Supy

# THE ULTIMATE GUIDE
## TO REDUCING FOOD COST IN MULTI-BRANCH & ENTERPRISE RESTAURANTS

Discover the food cost control techniques used by the leading F&B groups, that you can apply today

From the restaurant inventory solution used by the leading restaurants

# TABLE OF CONTENTS

# 1. How To Calculate Food Cost & Food Cost Percentage (With Formulas & Examples)

Your restaurant's profitability depends on how you set the prices for your various menu items.

Price a dish too high, and customers won't order it. Price a dish too low, and you won't generate enough revenue to cover your costs. This is why finding the balance between the cost of ingredients in your recipes and the price you are selling your menu items at is key. The Food Cost Percentage is a metric that helps restaurant operators know whether their dish is selling for a profit or at a loss, thus its importance.

In this section, we'll explain what the food cost percentage is and how to calculate it. We'll talk about how Anthony's Shawarma Joint calculated theirs, and we'll address the common misconceptions that come with figuring out what a good food cost percentage is.


## 1.1 What's A Food Cost Percentage?

In simple terms, the food cost percentage of a restaurant is the ratio of the cost of the ingredients bought to the revenue generated by the menu items sold, over a period of time. It's a number that every restaurant owner needs to know in order to make decisions about menu item prices, menu item profitability, overall menu profitability, overall costs, and portion sizing.

For a single menu item, the food cost percentage would look like this:

$$\textbf{Food Cost Percentage} = \frac{\text{Cost of a recipe's ingredients}}{\text{Selling price of the recipe}}$$

It would look like something like this, on a restaurant inventory software:

| RECIPE CODE | RECIPE NAME | CATEGORY | COST (AED) | FOOD COST % | SELLING PRICE |
|---|---|---|---|---|---|
| 51ea1f | Prawn Crackers | Nibbles | 1.68 | 13.97 | 12.00 |
| 8a4a47 | Chilli Coriander Edamame | Nibbles | 4.15 | 18.06 | 23.00 |
| 466a91 | Vegan Fresh Rolls | Fresh Rolls | 2.26 | 9.12 | 25.00 |

Source: Supy

But… the formula mentioned above is for ***theoretical*** values. The ***theoretical*** food cost percentage works in an ideal world where every ingredient is perfectly portioned for every menu item sold, which doesn't happen often.

This is where the ***actual*** food cost percentage comes in: the value is calculated by looking into the global (vs singular) consumption of certain ingredients, over the revenue generated by the quantity of items sold. This is because the cost of the ingredients bought might evolve over the given period of time, but also because the quantity of ingredients used may vary from 1 version of the dish to another (due to inconsistencies in the preparation method, for example).

## 1.2 How To Calculate The Theoretical Food Cost

First, let's find the total cost of the ingredients per serving.

*Anthony's Shawarma Joint* is known for its chicken shawarma, which comprises 100 grams of chicken thighs, 10 grams of pickles, 5 grams of tahini, 5 grams of tomatoes, and 1 piece of arabic pitta bread of flour.

Anthony spends $10 for 1 kilogram chicken thigh when purchasing his ingredients from his food distributor. He figures that 100 grams (or 0.1 kg) of chicken thigh for his chicken shawarma costs his restaurant $1. The cost per serving of the remaining ingredients of the burger is calculated similarly by Anthony:

- $1.00 for 100 grams of chicken thigh
- $0.40 for 10 grams of pickles
- $0.20 for 5 grams of tahini
- $0.05 for 5 grams of tomatoes
- $0.35 for 1 piece of Arabic pita bread

The sum of all the ingredients used in Anthony's famous chicken shawarma recipe amounts to $2.00.
**That's his theoretical food cost per serving.**

Now, to find the theoretical food cost percentage:
We divide the theoretical cost of ingredients ($2.00) to the selling price of a chicken shawarma, which in this case is $8.00.
$2.00 / $8.00 = 0.25, or 25%

The **theoretical food cost percentage** of Anthony's chicken shawarma (given the perfect portioning of ingredients) is **25%.**
Now, let's get a reality check !

**Calculate Your Food Cost With Supy's Built-In Food Cost Engine**

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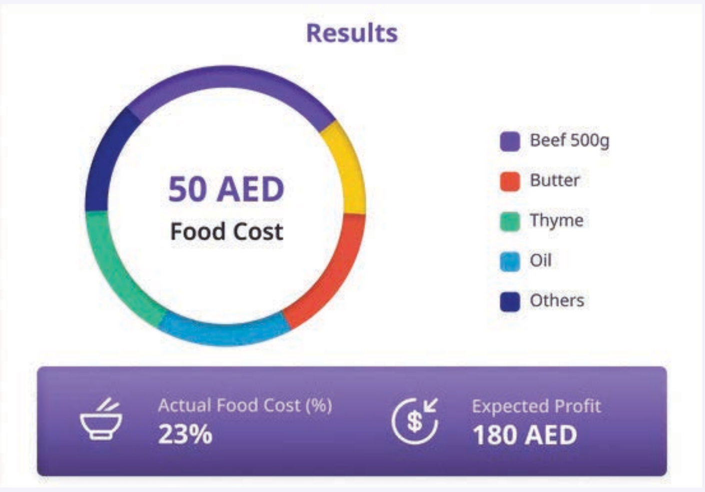


## 1.3 Actual Food Cost Percentage: Real Life Calculation

The actual food cost percentage comes into play when the calculation involves a large quantity of items sold; meaning when the actual food cost is more at risk of varying drastically from the theoretical food cost because the calculation is done over a long period of time and covers a larger number of menu items sold, rather than calculating the actual food cost percentage of a singular item.

The food cost percentage formula is the **actual food cost** divided by the revenue generated during a specific period (i.e. first day of the month, to last day of the month).

$$\text{Actual Food Cost Percentage} = \frac{\text{Opening Inventory + Purchases - Closing Inventory}}{\text{Selling price of the recipe}}$$

With each value being:

- **Opening Inventory**: Value of the physical inventory on hand at the beginning of the month.
- **Purchases:** Value of all the purchases you have done during the month, regardless of consumption or ingredients used.
- **Closing Inventory:** Value of all the ingredients remaining in your inventory, or stock room at the end of the month
- **Revenue:** This is the amount you made in sales for the month, as seen in your sales reports extracted from your POS through Supy's integration.

Let's calculate the food cost percentage for Anthony's Shawarma Joint, assuming that he sells 100 chicken shawarmas, and assuming the below:

- **Opening Inventory:** $200
- **Purchases:** $220
- **Closing Inventory:** $160
- **Revenue:** $8 x 100 (quantity sold) = $800

Actual Food cost percentage = ($200 + $220 - $160) / $800
Actual Food cost percentage = ($260 / $800)
Actual Food cost percentage = 0.325 or 32.5%

*Anthony's Shawarma Joint* had an **actual** food cost percentage of 32.5% for the month, which means that 32.5% of its revenue was used to pay for the actual quantities of ingredients used to make the 100 shawarmas that were sold during the month. That's higher than the ideal or **theoretical food cost percentage** of 25% that was set by Anthony while creating the recipe ($2 / $8 = 0.25 or 25%)

The difference between actual and theoretical food cost percentage, which in this case is 7.5%, is known as your **food cost variance.**

The difference between your ***actual*** food cost percentage, and your ***theoretical*** food cost percentage is known as your **food cost variance.**

The closer the variance is to zero, the better. The comparison between the actual and theoretical food cost percentage gives you an understanding of whether or not your food cost is under control.

