Controlling food costs is a never-ending challenge to restaurant owners and managers. The ability to control the purchase, production and sale of food items often will determine the very survival of the restaurant.

With the increasing amount of costs in other areas of the operation, controlling food costs has become even more critical.

Also, consumers do not understand the increasing costs you face and are reluctant to pay higher prices. Because of this, it is not easy to pass on higher costs to your customers.

We will look at 7 ways you can take to shore up your food cost controls.

1. Record all sales. Although this may seem unrelated to controlling food costs, think about the effect unrecorded sales have on your food costs. For example, if a restaurant has sales of $20,000 per week and operates at 38 percent food cost, the restaurant will spend $7,600 for each week. If 10 percent of these sales are not recorded for whatever reason, the food cost percentage will climb from 38 percent to 42.2 percent.

The basic procedure is to record all sales in the POS system. Ideally, each day's food production will be compared to actual sales, and any variances will be reconciled.

There are a variety of POS systems on the market. Choose the right one that meets your requirements.

However, if any system is to work, it will require discipline. All food sales must be rung up, and no food should leave the kitchen without a ticket. The people most likely to violate this policy are operators and managers. If you violate the system, sooner or later your employees will do so too.

2. Institute accurate receiving procedures. Make sure you get what you pay for. If you do not receive the quality merchandise you paid for, you are beaten before you start. Accurate receiving seems straightforward because there is so much common sense involved, but the system often breaks down because of a lack of management commitment. Make sure you implement the following procedures.

- Compare weights received to weights on the invoice
- Compare the number of items received to the invoiced number
- Compare sizes and physical characteristics with those stated on invoices
- Compare quality received with quality specified
- Compare purchase price with invoice price
- Check all mathematical computations for accuracy and
- Make sure all corrections, damaged goods and wrong items are credited and that the credit information clears both your accounting department and supplier's accounting department.

3. Be sure the salad bar or buffet is profitable.

Many restaurateurs feature a salad bar or buffet because of its customer appeal. All too often, however, they pay little attention to profit considerations and, consequently, food cost problems arises.

To stay in control of your food costs, begin by knowing how much you are spending on your salad bar. To determine the food cost of a salad bar or buffet choose a moderately slow day. Record and cost out all items used to set up and replenish the salad bar. After service is completed, record and cost out any products that are left over in prime condition giving maximum credit of 50 percent of the original value.

Subtract the returned merchandise value from the original issue and replenishment cost. This will result in the total cost of the salad bar or buffet.

Next, divide the cost of the buffet or salad bar by the number of customers served. The resulting figure will give the cost per customer. Compare the cost to the revenue produced, and determine if your profit levels are appropriate.

If your profit level is not acceptable, here are some possible changes you can implement:

- Revise pricing
- Change ingredients offered
- Change china sizes
- Change ingredients' portion, size or composition
- Change ingredients' location
- Change ordering procedures, making them tableside rather than self-service
- Change amount of product displayed and/or
- Change serving utensils

These changes do not mean you must cut back on food quality. Instead, the emphasis is put on reducing waste.

4. Anticipate market and other irregularities.

Lobster tails, fried chicken pieces, steaks, orders of prime rib and many other traditional entrees are fairly easy to control by the portion. They can be held fresh or frozen until needed.

As restaurateurs offer more complex menu items prepared on site, however, they must pay more attention to forecasting. Weather conditions, seasonal variations in product availability and other factors all affect food cost levels.

For example, the market place may not be able to provide uniform ingredients (size, weight, shape, chemical composition, and other physical properties) for certain perishable items. Nature is often not too cooperative either. Seafood and fresh produce may vary considerably from shipment to shipment, and different brands can yield very different results.

5. Food estimations should reflect current prices.

Too often restaurateurs use estimations of the cost that are based on prices that are years old, perhaps going back to when they opened the business. This can cause serious problems in controlling food costs. Restaurateurs should know current costs for each menu item by staying up to date with each ingredient cost change. This is time well spent.

Be particularly careful if you use a single ingredient in a variety of forms as, for example, ground beef in hamburger, meat loaf, spaghetti sauce, lasagna or Swedish meatballs.

Many operators develop financial trouble by not charging full cost to one or more users of a versatile ingredient.

Many operations lack the staff, time, energy and interest to revise menu costs frequently, so they estimate the cost of minor ingredients. In addition, operators often estimate yields on consumption per customer for a variety of products to arrive at a fair price for their menu item. This is frequently done for butter, salad dressing, pancake syrup, crackers, bread and many other items.

One quick way to check your estimations is to track your consumption of salad dressing for a week. Take a salad dressing inventory at the beginning of the week (use ounces or gallons or dollar price). Add any shipments you receive or dressing you manufacture during the week. At the end of the week, subtract the remaining dressing. Divide this by the number of salads served or perhaps your guest count. The resulting figure will be your salad dressing consumption per customer.

The actual consumption may be quite different from your previous estimations. Use current, more realistic estimates and repeat the process periodically. If the difference is significantly greater, revise your operating systems.

Too often restaurateurs discount products and end up losing money. Leftovers are one example. There is no reason why barbecue beef from leftover roast beef, creamed chicken from leftover banquet service chicken, and soups made from a wide range of ingredients should not command a fair market price. If you are regularly overproducing; forecast more accurately to reduce production levels. Try to design menu items that utilize leftovers and consider using quality leftovers in the bar at happy hour. Often the value can be significant, particularly for a successful, high volume happy hour operation.

6. Beware of the hidden ingredient cost.

In most restaurants there are some ingredients that are used frequently, represent considerable dollar expenditures and are generally ignored by chefs, managers and owners. These ingredients can generate serious food cost problems. Typical examples of problem products include deep-frying shortening, salad oil, sour cream, breading, crackers and cooking butter, but they will vary depending on your menu and production methods.

As a quick rule of thumb, keep track of any ingredient that represents more than three-tenths of one percent of the cost of food sold if it is not directly related to a single entree, appetizer, and dessert or beverage selection.

For a $1,000,000 sales operation with a 40 percent food cost, for example, this would include any ingredient that would cost you $1,200 or more a year.

When you identify these hidden costs on your menu, review how your purchasing, receiving, production and service personnel handle them. Are these items being used judiciously in proper proportions and in the right dishes?

These items are deceptive because their unit cost is generally low. Yet the amount times the larger number of portions creates an expense problem.

Butter used in cooking is likely to be a hidden cost product. It is fairly expensive, yet cooks use it so often they take it for granted.

Crackers are another hidden cost item. The unit cost is low and consumption would appear to relate to soup and salad sales. Actual consumption is more likely to be several times the projected consumption due to extra service, breakage and employee snacking.

7. Beware of administrative cost adjustments.

Discounts, promotions, transfers, errors, walkouts and tradeouts all effect the food cost percentage.

Make sure you do not hold production people responsible for these costs. Their moral will improve and their commitment to your business will increase if you monitor and adjust for these costs.

These are the seven areas that are often overlooked in the effort to control food costs. Take a close look at each one. Perhaps one of them will help you to solve a problem.

If you need more information on the subject of food cost control, please contact Ron Santibanez at:

Profit Line Consulting, Inc. 866-903-5875