

# Pricing Your Food Products – Restaurants

Presented by

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# How do I set my Menu prices?



- Pricing is more **ART** than SCIENCE
- Should be **strategic** – designed to meet a long-term goal, i.e.
  - Produce “X” profit after covering all costs
  - Generate sufficient volume (Sales/Sq Ft, or Avg. Customer Count)

You may have heard the old exchange:

Q: What is the secret of success?

A: Success comes from good judgment.

Q: Well, where does good judgment come from?

A: Good judgment comes from experience.

Q: OK, but where does experience come from?

A: Experience comes from bad judgment!

The joke would be funnier if it weren't so accurate!

# Common Menu Pricing Methods

❖ **Ideal Food Cost Pricing Method**

❖ **Competition Pricing Method**

# Very Common Food Cost Pricing Method



$$\text{Raw Food Cost} \times 3 = \$12.75$$

# Ideal Food Cost Pricing Method



$$\$4.25 \div .30 = \$14.16$$

**Food Cost ÷ COGS % = Menu Price**

$$\$4.25 \div .33 = \$12.88$$

# Another example

## Filet Mignon Dinner.

- The beef filet costs you **\$6.00** per portion
- The wrap (the potato, vegetable, salad and bread that comes with the filet, as well as any condiments the guest asks for) costs **\$2.50\***
- Therefore, the entire meal costs you **\$8.50**.

Raw Cost ÷ Target COGS = Menu Price

$$\$8.50 \div .35 = \mathbf{\$24.29}$$

*\*If decide to wrap in bacon, cost increases, so must retail – everything on the plate counts!*

*But \$24.29 is an awkward number,*

*so \$24.29? \$23.99? \$24.49? \$24.99? \$29.99?*

# Questions to Consider BEFORE Pricing Your Menu

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What kind of menu item is it? (e.g., appetizer, entrée, dessert, side dish)

What is the direct labor involved in its preparation?

What is the portion size?

Is it a seasonal item with limited availability?

Is it a "commodity" or a "specialty" item on your menu?

Is it a demand-driven or market-driven menu item?

What kind of restaurant are you? (e.g., fast-food, fast-casual, limited-service, fine-dining)

What meal period are we pricing it for? (e.g., breakfast, lunch, dinner)

Where is the restaurant? (e.g., center city, suburban, office building, resort area)

Who is your target market or clientele? (e.g., local residents, tourists, business people, shoppers)



# Questions to Consider BEFORE Pricing Your Menu (cont'd)

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What is the perishability of the product and its cost? (e.g., live lobster, fresh seafood)

What is the service delivery method in the restaurant? (e.g., table service, self-service, drive-thru)

What is the check average you seek?

What are the prices of other menu items in the same menu category and the spread among items in other categories?

What are the prices of complimentary and competing items of the menu?

What is the ambience of the restaurant?

What is the plate presentation for the menu item?

Is there live entertainment or music in the restaurant?

What is the status of the restaurant in the market? Is it one of the top restaurants in the market?

# Rules of Thumb



- 30 – 30 – 30 – 10

COGS – Labor – GAO - Profit

- 22% – 35% food cost (COGS)

so, more like 33 – 27 – 32 – 8 for QSR

25 -- 40 – 27 – 8 for Full Table Srvc

- Variable by category

i.e., Appetizers – 25%

Entrees – 35%

Desserts – 20%

Beverages – soft drinks (fountain) 10% coffee/  
tea 15%, draft beer 18%, btld beer 25%,  
liquor 20%, wine 40%

# Target COGS – Category Mix

CATEGORY	COGS	% TOT SALES
Appetizers –	25%	20%
Entrees –	35%	55%
Desserts –	20%	10%
Beverages –	15%	15%

If total sales of \$250,000

$$\text{Overall COGS} = .25(250\text{K}*.20) + .35(250\text{K}*.55) + .2(250\text{K}*.1) + .15(250\text{K}*.15)$$