## 1.4 How To Control Food Cost

Food cost control is a crucial task in all food-related businesses. Food cost can fluctuate at any given time due to external factors, which vary from supply chain issues to inflation. It is key to stay on top of your food cost to ensure the profitability of your restaurant. Several strategies can be put in place in order to control food cost:

**1 Supplier Management**: Build a relationship with reliable suppliers. Reliability can be measured by how a supplier treats you over time. Are they consistent with their pricing ? Do they offer you bulk discounts ? Do they provide flexible payment solutions when times are tough ? One of the ways you can control food cost is to ensure stability on the supply side.

**2. Menu Engineering**: It is a great way to monitor the profitability of your recipes and ensure you don't sell dishes at a loss. Keeping track of the cost of your ingredients and the price of your recipes means you can adapt your menu based on the performance of your dishes. Low-profit items can be tweaked by reviewing portions, or ingredient prices in order to reduce the food cost of the menu item.

**3. Food Waste Reduction**: Yes, reducing food waste is another direct way to reduce and control food cost. Ways to minimize food cost include opting for a data driven restaurant inventory management platform that tracks waste source to fix and address them. It also includes staff training to better portion dishes when customers have trouble finishing their plate. Chefs can also be trained to be more accurate and less wasteful when preparing ingredients, such as meats.

**4. Optimize Your Inventory Turnover Rate:** Your inventory turnover rate can be a great metric to monitor to analyze the control you have over your inventory, and indirectly, over the control over your food cost. A well managed inventory means there is a reduced risk of overstocking, which could be a source of wastage, and therefore a source of uncontrolled food cost. Controlling food cost starts with the efficient management of your inventory.

In summary, food cost control starts with a tightening of your restaurant operations and management. Controlling your food cost can be done through enhanced supplier management, menu engineering, inventory management, and the reduction of food waste. Food cost control won't have anywhere else to hide !

## 1.5 A Word About Food Cost Variance

*Anthony's Shawarma Joint* spent 7.5% more than they should have spent to generate $800 in revenue (i.e. to sell 100 chicken shawarmas). Theoretically, and based on the recipe that was cost earlier in this ebook, their food cost should have been 25% of their revenue, or $200. **Therefore, Anthony lost $60, which could have increased his bottom line.**

It is therefore clear that Anthony's Shawarma Joint has poor food cost controls, which reduces his restaurant's gross profits drastically. Monitoring your food costs and using the correct operating procedures in the kitchen is key to reducing your variance, and maximizing your operating profits.

**Other benefits of being in control of your food cost percentages:**

- It helps you properly price your goods
- It helps you reevaluate the ingredients you're utilizing
- It helps you make adjustments to your menu
- It helps you understand the performance of your menu
- It helps you understand & compare the FCP of each of your locations

**1. It helps you properly price your goods.** When was the last time you gave your store room or inventory a close inspection? You must carefully consider the ingredients you're buying and their respective costs in order to get your food cost percentage. In order to keep your food profitable, you can find out that a particular component costs more than you had anticipated.

**2. It helps you reevaluate the ingredients you're utilizing**. Namely, if after performing your food cost percentage analysis or running a menu engineering exercise you discover that particular products would require excessively high prices in order to remain profitable. Data-driven recipe testing is made possible by having a clear understanding of your food costs. Testing various ingredients is a wonderful approach to find the correct mix to match your ideal food cost percentage. Perhaps there are other ingredients you can use to reduce menu prices or even to just make a certain dish more profitable.

**3. It helps you make adjustments to your menu,** which is crucial to your restaurant's success. Supplier prices rise, and consumer preferences and habits change with time. You'll be better able to make profitable changes to your menu by routinely calculating your food cost percentages. Having real time visibility on your menu profitability is essential. Setting food cost percentage alerts when a certain recipe exceeds the desired food cost percentage is also key.

**4. It helps you understand the performance of your menu.** Do you frequently run out of ingredients used in the recipe of your Menu's best selling item? Are you often over-stocked on ingredients used on Menu items that are not selling (leading to wastage and increased uncontrolled costs)? Do you know which of your products are contributing most to your profits? When analyzing your menu, having access to this data can significantly alter your results. There may be menu items that cost less to produce yet bring in more revenue for you.

**5. It helps you understand and compare the food cost percentage of each separate location;** as separately as your food costs may differ by branch. You should be able to evaluate the profitability and popularity of the menu items in each location once you have the food cost percentage for all of your locations.

## 1.6 Is Your Actual Food Cost Percentage Ideal?

Restaurant food costs can vary between 20% and 35%, depending on the restaurant's segment (Fine Dining, QSR, Casual Dining, Cloud Kitchen), menu size, and target customer. It's a popular misperception that restaurants should strive for an ideal food cost percentage. A healthy percentage might actually differ significantly based on the goods you offer, how you manage food costs, and the market you service.

In the example below, this restaurant increased its net profit margin by 10% by reducing his food cost from 35% to 25%:

| | Before | After |
|---|---|---|
| Revenue (pulled from POS via Supy integration) | 1,000,000 | 1,000,000 |
| Food Cost | 350,000 | 250,000 |
| | *35%* | *25%* |
| Staff Salaries | 350,000 | 350,000 |
| Other Expenses | 150,000 | 250,000 |
| Net Profit | 150,000 | 150,000 |
| | *15%* | *25%* |

Food cost can be the highest expense of every hospitality business. Being in control of your food cost, and understanding what it's comprised of is essential to achieve the desired profit margins in your restaurant.

# 2. Food Cost Variance : How To Calculate It & Control It

The food cost variance is a powerful control metric represented by the difference between a restaurant's actual food cost percentage and its theoretical one.

The factors that affect a food cost variance are numerous, and reducing one's food cost variance isn't free of challenges : from portioning inaccuracies to errors in inputting data, and from staying on top of supplier prices to recording waste accurately, keeping a food cost variance low isn't a walk in the park, but it is doable. Let's discover how.

## 2.1 What Is A Restaurant's Food Cost Variance, & How Do You Calculate It ?

The food cost variance is the difference between a restaurant's actual food cost percentage and its theoretical one, and it is used as an indicator of how efficient a restaurant is at controlling food costs. The lower, the better.

**A quick reminder on how to calculate the variance:**

**1. Calculate your theoretical food cost**
This is the sum of the costs of all ingredients a restaurant expects its chef to use for all menu items sold over a period of time.

**2. Calculate your theoretical food cost percentage**
The ratio of your theoretical cost and your revenue for that period of time.

