



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Boost Your Profits With Accurate Recipe Costs & Menu Engineering

ECRM Foodservice Show
Las Vegas, Nevada ■ November 8, 2011

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Mark Kelnhofer

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

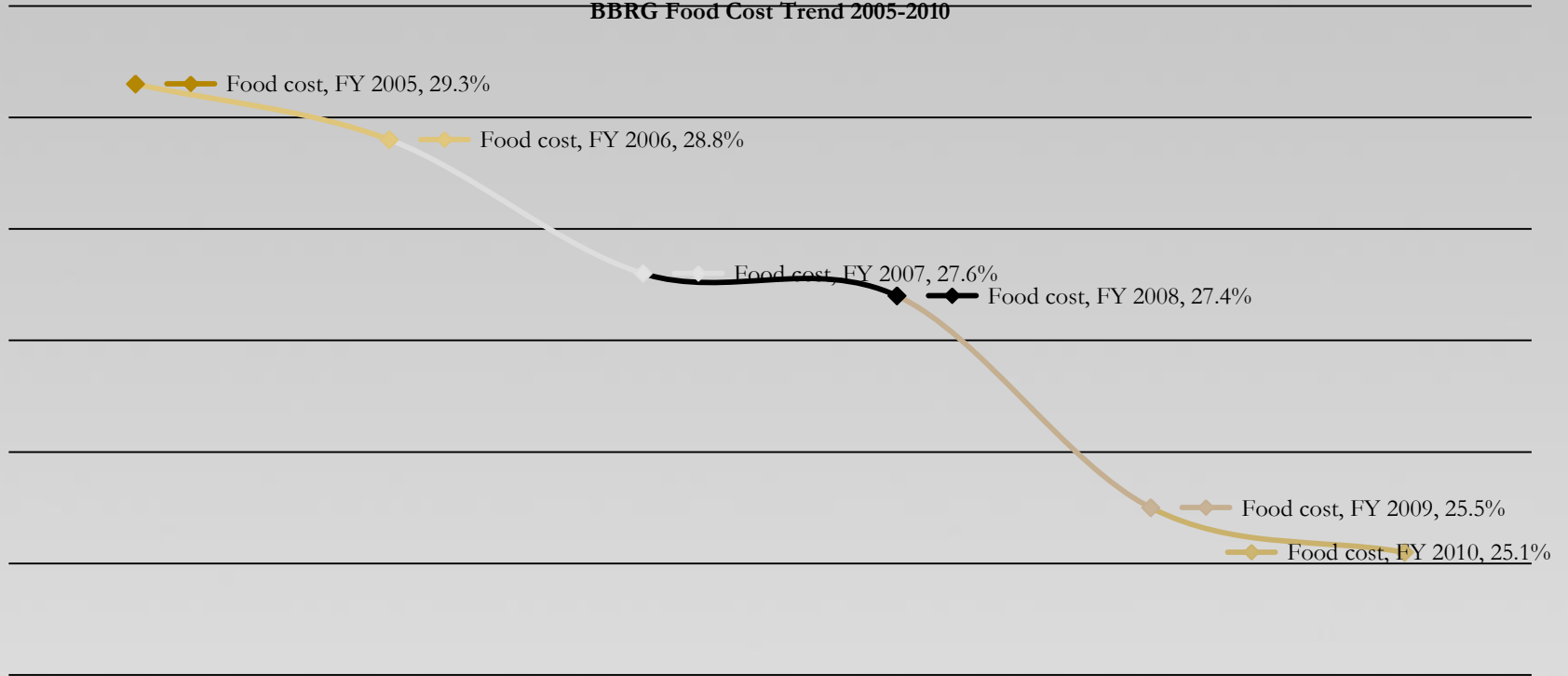
- BA in Accounting and Business Administration in 1993
- Masters in Business Administration (MBA) in 2005
 - Ohio Dominican University, Columbus, Ohio
- Manufacturing Cost (1993 - 2011)
 - Plastics, Lighting, Tire Repair Kits, Buses, Restaurants
- Bravo/Brio Restaurant Group (2002 - 2010)
- Return On Ingredients (2009 - Present)
 - Bravo/Brio Restaurant Group, Eddie V's, Pistacia Vera, Bob Evans Farms, Gordon's Gourmet, Midwest Culinary Institute, Luce, Crème de la Crepe
- Ohio Dominican University (2007 - Present)
 - Adjunct Faculty, Financial & Managerial Accounting
- Midwest Culinary Institute (2011 - Present)
 - Adjunct Faculty, Food, Beverage & Labor Cost Controls



Bravo/Brio Restaurant Group

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

BBRG Food Cost Trend 2005-2010



4.2% = \$ millions in savings



**Brio Tuscan Grille – Easton Town Center
Columbus, Ohio**



Bravo! Cucina Italiana
Virginia Beach, VA



Bon Vie - Easton Town Center
Columbus, Ohio



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Other Food Manufactures...

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Restaurants
- Casinos
- Hotel & Lodging
- Sports Arenas
- Hospitals
- Colleges and Universities
- Catering and Banquet Centers
- Theme Parks
- Horse Race Tracks
- *....and others!*

Restaurants vs. Manufacturing

RESTAURANTS	MANUFACTURING
Ingredients	Raw Materials





REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Restaurants vs. Manufacturing

RESTAURANTS	MANUFACTURING
Prep Production	Work In Process



Restaurants vs. Manufacturing

RESTAURANTS	MANUFACTURING
Menu Item	Finished Goods





REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Restaurants vs. Manufacturing

RESTAURANTS	MANUFACTURING
BOH Labor	Direct Labor





REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Restaurants vs. Manufacturing

RESTAURANTS	MANUFACTURING
FOH Labor	Indirect Labor





REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Restaurants vs. Manufacturing

Other manufacturing aspects as well

- Prep Time = Labor Routing
- Customer Order = Manufacturing Order
- Overhead (Direct & Indirect)
- Recipe = Bill of Material (BOM)



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Top Reasons To Know Your Costs!



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

The Restaurant Industry



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

The Restaurant Industry

2011 Restaurant Industry in the U.S.

- Sales of \$604 billion
- On a typical day in America, there is \$1.7 billion in restaurant sales
- Employs 12.8 million (10% of the workforce)
- 2011 projected employment 14.1 million by 2021

Source: National Restaurant Association ■ restaurant.org/research
2010/2011 Restaurant Industry Pocket Factbook



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

The U.S. Economy



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

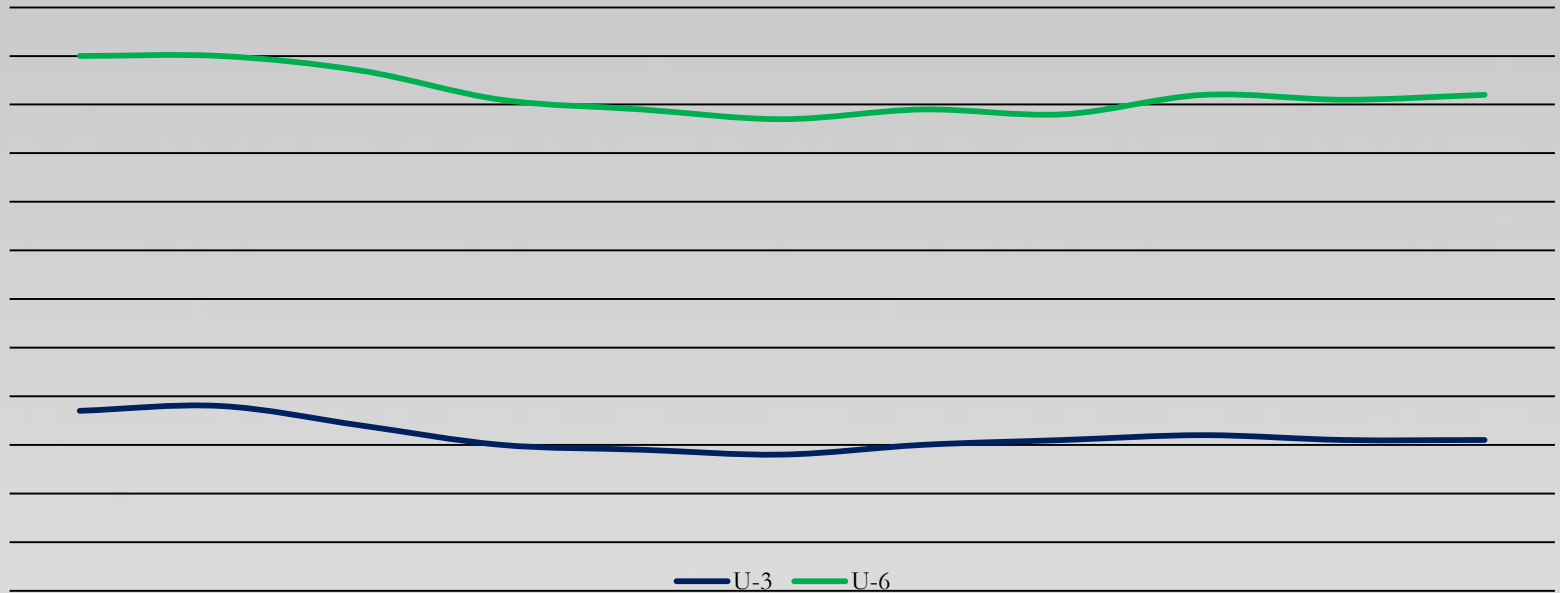
General U.S. Economy

- General economic indicators
 - 2010 small rebound; 2011? Double dip recession?
 - Effect of recent Washington, DC actions
 - Unpredictable future actions of Washington
 - States on the verge of bankruptcy
 - Cities defaulting on municipal bonds
 - Mideast Turmoil, Japan Earthquake & Tsunami
 - Commercial real estate fall out; Debt Crisis
- U-3 unemployment rate 9.1% (08/11)
- U-6 unemployment rate 16.2% (08/11)
- Discretionary income drops
 - Eating out decisions are made less often
 - Highly competitive environment



U-3/U-6 Unemployment

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.



	10/2010	11/2010	12/2010	01/2011	02/2011	03/2011	04/2011	05/2011	06/2011	07/2011	08/2011
U-3	9.7%	9.8%	9.4%	9.0%	8.9%	8.8%	9.0%	9.1%	9.2%	9.1%	9.1%
U-6	17.0%	17.0%	16.7%	16.1%	15.9%	15.7%	15.9%	15.8%	16.2%	16.1%	16.2%

Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.t15.htm>



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

U-3/U-6 Unemployment



U-3 Unemployment

Total unemployed, as a percent of the civilian labor force (official rate).

U-6 Unemployment

Total unemployed, plus all persons marginally attached to the labor force, plus total part-time employed for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force (total rate).

