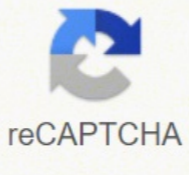




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How to calculate food waste percentage in restaurants

Learn everything you need to know about restaurant food cost percentage, and how to calculate this metric using a formula. RESOURCE Use this guide to learn more about your restaurant costs, how to track them, and steps you can take to help maximize your profitability. Download **DISCLAIMER** This content is provided for informational purposes only and is not intended as legal, accounting, tax, HR, or other professional advice. You are responsible for your own compliance with laws and regulations. You should contact your attorney or other relevant advisor for advice specific to your circumstances. As a restaurant owner, your priority is delighting customers. But your top financial priority is maximizing revenue while minimizing costs. Food costs comprise a big part of the money it takes to run your restaurant. And your food cost percentage is an essential restaurant metric to be monitoring continuously. With the right formulas and resources, you can easily calculate your food cost percentage, take control of your costs, and lay the groundwork to optimizing your restaurant finances. In this post, we'll share our food cost percentage formula and show you how to calculate food cost percentage. Powered by Froala Editor RESOURCE Use this guide to learn more about your restaurant costs, how to track them, and steps you can take to help maximize your profitability. Download In short, restaurant food cost percentage is important because keeping a close eye on and optimizing food cost percentage can help you achieve maximum profit. Let's say that Josephine runs a successful restaurant that serves 350 customers per day. If she doesn't pay attention to her food costs, and her menu items are incorrectly priced by 75 cents, Josephine could lose \$100,000 in revenue per year. Basically, pocket change can quickly add up. Taking the extra step to calculate food cost percentage and cost of goods sold down to the individual cookie, slice of bread, or burger helps your restaurant in the long run. The most successful franchises and restaurant chains also understand the value behind keeping a close eye on food costs. For example, if McDonald's sells 68 million burgers a day, and they are off by a single penny on their cost of goods sold, then they're losing \$680,000 per day... or \$248 million per year. Here are four benefits to calculating restaurant food cost percentage. 1. Spend and earn smarter By pricing each menu item based on food cost percentage and cost of goods sold, you will ensure that each menu item fits within your food cost margins. From there, you'll know which menu items are most profitable and, in turn, which items to promote. 2. Efficiently engineer your menu With food cost percentage data integrated in your restaurant POS system, you can update menu items that are no longer profitable. Menu engineering based on food cost percentage will give you the insights you need to decide whether to retire, change, or re-price a menu item. 3. Better understand how food supplies impact costs and profitability In 2018, a poor growing season left the world with a shortage of vanilla, making the price for the spice skyrocket. Bakeries and other restaurant concepts with an emphasis on desserts and baked goods felt the impact of this shortage. Keeping an eye on farming trends and even international trade negotiations - the 2018/2019 US-China trade war has had a huge impact on American farmers - is an important part of understanding and managing inventory costs. 4. Intelligently experiment with new recipes Make a new recipe and see if it aligns with your ideal food cost percentage - more on the ideal food cost percentage below. If it doesn't, see if you can adjust the recipe at all, or maybe you store it away for another time. Powered by Froala Editor Food cost percentage is calculated by taking the cost of goods sold and dividing that by the revenue or sales generated from that finished dish. The cost of goods sold is the amount of money you've spent on ingredients and inventory in a given period - we'll show you how to calculate that, too. It's nice to know if individual items are profitable or not, as we'll explain below. But it's critical to know if your entire business is on track for success. To start, look at your weekly inventory. 1. List all the food supplies you received at the start of the week. Many inventory management systems work on tablets or handheld devices, so you can walk around back of house checking off items like you would on a clipboard. 2. Add together the dollar value of each item. How much did you pay for each box of chicken in your back of house? 3. Track your purchases. Were there any other purchases that you made within the week, after beginning inventory? 4. Take inventory again at the beginning of next week. Follow the same process. Many recommend a shelf-to-sheet system, where your inventory tracking system is set up like your back-of-house is. 5. Add together total food sales per shift. Many POS systems with restaurant analytics can provide you with this information automatically. 