**3. Calculate your actual food cost**
Your actual cost is the difference between:

a. the actual stock value at the end of the period, and
b. he sum of the opening stock value at the beginning of the period and all your purchases made during that period

***Actual Cost : Opening Inventory + Purchases - Closing Inventory***

**4. Calculate your actual food cost percentage**
The ratio of your actual food cost and your revenue for that period of time

**5. Calculate your variance percentage**
Calculate the difference between your actual food cost percentage and your theoretical food cost percentage

***Food Cost Variance = Actual food cost percentage - Theoretical food cost percentage***

One thing to note here : you can have both a positive and a negative variance. A positive variance, meaning that his actual food cost **exceeded** his theoretical one. A negative variance would mean that the **theoretical** food cost exceeds the **actual** food cost.

## 2.2 Positive vs. Negative Variance

Usually, a restaurant anticipates a positive variance, indicating that the actual food cost exceeds the theoretical food cost. Nevertheless, there are instances where a negative variance occurs, implying that the actual food cost falls below the theoretical one.

Examples of a situation in which a restaurant's theoretical food cost exceeds the actual food cost can shed light on the impact: suppose a restaurant expects to use a specific quantity of high-cost ingredients in a particular dish based on its recipes and portion sizes. However, due to unforeseen factors like more efficient portioning or substituting ingredients, the actual usage turns out to be lower. In this scenario, the theoretical food cost was projected to be higher than the actual expenditure. The impact here is that the restaurant experiences improved profit margins as costs are lower than expected, leading to better financial performance.

Similarly, if a restaurant purchases ingredients at a lower cost due to bulk discounts or seasonal promotions, the theoretical food cost could be higher than the actual cost incurred. This again translates to enhanced profitability as expenses are minimized beyond initial projections.

It is important to note that a *negative* food cost variance will still require you to investigate the cause and possibly re-adjust your recipes. This is crucial to maintain strong control in your kitchen and ensure consistency in both cost management and food quality. When dealing with a variance, positive, or negative, careful scrutiny and necessary adjustments can prevent recurring issues and help the restaurant optimize its operations effectively while keeping its offering consistent.

## 2.3 The Top 10 Most Common Reasons For Restaurant Variance

If a restaurant has a theoretical food cost of 24% and an actual food cost of 27%, it will have a food cost variance of 3%. With $100,000 of monthly revenue, this 3% variance is the equivalent of $3,000 of uncontrolled stock, or unaccounted-for stock.

It is therefore key to understand the factors that affect your variance, and consequently your profitability.

**These are the top 10 common reasons for restaurant variance :**


**1. Recipe inaccuracy :** A recipe outlines the precise quantities of each ingredient required to prepare a dish. Any inaccuracies, discrepancies, or outdated information in the recipe can lead to differences between the theoretical and actual usage of ingredients. Some ingredients lose weight or volume during cooking, processing, or preparation due to factors like evaporation, trimming, or cooking losses. If the recipe doesn't account for these yield variations, the actual cost of the dish can deviate from the theoretical estimate.

**2. Ingredient substitutions in a recipe :** Sometimes, chefs might need to substitute ingredients due to availability or quality issues. Substituting an ingredient by purchasing it from a different supplier, or by using another similar ingredient available in your inventory, without ensuring we are actually substituting the ingredient in the recipe management system (if you have one), will lead to an inaccurate theoretical cost as your inventory will not deplete the correct ingredients from your inventory once this recipe is cooked or sold.

**3. Inconsistent recipe portioning :** If the ingredients used while cooking a recipe are inaccurately larger than what my recipe specifies, it leads to higher ingredient usage. This means you're using more ingredients per dish than anticipated, driving up the actual food cost compared to the theoretical cost.

**4. Inaccurate ingredient receiving :** Mistakes during ingredient receiving can lead to discrepancies in inventory levels and subsequently impact both theoretical and actual food cost. These mistakes often arise from incorrectly converting the ingredient's package size into the ingredient's base unit of measurement in your inventory

**5. Old supplier prices :** Not accurately reflecting changes of your supplier prices can lead to variance. When your suppliers raise their prices, the cost you pay for ingredients also increases. If you continue to work with the old, lower prices, the cost calculations for your dishes will be inaccurate. If you use an inventory management system, it will assume lower costs for the ingredients, leading to a mismatch between the theoretical food cost and the actual food cost.

**6. Tastings, cook offs, comps, and free of charge items :** Comps (complimentary items), tastings, and cook-offs can impact your restaurant's variance if they are not accurately recorded in your inventory management system. These practices involve real costs associated with ingredients, preparation, and service. If these costs are not accurately tracked and accounted for, they can lead to discrepancies between theoretical food cost and actual food cost.

**7. Staff and management meals :** Similarly, meals, provided to restaurant managers or staff, can impact variance. These meals also involve costs related to ingredients, preparation, and service. If the expenses for management meals are not properly recorded, it can lead to discrepancies between the theoretical food cost and actual food cost.

**8. Human error,** mostly when running inventory without a system : Running restaurant inventory manually without a software that can capture data accurately increases the risk of human errors, inconsistencies, and delayed data. This can lead to inaccuracies in ingredient quantities, ingredient units of measurement, ingredient costs, and variances between theoretical food cost and actual food cost. In contrast, using an accurate automated inventory management system ensures precise data capture, real-time tracking, consistency, timely reporting, and efficient analysis. This minimizes errors, enhances variance management, and empowers informed decision-making for optimal financial performance

**9. Inaccurate stock count :** Because stock counting takes a lot of time and effort, most restaurants do it only once a month. But if you make a small mistake when counting how much of each ingredient you have, it can lead to big problems. The tricky part is that how things are packaged in the storage room might be different from how we measure them. This can easily cause mistakes. Getting the stock count wrong will definitely impact your variance and cause disparities between theoretical cost of food and actual cost of food.

**10. Theft :** Lastly, theft can also lead to a variance and discrepancy between your actual and theoretical food costs. Although theft is the hardest one to manage, it is the most common reason for variance in restaurants. Having strong controls and an inventory management system that is reliable will aid in reducing variance due to theft.

## 2.4. 7 Tips To Help You Reduce Restaurant Variance

**1. Create strong operating procedures (SOPs) for your back-of-house**

Having strong SOPs will help your staff record inventory accurately. Whether it comes to food preparation, wastage recording, recipe building, every staff member in your back of house (link to back-of-house article here) should have a role in feeding your inventory management system with accurate data.

**2. For multi branch operation, create approval workflows for your back-of-house staff**

Implementing approval workflows for your back-of-house staff is crucial. Tasks such as recipe adjustments, supplier price changes, wastage recording, stock count adjustments, and invoice receiving directly affect your theoretical food cost. By establishing approval workflows, alerts, and notifications, you can ensure that accurate data is consistently entered into the inventory management system. Approval workflows provide a structured process where changes and actions require authorization from a Manager. This not only helps maintain data integrity but also allows for thorough oversight, and allows Managers or Owners to also track theft.

**3. Create regular training for your staff**

- Training your restaurant staff is crucial for reducing variance. Proper training reduces errors, ensures consistent practices, prevents wastage, and improves inventory management. Trained staff work efficiently, identify variance causes, make informed decisions, and contribute to cost control. They adapt well to situations, enhance accountability, and collectively help streamline operations for reduced variance and improved profitability.