$$= .25(50\text{K}) + .35(137.5\text{K}) + .2(25\text{K}) + .15(37.5\text{K})$$

$$= 12.5\text{K} + 48.1\text{K} + 5\text{K} + 5.6\text{K}$$

$$= \$71.2\text{K} = \$71,200 \text{ Cost of Good Sold}$$

$$\text{COGS} = \$71,200 \div \$250,000 = 28.5\%$$

# KNOW YOUR COSTS!!

## Recipe Mapping – Inventory Master

Item Description	Case Pack/Size	Purchase Unit (PU)		Recipe Cost Unit (RU)			
		U/M	Current Price	U/M	# RU per PU	Yield %	Cost
* Artichoke, hearts, quartered	6/5-lb.	Case	81.56	OZ-wt	438	100%	0.186
*** Asparagus spear, medium	1/11-lb.	Case	20.90	OZ-wt	176	70%	0.170
* Bacon, sliced, applewood, 14/16-ct.	1/15# avg.	LB	4.84	OZ-wt	16	50%	0.605
*** Chicken, fresh fryer	12/4-lb. avg.	Case	40.80	EA	12	100%	3.400
*** Clam juice	12/46-oz.	Case	38.40	OZ-fl	552	100%	0.070
*** Garlic, peeled, fresh	1/5-lb.	Case	12.76	OZ-wt	80	100%	0.160
** Herb, basil	1/1-lb.	Bag	7.11	OZ-wt	16	56%	0.794
** Herb, rosemary	1/6-ct.	Bag	5.06	EA	6	100%	0.843
** Herb, thyme	1/6-ct.	Box	6.45	OZ-wt	6	65%	1.654
** Lemons	1/165-ct.	Case	26.51	EA	165	100%	0.161
** Milk, 2%	2/1-gal.	Case	7.27	OZ-fl	256	100%	0.028
* Mushroom, crimini	1/10-lb.	Box	27.83	OZ-wt	160	75%	0.232
** Mushroom, shitake	3/1-lb.	Box	10.05	OZ-wt	48	83%	0.252
*** Olive oil, extra-virgin	3/1-gal.	Case	57.53	OZ-fl	384	100%	0.150
*** Onion, yellow jumbo	1/50-lb.	Box	11.33	OZ-wt	800	91%	0.016
** Pasta, penne rigate	20/1-lb.	Case	33.25	OZ-wt	320	275%	0.038
** Polenta, yellow corn meal	1/25-lb.	Bag	29.25	OZ-fl	582	100%	0.050
** Sauce, soy	1 gal.	Each	6.96	OZ-fl	128	100%	0.054
* Shallot, peeled, fresh	1/4-lb.	Jar	13.89	OZ-wt	64	100%	0.217
* Shrimp, white, peeled, 21/25-ct.	4/2.5-lb.	Case	91.95	OZ-wt	160	100%	0.575
** Spice, salt, kosher	12/3-lb.	Case	18.82	OZ-fl	541.4	100%	0.035
** Spice, bay leaves	1/8-oz.	Each	18.21	EA	1040	100%	0.018
** Spice, black pepper	1/18-oz.	Each	16.73	OZ-fl	37.8	100%	0.443
** Spice, oregano, ground	1/13-oz.	Each	13.20	OZ-fl	37.18	100%	0.355
** Sugar, granulated	1/50-lb.	Bag	36.88	OZ-fl	904	100%	0.041
** Tomato paste	48/6-oz.	Case	34.68	EA	48	100%	0.723
** Tomato, crushed in puree	6/#10 can	Case	26.70	EA	6	100%	4.450
*** Tomato, Roma	1/25-lb.	Case	18.61	OZ-wt	400	90%	0.052
** Wine, white	12/750-ml.	Case	43.10	OZ-fl	304	100%	0.142
* Cheese, parmesan	5#	Bag	19.15	OZ-wt	80	100%	0.239

Recipe conversion notes
Basil yields about 56% after trimming/stemming
Thyme yields 65% after stemming
Criminis yield 75% after stemming
Shitakes yield about 83% after stemming
Onions yield 91% after peeling
Penne yields 275% after cooking
Polenta weighs about 5.5 ozs. per cup
Our 21-25 count averaged 23 per #
Black pepper weighs .23 oz per Tblsp
Oregano weighs .175 oz per Tblsp
Granulated sugar weighs 7.1 oz per cup
Romas yield about 90% after coring

