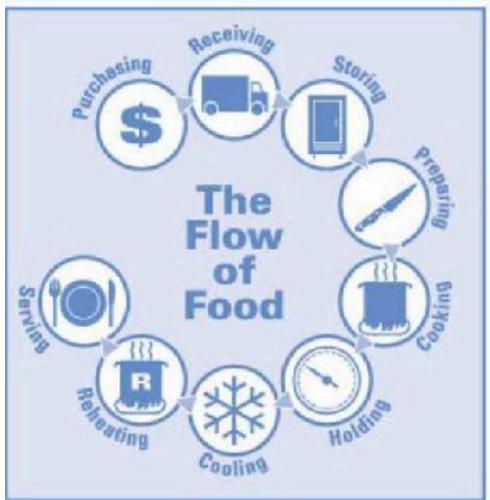


Flow of Food



Now that you have done everything you can to ensure that your food cost numbers are accurate, let's identify the opportunities below that you have to impact and improve your food cost performance.

Starting from the moment you place a purchase order until the food is served to the Guest, nearly every step in the flow of food can impact your food cost and has opportunities for cost control.

Purchasing

How do we know how many products to order? Should you just eyeball it, or go by instinct? How do you know if you will have enough product to make it to the next order, or if you will have too much product sitting on the shelf? It can be a tricky balancing act, because we need to have just the right amount of product, not too much and not too little.

If we have **too much** of a product, the following could happen:

- Excess product may go bad or expire
- Excess product may seem like an easy target for theft ("they'll never miss it")
- Storage locations and shelving may be unorganized due to lack of space
- End of week inventory may be difficult to conduct accurately

If we **don't have enough** product:

- Loss of sales or a bad experience for our Customers when we are out of something
- Team Members become frustrated because they don't have the tools to do the job
- You may need to buy more expensive product from the store, which will decrease your profit from sales, may decrease the quality of our food, and will make it difficult to inventory correctly
- You may have to borrow product from another store, creating more work for you and the other store and creating more opportunities for error

The following strategies will help you keep your order the right amount of product:

- Follow your ordering pars, don't just "go by gut"
- Adjust pars according to usage. Only order from approved vendors
- Always have two people preparing the order (one person counting, one person writing) to prevent mistakes

Receiving

When receiving your order, there are a few rules you can follow to help make sure you are receiving quality product, the correct ordered amounts, and that you receive credit for refused or missing items:

- Verify the order against the invoice
- Check quantity and quality of all items (look closely at produce and ensure it is fresh and not in poor condition)
- Make sure that refrigerated and frozen products get put away quickly
- Make sure your schedule is adjusted properly so someone is available to help put away the order

Storage

As mentioned in the section on Inventory Prep, clean and organized storage areas mean inventory will be easier to take. It will also help your food cost in these other ways:

- Visually easy to see if products are running low
- Provides proper safety and sanitation
- Prevents wasted product due to expiration or cross-contamination

Double check that all storage areas are:

- Organized according to laminated layouts and shelf labels
- Proper temperature (41°F or below for walk-in and refrigeration, 10°F or below for freezer)
- Neat – products lined up in rows, box tops of open boxes cut off, labels facing out
Rotated according to FIFO (first in, first out)
- Expired/bad quality product is thrown away
- Stocked appropriately (see stocking levels below)
- Consolidated – pull the last bag out of the box, combine open boxes, restock plastic pans

Preparing Food

There are several factors we can control during the prep process to reduce the amount of food wasted or lost:

- Make sure that cooks are always following the posted prep list and only preparing the amounts listed
- Set your prep pars and adjust them as necessary due to changes in sales trends
- Monitor and discuss best practices to reduce waste with Managers and Cooks
- Follow the prep recipes to make sure that food is handled properly; this will make sure you get the maximum yield for each product
- Follow all portion amounts exactly

Cooking

Almost all of the food in our restaurant must pass through the kitchen before it reaches our Customer. This means this is an area where we can have a large impact on both the quality of food we are serving, and controlling costs.