- Separately, training on how to use the inventory management system is as important, to ensure staff understand the impact every event created on the inventory management system has on theoretical cost, in turn, on variance

**4. Control theft**

To minimize variance resulting from theft in your restaurant, beyond implementing controls in your inventory software, consider these strategies:

- Staff Retention: Lower staff turnover through competitive wages, positive work environment, and growth opportunities. As a result, there are fewer unfamiliar faces, which encourages accountability and might discourage theft.

- Spot Checks and Regular Counts: Conduct surprise spot checks and weekly inventory counts to discourage theft and keep staff vigilant. Frequent monitoring can uncover discrepancies early on. Provide your staff with an efficient method to conduct stock counts, such as stock counting on a mobile or a tablet, which can significantly reduce the time it takes to stock count.

- Clear Staff Meal Policy: Establish a transparent policy for staff meals, ensuring fair distribution and discouraging misuse of ingredients.

- Departmental Accountability: Hold each department responsible for any unexplained variance. This encourages teamwork and shared responsibility, discouraging theft and misuse.

- Video Security System: Install a video security system to monitor areas prone to theft. Visible cameras serve as a deterrent, and footage can aid in identifying culprits if theft occurs.

**5. Automate your Inventory Management Software**

- Precision: Automated systems eliminate human errors in data entry and calculations, ensuring that inventory records are accurate. This precision reduces discrepancies between theoretical and actual values, ensuring that the correct data is captured into the system.

- Real-time Updates: Automated systems provide real-time visibility into inventory levels, preventing overstocking and understocking. This real-time data minimizes variance caused by inaccurate stock levels.

- Consistency: Automated systems enforce consistent recording practices, reducing variations that arise from manual data entry. This consistency leads to more accurate inventory figures.

- Timely Tracking: With automated updates after each transaction, you can address issues promptly, minimizing the impact of discrepancies on your inventory and costs.

- Data Analysis: Automated systems offer analytical tools to identify trends, consumption patterns, and discrepancies. This empowers you to proactively manage variance and optimize operations.

- Wastage Management: Accurate tracking of ingredient usage and wastage helps you identify areas for improvement, reducing variance that typically stems from wastage.

**6. Use an inventory management software that is available on mobile**

Utilizing a mobile-compatible inventory management software offers notable advantages. Data entry in the back-of-house can be both time-intensive and susceptible to errors. However, employing software accessible on mobile devices enables your staff to input data conveniently and in real-time during their shifts. This facilitates accurate and efficient tracking of inventory, minimizing the likelihood of mistakes while streamlining the overall inventory management process.

**7. Control recipe portioning**

- Use an inventory management system that gives your staff access to a mobile friendly cookbook. This should include accurate ingredient measurements, and step by step cooking procedures.

- Train your kitchen staff on the importance of accurate positioning. Provide hands on training sessions to demonstrate proper portioning techniques.

- Equip your team with proper portioning tools such as measure cups, scales, and scoops. These tools facilitate consistent portioning and reduce guesswork.

- Use an inventory management system with portion tracking capabilities. This can help you track ingredient usage based on portion sizes, specially when it comes to batch, or semi finished recipes.

# 3. 10 Strategies To Reduce Restaurant Food Costs

Food costs represent 25% to 35% of a hospitality business's overall cost, and can often reach 40% in casual dining restaurants. In other words, the slightest improvements could lead to significant increases in a restaurant owner's bottom line.

Thankfully, several techniques and strategies can be employed to help you achieve your profitability goals.

## 3.1 10 Ways To Reduce Restaurant Food Cost


**1. Check Your Inventory Regularly**
Knowing what goes in and out of your inventory and at what rate is key to identifying consumption patterns in your restaurant. If items are lingering, expiring, and thrown out, then you should consider ordering less of it. This represents food waste, which adds to your costs. If an item goes in and out so fast that its shelf is empty, then you may need to order more of it. This represents missed sales opportunities for you.

**2. Reduce Food Waste**
According to a study done by the Canadian Government, 38% of produce and 21% of daily and eggs become food waste. And all that food waste is food you missed on selling !
Reducing food waste starts with a deep understanding of your restaurant operations and your sources of waste.

- Are you over-ordering items that are expiring before you're able to sell them ?
- Is your chef wasting a lot of quantities by not prepping items with as much precision as required ?
- Are dishes coming back to the kitchen because customers aren't satisfied ?

Monitoring your food waste sources and addressing them is key to reduce your waste, and ultimately, your food cost.

**3. Make The Most Of Your Ingredients**
Many restaurant operators miss out on delicious dishes without knowing it.

- Beef bones are a great opportunity to make bone broth
- Vegetable leftovers are great for a vegetable stock or soup !
- Turn meat trims to sausages.

Managing your food waste and learning to not let any potential waste behind is key to reducing waste, and therefore food costs.

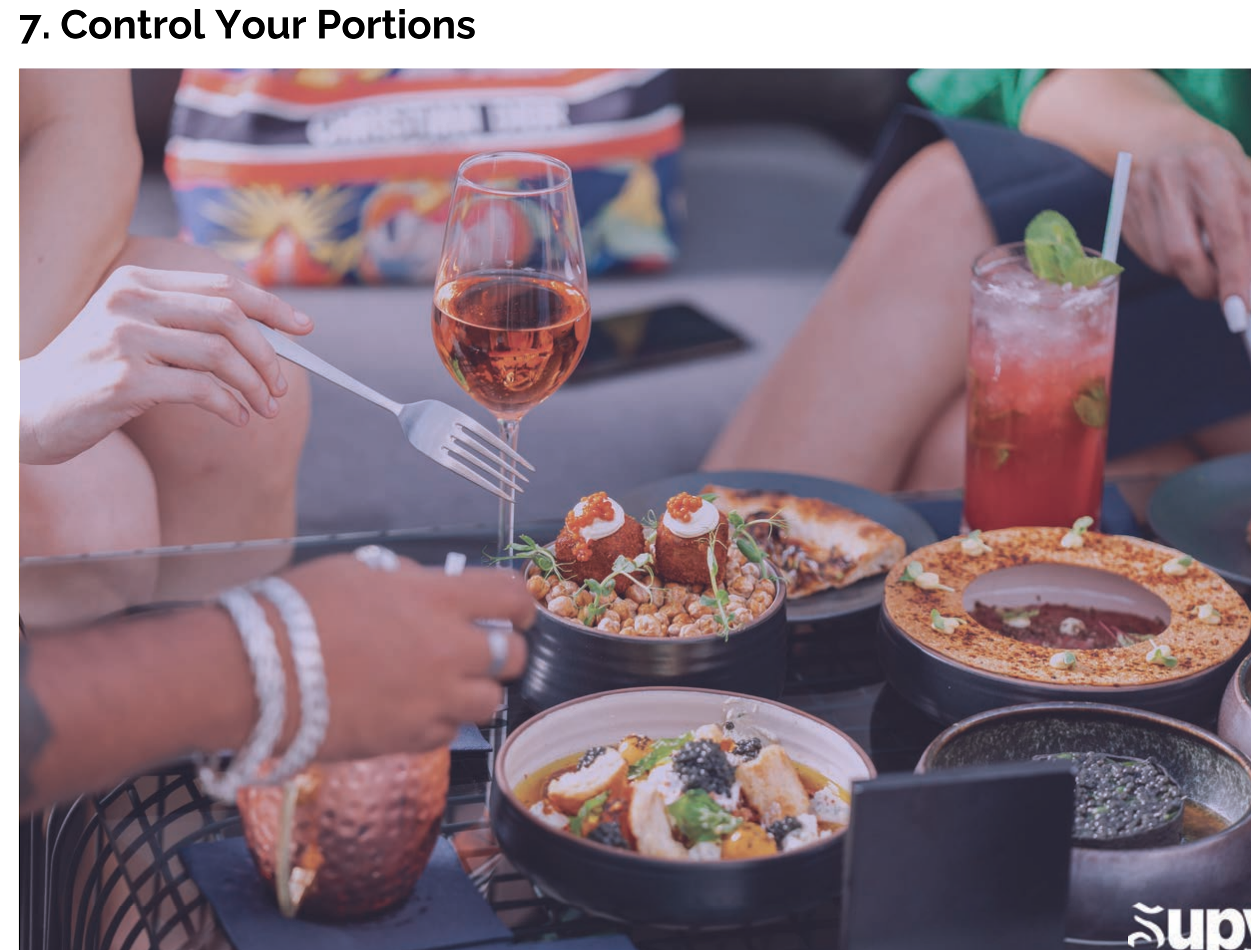
**4. Buy In Bulk !**
When you've identified the turnover rate and consumption amounts of your ingredients - especially non-perishable items - you should negotiate better deals with your suppliers. One of those types of deals is buying food items in bulk at a reduced price per unit. Have a talk with your supplier to understand what kind of offers they have and what kind of discount you could benefit from.