# KNOW YOUR COSTS

## Recipe Mapping –

<b>Menu Item:</b> Seared Gulf Shrimp Pasta with Crispy Bacon <b>Item Description:</b> Imported penne, asparagus, Roma tomato, artichokes and crimini mushrooms finished with a light stock.					
Select Item/Recipe	Recipe Unit	Quantity	Ingredient	Unit Cost	Extension
53_Marinated Shrimp	EA	1	Marinated shrimp	3.49	3.49
54_Clam Stock	OZ-fl	3	Clam stock	0.09	0.26
16_Pasta, penne rigate	OZ-wt	6	Pasta, penne rigate	0.04	0.23
12_Mushroom, crimini	OZ-wt	1.5	Mushroom, crimini	0.23	0.35
01_Artichoke, hearts, quartered	OZ-wt	2	Artichoke, hearts, quartered	0.19	0.37
28_Tomato, Roma	OZ-wt	1	Tomato, Roma	0.05	0.05
02_Aspargus spear, medium	OZ-wt	1.5	Asparagus spear, medium	0.17	0.25
03_Bacon, sliced., applewood	OZ-wt	1	Bacon, sliced, applewood, 14/16-ct.	0.61	0.61
06_Garlic, peeled, fresh	OZ-wt	0.25	Garlic, peeled, fresh	0.16	0.04
14_Olive oil, extra-virgin	OZ-fl	0.5	Olive oil, extra-virgin	0.15	0.07
30_Cheese, parmesan	OZ-wt	0.5	Cheese, parmesan	0.24	0.12
				0.00	0.00
		1	Plate cost	0.35	0.35
				<b>Total Cost</b>	6.19
				<b>Menu Price</b>	18.00
				<b>Gross Profit</b>	11.81
				<b>Food Cost %</b>	34.40%

# CONTROL YOUR COSTS

## Recipe Mapping – Recipe Control

Central Coast - Recipe Card			Recipe Cost					
<u>Marinated shrimp</u>			Batch					
Select Item/Recipe	INGREDIENTS	MEASURE	PROCEDURE		RU	# of RU	RU Cost	Cost
20_Shrimp, white, peeled, 21/25-ct.	Shrimp, white, peeled, 21/25-ct.	5 lbs.	1. Rinse defrosted shrimp lightly and drain thoroughly in a colander. 2. Combine all remaining ingredients in a large mixing bowl and blend thoroughly with a wire whisk. 3. Add the shrimp to the marinade and toss well to coat evenly. 4. Refrigerate for 6-8 hours then drain in a colander, remove any residual shallots and garlic. 5. Portion and hold refrigerated for service.		OZ-wt	80	0.575	\$ 45.98
14_Olive oil, extra-virgin	Olive oil, extra-virgin	1 cup			OZ-fl	8	0.150	\$ 1.20
29_Wine, white	Wine, white	1 cup			OZ-fl	8	0.142	\$ 1.13
19_Shallot, peeled, fresh	Shallot, peeled, fresh	2 ozs. sliced			OZ-wt	2	0.217	\$ 0.43
06_Garlic, peeled, fresh	Garlic, peeled, fresh	1 oz. sliced			OZ-wt	1	0.160	\$ 0.16
					-	\$ -		
					-	\$ -		
					-	\$ -		
					-	\$ -		
					-	\$ -		
					-	\$ -		
					-	\$ -		
					-	\$ -		
<b>TOOLS/EQUIP.:</b> Cup measure, ounce scale, large mixing bowl, colander and wire whisk. <b>STATION:</b> Prep cook <b>YIELD:</b> About 14 8-shrimp portions <b>SHELF LIFE:</b> 2 days								
					<b>Total</b>		<b>\$ 48.90</b>	
					<b>RU</b>		<b>EA</b>	
					<b># of RU</b>		<b>14</b>	
					<b>RU Cost</b>		<b>\$ 3.49</b>	

# Determining Menu Item Price

$$\begin{aligned}\text{Retail Price} &= \text{Item Cost} \div \text{Target COGS \%} \\ &= 6.19 \div .33 \\ &= \$18.76\end{aligned}$$

Your Menu Price?

# Competition Pricing Method

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- Assign prices based on the general market price
  - Same as competitors
  - Lower
  - Higher
- Still need to calculate Food Cost %
  - Find a way to meet **both** goals

May need to lower your food cost through prep methods, smaller portion size, lower quality ingredients, etc.



# Competition Pricing Method

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1. Do your research -- all the time
  - ✓ Watch DIRECT competitors closely
  - ✓ Keep secondary competitors in mind
  - Online reviews – yours **and** theirs  
(Yelp, Trip Advisor, Zagat, Google Reviews)
  - Review competitor websites, online menus
  - Keep your ears open – listen to customers, ask servers, talk to suppliers
  - Get industry reports
  - Field Research – patronize the competition, take notes,

# Competition Pricing Method

2. Evaluate/compare other concepts/operations to yours
3. Fix any obvious problems
4. Develop a strategic edge
  - Whenever possible, avoid competing on price alone
  - Develop your own strengths
  - Exploit competition's weaknesses

