15 Ways to Slice Your Food Costs

Here are the top areas on which to focus, each of them with a high payoff.
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Everyone knows that food costs matter and that, if not controlled, they will erode an operation's profitability. That is true whether you're running a white tablecloth dining room, a large restaurant chain or an onsite cafeteria.

Controlling these costs is about managing; it's about planning; it's about collecting and using information. It is also about working very, very hard on what is often very easy stuff.

The main reason more operators don't do this "easy stuff" more regularly is that it requires continued attention to what is everyday and ordinary. It requires an unpopular habit, discipline, and change in the way you manage. It may also require you to give up ideas you may have taken for granted for a long time.

It's never possible to be 100 percent better than the next guy, but it is possible to be one percent better at 100 different things. Better food cost management is a matter of continual inspection, measurement and use of check lists, all part of systems you must work to put and keep in place.

The process is more difficult today than it was at one time, not only because the food industry has grown more competitive, but also because of the increased cost of labor and factors like food safety, which have brought added costs to many operations.

As an operator, do you buy fresh chicken at a lower cost per pound, adding value as you turn it into a first-rate, plated entrée? Or do you buy pre-cooked chicken at a higher first cost, but which avoids many of the safety issues that have to be managed when working with raw product and the labor needed to prepare it. Hundreds of decisions like this go into menu planning for a large operation, each one affecting food or labor costs in multiple, sometimes contradictory, ways.

Still, whatever your operation's mission, whether it's running a successful bistro, a corporate dining operation or school program, you'll be more successful at it if you put and keep a strong food cost management program in place. While there are an infinite number of areas on which to focus, here are 15 with a high payoff. Not every idea applies to every operation, but if you find even one or two that help in your case, you'll have made a good start.

**1. Reduce the number of vendors from whom you buy.** In general, the more vendors you have, the more you spend. The chains don't spend time cherry picking, so why should you? Establish a reliable prime vendor and make sure it knows you're counting on it to fulfill that role. If your vendor runs short on inventory, it should know it “owns” that problem, not you.

That doesn't mean you shouldn't have secondary suppliers, but choose them for specialty categories or quality that you can't get elsewhere.

Time spent managing multiple vendors and invoices is time not spent managing operations. Free up time to focus edible portion cost and yield — that's where the most significant cost savings are to be had.

- **2. Actively manage your prime vendor relationship.** The best way to ensure mutual trust is to follow former President Reagan's advice: “Trust — but verify.” Also, don't be satisfied with an order taker relationship — encourage your distributor to see her- or himself as sharing in the responsibility of making your operation a success. Educate your vendor on your core business and its issues. If it isn't regularly looking for ways to help you address those challenges, it's time to consider a new one.

  You also have to do your part. Find ways to help increase drop size, reduce the number of deliveries and improve efficiencies in other ways.

- **3. Use descending dollar reports** to identify your best cost-saving opportunities. It's a good practice to request these three or four times a year from your prime vendor.

  Twenty percent of your products typically consume 80 percent of your budget. Focus attention on improving savings and utilization there, where you'll gain the biggest impact. You will almost always find one item that is a real surprise in some way.

- **4. Train receiving staff carefully.** Best practice doesn't stop with accurate order checking and timely put-away. Make sure staff check not only for accurate order quantities, but accurate order pricing, weight and quality specs. Put into a place a system for assuring proper credit for returned merchandise. Don't accept “full” billing if you haven't yet received back-ordered items.

  Regardless of the supplier, it's common to find some items delivered that have a shorter shelf life than specified. Use a phone camera to document date stamps on incoming goods and establish an agreement with your supplier in terms of how you will handle products arriving with less than three days shelf life. Should they be refused? Returned for credit? Discounted?

- **5. Build security into all of your systems.** Separate *ordering*, *receiving* and *payment* responsibilities so there are checks and balances in place. Makes sure all storage areas are kept locked and have restricted access. Vary the times and doors you use to enter your facility. Arbitrarily change cash drawers at odd times; it's a good way to remind staff that there are regular spot checks for drawer accuracy.