6. Calculate actual food cost for the week using the following food cost formula: $\text{Food Cost Percentage} = \frac{\text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}}{\text{Food Sales}}$ Check out the example below to see this food cost percentage formula in action. $\text{Beginning Inventory} = \$15,000$ $\text{Purchases} = \$4,000$ $\text{Ending Inventory} = \$16,000$ $\text{Food Sales} = \$10,000$ $\text{Food Cost Percentage} = \frac{(\$15,000 + \$4,000 - \$16,000)}{\$10,000} = 0.30$ or 30% Quick Tip: Is your food cost percentage dramatically high or low? Make sure you've counted each item correctly, entered the right unit, and accounted for each purchasing invoice. Powered by Froala Editor On average, the food cost percentage is 28-32% in many full-service and quick-service restaurants. Of course, there is no exact "good" percentage - it varies depending on the type of food served and costs of operating the restaurant. To figure out what percentage is the best for your restaurant, you'll need to calculate your ideal food cost percentage. Powered by Froala Editor Tech Tip Learn how a better point of sale system can help you run your restaurant. Read now Here's how to calculate the ideal food cost percentage for your restaurant: $\text{Ideal Food Cost Percentage} = \frac{\text{Total Cost Per Dish}}{\text{Total Sales Per Dish}}$ For this percentage to be the most helpful, you need something to compare it to - and ensure that your restaurant is on track. You can do so by comparing your actual food cost with your ideal food cost. In an ideal world, there would be no food waste or theft in your restaurant. The calculation for ideal food cost percentage doesn't take into account your beginning and ending inventories. Instead, it accounts for the total costs and sales associated with each dish or menu item. First, we have you enter the type of concept you run and in what area. Then, it shares the five most popular items (and their price breakdown) on similar restaurant menus in your area. Then, you'll be able to dive into these menu items to calculate each item's food cost, the cost per pound and/or cost per cup for each ingredient. You can also use the tool to create custom menu items and determine the ideal price for them. So play around with it and start brainstorming on how you can improve your food cost percentage. Powered by Froala Editor RESOURCE In this Guide to Restaurant Sales, you'll learn the metrics you need to measure to understand the financial health of your restaurant. Plus, you'll get tons of great ideas that'll help you learn how to improve sales in your restaurant. Download $\text{Food Cost Per Dish} = \text{Food Cost of Ingredients} \times \text{Weekly Amount Sold}$ $\text{Total Sales Per Dish} = \text{Sales Price} \times \text{Weekly Amount Sold}$ Now that you've calculated your food cost per dish, here's the formula for calculating ideal food cost percentage: $\text{Ideal Food Cost Percentage} = \frac{\text{Total Cost Per Dish}}{\text{Total Sales Per Dish}}$ Check out the example below to see this ideal food cost percentage formula in action: $\text{Total Cost Per Dish} = \$2,500$ $\text{Total Sales Per Dish} = \$10,000$ $\text{Ideal Food Cost Percentage} = \frac{2,500}{10,000} = 0.25$ or 25% The ideal food cost percentage comes out to 25% and the actual food cost percentage comes out to 30%, in the examples shared above. Now we know there's an extra 5%, either due to waste, theft, or additional purchasing. Ultimately, you want your actual food cost to match or even be below your ideal food cost. Powered by Froala Editor There are many ways to optimize your food cost percentage. Here are a few: Be smart about your menu pricing. Try raising prices on your menu by a small amount and factoring this into your overall restaurant business plan. Try menu engineering to identify which menu items are bringing in the most profit and update your menu accordingly. Use plenty of carbs on your menu. Why? Because items like potatoes and pasta are generally cheaper to buy in bulk. Get creative with your restaurant menu design to strategically suggest and promote more profitable items to guests. Shop around at different wholesale food sellers like US Foods so you can find the best prices for your restaurant. Keep an eye on portion sizes. Are many of your dishes coming back half-eaten? You may want to consider reducing your portion sizes. Don't give away too many freebies, such as bread and butter, if your actual and ideal food costs are way off. Adapting your menu along with seasons can help you save on food costs. Food items and produce that are in season will be cheaper, and seasonal items that are trending with customers will help with popularity and profitability. Powered by Froala Editor Your menu prices need to meet the needs of your bottom line but also the needs of your target market. Here's a formula you can use: $\text{Find plate cost by conducting recipe costing and then adding up the portion costs for each recipe that makes up the dish. Divide this by a target food cost percentage. You can choose what this percentage should be and move it around as you wish. Round up or down. Keep menu prices simple and round up or down. When you're pricing your menu, you should also consider your local market. If demand is high for a particular menu item in your area, you may want to sell it for more or less, depending on what the market can bear. You'll also want to consider labor costs, rent, overhead costs, and more when pricing your menu. Related Restaurant Finance Resources}$ Powered by Froala Editor RESOURCE Track inventory seamlessly with the help of this customizable par inventory template. Download Sign up to get industry intel, advice, tools, and honest takes from real people tackling their restaurants' greatest challenges. We'll handle your info according to our privacy statement.

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