Source: Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.t15.htm>

Long Term Unemployment

JULY 21, 2011, 10:20 AM ET

Long-Term Unemployment, by State

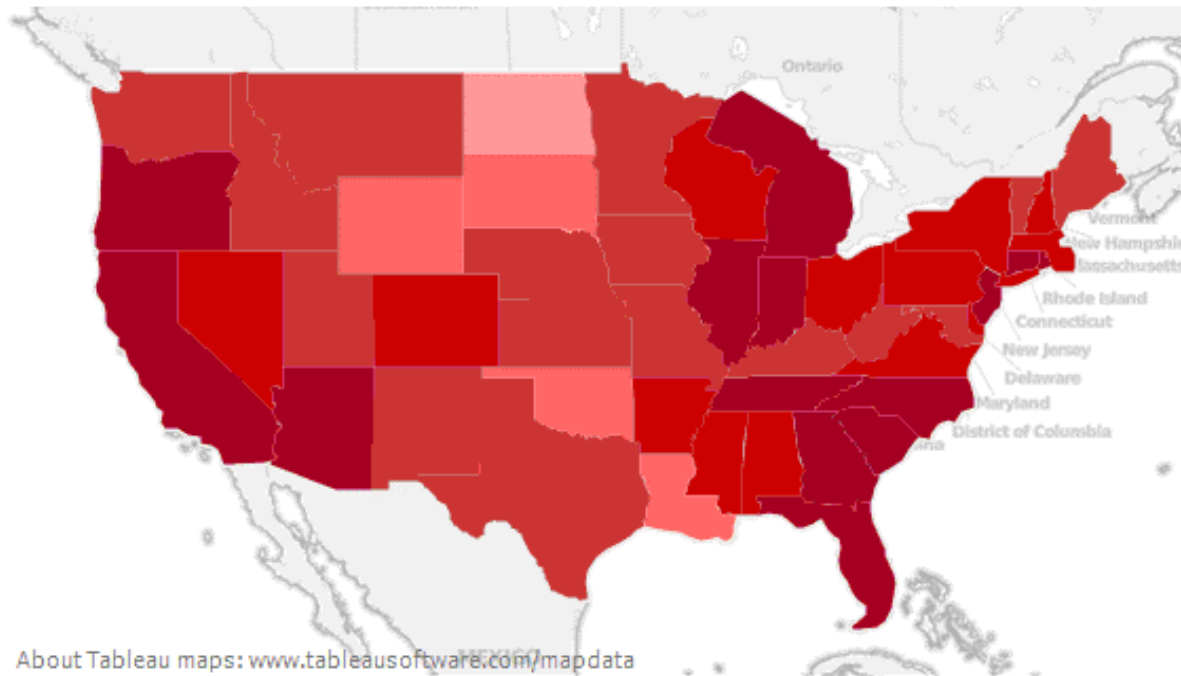
Article

Interactive Graphics

Comments (107)

Percent unemployed over 52 weeks (2010)

(Click state to see detail)



About Tableau maps: www.tableausoftware.com/mapdata

0.0% 40.0%

*Wall Street
Journal,
07/21/2011*

*“Long Term
Unemployment
by State”*

General U.S. Economy

The Economist

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America's economy

Time for a double dip?

A lousy debt deal, rising fears of a recession, the danger of longer-term stagnation: America's outlook is grim

Aug 6th 2011 | from the print edition

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Jon Berkeley

*The Economist,
August 6-12, 2011*



General U.S. Economy

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Friday, August 12, 2011 As of 12:00 AM New York 84°|67°

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TOP STORIES IN Business

Appraisals Weigh Down Housing Sales

States Go After Big Bank on Forex

ECONOMY | AUGUST 12, 2011

Feeble Numbers Stir Recession Fears

Article | Video | Comments (58)

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BY PHIL IZZO AND BEN CASSELMAN

The risk of a double dip recession has climbed sharply as the economy endures the double whammy of slowing growth and wild swings in global markets, according to economists surveyed by The Wall Street Journal over the past week.

The 46 economists in the survey—not all of whom answer every question—put the odds that the U.S. is already in another recession at 13%, while they peg the chances of going that way in the next year at 29%—up from 17% only a month ago.

Inbox - Microsoft O... | 1 Reminder | Feeble Num

Wall Street Journal, 08/12/2011

“Feeble Numbers Stir Recession Fears”



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Commodity Costs



Commodity Research

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.



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Call us toll free (888) 423-4411

Food & Energy Commodity Services

for the U.S. Food Service Industry and Supply Chain



Source: American Restaurant Association

www.americanrestaurantassociation.com

1-888-423-4411 ■ Fax 941-953-4034

Forecasting and Managing Food and Energy Commodities

Commodity Research

CME Cheese Block Market, Source ARA



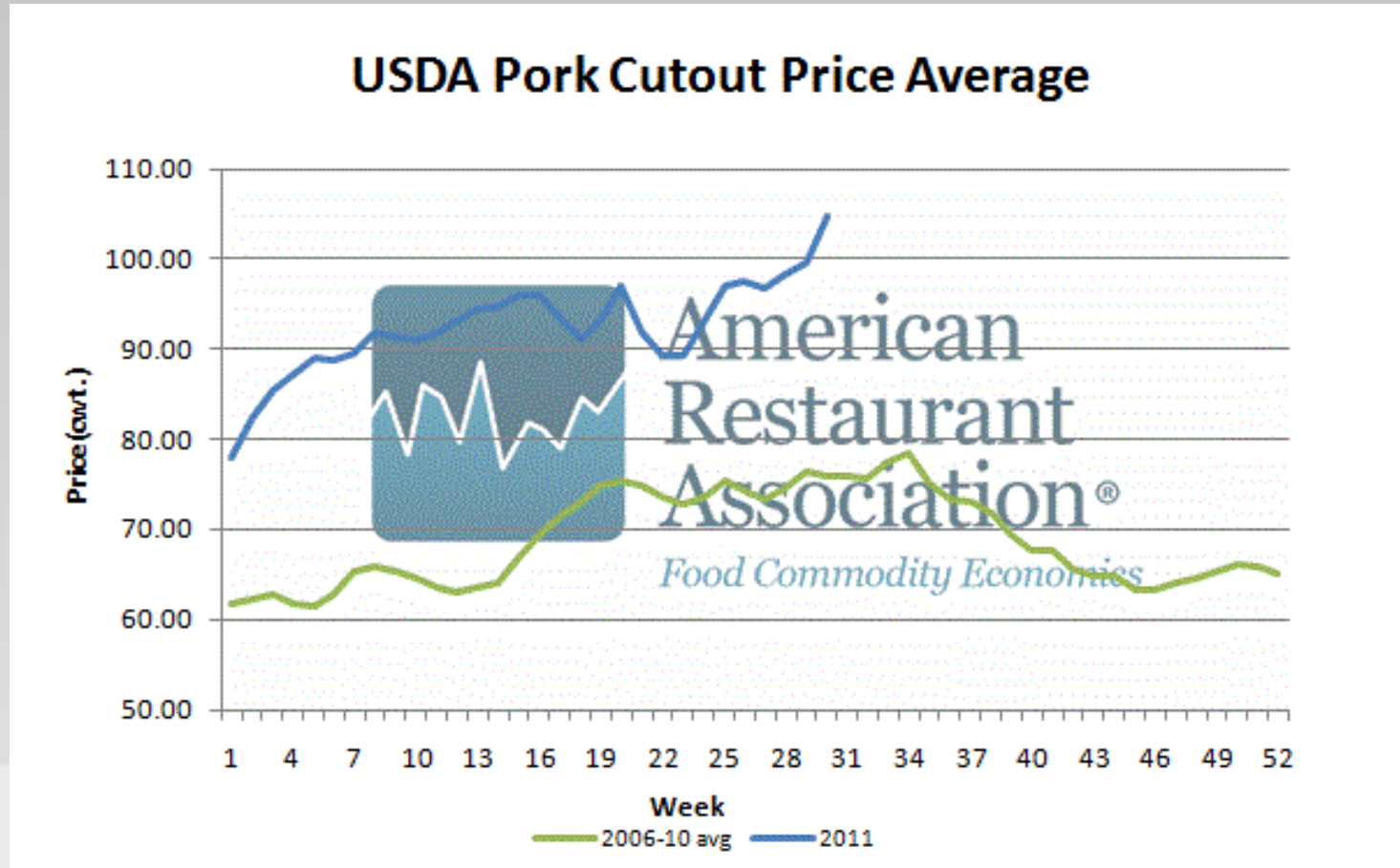
Source: American Restaurant Association (ARA), <http://www.americanrestaurantassociation.com>

Commodity Research

**81/19 Ground Beef Market,
Source ARA**



Source: American Restaurant Association (ARA), <http://www.americanrestaurantassociation.com>



Source: American Restaurant Association (ARA), <http://www.americanrestaurantassociation.com>

Commodity Research

Ham Market, Source ARA



Source: American Restaurant Association (ARA), <http://www.americanrestaurantassociation.com>

Pork Belly (Bacon) Market, Source ARA



Source: American Restaurant Association (ARA), <http://www.americanrestaurantassociation.com>

Wheat (Dark Northern Spring) Market, Source ARA



Source: American Restaurant Association (ARA), <http://www.americanrestaurantassociation.com>



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Industry Failure Rate



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Restaurant Failure Rate

A 10-year study was conducted by Cornell University and Michigan State University

- 27% failed in the first year
- 50% failed in the first 3 years
- 60% failed in the first 5 years
- 70% failed in the first 10 years

Source: Restaurant Owner.com ■ www.restaurantowner.com/public/302.cfm

The Missing Link



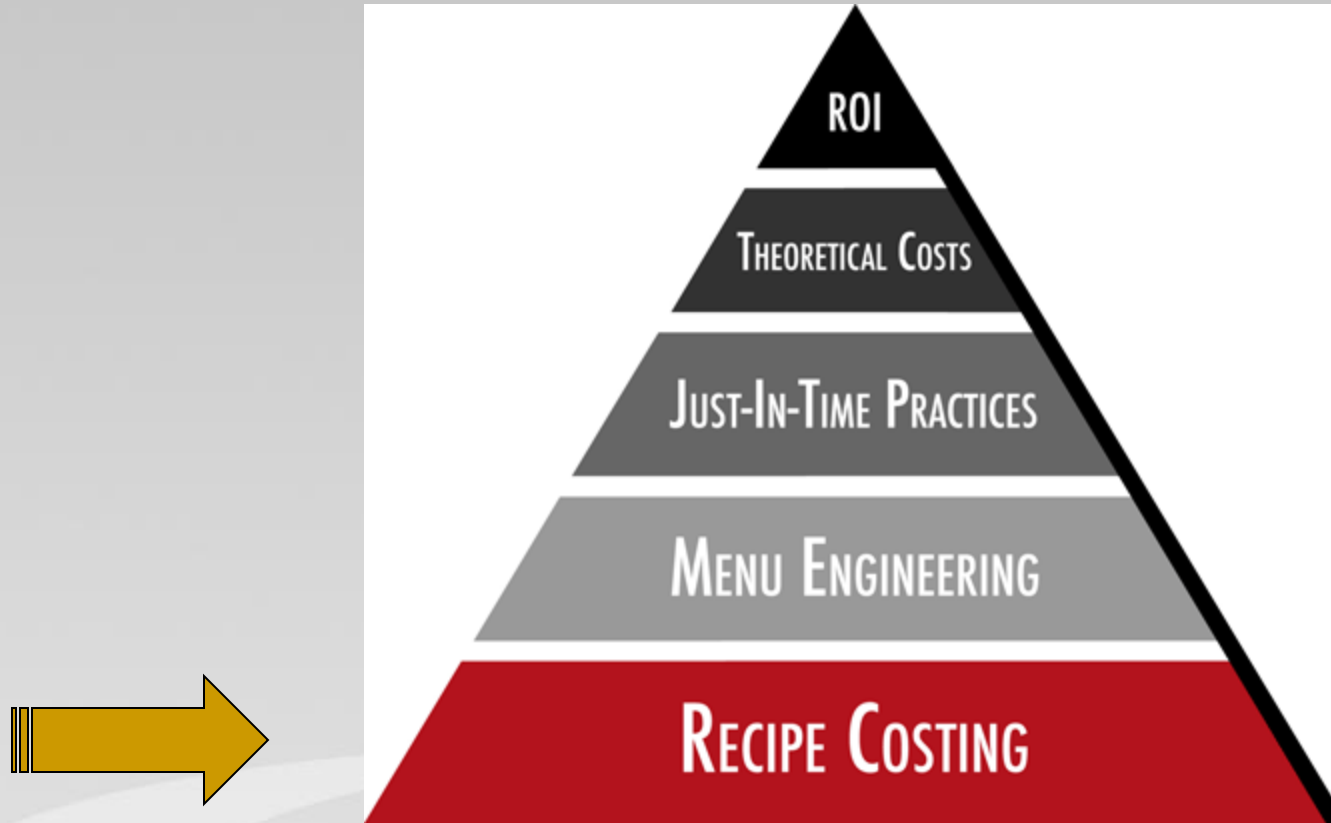
Culinary Arts

+



The Numbers

ROI Methodology



Recipe costing is the base for many other aspects of the operations.



