drain is frozen or clogged.)
2. Are all freezer evaporator fans clean, running, and free of vibration?
3. Check the front and back of the walk-in cooler and freezer evaporator coils with a flashlight. Are they clean and frost free?
4. Use the Light Leak method of checking freezer and cooler door integrity. (Close door while inside unit with light off. Any light visible around door perimeter indicates failure of gasket seal.)
5. Make sure the walk-in door closer latches are functional. Check for and replace worn gaskets on refrigeration and freezer doors.
6. Check the remote condensing units for the walk-in cooler and reach-in freezer with a flashlight. Are fins straight, and coils clean? Check the condensing unit for the ice machine. Are coils clean?
7. For non-remote air-cooled beverage systems, check the condenser coils with a flashlight. Are they clean and are fins straight?
8. Open one reach-in freezer door; does it swing shut by itself? Is there minimal frost build-up? (Excess frost can be due to loose latch or gasket, or not defrosting often enough.)
9. Are secondary thermometers placed in each piece of refrigeration?

Food Cost Controlling food cost is a shift by shift task. POS procedures, inventory systems, production and prep systems, and constant communication and follow-up are the keys to keep your food cost in check.

1. Is an action plan in place to address variances and opportunities?
2. Are employees aware of food cost priorities and do their behaviors reflect these behaviors?
3. Are daily inventories of the top five to ten high variance/high cost items performed daily?
4. Are raw and completed waste recorded each shift and targets set and monitored?
5. Is the spread between the actual and theoretical food cost analyzed each month for opportunities?
6. Are expensive food items (proteins, etc) being stored properly to extend shelf life and lower waste?
7. Are side items being prepared in smallest amount possible to lessen waste and ensure quality?

Production Area This is one of the most critical areas with regards to profitability. The bulk of controllable costs are in the hands of the production staff. Digging into the details is where you will find the profit opportunities.

1. Are all coolers/freezers/storage areas in the production area set up with a minimum of 2 hours /max 8 hours refrigerated/frozen/prepped product, and 24 hours of paper products?
2. Are build to levels posted along with pictogram of inventory setup for each cooler/freezer/station?
3. Are managers checking stations during day to ensure pictograms and stock levels are to standards?
4. Are items like flour, sugar, portion control sugar etc store in sealed containers?

Line procedures

1. Steam tables items to temp and entire well filled with pans.
2. Do all line cooks have thermometers?

Prep procedures Product yields are largely determined by prep procedures. Proper procedures can improve yields between 5 and 25+%.

1. Is there prep list in place for the shift that is based on that days projected volume?
2. Is there excessive waste in cleaning/prepping produce?
3. Is KM making proper checks DAILY on prep cooks procedure and product?
4. Are protein portions weights correct?
5. Are prep product levels appropriate at time of walk-thru?
6. Are the dates for shelf life of side items accurate?
7. Is the quality of prepped items to standards? Has KM reviewed product being produced?

Beverage yields Proper portioning is the key to maintaining the cost of goods and product quality with regards to beverages.

1. Is the correct amount of ice used for all beverages?
2. Are the servers asking if the customer wants lemon?
3. Are the soda towers and soda guns calibrated/brixed?

Trash cans Check trash cans to insure your profits are not being “thrown away”.

1. Are clear liners being uses?
2. Is trash checked by the KM or supervisor before being taken to the dumpster?
3. Are waste cans for completed and raw in the production area?
4. Is FOH manager checking trash cans being used by servers?

Back Door The back door is a critical as your front door for maintaining profits. The value of items that go in and out the back door is greater than what you typically deposit in cash each day. Having a system in place to monitor the back door will protect profits and the personal safety of employees and customers.

1. Is the back door left locked at all times? Is back door alarm functional if installed?
2. Does the peep hole work and provides a clear view of anyone outside the door?
3. When the door is open for deliveries or taking out trash, is the KM or other supervisor monitoring who and what is coming in and out?

Inventory Systems An efficient inventory system is the first step in maintaining a low food and paper cost.

