



ISSUE 2

MARCH 2007

FOOD COST – WHAT SHOULD IT BE?



Everyone wants to know what their food cost should be – just like there is a “magic” number that is correct for every operation, or for every category within the industry.

There is no correct generic answer. In order to properly control food and beverage costs a three point strategy is necessary.

1) Planning

Food cost can only be determined by costing out each individual plate or dish sold including the proper yielding of each item being used in each plate—remember that most items do not yield an amount equivalent to the purchase or pack size. Watch for the next newsletter for a more detailed explanation of yield & a spreadsheet to help calculate it.

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The New Edinburgh Pub

Friendly neighbourhood pub and community cornerstone

Scenically situated at the corner of Beechwood Avenue and Vanier Parkway, on the edge of the Rideau River, the New Edinburgh Pub is the perfect spot to unwind after a long day, or get together with friends over a pitcher of cold beer and a platter of cheesy nachos.

In a city where rooftop patios are scarce, this unique pub offers diners a relaxing atmosphere, and rare view of the city from the largest rooftop patio in Ottawa. Minutes from the Byward Market, you can catch the game on the big screen or any number of other strategically placed televisions. Those with a competitive spirit will find televisions for NTN trivia and poker events Saturday afternoons.

The menu includes a variety of draft beers, an impressive selection of imported beers and a full scotch bar you simply won't find at other Ottawa pubs. The menu theme is international – a different special is featured every night, lunch specials change daily and, whether you order the fresh made zucchini sticks or beer-battered fish and chips, you can be sure it will be delivered by friendly wait staff that will have you coming back. An average meal here costs about \$10.

Beyond the welcoming atmosphere and eclectic menu, what truly sets the New Edinburgh Pub apart, is the staff. From the servers and bartenders up front to the chefs behind the scenes, many of the faces you'll see here have been with the pub since it's early years. A true credit to owner Paul Williams some of his staff have been with him for more than 18 years.

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LABOUR COST – DAILY OR WEEKLY?

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GET TO KNOW US

Hospitality Solutions offers a unique, personalized service to help restaurant and bar operators reduce, control and monitor food and beverage costs with accuracy and efficiency. Using state-of-the-art inventory software we provide ongoing cost reduction advice that is supported by partners and associates, all of whom are all former operators.

For more information please visit our Web site at www.hospitalitysolutions.ca or call toll free 1 877 384-1461.

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After a theoretical, or ideal cost is established for each menu item, it must be analyzed in a “weighted” sales mix taking into account the cumulative cost of each dish sold based on the entire number sold for a given period (usually one month).

Comparing this weighted cost against total sales for the same period will produce a theoretical or ideal cost, personalized for your operation.

2) Execution

In order to maintain your cost at or near your ideal cost you need to properly execute the following:

- Portion Control – this might involve scoops, ladles, pre-portioned items, portion bags and cups etc.
- Pre-determined recipes for all prep items
- Proper prep and storage procedures designed to reduce waste
- Training – to ensure proper portioning of all items

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THE NEW EDINBURGH PUB. FRIENDLY NEIGHBOURHOOD PUB AND COMMUNITY CORNERSTONE.

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A TESTIMONIAL

When I opened the New Edinburgh Pub more than 18 years ago, I knew that it was going to take a lot of my time and elbow grease to be successful. It takes a lot to operate a restaurant and things like managing food and beverage inventory – although a critical part of my business – were not getting the attention needed from me.

I became a client of Hospitality Solutions when they approached me a few years back. I was one of their first clients, and before they came to me, I actually didn't know their service existed. As the owner and operator of a successful pub, I have always understood the crucial importance of tracking inventory numbers and costs but, the truth of the matter is, that it's a highly time consuming process. And there's no question that the service Hospitality Solutions offers, and the pressure they take off me, comes at a very reasonable price considering what my time is worth to my staff, my customers and myself.

I find the specialists at Hospitality Solutions very professional and friendly. Their reports are extremely thorough and make it easy for me to see which areas need work and where my opportunities lie. A great example of the level of the hands-on customer service they provide is when Rick Parks - the company's owner - personally came with me on a meeting with a supplier. Because they deal with so many suppliers in the work they do, these guys know what everyone is charging. That kind of information is invaluable. When I use Hospitality Solutions I know, without a doubt, that I am getting the best deal possible. Rick was able to help me negotiate a great price from my supplier.

The fact that I have been in operation for more than 18 years, and that many of my staff have been with me since the beginning, tells me that I'm doing my job. What Hospitality Solutions brings to the table, is the assurance that I can continue to do so. With them, I know that I'm making the best decisions when it comes to my inventory, that I have the whole picture and, subsequently, the upper hand. I wouldn't consider operating without them.

–Paul Williams, Owner and Operator



Restaurant: The New Edinburgh Pub
Owner: Paul Williams
Head Chef: Ken Hamilton
Address: 1 Beechwood Ave.
Ottawa
Phone: 613-748-9809
Parking: Lots

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3) Measuring Results

You must have an effective inventory system to measure ongoing actual results. In a perfect world inventory would be performed and calculated weekly. In reality for most operations, taking inventory bi-weekly or monthly provides a satisfactory system to monitor these all important costs.

When all three of the above strategies are in place on an ongoing basis you can regularly and accurately determine what your food cost should be, what it actually is, and any variance.

Armed with this information, you can then do something to change it – and your profits!

The various restaurant associations regularly publish statistics showing that the average restaurant earns less than 10% net profit

Can you afford not to know what your cost should be– and what it actually is?

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www.hospitalitysolutions.ca



LABOUR COST – DAILY OR WEEKLY?

The only way to control labour is to plan it. Most schedules in this industry are created by copying the previous one, or by deciding how many positions are necessary and filling in names, or just by listing start times for everyone with the expectation that they will stop working when it is no longer busy.

The typical result from any of the above practices is usually over budget labour and scrambling to cut, cut, cut.

To achieve your labour goals you need to implement a system designed to make you successful. This begins by planning a labour budget based on goals and previous history such as sale info from previous years, or even just previous weeks, along with some educated projections based on weather, holidays, events and reservations.

Once your projected sales have been established and your budget set, you can effectively create a schedule that is within budget before starting the week. Step two is to monitor the schedule daily, and adjust your budgeted sales and hours to match the actual results. You can then monitor labour on a daily basis. This will increase awareness, and help managers create more efficient schedules. The end result will be an increased awareness of labour on a daily basis and decreased labour cost.

For a sample schedule builder with labour cost, please download the following file from our website: [labour forecaster.xls](#)

If you are serious about being profitable an effective scheduling system is not an option!

ARE YOU SUBSIDIZING BARTENDER TIPS?

It is a known fact that most bars & restaurants lose money on their bars – the national associations tell us that the amount lost can average as high as 20%.

Watch for our next newsletter to find tips on how to reduce this expense – quickly & permanently!