# Competitor Pricing Survey

Competitor Pricing Survey													
Competitor	Competitor #1	Competitor #2	Competitor #3	Competitor #4	Competitor #5	Competitor #6	Price Points						
Distance (blocks or miles)	Pour size (ounces)	Price	Price	Price	Price	Price	Price	Average	Lower Quartile	Median	Upper Quartile	Max Price	
Bottled beer													
Domestic	12	\$2.25	\$2.75	\$2.50	\$2.25	\$3.00	\$3.50	\$2.71	\$2.31	\$2.63	\$2.94	\$3.50	
Premium domestic	12	\$1.00	\$1.25	\$1.50	\$5.00	\$6.00	\$7.00	\$3.63	\$1.31	\$3.25	\$5.75	\$7.00	
Import	12	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Premium import	12	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Draft Beer - Reg.													
Domestic		\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Premium domestic		\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	

# Competitor Pricing Survey

Competitor Pricing Survey												
Competitor	Competitor #1	Competitor #2	Competitor #3	Competitor #4	Competitor #5	Competitor #6	Price Points					
Distance (blocks or miles)	2 blk	1 mile	1/2 blk									
	Price	Price	Price	Price	Price	Price	Average	Lower Quartile	Median	Upper Quartile	Max Price	
Appetizers												
Item #1	\$4.95	\$5.95	\$5.95	\$4.50	\$6.50	\$7.95	\$5.97	\$5.20	\$5.95	\$6.36	\$7.95	
Item #2	\$1.00	\$1.25	\$1.50	\$5.00	\$6.00	\$7.00	\$3.63	\$1.31	\$3.25	\$5.75	\$7.00	
Item #3	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Item #4	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Item #5	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Entrée Salads												
Item #1	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Item #2	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	
Item #3	\$1.00						\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	

# Calculating Menu Item Price

## Shrimp & Pasta dinner

### Competitor Pricing:

Zynodoa \$32

Mill St Grill \$17.79

Kathy's \$12.95

Byer's Street Bistro \$15

Depot Grill \$19.99

Menu Item: Seared Gulf Shrimp Pasta with Crispy Bacon					
Item Description: Imported penne, asparagus, Roma tomato, artichokes and crimini mushrooms finished with a light stock.					
Select Item/Recipe	Recipe Unit	Quantity	Ingredient	Unit Cost	Extension
53_Marinated Shrimp	EA	1	Marinated shrimp	3.49	3.49
54_Clam Stock	OZ-fl	3	Clam stock	0.09	0.26
16_Pasta, penne rigate	OZ-wt	6	Pasta, penne rigate	0.04	0.23
12_Mushroom, crimini	OZ-wt	1.5	Mushroom, crimini	0.23	0.35
01_Artichoke, hearts, quartered	OZ-wt	2	Artichoke, hearts, quartered	0.19	0.37
28_Tomato, Roma	OZ-wt	1	Tomato, Roma	0.05	0.05
02_Asparagus spear, medium	OZ-wt	1.5	Asparagus spear, medium	0.17	0.25
03_Bacon, sliced, applewood	OZ-wt	1	Bacon, sliced, applewood, 14/16-ct.	0.61	0.61
06_Garlic, peeled, fresh	OZ-wt	0.25	Garlic, peeled, fresh	0.16	0.04
14_Olive oil, extra-virgin	OZ-fl	0.5	Olive oil, extra-virgin	0.15	0.07
30_Cheese, parmesan	OZ-wt	0.5	Cheese, parmesan	0.24	0.12
				0.00	0.00
		1	Plate cost	0.35	0.35
				<b>Total Cost</b>	<b>6.19</b>

Your Menu Price?

# Demand-Driven Pricing

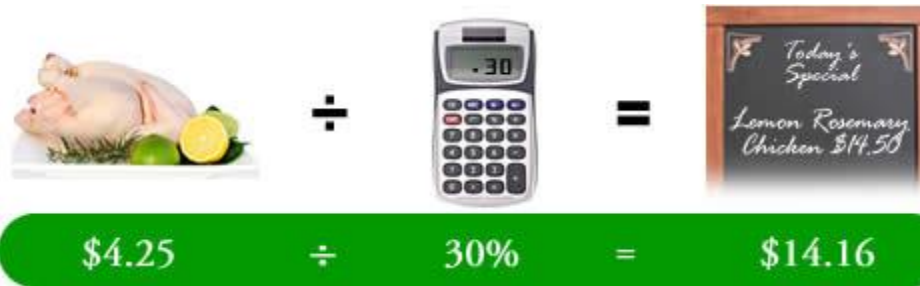
Dry Aged Beef Sandwich	14.00	Kobe Texas Dog	7.50
Green Chile Kobe Burger	13.00	Steel Cut Fries	5.00
Kobe BBQ Burger	13.00	Sweet Potato Fries	5.00
Texas Cornish Pe'Noy	10.00	True North Hot Snacks	5.00
Chipotle Chicken Sandwich	10.00	Miss Vickie's Jalapeno Chips	3.00
Cowboys Kobe Nacho Dog	7.50	Draft Beer	9.00
Souvenir Soft Drink	6.00	Miller Lite, MGD	8.00
Bottled Water	5.00	Smirnoff Ice	8.00