The Reality Is...

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Some restaurant operators do not have any written or documented recipes.
- Some have recipes that are written are only for execution, not costing.
- The few that have costing in many cases do not take a manufacturing approach.
- Menu pricing in some cases is not based on proper analysis and data.



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

What is in your control?

- *Knowing your costs*



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

What is in your control?

- *Knowing your costs*
- *Establishing your selling price*



Types of Recipes

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Batch or Prep Recipes
 - Larger quantities
 - Become their own unique inventory item when produced
 - Can be used in other recipes
- Serving or Menu Item Recipes
 - Ultimately is what is sold to the guest or customer



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Weights & Measures

- Portion control through the use of utensils (Tbsp, tsp, dishers, spoodles, etc.).
- Accuracy of weights and measures is paramount.

1 cup, Basil Leaves	1 cup, Granulated Sugar
0.2 ounce	6.8 ounces



Batch Recipes & Yields

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Batch recipes should account for the proper yield (what the result is) including known waste and the process (labor)
- When the purchased product has changed form in any way, a batch recipe should be created to account for the cost.
- If you don't account for the process and yields, your menu level costs in most cases is *understated!*



Batch Recipe Example #1

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- We purchased 'Basil, Fresh' at \$8.50/# or \$0.531/oz

BASIL PICKED

Ingredients	Quantity	UOM	Cost	Extended
Basil, Fresh	16.0	oz	\$0.531	\$8.500
			Yield	11.0 oz

- The new item 'Basil Picked' now has a correctly stated value of \$0.773/oz or \$12.36/#



Batch Recipe Example #2

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- We purchase 'P&D 31/40 Shrimp' at \$5.50/# or \$0.344/oz

P&D 31/40 SHRIMP THAWED

Ingredients	Quantity	UOM	Cost	Extended
P&D 31/40 Shrimp, frozen	16.0	Oz	\$0.344	\$5.500
			Yield	14.2 oz

- The new item 'P&D 31/40 Thawed' now has a correctly stated value of \$0.387/oz or \$6.19/#



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Batch Recipe Example #3

- We purchase ‘Lobster Bisque Soup’ by the bag/8# for \$16.95 bag.

LOBSTER BISQUE SOUP YIELDED

Ingredients	Quantity	UOM	Cost	Extended
Lobster Bisque Soup	1.0	Bag	\$16.950	\$16.950
			Yield	0.98 gal

- The new item ‘Lobster Bisque Soup Yielded’ now has a correctly stated value of \$17.30/gallon or \$1.081/oz



Batch Recipe Example #4

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- We purchase 'Bananas' for \$0.513/#.

BANANAS PEELED

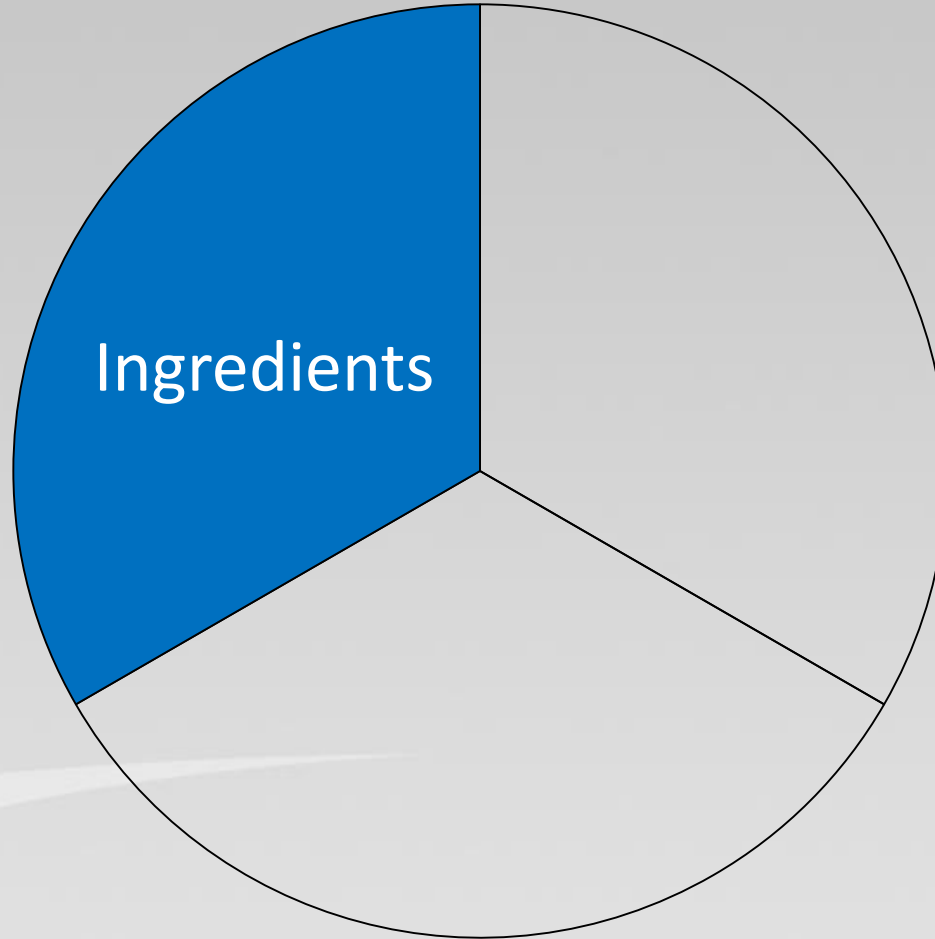
Ingredients	Quantity	UOM	Cost	Extended
Bananas	16.0	Oz	\$0.032	\$0.513
			Yield	10.5 oz

- The new item 'Bananas Peeled' now has a correctly stated value of \$0.049/oz or \$0.782/#



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

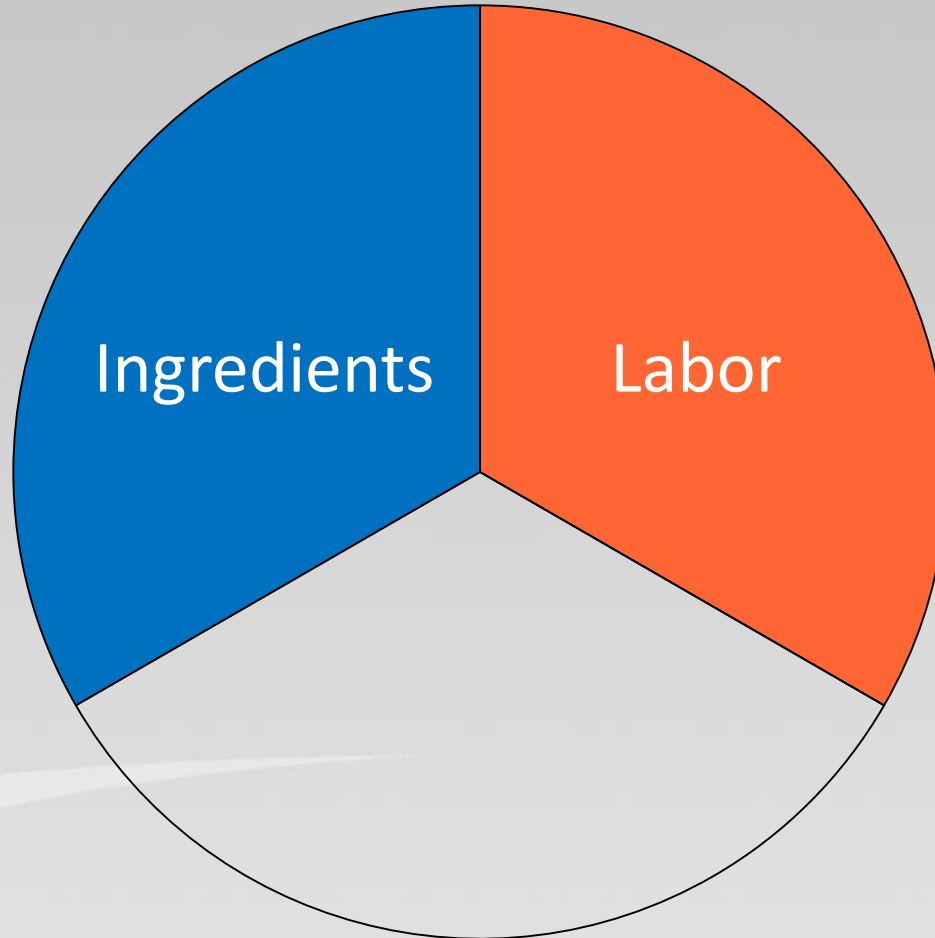
The Costing Problem





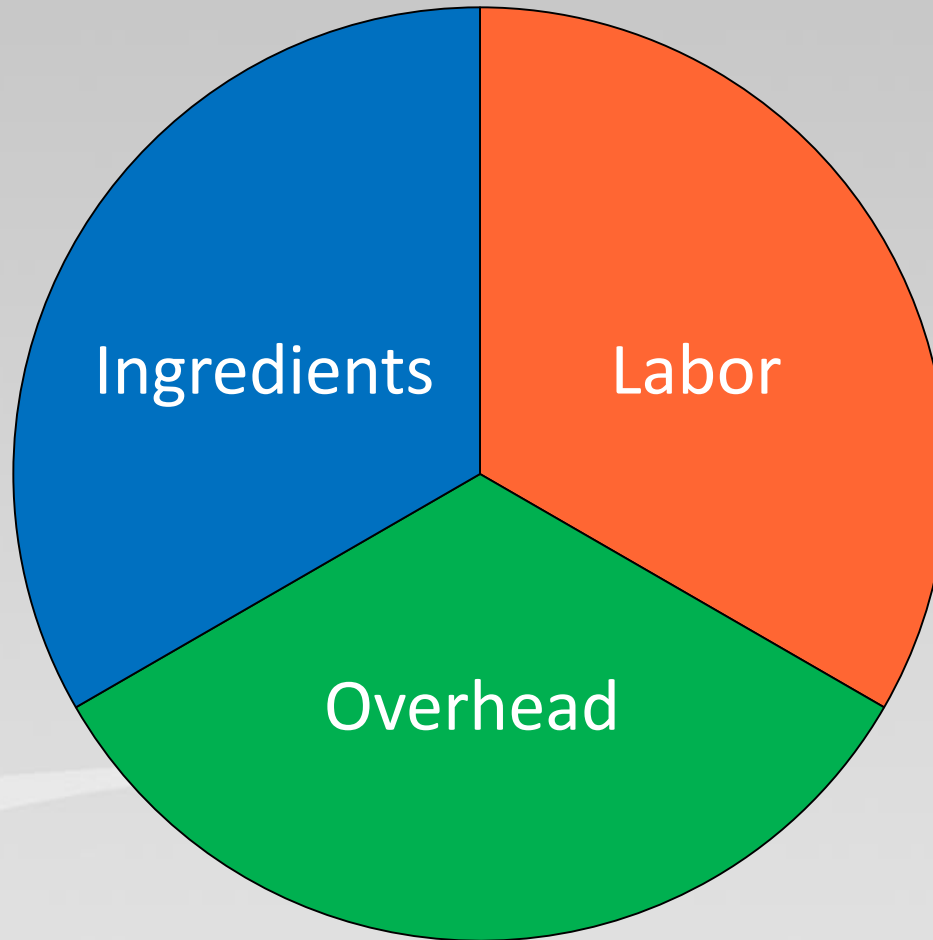
Prime Cost

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.