Working with a restaurant inventory management software will help you figure out your turnover rate and volume of stock items needed.

**5. Know Which Supplier Is Best To Do Business With**
Different suppliers treat you in different ways. Some may respect their trade deals with you, some may not. Some may give you generous discounts and FOCs, others may not. Opting for a restaurant procurement software and tracking the performance of your suppliers are key to understanding who's best to do business with and is likely to give you the most profitable deals. Better deals lead to a lowered food cost, which is good for business.

**6. Bring Prep Work In-House**
Many food businesses outsource the food prep task, such as buying deboned chicken or pre-cut vegetables. This helps your team save precious time, but it comes at a cost. If your business practices this, and if your team has some free time, then you should consider bringing in the prep tasks in-house in order to purchase cheaper ingredients, which ultimately lowers your food cost.

**7. Control Your Portions**



Are your dishes too big? See if customers leave their plates half-full or often ask for the rest to be taken home. Having big portions is a massive contributor to high food costs and also, to missed sales.

- When food comes back, these ingredients could have been used to make a second portion !
- When plates are big, customers may opt to share it rather than get a second dish, and that's a missed sale for you.

So if your portions are too big, consider reducing the portion without reducing the price. This will slash your food cost, boost sales, and boost your profits.

Keep in mind that portion control also takes place in the kitchen, and your chefs should have consistency in mind. Several tactics can be used to ensure consistency over time and across your branches (if you operate more than 1):

- Ensure proper training: does your staff know how to use the software and measuring tools at their disposal?
- Clear guidelines and recipe book: is your team comfortable using the recipe management software you've put at their disposal? Do they know where to find recipe guidelines, and do they know which are the measuring tools and where to find them?

You may also try to pre-prep portions prior to service. For every 250g steak, you should have 50g of pepper sauce. You can buy reusable flasks, or perhaps opt for a ladle that serves this precise amount.

Set up tighter portion control in order to reduce your food cost.

**8. Know Your Recipe Cost**
How much does it cost to produce a given dish? And does this cost remain stable or does it fluctuate?
As a restaurant operator, you should determine exactly how much it costs you to make a single portion of a given dish. This cost will likely vary over time due to fluctuations in ingredient prices - which vary due to economic factors. It is therefore key to set food cost targets and to stay on top of the profitability of your dishes. This is where a restaurant inventory management software comes in.

Once you know the cost distribution of your recipe, several cost-reduction tactics can be activated:

1. Reduce ingredient portions.
2. Negotiate better deals with your suppliers to reduce ingredient cost.
3. Replace ingredients with cheaper alternatives.

**9. Use Menu Engineering**
All dishes aren't equal. Menu Engineering helps restaurant owners identify which dishes are performing and which aren't, with the intent of guiding them towards what changes need to be made.

Menu Engineering helps identify 1 particular type of dish that needs to be addressed: Dogs, which are menu items that are not profitable nor popular.

By identifying which of your dishes rank in this category, restaurant operators can try to replace these items with more profitable, more attractive dishes

**10. Join a Co-op !**
If you're unable to buy in bulk yet are after those low prices, consider joining a group purchasing organization. These organizations will package the needs of many restaurants and send them as bulk orders to suppliers in order to get an attractive rate on ingredients.

But, you'll have to keep in mind that this kind of purchasing strategy comes with its cons :
- Little control over the quality of the produce.
- Inflexible delivery times.
- You need to pay a membership fee to be a part of these groups.

Ultimately, you'll have to weigh the pros and cons of your purchasing strategy to decide if the advantages of joining coop outweigh its disadvantages.

## 3.2 How To Track Your Food Cost

As the saying goes: you can't improve what you can't measure!

Tracking your food cost over time may seem daunting, but it doesn't have to be. With the right tools, restaurant operators can be supported with automation and data to make decisions, save hours of manual work, and cut costs. But... it is key not to leave all the work to machines. Human input is still key to maximize accuracy.

Keep in mind that restaurant operations are quite complex, and the reality may not follow what's on the paper. Wastage is sometimes not accounted for. Invoices are not always registered accurately. This all leads to Food Cost Variance. Variance is further increased when opting to manage your operations on spreadsheets.

This is why opting for a specialized back-of-house software can be a game-changer to your business. Software like Supy provides you with not just the digital tool to input data accurately and regularly, but to also track your costs in real time using built-in dashboards.

## 3.3 Think Further: Reduce Food Cost With A Proactive, Digital, Data-Driven Strategy

We've established that cutting food costs is hard and that there are several ways to reduce them. But cutting food costs doesn't need to be reactive, and could instead be proactive.

Opting for a digital, data-driven strategy opens the doors to numerous automation, workflow, and alerts & notification systems. Subscribing to a restaurant inventory management system would help restaurant operators not only save hours of manual work, but stay on top of their business by gaining real-time insights into the health of their operations, and especially when food costs, ingredient price fluctuations, and recipe profitability.

To act **proactively**, it is imperative that restaurant owners ensure they have the following covered in their digital strategy:

1. A Unified Data Architecture
2. A Democratized Data Entry
3. Real-Time, Data-Driven Decision-Making

**1. A Unified Data Architecture**
Standardizing the way your items, ingredients, and suppliers are named across your branches is key to aggregating data related to food cost across your business, and to analyze it on different levels (groups vs branch).