1. Are inventory turns calculated and communicated, and action steps in place to keep inventory at proper levels?
2. Is order guide used by KM created list food in order of how you find it in restaurant?
3. Does order guide have par level based on sales expectations and inventory turn to aid KM in ordering?
4. Are flaps cut on boxes in dry storage areas and only one case of product open at a time?
5. Are all code dates/labels facing forward?
6. Are items/splits from partial cases in the walk-in cooler and freezer taken out of the case where possible?
7. Are raw and tempering items stored below finished and cooked foods?
8. What is action plan when food is found not stored properly?
9. Is a current ordering guide with seasonally adjusted par levels in use?
10. Are all items in code? If not, determine cause.
11. Are all CO2 and other pressurized tanks chained to a wall or permanent fixture?
12. Is procedure in place to have 2 persons receiving of all deliveries?
13. Are all orders scheduled to be delivered when appropriate person is available to put away?
14. Is delivered inventory counted and put away immediately?
15. Are vendor deliveries restricted during peak periods?

Employee Theft

1. STEAL THE MANAGERS REGISTER CODE/CARD TO USE EMPLOYEE MEAL AND OVERRING FUNCTIONS

This happens more often than we think. The thief can easily look over the manager's shoulder and sometimes the manager even gives their code to a "trusted" employee. This code must be changed monthly. Also, don't trust anyone with the keys to the store at anytime. The manager is 100% responsible for the restaurant and they cannot share that responsibility.

2. STICK WITH A SYSTEM

The best running restaurants have systems in place and the best thieves do the same thing day in and day out once they have a system that works.

3. PROMO ITEMS WITHOUT THE PROPER COUPON AND TAKE THE MONEY

Managers must check to make sure the promo matches the coupons and document when it does not.

4. OUT THE BACK DOOR

The back door needs to be treated like the safe. Every time it is open a manager should be standing there until it is closed and locked. This forces people to take raw product out the front door in backpacks or large bags. They can only take small amounts. This is what they will grab. The back door needs to be treated like the safe. Every time it is open a manager should be standing there until it is closed and locked. This forces people to take raw product out the front door in backpacks or large bags. They can only take small amounts.

Leading Change to Improve Food Cost

Managers are tremendously busy today and yet we continue to try to direct all activities through them instead of finding ways to help and support them with their limited involvement but agreement and support.

- With respect to solving food cost problems – select someone in the restaurant that has a passion and interest in helping solve the problem. This must be a manager or a long standing, trusted employee. They must have your support.
- The key idea is to involve more people with fewer things to be responsible for and have them measure/find solutions and provide regular feedback to the management team (weekly).
- Break large problems or tasks into manageable sized, short-term tasks. Assign to individuals with targeted results/date to complete.
- **It's critical to establish goals** to communicate to everyone in the organization what you intend to achieve and by when.
 - **Measures** create **awareness, meaning** and **value**. People by nature like to win. Achieving measures that are established in goals provides pride and satisfaction. The **right** measures are critical to the success of the business.
 - **Feedback and follow-up**, no need to say something you don't intend to follow-up on and provide feedback on. People learn quick, if you ask for something and don't follow-up, it won't be long before your not listened to with any seriousness.
- Keep it simple - to keep it focused
- Keep on it – there will be good and bad days – don't give up
- Keep at it – achievement happens over time with discipline and routines
- **Routines** and **disciplines** that support the **focus** are critical to achieving long term results (it's got to be behavior).
- Daily counts on the highest opportunity cost items.

Ken Blanchardt's Five Suggestions for Success

1. Tell people what you want from them.
2. Show them how to achieve it.
3. Have them show you they can do it and that they understand you.
4. Redirect/correct any errors in understanding or standards.
5. Recognize them for their efforts and the results they achieve.

Where Do You Start?

1. Begin with a goal
2. Select someone with passion and interest in helping solve the problem.
3. Measure and provide feedback regularly (weekly is best).
4. Ensure **focus** – demonstrate **routines** – follow through with **discipline** – making it a habit leads to success.
5. Start with the **vital few** – the three to five items that cost the restaurant the most loss

Food Cost GAME Plan Follow-up Form

Date: _____

Manager: _____

GAME PLAN

Does the restaurant have a game plan?

Is the game plan posted?

Is the game plan being followed?

WASTE

Is raw and completed waste tracked during the shift?

Does the restaurant have the following in use?

Waste container for:

Raw _____ Completed _____

EMPLOYEE AND MANAGER MEALS

Are employee meals being recorded properly?

Are manager meals being recorded properly?

INVENTORIES

Is the restaurant doing inventories?

Daily _____ Weekly _____ Monthly _____

Are the inventories being followed up on?

Are all boxes broken down before leaving the restaurant?

Is the staff involved with reducing food cost?

Review back door policy.