Total Cost

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.





REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Labor & Overhead Costs

- Your labor and overhead can be accounted for in the recipe
- Prep Time, Labor Routing
 - Time/motion studies (stopwatch)
 - Time (hours) is loaded on every recipe
- Standard Labor (BOH) Rates
 - By market
 - Includes wages and fringes



Time Motion Studies

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Stopwatch time motion study
- Must be in a live environment
- Must be a controlled test
- Must be the personnel that will actually execute the recipes



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Batch Recipe Example

Prime Cost

- We purchased 'Basil, Fresh' at \$8.50/# or \$0.531/oz

BASIL PICKED

Ingredients	Quantity	UOM	Cost	Extended
Basil, Fresh	16.0	oz	\$0.531	\$8.500
Labor	0.167	hr	12.00	\$1.999
			Total	\$10.499
			Yield	11.0 oz

- The new item 'Basil Picked' now has a correctly stated value of \$0.954/oz or \$15.27/#



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Direct (BOH) Labor Rate

- The direct (BOH) labor rate should include the base rate plus any other additional fringes associated with those personnel
 - Unemployment Insurance
 - Workers' Compensation
 - Social Security & Medical
 - Health, dental and vision insurance plans
 - 401(k) or other retirement plans
 - Vacation & Sick Pay
 - Childcare



Overhead Rates

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Based on budgeted expenses and direct labor hours (BOH).

$$\frac{\text{Total Budgeted Overhead}}{\text{Direct Labor BOH Hours}} = \$0.000/\text{hr.}$$

↑
*Overhead
Rate*



Overhead Rates

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- FOH Labor & Fringes
- Advertising & Marketing
- Repair & Maintenance
- Supplies
- Training
- Utilities
- Communications
- Landscaping
- Research & Development
- Occupancy
- Taxes

Budgeted
Direct Labor
Hours



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Batch Recipe Example

Total Cost

- We purchased 'Basil, Fresh' at \$8.50/# or \$0.531/oz

BASIL PICKED

Ingredients	Quantity	UOM	Cost	Extended
Basil, Fresh	16.0	oz	\$0.531	\$8.500
Labor	0.167	hr	\$12.00	\$1.999
Overhead	0.167	hr	\$40.00	\$6.664
			Total	\$17.163
			Yield	11.0 oz

- The new item 'Basil Picked' now has a correctly stated value of \$1.56/oz or \$24.96/#

Efficient Batch Designs

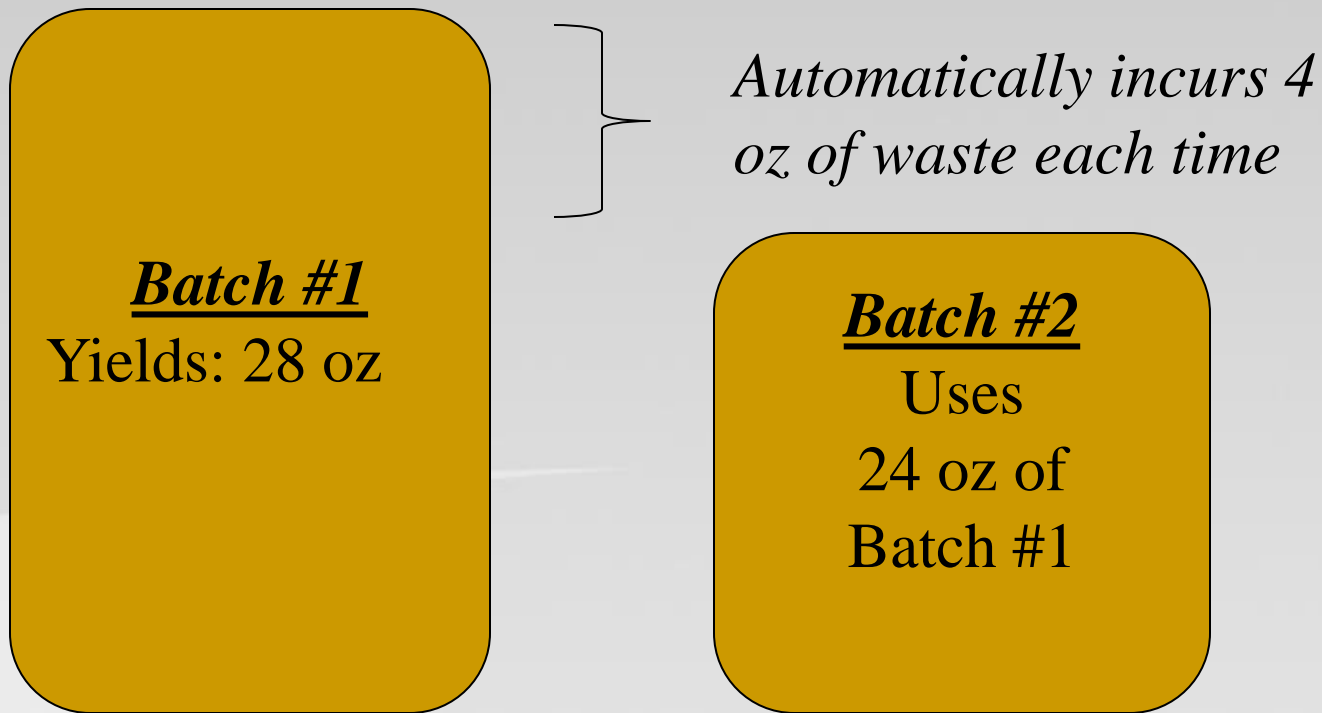
- Are the batch or prep recipes designed for efficiency?

Batch #1
Yields: 28 oz

Batch #2
Uses
24 oz of
Batch #1

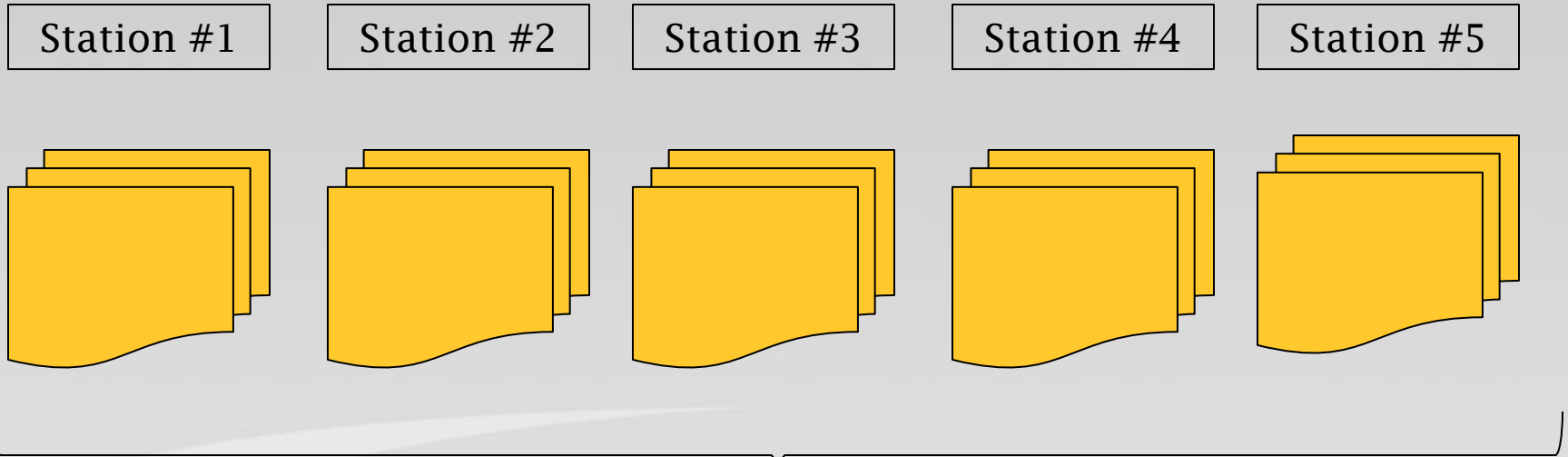
Efficient Batch Designs

- Are the batch or prep recipes designed for efficiency?



Sales Mix & Execution

Review of the sales mix with assigned recipes for each station



Where is the distribution of the sales mix?