New camera systems that link video monitoring with specific register transactions effectively discourage “friendly” discounts, poor cash handling and un-rung merchandise. Good systems keep people honest without suggesting there might be a problem.

- **6. Re-think your inventory practices.** Holding excess stock costs money, so don't try to be your own distributor! It is also common to see some extra inventory held in the kitchen as a convenience, but that only makes it more difficult to track and manage. Move as close to a “just-in-time” system as you can feel comfortable with. Look to improve your turnover rate. The faster you use up inventory, the fresher it is.

  Managing some inventory to “PAR” levels can be helpful, but also can lead to “money sitting on the shelf.” Using a computer system to show “min/max” can be more economical if it's matched against your cycle menu. For example, there's no need to keep your frozen salmon stock at PAR all month long if it doesn't appear in the menu cycle until the third week.

7. Work to increase the turn rate (velocity) of products you use regularly. Make it a goal to increase the turn rate of the top 20 percent of your inventory by 25 percent. Reduce the number of SKUs you stock and design menus to make better use of common items. Look for ingredients that are flexible and can serve multiple uses.

Make sure the cooler where you store your fresh produce is “zoned” by both temperature and types of produce. This can often extend shelf life and help you manage the ripening process.

8. Get to your kitchen early to keep an eye on potential waste and inefficiency. That's where waste occurs and where it can be controlled. Your food cost for the day is determined by 5 a.m. on any given day and often by 2 p.m. the day before.

9. Manage your “trash flow.” It's never popular, but implementing procedures for measuring and tracking waste is the only way to reduce the amount of food being thrown away. You can't manage what you don't measure.

Waste sheets should document everything that's left over from prep or production, and can highlight real surprises and weak spots. Keep your eye on the trash, which is where food waste goes (errors made in the kitchen are often hidden at the bottom of the barrel). When staff knows you're consistently monitoring waste, it goes down.

10. Make space for items that are both popular and have good margins. Classic menu items that fall into this category include nachos, mac 'n cheese, other pasta dishes and potato dishes or casseroles. Do your best to ensure that you operation's most popular and “signature items” fall into this category.

11. Evaluate yield strategies carefully. Concentrate on edible portion costs and yield. The “edible portion” is never the same as “amount purchased.”

When you buy spare ribs, you are paying for the weight of the bones as well as the meat. When you buy block-frozen shrimp, you're paying for ice as well as product.

Buying yield Grade #2/3 Choice Inside Round costs about 10 percent more than yield Grade #4/5, but edible portion costs after trimming and cooking will cost you 15-20 percent less. Especially with protein, cooking technique can have a big impact; combi and slow cookers can sometimes reduce shrink by as much as 10 percent.

12. Get your forecasting and production “in sync.” Smart operators plan to run out of certain items over the course of a meal period and plan ahead for those items that remain to be “cascadable” into the next meal menu mix. Using a computerized food management system will cut your food cost 5-8 percent.

13. Think like a manufacturer when it comes to recipe costing. Raw ingredient costs never tell the whole story. Record even the simplest things about each ingredient as it moves through production. The outer leaves and core of a head of cabbage can't be used, so you aren't getting exactly what you paid per pound. Cleaning and trimming adds labor cost. Pay attention to trim waste: can it become a stock pot ingredient or a minor ingredient in another offering?

14. Measure everything in time (labor dollars) and by weight. Weights are better than tablespoons in costing a recipe. Is that ladle of gravy one ounce or ¾ of an ounce? It may seem that measuring protein by weight matters more than measuring something inexpensive, but volume items (like nacho chips) can add up, and it's worth weighing them, too.

15. An ingredient room that pre-weighs and assembles recipe components can help you improve efficiency and stock room security. Weighing out and prepping ingredients for production before a chef gets them can reduce waste, but also adds another employee. Its value as a strategy has to be weighed given your own circumstances.

Evaluate prep in the context of time spent and labor rates. Sometimes it's better to buy something pre-chopped if labor costs are high; in other situations you may have full-time employees with slack periods where. Staggering hourly schedules can sometimes help.

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