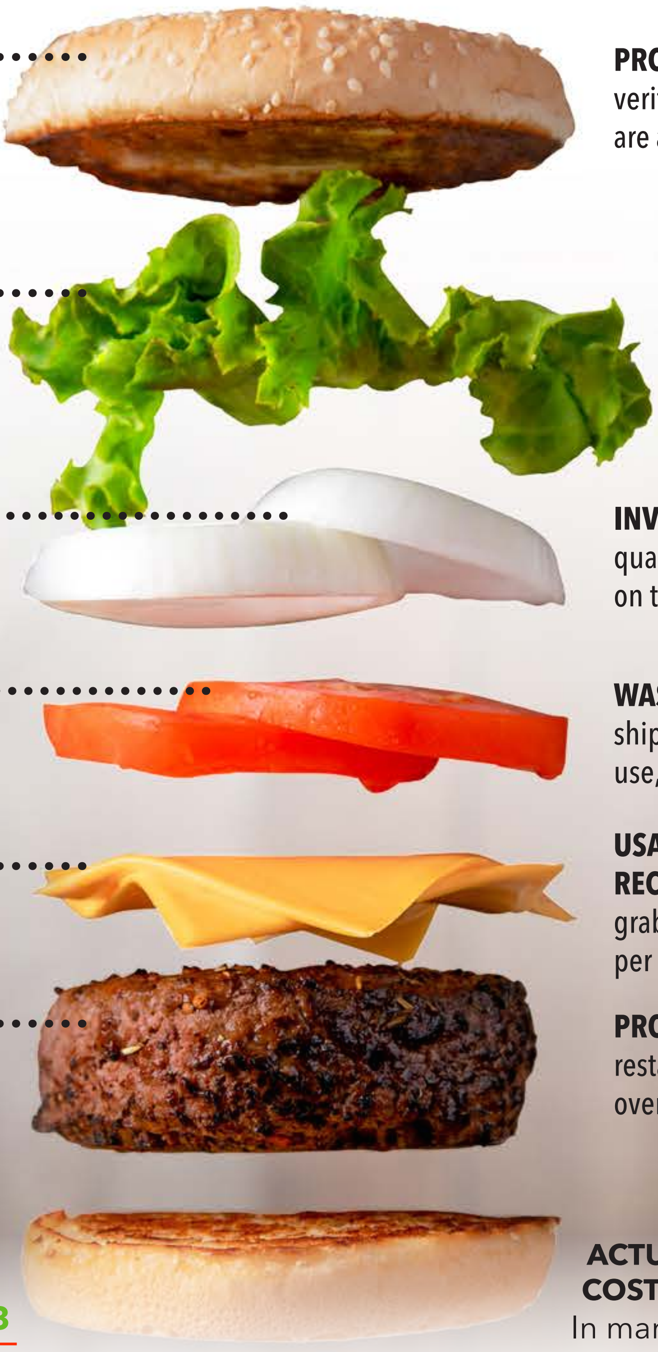
HOW FOOD CO$T VARIANCE IS TAKING A BIG BITE OUT OF YOUR PROFITABILITY

YOUR RESTAURANTS ARE OPERATING EFFICIENTLY – RIGHT?

You can't really know, unless you're tracking a key data point: How your actual food costs compare to what those food costs SHOULD be, a metric known as Actual Vs. Theoretical Cost Variance. Food cost control lies at the heart of profitability for multi-unit restaurant chains.

Consider this cheeseburger. Here is what a given location might expect to pay in a week using local suppliers for each of its ingredients, and then what it actually spent:

Using Food Costing to Answer the Question: Why? Once they know what the variances are down to the individual ingredient, restaurant management can identify and fix the causes:



BUN
Theoretical: $.37
ACTUAL $.42

LETTUCE
Theoretical: $.04
ACTUAL $.07

ONION
Theoretical: $.05
ACTUAL $.04

TOMATO
Theoretical: $.10
ACTUAL $.11

CHEESE
Theoretical: $.11
ACTUAL $.13

BEEF
Theoretical: $.84
ACTUAL $1.16

PROPER RECEIVING: Staff is not verifying that delivery amounts are accurate.

PROPER PORTIONING: Cooking instructions say 2 oz. but costing is based on 1 oz.

INVENTORY ADJUSTMENTS: The quantities were changed by hand on the invoice.

WASTE TRACKING: 8% of each shipment is going bad before use, but that's not being logged.

USAGE IN PREPARING RECIPES: Line cooks are grabbing too many slices per sandwich.

PROPER INVOICING: The restaurant has been consistently overcharged by its supplier.

THESE INGREDIENTS:

Should Cost:	$1.51
Actually Cost:	**$1.93**
VARIANCE	**$0.42** per burger

SO FOR 575 CHEESEBURGERS A WEEK:
Should cost: $868.25
Actually Cost: $1109.75

That's a loss of **$241.50 per week** and **$12,558 a year** for one location, for one menu item.

ACTUAL VS. THEORETICAL COST DRIVES PROFITABILITY

In many companies these losses go completely undetected. That's because it requires collecting and analyzing lots of accurate data per ingredient for every location: local prices, beginning and ending inventory accounts, ingredient amounts per recipe, waste tracking, inventory tracking and real-time tracking of ingredient costs.

CRUNCHTIME!

CrunchTime's back office platform automatically tracks Actual vs. Theoretical Cost Variance, so you can quickly address profit leaks and **drive profit dollars to the bottom line.**

Visit CrunchTime.com to learn more.