Execution vs. Costing

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Recipes are written differently for execution than they are for costing.
 - Execution usually states what utensils to utilize
 - Costing involves weights and measures



Execution vs. Costing

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Execution

Costing

BALSAMIC MARINADE				
Ingredients	Qty	UOM	Qty	UOM
Olive Oil Blended 90/10	3.0	cups	24.0	oz
Balsamic Vinegar	1.0	cup	8.0	oz
Salt and Pepper Mix	0.25	cup	2.025	oz
Chopped Shallots	0.25	cup	1.20	oz
Chopped Parsley	0.25	cup	0.45	oz
		Yield	38.0	oz



Menu Level Costing

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Name: <input type="text" value="GRILLED ATLANTIC SALMON"/>	Type: <input type="text" value="Serving"/>
Yield: <input type="text" value="1.0000"/>	Yield UOM: <input type="text" value="each"/>
Prep Time: <input type="text" value="0.0250"/> Hrs.	Cook Time: <input type="text"/> Hrs.
Category: <input type="text" value="ENTREES"/>	Shelf Life: <input type="text"/> Hrs.
Active: <input checked="" type="checkbox"/>	Kosher: <input type="checkbox"/>
Gluten Free: <input type="checkbox"/>	Halal: <input type="checkbox"/>

<input type="button" value="GL"/>	<input type="button" value="Tools"/>	<input type="button" value="Equipment"/>	<input type="button" value=""/>	<input type="button" value=""/>
<input type="button" value="Add"/>	<input type="button" value="Edit"/>	<input type="button" value="Save"/>	<input type="button" value="Delete"/>	<input type="button" value="Cancel"/>

Recipe Ingredients							
T...	Depl...	Item Name	Uten...	Utensil	Qty	UOM	Comment
P	<input checked="" type="checkbox"/>	ATLANTIC SALMON			7.00	oz.	
B	<input checked="" type="checkbox"/>	SALT AND PEPPER MIX	0.50	1 tsp	0.15	oz.	
P	<input checked="" type="checkbox"/>	OLIVE OIL BLENDED EX VIRGIN/CANOLA 90/10			0.50	fl.oz.	
B	<input checked="" type="checkbox"/>	HELMUT BUTTER			1.00	oz.	
B	<input checked="" type="checkbox"/>	BLANCHED HARICOT VERTS			1.00	oz.	
B	<input checked="" type="checkbox"/>	GARLIC MASHED POTATOES	1.00	6 oz ladle	8.00	oz.	
B	<input checked="" type="checkbox"/>	CHOPPED PARSLEY	1.00	pinch	0.02	oz.	
B	<input checked="" type="checkbox"/>	BREAD SERVICE			1.00	each	

TYPE	INGREDIENT	QTY	UOM	UNIT COST	INGREDIENTS EXTENDED	UNIT COST	LABOR EXTENDED	UNIT COST	OVERHEAD EXTENDED
P	ATLANTIC SALMON	7.00	oz.	\$ 0.531	\$ 3.719				
B	SALT AND PEPPER MIX	0.15	oz.	\$ 0.055	\$ 0.008	\$ 0.006	\$ 0.001	\$ 0.071	\$ 0.011
P	OLIVE OIL BLENDED EX VIRGIN/CA	0.50	fl.oz.	\$ 0.049	\$ 0.024				
B	HELMUT BUTTER	1.00	oz.	\$ 0.085	\$ 0.085	\$ 0.019	\$ 0.019	\$ 0.219	\$ 0.219
B	BLANCHED HARICOT VERTS	1.00	oz.	\$ 0.109	\$ 0.109	\$ 0.087	\$ 0.087	\$ 1.015	\$ 1.015
B	GARLIC MASHED POTATOES	8.00	oz.	\$ 0.015	\$ 0.122	\$ 0.019	\$ 0.153	\$ 0.223	\$ 1.788
B	CHOPPED PARSLEY	0.02	oz.	\$ 0.165	\$ 0.003	\$ 0.030	\$ 0.001	\$ 0.350	\$ 0.007
B	BREAD SERVICE	1.00	each	\$ 0.293	\$ 0.293	\$ 0.233	\$ 0.233	\$ 2.717	\$ 2.717
	DIRECT LABOR & OVERHEAD					\$ 12.000	\$ 0.300	\$ 140.000	\$ 3.500
					Total	\$ 4.363	\$ 0.793		\$ 9.257
					Cost/each	\$ 4.363	\$ 0.793		\$ 9.257

\$ 14.413



Menu Level Costing

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Name:	GRILLED ATLANTIC SALMON	Type:	Serving
Yield:	1.0000	Yield UOM:	each
Prep Time:	0.0250 Hrs.	Cook Time:	
Category:	ENTREES	Shelf Life:	
Active:	<input checked="" type="checkbox"/>	Kosher:	<input type="checkbox"/>
Gluten Free:	<input type="checkbox"/>	Halal:	<input type="checkbox"/>

GL	Tools	Equipment		
Add	Edit	Save	Delete	Cancel

T...	Depl...	Item Name	Uten...	Utensil	Qty	UOM	Comment
P	<input checked="" type="checkbox"/>	ATLANTIC SALMON			7.00	oz.	
B	<input checked="" type="checkbox"/>	SALT AND PEPPER MIX	0.50	1 tsp	0.15	oz.	
P	<input checked="" type="checkbox"/>	OLIVE OIL BLENDED EX VIRGIN/CANOLA 90/10			0.50	fl.oz.	
B	<input checked="" type="checkbox"/>	HELMUT BUTTER			1.00	oz.	
B	<input checked="" type="checkbox"/>	BLANCHED HARICOT VERTS			1.00	oz.	
B	<input checked="" type="checkbox"/>	GARLIC MASHED POTATOES	1.00	6 oz ladle	8.00	oz.	
B	<input checked="" type="checkbox"/>	CHOPPED PARSLEY	1.00	pinch	0.02	oz.	
B	<input checked="" type="checkbox"/>	BREAD SERVICE			1.00	each	

Prime Cost

TYPE	INGREDIENT	QTY	UOM	UNIT COST	INGREDIENTS EXTENDED	UNIT COST	LABOR EXTENDED	UNIT COST	OVERHEAD EXTENDED
P	ATLANTIC SALMON	7.00	oz.	\$ 0.531	\$ 3.719				
B	SALT AND PEPPER MIX	0.15	oz.	\$ 0.055	\$ 0.008	\$ 0.006	\$ 0.001	\$ 0.071	\$ 0.011
P	OLIVE OIL BLENDED EX VIRGIN/CA	0.50	fl.oz.	\$ 0.049	\$ 0.024				
B	HELMUT BUTTER	1.00	oz.	\$ 0.085	\$ 0.085	\$ 0.019	\$ 0.019	\$ 0.219	\$ 0.219
B	BLANCHED HARICOT VERTS	1.00	oz.	\$ 0.109	\$ 0.109	\$ 0.087	\$ 0.087	\$ 1.015	\$ 1.015
B	GARLIC MASHED POTATOES	8.00	oz.	\$ 0.015	\$ 0.122	\$ 0.019	\$ 0.153	\$ 0.223	\$ 1.788
B	CHOPPED PARSLEY	0.02	oz.	\$ 0.165	\$ 0.003	\$ 0.030	\$ 0.001	\$ 0.350	\$ 0.007
B	BREAD SERVICE	1.00	each	\$ 0.293	\$ 0.293	\$ 0.233	\$ 0.233	\$ 2.717	\$ 2.717
	DIRECT LABOR & OVERHEAD					\$ 12.000	\$ 0.300	\$ 140.000	\$ 3.500
	\$ 14.413				Total	\$ 4.363	\$ 0.793	\$ 9.257	\$ 9.257
					Cost/each	\$ 4.363	\$ 0.793	\$ 9.257	\$ 9.257



Menu Level Costing

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Name: GRILLED ATLANTIC SALMON	Type: Serving
Yield: 1.0000	Yield UOM: each
Prep Time: 0.0250 Hrs.	Cook Time: Hrs.
Category: ENTREES	Shelf Life: Hrs.
Active: <input checked="" type="checkbox"/>	Kosher: <input type="checkbox"/>
Gluten Free: <input type="checkbox"/>	Halal: <input type="checkbox"/>

GL	Tools	Equipment		
Add	Edit	Save	Delete	Cancel

T...	Depl...	Item Name	Uten...	Utensil	Qty	UOM	Comment
P	<input checked="" type="checkbox"/>	ATLANTIC SALMON			7.00	oz.	
B	<input checked="" type="checkbox"/>	SALT AND PEPPER MIX	0.50	1 tsp	0.15	oz.	
P	<input checked="" type="checkbox"/>	OLIVE OIL BLENDED EX VIRGIN/CANOLA 90/10			0.50	fl.oz.	
B	<input checked="" type="checkbox"/>	HELMUT BUTTER			1.00	oz.	
B	<input checked="" type="checkbox"/>	BLANCHED HARICOT VERTS			1.00	oz.	
B	<input checked="" type="checkbox"/>	GARLIC MASHED POTATOES	1.00	6 oz ladle	8.00	oz.	
B	<input checked="" type="checkbox"/>	CHOPPED PARSLEY	1.00	pinch	0.02	oz.	
B	<input checked="" type="checkbox"/>	BREAD SERVICE			1.00	each	