Opting for a restaurant inventory management software that enables you to compare the price fluctuation of a bottle of ketchup across suppliers and over time can help you in making clearer and more impactful decisions to cut costs.

This eliminates the need for a middleman hired to manually bring the data together, which in turn eliminates the waiting time for executives to access clean data.

**2. A Democratized Data Entry**
Having a regular entry of accurate, reliable, up to date data is immensely valuable to your business. Empowering each member of your staff to enter data feeds your system with real time information that in turn empowers decision-makers with actionable, reliable insights.

This can be done with a mobile inventory application that's easy to use by all. By adding an in-depth user permissions software with drafter and approver roles, you also ensure that the data input is reliable.

By opting for a restaurant inventory management solution built for the modern user, meaning with ease of access and ease of use, the obstacle of data entry is taken away, thus enabling any member of your team to enter wastage, invoices, and stock counts on the spot.

Democratizing the data entry across your business ensures reliable, up to date information about your food costs, which in turn enables decision makers to identify and address discrepancies faster.

**3. Real-Time, Data-Driven Decision-Making**
Having clear, actionable insights at your fingertip is key to driving your business forward. With built-in alerts, notifications, and restaurant performance dashboards included in your restaurant inventory management software, monitoring and taking action on food costs can be done in real time.

## 3.4 What To Remember

Costs are going up and margins are going down. To survive in the hospitality business, restaurant owners must be in control of their costs, especially food costs, which account for 30% of their expenses.

But cutting food costs is hard. Thankfully, there are several techniques at their disposal, namely portion control, reducing waste, and setting clear recipe guidelines, which you can apply to cut costs, without sacrificing quality.

You should, however, embrace technology to help you support your goals through data and automation. Technology should be part of a digital strategy to help you embrace a proactive approach to food cost cutting, namely by ensuring a unified data architecture, a democratized data entry, and instant decision-making capabilities.

**Cut & Control Your Food Cost With Supy's Built-In Restaurant Performance Dashboards**

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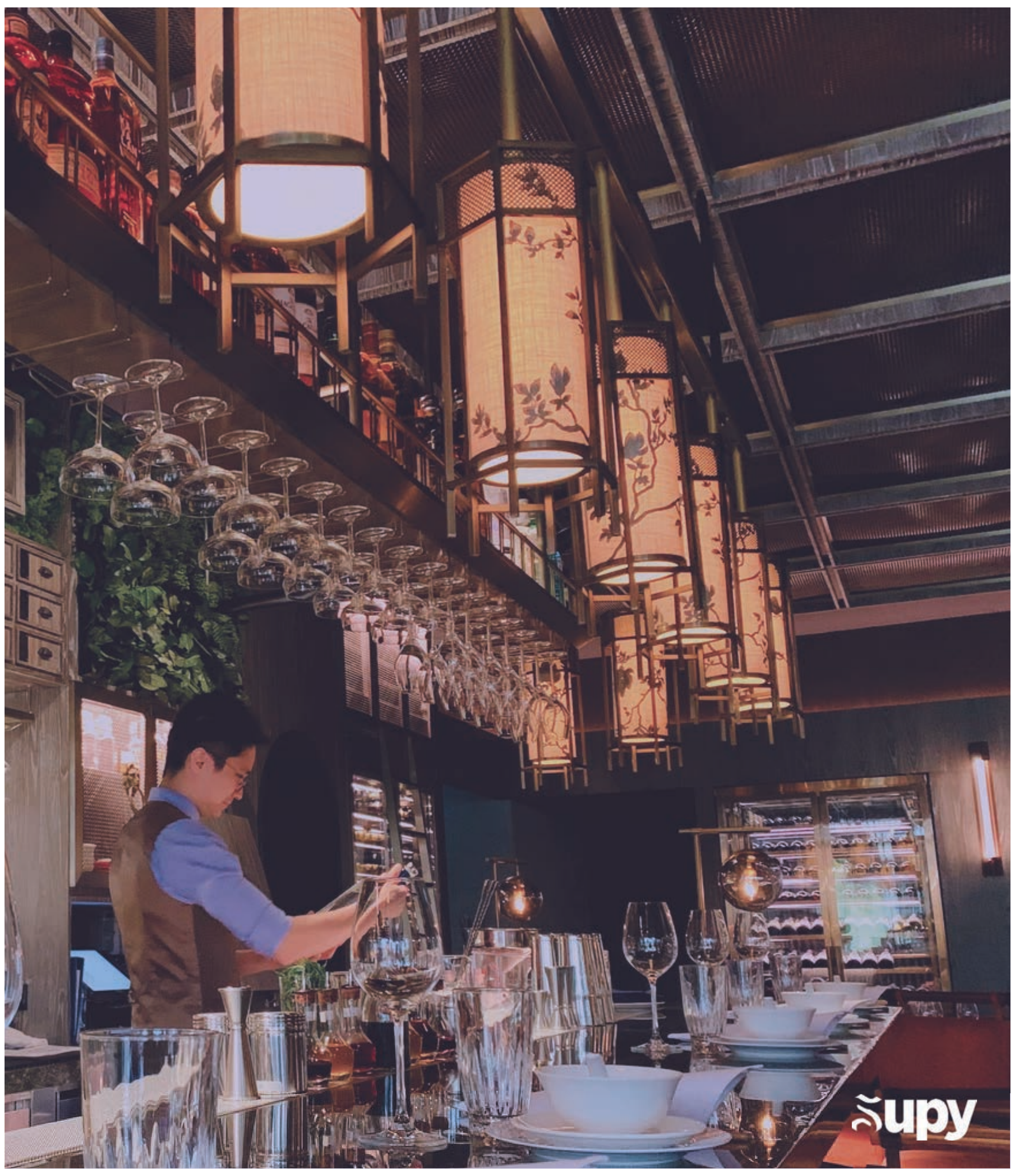
# 4. What Is Restaurant Food Waste?

Restaurant food waste refers to the leftover ingredients — both food and non food — that could have been sold but were thrown out instead. Often referred to as "wastage" in the kitchen, or in an inventory management system, it can occur at all stages of a restaurant's operation, including food preparation, cooking, serving, or just sitting idle in your stock room and expiring. It encompasses ingredients that expire, front-of-house staff that drops plates, or just consumers who send menu items or dishes back to the kitchen. This wastage has a significant impact on your cost of goods sold, and on your actual food cost percentage.

Let's take an example of a restaurant that often over orders ingredients, leading to spoilage and large portions of food being thrown away. This restaurant has a high food waste percentage. As a result its actual food cost percentage will be significantly higher than its theoretical food cost percentage. This wastage has directly impacted its profitability as higher COGS, or cost of goods sold, directly reduces the gross profit margin.

On the other hand, a restaurant that closely manages its inventory, orders just enough ingredients to meet demand, and efficiently uses ingredients to ensure minimal wastage. This restaurant has a low food waste rate. Its COGS remains lower and closer to its theoretical food cost percentage, because it is maximising the use of purchased ingredients. Consequently, it enjoys a healthier gross profit margin, and higher overall profitability.



