



# *Three Ways To Save On Food Costs This Winter*

By Laurie Mega

It's no secret that the cost of food has risen dramatically since the beginning of the pandemic. Supply chain issues caused by worker shortages and lockdowns, as well as rising fuel costs have directly affected food prices across the board.

According to the November Consumer Index Report published by the Bureau of Labor Statistics, the cost of meat, poultry, fish, and eggs have increased by 11.5 percent since the start of the year. The index for beef rose 20.1 percent, alone. And pork rose 14.1 percent, the greatest increase since December 1990.

Restaurants have reacted by raising menu prices. According to the USDA, between October 2020 and October 2021, food prices overall increased by 5.3 percent. And they are expected to increase again in 2022 by between 3 and 4 percent. While raising prices may be unavoidable, there are steps restaurant owners can take to reduce food costs and keep menu prices competitive. Here are three steps you can take right away to reduce food costs.

## **Optimize Your Menu Items**

The average restaurant spends between 20 and 40 percent of revenue on food. That has to be reflected in your menu. Take a look at your dishes to see where you can save money by swapping out ingredients, marketing profitable items more heavily, or cutting dishes entirely.

## **Conduct a Food Audit**

First things first. Pull out your menu and conduct an audit. Make a list of all your menu items and rank them by sales volume, which you can get from your POS system. Then break out every ingredient for each dish and determine its cost. Add the ingredient costs up to get a theoretical food cost for each menu item. (We say theoretical because we're not taking into account waste, which would give you your actual food cost. More on that later.) Once you know the ideal cost for each item as well as its sales volume, you can place each menu item into one of four categories in a BCG matrix:

**Stars:** These are your most popular and most profitable items.

**Cows:** These are popular items with low profit margins.

**Question Marks:** These are highly profitable items that aren't popular.

**Dogs:** These are items that aren't popular and aren't as profitable.

Once you have everything categorized, it's time to decide what to do with each dish. Leave stars as they are. They're performing well. Just keep an eye on them to make sure they continue to do so. For cows, either increase the price incrementally once per quarter or reduce portions. Question marks may need more marketing or a more prominent place on your menu. Eliminate dogs completely to make room for new, more profitable dishes.

### Change Up the Menu

Once you get rid of the dogs, you'll have some space on your menu. Consider recipes that use seasonal ingredients. For example, berries are more expensive in the winter months, so you may want to change up your dessert menu to include apple- or orange-based recipes. You can even experiment with switching to seasonal ingredients for your cows. By using cheaper ingredients, you may be able to increase your profit margin. Now that your menu is optimized, it's time to take a hard look at your ingredients.

### Conduct a Food Cost Analysis

You already have the theoretical cost of each of your menu items. Now, it's time to look at your actual costs and the variance between the two. To get that, you have to take into account waste that comes from mistakes, misfires, spoilage, and even theft. Then compare actual costs to theoretical costs to get the variance. You can do this all yourself, or you can use a tool such as MarketMan's [actual vs. theoretical food cost calculator](#) to do the work for you. If you find your variance is large, research options to reduce that number. Reducing your food cost variance can be done in several ways. Here are a few ideas:

- **Audit Food Waste Log:** Keep a food waste log to pinpoint where food is wasted. Once you know that, you can take steps to fix the problem.
- **Train Staff on Portioning:** Use [recipe software](#) to record exact portions for each ingredient and train staff on using it to keep menu items at cost.
- **Track Inventory Closely:** Assign one person per shift to keep inventory up-to-date using a [digital inventory tool](#). By doing so, you can reduce over-ordering, spoilage, and even theft.

### Monitor Vendor Costs and Supplies

As food prices rise, so does the cost of doing business with suppliers. Still, there may be some suppliers who remain competitive. It's important to keep tabs on suppliers to determine who has the best price and be willing to move from one vendor to another, if need be. If you have a good relationship with your vendor, however, you may not want to jump ship right away. Try opening up a dialog with your supplier to see if you can get a better price or payment deal. Through negotiation, you may be able to get your supplier to:

- Price match a competitor
- Adjust your payment schedule
- Give you a discount
- Convert bulk orders to smaller, separate shipments
- Reduce your minimum order quantity
- Substitute a less expensive product of similar quality

As food prices continue to rise this winter, reducing food costs will be an essential part of every restaurant's goals for Q4 and beyond. Look for ways to save money not only in your menu items, but in the ingredients that you use, the vendors that provide them, and the efficiency of your kitchen staff.

Laurie Mega is an editor at MarketMan, the leading restaurant inventory management platform. Laurie has over 20 years' experience as a writer and editor. She has created engaging and effective content for several enterprise-level companies, and her work has appeared in *The Economist*, *Home and Garden*, *Cosmopolitan*, and *Foundr Magazine*. She is also an adjunct professor of Journalism and Media Writing at Fisher College in Boston, and has been a featured guest on *The Savvy Scribe* podcast. For information on MarketMan, please visit [marketman.com](#).