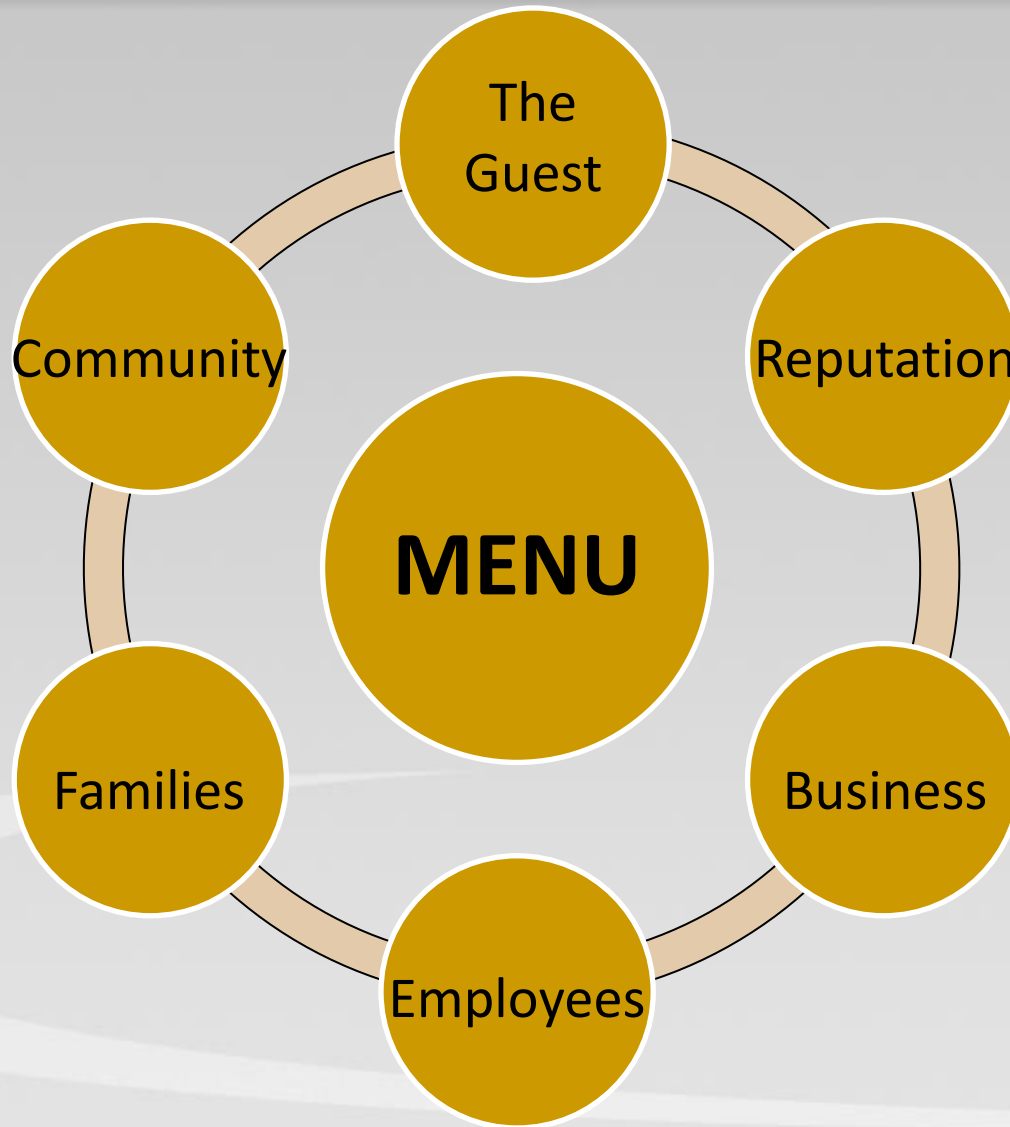
Total Cost

TYPE	INGREDIENT	QTY	UOM	UNIT COST	INGREDIENTS EXTENDED	UNIT COST	LABOR EXTENDED	UNIT COST	OVERHEAD EXTENDED
P	ATLANTIC SALMON	7.00	oz.	\$ 0.531	\$ 3.719				
B	SALT AND PEPPER MIX	0.15	oz.	\$ 0.055	\$ 0.008	\$ 0.006	\$ 0.001	\$ 0.071	\$ 0.011
P	OLIVE OIL BLENDED EX VIRGIN/CA	0.50	fl.oz.	\$ 0.049	\$ 0.024				
B	HELMUT BUTTER	1.00	oz.	\$ 0.085	\$ 0.085	\$ 0.019	\$ 0.019	\$ 0.219	\$ 0.219
B	BLANCHED HARICOT VERTS	1.00	oz.	\$ 0.109	\$ 0.109	\$ 0.087	\$ 0.087	\$ 1.015	\$ 1.015
B	GARLIC MASHED POTATOES	8.00	oz.	\$ 0.015	\$ 0.122	\$ 0.019	\$ 0.153	\$ 0.223	\$ 1.788
B	CHOPPED PARSLEY	0.02	oz.	\$ 0.165	\$ 0.003	\$ 0.030	\$ 0.001	\$ 0.350	\$ 0.007
B	BREAD SERVICE	1.00	each	\$ 0.293	\$ 0.293	\$ 0.233	\$ 0.233	\$ 2.717	\$ 2.717
	DIRECT LABOR & OVERHEAD					\$ 12.000	\$ 0.300	\$ 140.000	\$ 3.500
					Total	\$ 4.363	\$ 0.793		\$ 9.257
					Cost/each	\$ 4.363	\$ 0.793		\$ 9.257

\$ 14.413

Menu Engineering

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.





Menu Engineering

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- Your menu(s) are what you are in the business to do.
- Types of Menus
 - Lunch
 - Dinner
 - Brunch
 - Banquet
 - Kids
- Pricing Structures
 - By Markets, Demographics

Cost-Volume-Profit (CVP)

The components that we will be analyzing:

- Menu items in the category
- Quantity/volume sold
- Selling Price
- ➔ • Unit Cost
- Cost Percentage
- Gross Margin Per Plate
- Contribution Margin

PRODUCT COSTS:
Ingredients, Direct
Labor and Variable
Overhead

PERIOD COSTS:
Fixed Overhead
and Profit

Cost-Volume-Profit (CVP)

The components that we will be analyzing:

- Menu items in the category
- Quantity/volume sold
- Selling Price
- ➔ • Unit Cost
- Cost Percentage
- Gross Margin Per Plate
- Total Profit

TOTAL COSTS:
Ingredients, Direct
Labor and Total
Overhead

PROFIT



My Famous Quote

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

“You cannot place percents in your pocket!”



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

My Famous Quote

Change the focus from cost percent to gross margin dollars

Menu Item	Qty Sold	Menu Price	Unit Cost	Cost %	Unit GM \$s
Pasta Fettucine	1	\$11.99	\$1.98	16.5%	\$10.01
Filet Mignon	1	\$32.95	\$12.49	37.9%	\$20.46

*Which one would you rather have?
Do we focus too much on cost percents?*



Loss Leaders

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Items that are sold at a loss that will result in other menu items being sold at a profit.



Loss Leaders

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

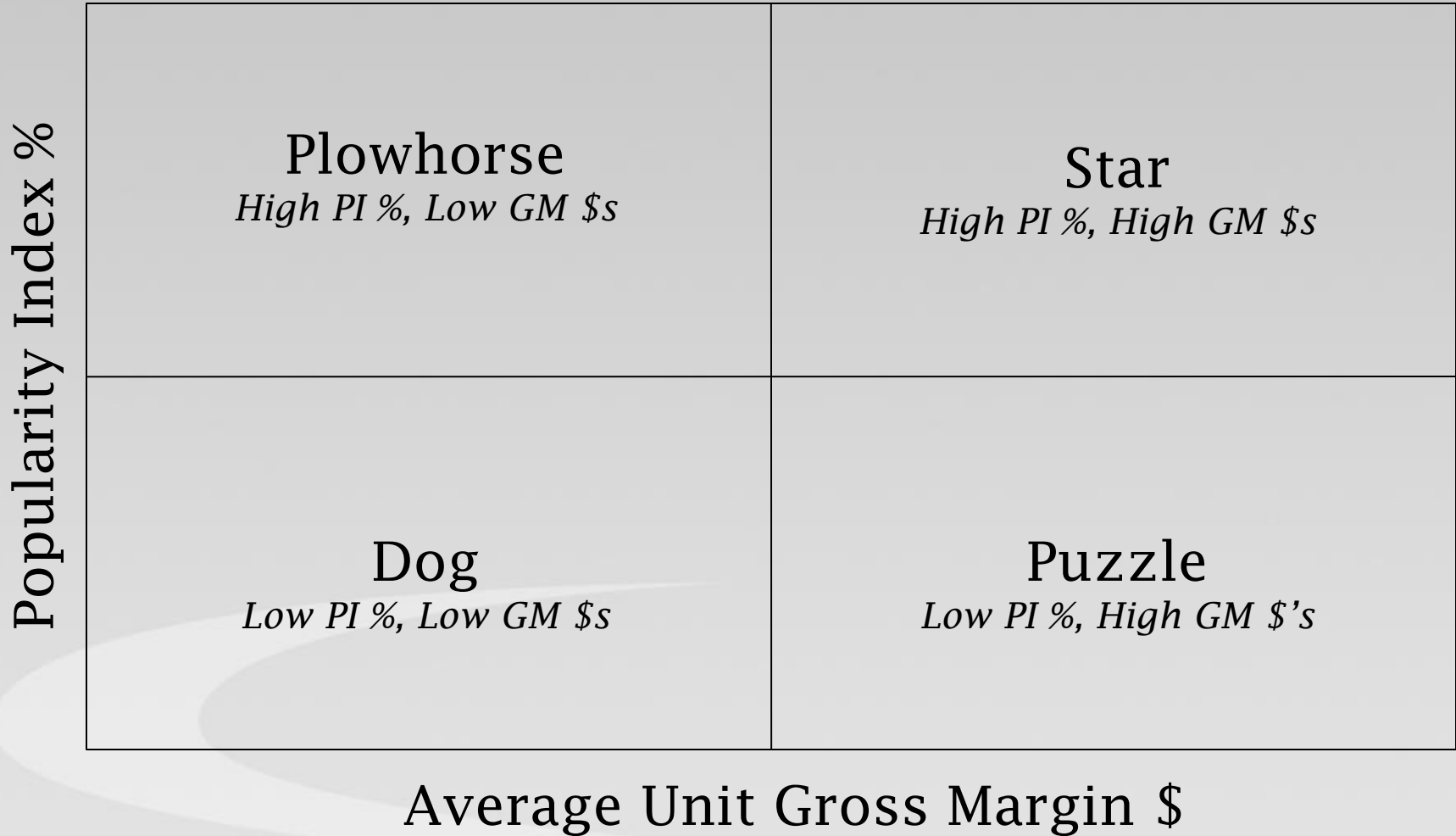
Items that are sold at a loss that will result in other menu items being sold at a profit.

Drive profits!



Dog/Star Graph

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.





REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Dog/Star Graph Flaws

Flaw #1

Traditional Dog/Star reports only analyze entrees only.



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Dog/Star Graph Flaws

Flaw #1

Traditional Dog/Star reports only analyze entrees only.

Flaw #2

The calculation looks as unit gross margin as a base.



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Dog/Star Graph Flaws

Flaw #1

Traditional Dog/Star reports only analyze entrees only.

Flaw #2

The calculation looks as unit gross margin as a base.

Flaw #3

The graph plots all entrees together.



Cost Volume Profit Example

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Which menu item should be reviewed?

SALADS

Menu in place for 6 months.

Menu Item	Menu Price	Unit Cost	Cost %	Unit Profit \$s
Chopped Salad	\$5.50	\$0.43	7.8%	\$5.07
Wedge of Iceberg	\$5.50	\$0.33	6.0%	\$5.17
Caesar Salad	\$5.50	\$0.41	7.5%	\$5.09
House Salad	\$5.50	\$0.48	8.7%	\$5.02
Averages	\$5.50	\$0.41	7.5%	\$5.09



Cost Volume Profit Example

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House Salad	\$5.50	\$0.48	8.7%	\$5.02
Averages	\$5.50	\$0.41	7.5%	\$5.09

If the decision was based on cost percent alone, the 'House Salad' would be reviewed for action.



Cost Volume Profit Example

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Which menu item should be reviewed?

SALADS

Menu in place for 6 months.

Menu Item	Qty Sold	Menu Price	Unit Cost	Cost %	Unit Profit \$s	Total Profit \$s
Chopped Salad	1,664	\$5.50	\$0.43	7.8%	\$5.07	\$8,437
Wedge of Iceberg	1,183	\$5.50	\$0.33	6.0%	\$5.17	\$6,116
Caesar Salad	1,508	\$5.50	\$0.41	7.5%	\$5.09	\$7,676
House Salad	2,041	\$5.50	\$0.48	8.7%	\$5.02	\$10,246
Averages		\$5.50	\$0.41	7.5%	\$5.09	

If you would have chosen the 'House Salad', you would have reviewed the menu item driving the most dollars to cover fixed overhead costs and profit and possibly removing it from the menu.



Dog/Star Calculation

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Which menu item should be reviewed?

SALADS

Menu in place for 6 months.