## 4.1 Top 10 Most Common Causes For Restaurant Food Waste


**1. Excess Inventory**
Overstocking or excess inventory in a restaurant's kitchen leads to food wastage because unused ingredients often expire before they can be prepared and served to customers. This surplus in inventory increases the likelihood of ingredients going bad, forcing the restaurant to waste them or dispose of them, thus contributing to your restaurant's food waste. It is essential to ensure that purchased ingredients are used efficiently before they expire.

**2. Improper storage methods**
Improper storage practices within a restaurant's kitchen can significantly elevate food wastage. Poor temperature regulation in fridges and freezers can lead to premature spoilage of perishable items, while disorganized stock rooms can cause ingredients to be overlooked, eventually leading to expiration. When ingredients are not appropriately stored and handled, their likelihood of spoiling or becoming unusable before being fired up into dishes significantly increases, resulting in unwarranted wastage. This mishandling of inventory in the restaurant's back-of-house operations contributes to the increase in your restaurant's food waste.

**2. Overproduction**
Overproduction in a restaurant's back-of-house kitchen will elevate your food wastage. When a restaurant prepares an excessive quantity of dishes, it often leads to surplus inventory of production items, and, consequently, higher wastage. For instance, consider a restaurant that bakes a large batch of croissants in the morning but fails to sell them all. These unsold croissants contribute to food wastage because they cannot be stored and have to be thrown away (à la poubelle!). In such cases, overproduction results in wastage not only of ingredients used in making the croissants but also of labor, time, and energy put into their preparation.

**4. Miscalculated portions**
Inaccurate or inconsistent kitchen training can result in portions sizes that exceed the intended amount. While customers may appreciate having leftovers to take home, this can lead to increased food wastage. Separately, this will also impact your food cost variance.

**5. Lack of data**
Inefficient data management and poor inventory management will increase food wastage in a restaurant due to shortcomings in the planning process. Precise data allows back-of-house staff to make informed decisions about ingredient orders, quantities, and usage schedules. Furthermore, lack of data can also spill over into poor menu planning, potentially leading to menus that fail to maximize ingredient usage, thereby increasing wastage.

**6.. Spillage**
Spills are common in restaurants, such as when a server accidentally drops food or a cook knocks things over. These seemingly small accidents lead to increased restaurant wastage. When food spills, it can't be used, leading to wastage of ingredients and contributing to food waste.

**7. Incorrect orders**
Mistakes happen, even in restaurants, and when incorrect orders get mixed up, it can lead to a fair amount of food waste. If the kitchen makes the wrong dish, it might not get eaten, and that's a waste of both ingredients and the chef's time. When a wrong order is sent back or thrown away, it's increased wastage for the restaurant

**8. Refires and reorders**
Refires in a restaurant, where a dish is remade because it wasn't prepared correctly the first time, can have a noticeable impact on food wastage. When a dish needs a refire, it means the first one wasn't right, so it often goes uneaten. This leads to more food wastage because the original dish is wasted, and the new one takes extra ingredients and cooking time. It's like making a sandwich with too much mustard; if you have to redo it with less mustard, you've already wasted the extra mustard. In a restaurant, this happens with various dishes, not just sandwiches.

**9. Lack of visibility on current wastage**
Lack of staff awareness regarding current wastage can have a cascading impact on restaurants. Pinpointing and managing wastage-prone areas becomes challenging, especially when you do not have an effective inventory management system to monitor and track food waste.. This lack of awareness sets in motion a "snowball effect" of negative consequences, leading to increased inefficiencies and wastage.

**10. Unforeseen events**
Unforeseen events, such as electricity cuts and adverse weather conditions, can significantly disrupt restaurant operations and have a substantial impact on food wastage. Electricity cuts, for example, can compromise refrigeration systems, posing a threat to the freshness and safety of perishable ingredients. In such cases, restaurants may be forced to throw away potentially unsafe food, leading to wastage. Similarly, weather conditions can unpredictably affect restaurants. Extreme weather, such as heavy storms, will deter customers from dining out, leading to lower foot traffic and a potential mismatch between food preparation and demand. Restaurants may prepare excessive amounts of food in anticipation of regular business, only to see it go unsold and become wasted.

## 4.2 10 Tips To Reduce Restaurant Food Waste

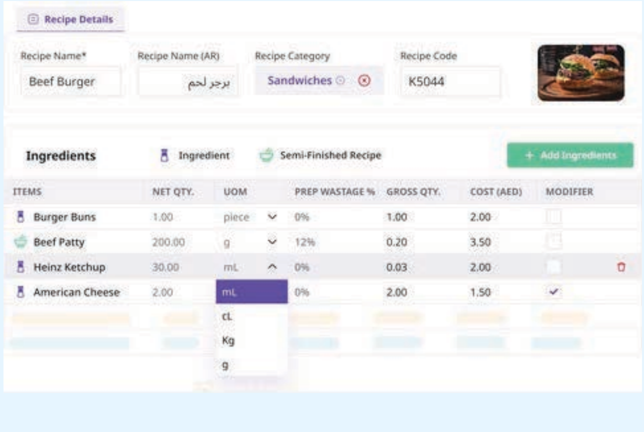

The foundation of back-of-house operation is to "know your inventory". This means having an accurate and ongoing understanding of every ingredient, product, or item within your restaurant. By knowing your inventory, you can reduce wastage in so many ways:

**1. Smarter Purchasing**
By consistently monitoring what you have in stock, and tracking past sales, you can make informed decisions when placing orders with your suppliers. Overstocking can lead to ingredients expiring before they're used, especially when it comes to perishable goods. In addition, setting accurate Par Levels and Min Levels for every ingredient in your inventory will guide your staff in making less mistakes when it comes to overstocking. Having an inventory management system that has a user friendly restaurant procurement module will empower your staff to make more informed decisions when it comes to purchasing.

**2. First in, First Out (FIFO)**
FIFO is a crucial principle for managing ingredients in any restaurant's back-of-house. It ensures that older stock (those purchased or produced first) is used before newer stock. For instance, if you get a fresh batch of lettuce but still have some left from last week, you'd use the older lettuce first. This way, ingredients are always as fresh as possible, ensuring quality dishes for customers. This method also keeps inventory rotating efficiently, preventing older items from getting lost or forgotten at the back of shelves or in corners of the refrigerator, before they go to waste.

**3. Menu Design**
A well-crafted menu doesn't just amuse taste buds but also ensures efficient use of ingredients. By analyzing which dishes are hits or misses, restaurants can optimize their menu to reduce waste. If certain dishes rarely get ordered, they might lead to unused ingredients that expire over time. On the other hand, by designing dishes that use common ingredients, restaurants can make sure that inventory gets used up before it deteriorates. Tweaking the menu periodically based on customer preferences, seasonality, and ingredient availability ensures that food is fresh, costs are managed, and wastage is minimized. It's a blend of culinary creativity and practical management, all aimed at delivering a delightful dining experience while being resourceful and sustainable.