- Make sure Cooks are properly trained for the position they are working
- Make sure Cooks are following the recipes and portions exactly
- Verify proper handling of the product (ex: an overcooked steak would have to be thrown away, causing waste)

Ordering and Serving

The FOH plays a key role in controlling food cost as well. Cashiers and Managers can have the most impact on controlling costs in this area by:

- Repeating orders back to verify accuracy
- Ensuring proper training for Cashiers on POS procedures, especially for special requests, substitutions, and side orders
- Assigning pagers correctly
- Verifying employee and Manager meals are correctly rung in
- Visually verifying the accuracy of orders as they pass over the shelf
- Visually verifying the accuracy of orders at the passout counter

Food Cost

Food cost helps you see how much money you are spending to make an item compared to how much money you are earning by selling it. If your food cost is too high, you are spending too much to make an item and this will decrease your profit.

Tracks will calculate your food cost automatically for you based on the data you enter, but it's important to know where these numbers come from in order to effectively troubleshoot, manage and control it. We look at food cost in 2 ways below: **Actual** and **Theoretical**.

Calculated based on your Restaurant's real performance over a period of time and will show variables like waste, theft, spoilage, improper yield, etc.

Is what, in an ideal world, your food cost should be.

Calculating Actual Usage

To determine your food cost, first you need to determine your usage. Let's start with actual usage, which is determined with a simple calculation:

$$\text{Actual usage} = \text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}$$

We calculate in terms of dollars or quantity (each, pounds, ounces, etc.). It can also be calculated for all food items in your restaurant, for a category of food items, or even for just an individual item.

Your weekly inventory will determine your ending inventory for the previous inventory period, and the beginning inventory for the next inventory period.

Beginning Inventory + Purchases - Ending Inventory = apples sold



We know that Bob buys apples for \$.50 each from his vendor. So now we can see the dollar cost for each part of the formula.

Beginning Inventory + Purchases - Ending Inventory =



Bob's actual usage is 52 apples, or \$26.

Ex. Thursday Bob counts how many apples he has in stock before he opens the stand. He has 43 apples. He receives a delivery on Friday with 48 apples. He counts his apples again on the following morning on Wednesday, and he now has 39 apples.

Calculating Theoretical Usage

Theoretical usage is a little different. Remember, theoretical is what happens in an ideal world. This is calculated based on how much an item costs and how much of that item has been sold according to your POS.

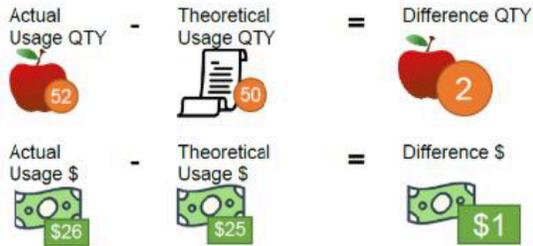
Items Sold x Cost of item =



Ex. Let's look at Bob's apple stand again. Bob looks at his receipts for the entire week and sees he has sold 50 apples. Remember that Bob buys each apple for \$.50. Bob's theoretical usage is 50 apples, or \$25.

Difference, Loss, & Growth

If we compare the actual usage and theoretical usage, we can see the **difference**. This can tell you a lot of helpful information. Let's calculate the difference in the example on the left.



Ex. Looking at this difference, we can see Bob is missing 2 apples, for a total cost of \$1.

A **negative difference** will mean that you have inventory loss, or have less product that you should. *This can be caused by many factors, including theft, waste, mistakes in the kitchen, inventory or purchase errors, etc.*

A **positive difference** will mean that you have inventory growth, or have more product than you should. *This is technically impossible (unless Bob has an apple tree in his backyard), and it is usually caused by a counting error or an issue with a purchase order.*

Calculating Food Cost & Food Cost Variance

Now that we know the usage, finding the food cost is easy.

Actual Food Cost = Actual Usage ÷ Sales

Theoretical Food Cost = Theoretical Usage ÷ Sales

Let's go back to Bob's apple stand again. Bob sells each apple for \$1.50. From looking at his receipts, he knows he sold 50 apples for a total of \$75. Let's use the usage we determined above to calculate his food cost.

Just like with usage, we can calculate the difference by subtracting these two numbers. This is also called your **food cost variance**.



Ex. Bob has a 2% food cost variance.