Menu Item	Qty Sold	Menu Price	Unit Cost	Cost %	Unit Profit	Total Profit \$s	GM	MM	Rank
Chopped Salad	1,664	\$5.50	\$0.43	7.8%	\$5.07	\$8,437	L	H	Plowhorse?
Wedge of Iceberg	1,183	\$5.50	\$0.33	6.0%	\$5.17	\$6,116	H	H	Star?
Caesar Salad	1,508	\$5.50	\$0.41	7.5%	\$5.09	\$7,676	H	H	Star?
House Salad	2,041	\$5.50	\$0.48	8.7%	\$5.02	\$10,246	L	H	Plowhorse?
Averages		\$5.50	\$0.41	7.5%	\$5.09				

$MM = (1/4) * .7 = 17.5\%$; $GM = \$32,474 / 6,396 = \5.08

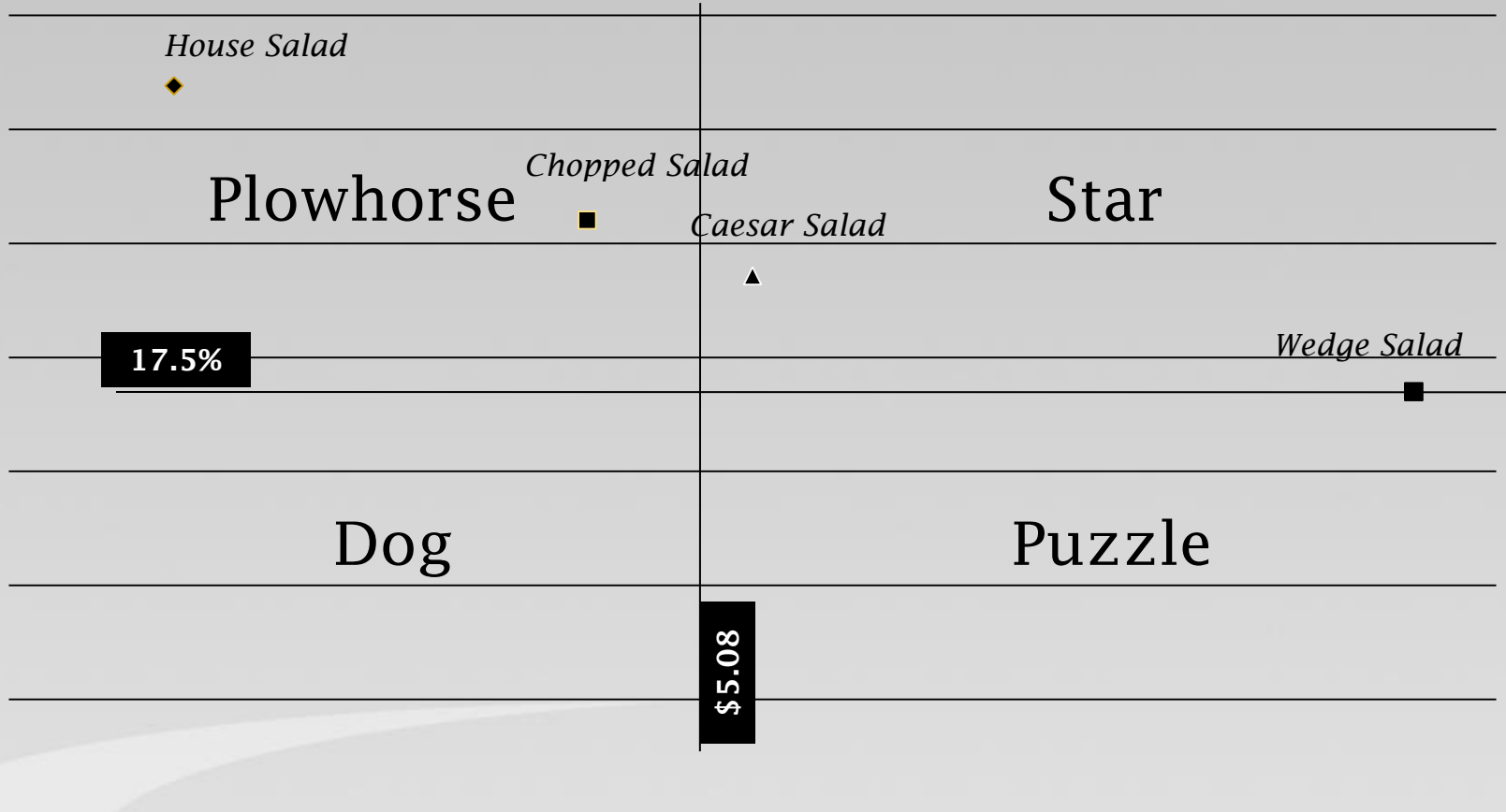
Flaw: Gross margin rank for dog/star calculation is based on unit level only, not extended contribution margin dollars.



Dog/Star Graph

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Popularity Index %
 $(\frac{1}{4}) * .7 = 17.5\%$



Menu Item Unit Gross Margin \$s
 $\$32,475 / 6,396 = \5.08



Stellar / Cellar Graph

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Popularity Index %

The Engineer

- Reengineering of Menu Items
 - Labor Process Improvements
 - Alternative ingredients
 - Menu placement
- Price increase possibility

Stellar - The Bank

- Sacred Items
- Most Profitable Items

The Cellar

- New menu item opportunity
- Exception: Unique menu item

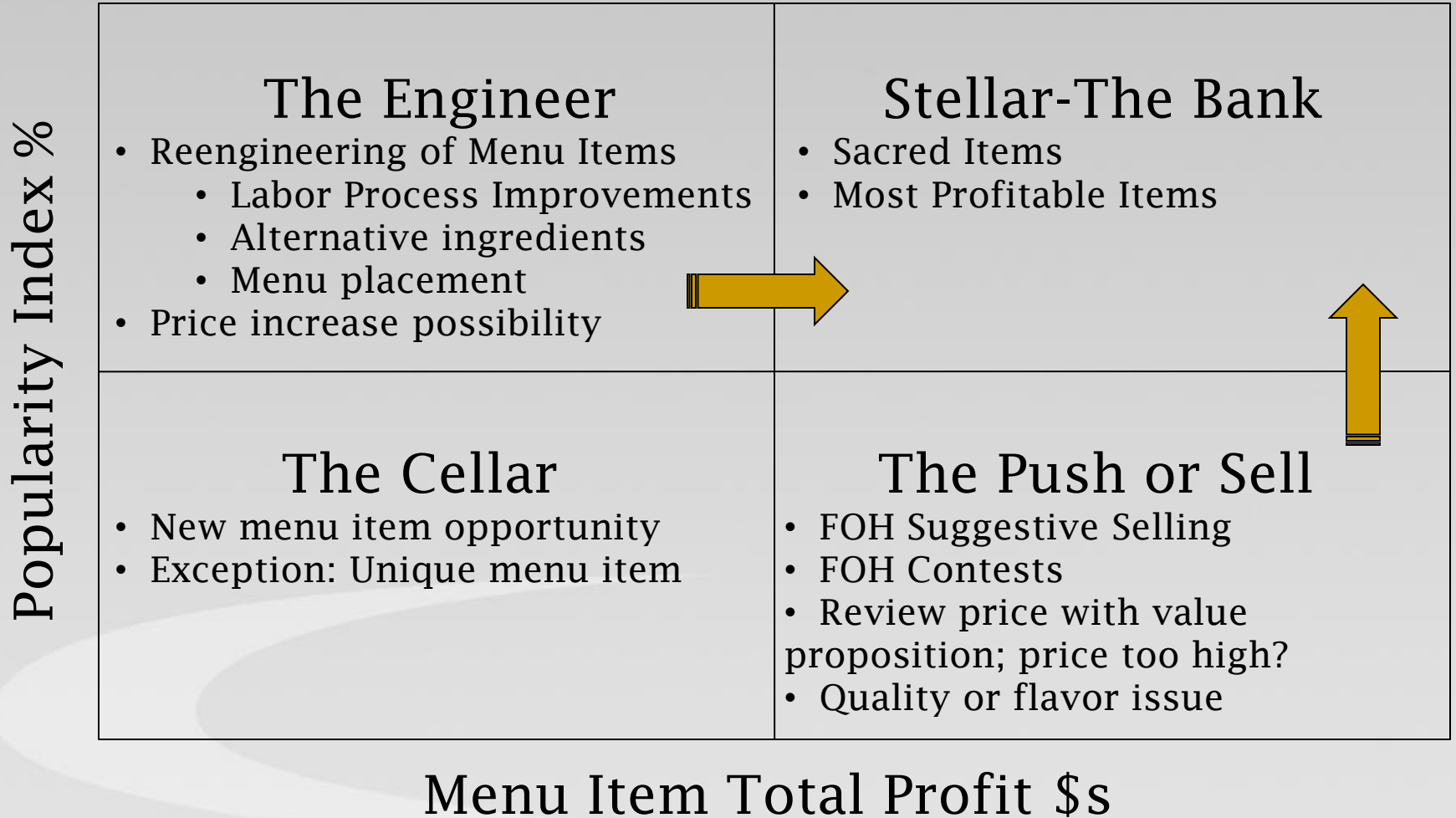
The Push or Sell

- FOH Suggestive Selling
- FOH Contests
- Review price with value proposition; price too high?
- Quality or flavor issue

Menu Item Total Contribution Margin \$s

Stellar / Cellar Graph

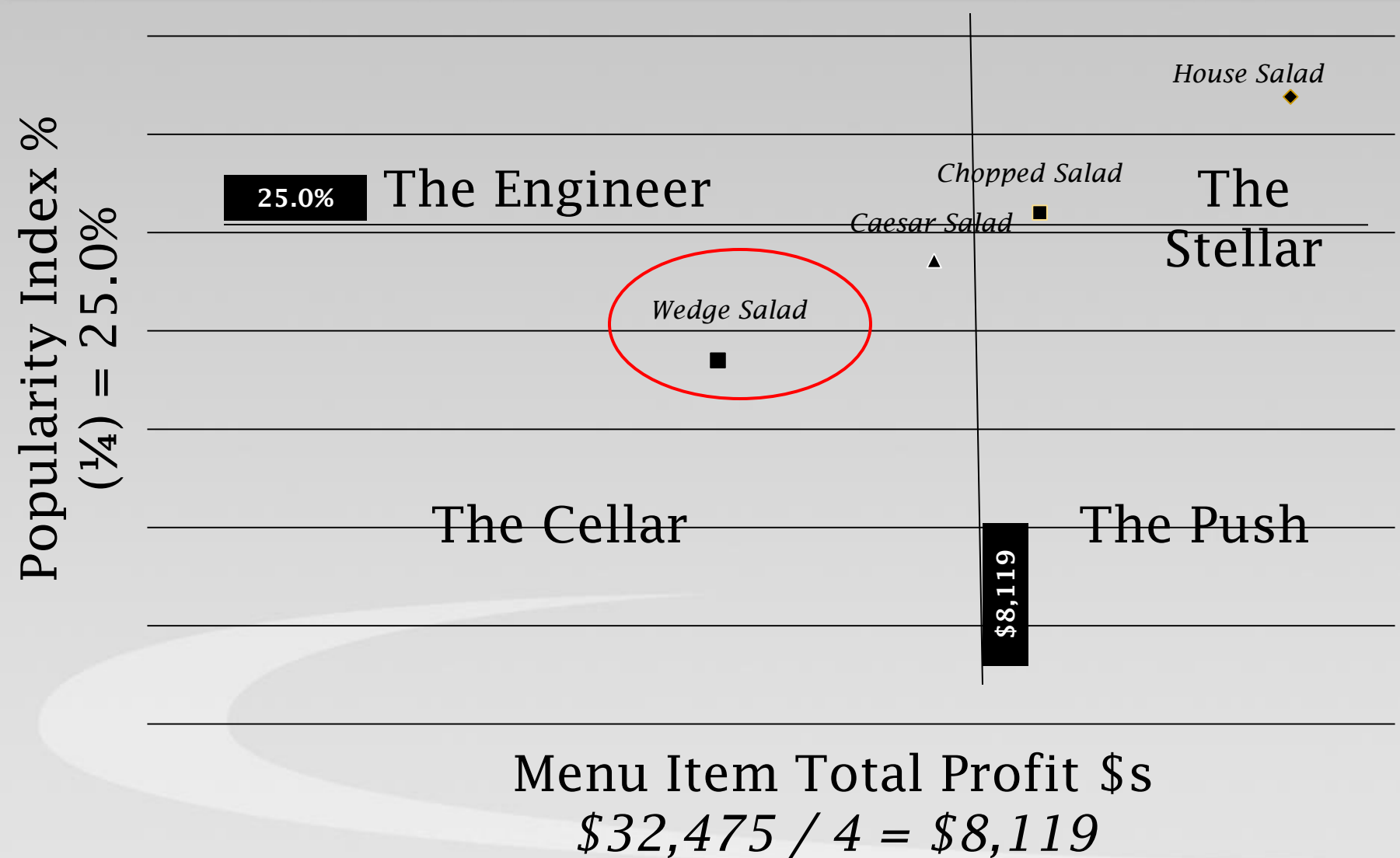
REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.