**4. Continuously train your staff**
Staff are the backbone of any restaurant, and their actions directly impact wastage levels. Proper training ensures they understand the value of every ingredient and the importance of reducing wastage. This includes techniques for portioning dishes correctly, ensuring consistency and avoiding excess. Proper storage practices, like sealing containers, setting fridge temperatures, marinating meats, are vital to extending ingredient shelf life. Training also cultivates a mindset where staff think proactively about waste. For instance, they might suggest dishes to customers based on ingredients that need to be used up. In essence, well-trained staff are not just servers or cooks; they become active participants in a restaurant's sustainable journey, ensuring resources are used wisely while delivering quality service.

**5. Monitor portion sizes**
By monitoring and adjusting portion sizes, restaurants can strike a balance between satisfying customers and minimizing waste. Feedback, both from staff and customers, can guide these adjustments. Periodic reviews of portion sizes, in conjunction with waste tracking, can provide insights into what's frequently left uneaten. Advanced recipe management software is key to understand yield or batch size that each recipe created, but also to provide staff with a cookbook and guidelines on how to prepare dishes.

**6. Create daily specials**
Daily specials are a restaurant's secret weapon to combat waste while spicing up their offerings. By crafting unique dishes based on available ingredients, restaurants can efficiently use excess stock or near to expiry ingredients. For instance, if there's a surplus of chicken, a one-day chicken special might be introduced. This approach prevents ingredients from going to waste and offers customers a refreshing variety.

**7. Track and analyze wastage in real time**
Modern restaurants often use tracking tools or advanced inventory management softwares to monitor food wastage. By documenting what gets wasted, from ingredients in the kitchen to leftovers on diner plates, establishments can spot trends and problematic areas. Data-driven insights enable interventions and planning. Regularly analyzing this data allows restaurants to make real-time adjustments in ordering, preparation, or even menu design. Over time, this continuous feedback loop not only curbs waste but also aids in cost-saving and improving the overall dining experience for customers

**8. Repurpose scraps**
What seems like waste can often be a hidden treasure. Food scraps, like vegetable peels, ends, or meat trimmings, don't necessarily need to go in the bin. Chefs can repurpose these into broths, stocks, or even new dishes. For instance, potato skins might be seasoned and baked for a crunchy snack, or vegetable trimmings boiled for a flavorful stock base. By reimagining these "leftovers", restaurants reduce waste, maximize the utility of every ingredient, and can even introduce delightful and sustainable offerings to their menu. Embracing this approach not only champions sustainability but also showcases creativity, allowing establishments to surprise and please customers while being eco-conscious.

**9. Regular equipment maintenance**
Functioning kitchen equipment is paramount in a restaurant's operation. By regularly maintaining and servicing machines like refrigerators, ovens, and stoves, or sharpening knives, establishments ensure they run efficiently and preserve ingredients well. For instance, a fridge that doesn't cool adequately might lead to spoilage of perishables. Or a knife that doesn't cut properly can lead to quicker shorter shelf life, for instance vegetables.

**10. Invest in preservation techniques**
By investing in advanced preservation methods, restaurants can extend the shelf life of perishable items, reducing wastage. This could mean vacuum-sealing meats, or employing blast chillers to quickly reduce temperatures of cooked foods.

Cut Costs, Reduce Waste, Eliminate Variance

# The Data-Driven Inventory Management Platform for Multi-Branch Restaurants

Power your restaurant operations with real-time data, accurate insights, & time-saving automation to trim costs, cut waste, & boost profits across your hospitality business.

- Reduce costs
- Boost productivity
- Maximize profitability

Trusted by the region's leading F&B operators


Supy helps increase your hospitality business's profitability by giving you real time insights on your back of house operations. Supy is built to enable users to easily capture data from complex back of house processes, in order to provide accurate and precise insights allowing you to take business decisions that have a direct impact on your bottom line.

Supy's robust and easy to use platform helped us streamline our whole operation and improve protocols between our branches and central kitchen. The birds eye view I now have on my business has helped me **get back on top of profitability** and **expand our business.**

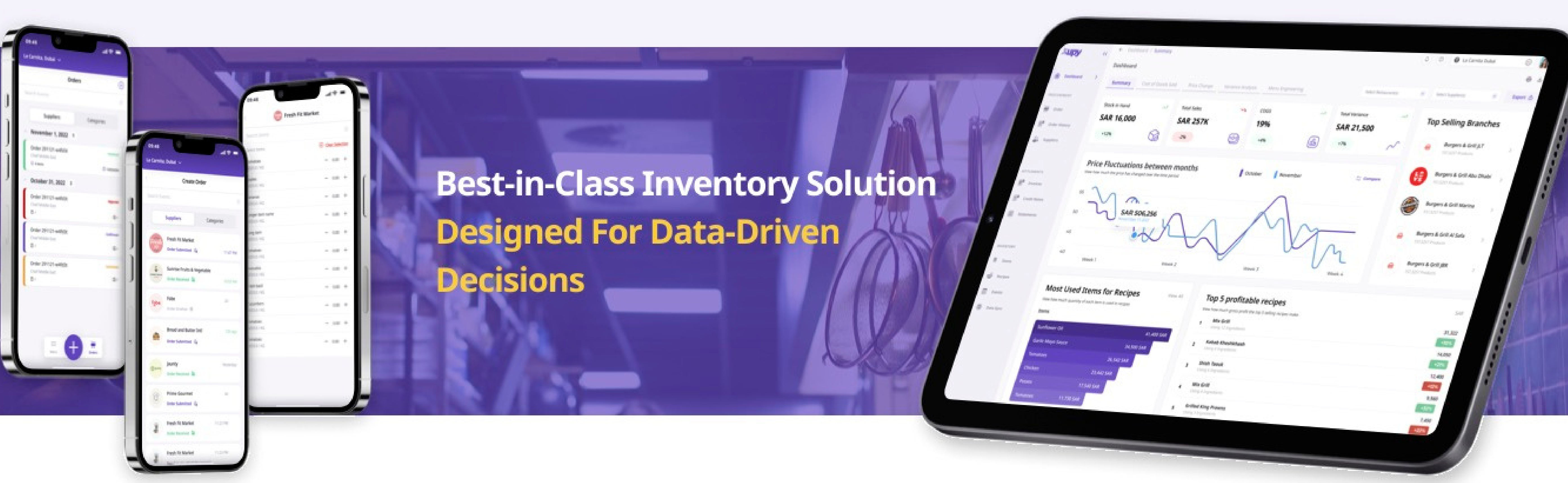
*Tamer - Owner*

PINZA!

Supy increased our bottom line by digitizing our tasks, providing **actionable insights**, and **streamlining our operations across all brands** under management.

*Riad Abou Lteif - Partner*

Grit HOSPITALITY



## Best-in-Class Inventory Solution Designed For Data-Driven Decisions

## Key Features

- Menu Engineering
- Internal Ordering
- Central Kitchen Production
- Supplier Ordering
- Supplier Invoice Control
- Synchronized Stock Count on Mobile
- Automated Inventory
- Real Time Analytics
- Multiple Inventories per Branch
- User Permissions
- Variance Reports
- Integration to POS & Accounting

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**-30% on CoGS**
thanks to clear analytics & real time decision-making

**100s of hours saved**
on operational tasks, by outsourcing your manual labour

**-75% variance**
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