



The Path to Perfection: Approaching the Perfect Food Cost Part 1

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It's the question every club manager and board member wants answered – “what should our food cost be?” Sometimes called the perfect, theoretical or ideal food cost, the definition is more straightforward than the achievement. The perfect food cost is the cost required to provide exactly the amount of food required to meet the legitimate need for it during the period in question.

This number may be significantly different from the budgeted food cost number. Even if the food cost is equal to the budgeted cost, it could be as much as 5-10 points higher than the perfect food cost. This variance between actual and perfect food cost is simply defined as the cost of food used in excess of what was actually needed. It comes from a variety of sources, including waste, theft, spoilage, over-portioning and reduced yield. To the club with \$1 million in F&B revenue, this variance represents between \$50-100 thousand per year!

Tough to Calculate

Unfortunately, the perfect food cost is nearly impossible to calculate for all but the simplest foodservice operations. The calculation is fairly straightforward. Simply take the number sold of each menu item, multiply the quantity of each ingredient required by the menu item's recipe by that amount, adjust for the yield of each ingredient, extend the accumulated quantity adjusted for yield by the cost of the ingredient and then add up all the costs for all the ingredients required by the sales of all of the menu items. This may be tough manually, but can be easily performed using appropriate software.

The difficulty relates to the recipes themselves. Menu items offer choices between sides, salad dressings, and other components of a dish, and guests have access to complimentary table items like bread baskets and condiments. Every ingredient of every choice and complimentary item must be considered in proper proportion, requiring averaging and popularity studies. The actual recipes required to calculate perfect costs (and correct menu item costs) look nothing like cooking recipes. A simple burger plate may have only 10 line items in the cooking recipe, but over 100 line items in a costing recipe. Even though high-end F&B management software can do the calculations, very few operators have the time or experience to build these types of recipes.

Starting Down the Path

So how can a club reduce variance and approach this perfect food cost if it can't properly calculate it? The answer lies in what I refer to as the Path to Perfection. While it may not be possible to arrive at the finish line, every step along the path helps reduce the variance. It is also important to take these steps in the proper order, which makes the path analogy even more appropriate.

In order to reduce the variance, we need to attack its components. As mentioned above, waste, theft, spoilage, over-portioning and reduced yield are the primary causes of variance. Each step along the path is designed to address one or more of these components. The first section of the path deals with procurement and everything related to it. Next comes inventory management, followed by culinary processes, key item tracking and finally report analysis and action steps.

These steps do not require changes to the menu or pricing. They have nothing to do with what you pay your purveyors for food, and they do not require the kind of recipe construction described above. But done properly and in the correct order, they can reduce variances by 80%, resulting in savings of up to \$80,000 per million in F&B revenue.

Stay Tuned

With the definition of the perfect food costs in hand, and an understanding of the basic sections of the path, we can start to examine each section. But given space limitations and the complexity of the discussion, we will need to do this over a series of articles. Up next – the procurement section of the Path to Perfection.

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