Stellar / Cellar Graph

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.





Cost Volume Profit Example

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Which menu item should be removed?

SALADS

Menu in place for 6 months.

Menu Item	Qty Sold	Menu Price	Unit Cost	Cost %	Unit GM \$s	CM \$s
Chopped Salad	1,664	\$5.50	\$0.43	7.8%	\$5.07	\$8,437
Wedge of Iceberg	1,183	\$5.50	\$0.33	6.0%	\$5.17	\$6,116
Caesar Salad	1,508	\$5.50	\$0.41	7.5%	\$5.09	\$7,676
House Salad	2,041	\$5.50	\$0.48	8.7%	\$5.02	\$10,246
Averages		\$5.50	\$0.41	7.5%	\$5.09	

The proper item to target to be reviewed is the 'Wedge of Iceberg'.



What are my options?

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- *Review the menu placement*
- *Reengineer an existing menu item*
 - *Review process*
 - *Alternative ingredients*
 - *Price increase*
- *Remove the item and create a new item*



Engineering a New Menu Item

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Menu Item	Qty Sold	Menu Price	Unit Cost	Cost %	Unit Profit \$s	Total Profit \$s
Wedge of Iceberg	1,183	\$5.50	\$0.33	6.0%	\$5.17	\$6,116
New Menu Item	-	\$TBD	\$TBD		> \$5.17	

When engineering the new menu item, attempt to create the item that will increase the average gross margin on the item being removed. In this case - \$5.17/menu item.



Menu Placement

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

SALADS

Menu Item	Qty Sold	Menu Price	Unit Cost	Cost %	Unit Profit \$s	Total Profit \$s
<i>House Salad</i>	2,041	\$5.50	\$0.48	8.7%	\$5.02	\$10,246
<i>Chopped Salad</i>	1,664	\$5.50	\$0.43	7.8%	\$5.07	\$8,437
Field Greens	NEW	\$5.75	\$0.43	7.5%	\$5.32	
Caesar Salad	1,508	\$5.50	\$0.41	7.5%	\$5.09	\$7,676
Averages		\$5.56	\$0.44	7.9%	\$5.12	

*When reading the menu, customers read from top to bottom of the category they are looking at. Place the menu items that drive the most contribution margin to the top. The two top menu items are my highest “**The Bank**” category items.*



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Front of House (FOH) Sales

- If the menu layout is structured with the most profitable items on top, it should not be a secret!
- FOH personnel can play an active roll in suggesting to the customers items that drive profit!

Where do I start?

Step 1: Purchased Items

Step 2: Batch Recipes

Step 3: Serving Recipes

Step 4: Time Standards

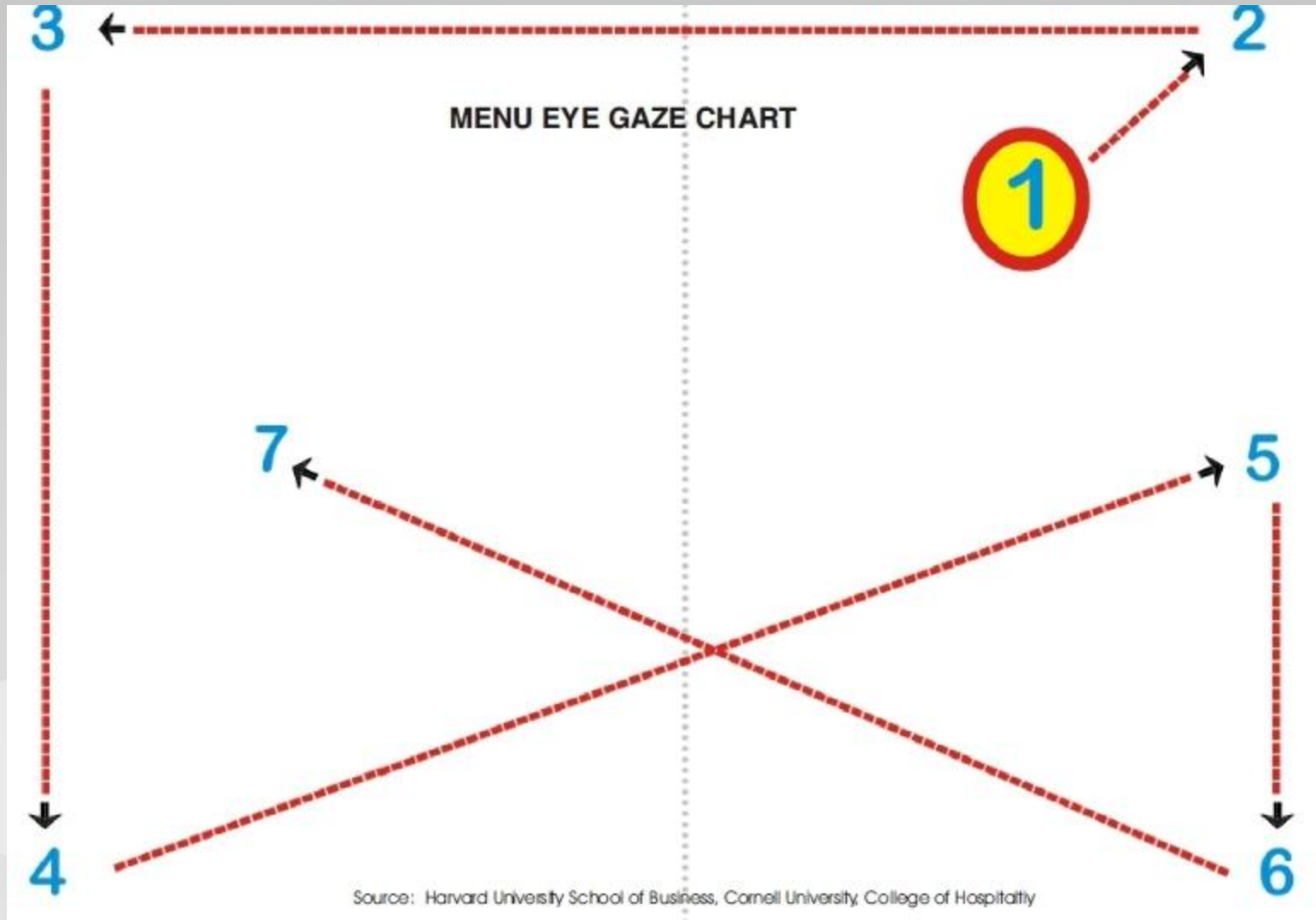
Step 5: Labor and Overhead Rates

Step 6: Performance Benchmarking

*Ingredient
level only*

Menu Placement

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.





Systems

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- MBE (Manage By Excel)
- Systems & Software (*do your research!*)
 - Features (i.e. recipes, production, ordering, invoicing, menu engineering, etc.)
 - Service
 - Cost
 - Your overall plan (short and long term)



Our Systems

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Software Solutions • Restaurant Management Consulting • Menu Engineering & Design • Concept Creation



The Most Innovative Restaurant Management Software

Increase operational efficiencies
Reduce costs by 3% to 5%

- Recipe Costing
- Inventory Control
- Just-In-Time Inventory
- Menu Engineering



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.



REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

The Top 10 Takeaways



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #1

*Get the competitive edge!
The restaurant industry is highly competitive and the current economic factors compound that.*



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #2

The business failure rate has historically been very large. Use both your culinary skills and data to keep from becoming a statistic.



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #3

Recipe costing is vitally important to the success of the operations. Recipe costing can be a science. Everything can be accounted for.



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #4

*Your menu is too
important to guess at!
Guessing is not good enough!*



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #5

Writing a recipe for execution is very different than for costing. Execution is for the line personnel. Costing is for the management.

You need both.



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #6

“You cannot place percents in your pockets!”. Shift the focus from cost percents to gross margin dollars per plate and contribution margin dollars.



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #7

Make decisions not only based on the passion and emotion of the menu item - but also empirical data. Be methodical.



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #8

The menu layout and placement of menu items does matter. Place higher contribution margin items on top in descending order.



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #9

*This is your call to action!
Start the process. If you do
not have adequate time or
skills, get some professional
assistance!*



The Top 10 Takeaways

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

Takeaway #10

To ensure success –

The bottom line is

know your costs!

Plan for success!

Be proactive, not reactive!



Reference Books

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

The Book of Yields: Accuracy in Food Costing & Purchasing

Francis T. Lynch

John Wiley & Sons

ISBN 13: 978-0-471-74590-7

ISBN 10: 0-471-745909-1

Chef's Book of Formulas, Yields & Sizes

Arno Schmidt

John Wiley & Sons

ISBN 10: 0-471-22716-1

Note: Neither references is truly comprehensive. You need to practice the costing methods discussed in this presentation.



Articles Booklet

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- *“Obtaining Accurate Recipe Costs”*
- *“Improve Your Menu Engineering”*
- *“The Case For Theoretical Food Costs”*
- *“The Advantages of Just-In-Time”*
- *“Robust Supply Chain Management”*
- *“Line Checks That Create Efficiency”*
- *“Traits of Effective Cost Management”*

<http://www.ReturnOnIngredients.com>



Culinary Schools

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

- *This program is offered at no cost to culinary and hospitality schools programs based on availability and budget.*
 - Lexington College (Chicago, IL)
 - Roosevelt University (Chicago, IL)
 - Western Illinois University (Macomb, IL)
 - Lake Michigan College (Benton Harbor, MI)
 - Central Michigan University (Mt. Pleasant, MI)
 - Guilford Technical Community College (Jamestown, NC)
 - Midwest Culinary Institute (Cincinnati, OH)
 - Columbus Culinary Institute (Columbus, OH)
 - Owens Community College (Toledo, OH)
 - *Culinary Institute of Charleston (Charleston, SC)*

Please email me at
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Other Speaking Events

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

2011

- *Western Foodservice & Hospitality Expo 08/28 - 08/30 in San Diego, CA*
- *Florida Restaurant & Lodging Show 09/08 - 09/10 in Orlando, FL*
- *The Welcome Show 09/15 - 09/16 in Wilmington, NC*
- *Ohio Society of CPAs Accounting Show 09/21 - 09/22 in Columbus, OH*
- *Miami Valley Restaurant Assn. 09/28 in Dayton, OH*
- *Consortium for Entrepreneurship Education 11/07 in Cincinnati, OH*
- *ECRM Foodservice Equipment & Technology 11/08 in Las Vegas, NV*
- *Restaurant Finance & Development Conference 11/09 in Las Vegas*
- *ACF Sandusky Bay Area Chefs 11/14 in Sandusky, OH*

2012

- *National Assn. for the Specialty Food Trade 01/12 in San Francisco, CA*
- *National Restaurant Assn. - 05/06 - 05/08 in Chicago, IL*



Questions & Answers

REDUCE COSTS. OPERATE EFFICIENTLY. INCREASE PROFITS.

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