

Corner Booth

The Server Business



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HOW IMPORTANT IS FOOD COST – REALLY?

I can't remember who passed on the following words of wisdom to me, but they have continued to drive the way that I operated as a chef and manager throughout my career:

1. "Unless the seats in your restaurant are full, you are not effective as a manager."
2. "The top line drives the bottom line."
3. "It's all about contribution margin."

Now, let me address each one as it applies to the topic of this article.

"Unless the seats in your restaurant are full, you are not effective as a manager."

It behooves all of us: restaurant owners, managers, chefs, and bar managers to understand the logic behind this statement. Our focus must be, each and every day, to assess how we are doing at drawing customers in and keeping them returning. An empty seat costs us money in terms of unfulfilled revenue. Food cost is irrelevant until there are people in your restaurant, ready to buy. Controls are great, but let's first have something to control. Invest in marketing and retention.

"The top line drives the bottom line."

Everyone benefits from higher check averages. Once your marketing efforts have successfully brought guests to your tables, your efforts must focus on setting the stage for selling the extras. In reality, many restaurants must look at entrees as almost a loss-leader. Customers that sit down and study a menu have already committed to buying an entrée and the threshold for pricing is nearing the tipping point. It is the restaurant's job to focus on selling the extras: appetizers, desserts, wine, and cocktails. This is where profit lies. Food cost is dependent, long term, on your ability to train your staff to sell the RIGHT items, up-sell and build sales.

"It's all about contribution margin."

When planning a menu for profitability, the chef and manager must focus on what each one of those items will potentially contribute to the overall success of the restaurant. Now a particular item may need to run at a substantially higher food cost percentage (steak, shellfish, foie gras, etc.) but if that item, by its nature, sets the stage for complementary sales (appetizers, wine, cocktails) then its individual food cost may not be that important.

Take a look at the following example:

Menu Item	Chicken Schnitzel
Likely Complements	Salad Glass of Beer
Selling Price	\$12.95
Plate Cost	\$3.50
Food Cost %	27%
Base Gross Profit Contribution	\$9.45
Menu Item	Santa Barbara Style Grilled Lobster Tails
Likely Complements	Appetizer Bottle of Wine Dessert
Selling Price	\$38.95
Plate Cost	\$16.50
Food Cost %	42.4%
Base Gross Profit Contribution	\$22.45

Gross Profit Contribution =

Selling Price minus Cost of Goods

*Note cost of goods are estimates and may vary by region.

So even though the Lobster Santa Barbara has a significantly higher food cost percentage than Chicken Schnitzel, it still yields a much larger base contribution even without considering the complementary sales that an item of this type is likely to encourage.

How important is food cost – really?

I'll let you be the judge.

Guest columnist Paul Sorgule has spent the past 40 years immersed in the culinary field and is a certified culinary educator through the ACF and a member of the American Academy of Chefs.