FRESHLY POPPED POPCORN		ICE COLD DRINKS	
JUNIOR	\$375	JUNIOR	\$325
REGULAR	\$450	REGULAR	\$375
LARGE	\$500	LARGE	\$400
EXTRA BUTTER	25¢		
BEEF HOT DOG	\$3.50		
FRENCH ROAST COFFEE	\$2.25		
		BOTTLED WATER	\$2.25



# From Calculation to Actual Price



**Food Cost ÷ COGS % = Menu Price**

- **\$14.16 is an odd (strange) Price Point**
  - the two most common “last” numbers on menu prices are 5 and 9
- **Psychological pricing**
  - \$4.99 vs \$5.00
  - “\$5” vs “\$5.00
  - \$2.49 vs \$2.99
  - \$7.95 vs \$8.25
  - Numbers to the left of the decimal
  - Numbers to the right of the decimal

# Not Just Pricing - Profitability





# Tweaking: Menu Design & Profitability

- Showcase high-profit items ( $\leq 3$ ) in a box to highlight them
- Put your most profitable items as either the first two or last two in a list (customers remember these longer)
- Place popular, but cheap/low-profit items in less conspicuous spaces
- Keep prices in the body of the description paragraph, not off in a column to the side
- Try putting a very expensive item on the menu that is similar to another item which is less expensive but highly profitable

# When you're not hitting your Ideal/Prime Cost % Target

You know the Target COGS based on your formulas...

How do you know your Realized COGS?

## Statement of Income - Summary

### Full-service Restaurant Serving Food and Beverages Only

	Current Period		Year-To-Date	
	Amounts	%	Amounts	%
<b>SALES:</b>				
Food	\$ 95,400	79.5	\$ 1,195,400	79.2
Liquor	8,900	7.4	116,800	7.7
Beer	6,850	5.7	81,400	5.4
Wine	7,590	6.3	95,650	6.3
Other Operating Income	1,210	1.0	19,750	1.3
<b>Total Sales</b>	<b>119,950</b>	<b>100.0</b>	<b>1,509,000</b>	<b>100.0</b>
<b>COST OF SALES:</b>				
Food	30,300	31.8	390,850	32.7
Liquor	1,750	19.7	20,900	17.9
Bar Consumables	425	4.8	6,500	5.6
Beer	1,750	25.5	19,790	24.3
Wine	2,220	29.2	32,670	34.2
<b>Total Cost of Sales</b>	<b>36,445</b>	<b>30.4</b>	<b>470,710</b>	<b>31.2</b>
<b>LABOR :</b>				
Management	10,500	8.8	126,000	8.3
Staff	22,710	18.9	273,580	18.1
Employee Benefits	7,100	5.9	85,700	5.7
<b>Total Labor</b>	<b>40,310</b>	<b>33.6</b>	<b>485,280</b>	<b>32.2</b>
<b>Prime Cost</b>	<b>76,755</b>	<b>64.0</b>	<b>955,990</b>	<b>63.4</b>
<b>Other Controllable Expenses:</b>				
Direct Operating Expenses	6,200	5.2	86,400	5.7
Music & Entertainment	520	0.4	6,150	0.4
Marketing	1,680	1.4	22,580	1.5
Utilities	3,790	3.2	50,110	3.3
General & Administrative Expenses	5,800	4.8	65,950	4.4
Repairs & Maintenance	1,960	1.6	24,530	1.6
<b>Total Other Controllable Expenses</b>	<b>19,950</b>	<b>16.6</b>	<b>255,720</b>	<b>16.9</b>
<b>Controllable Income</b>	<b>23,245</b>	<b>19.4</b>	<b>297,290</b>	<b>19.7</b>
<b>Non-Controllable Expenses:</b>				
Occupancy Costs	10,500	8.8	128,600	8.5
Equipment Leases	1,750	1.5	21,000	1.4
Depreciation & Amortization	2,750	2.3	33,000	2.2
<b>Total Non-Controllable Expenses</b>	<b>15,000</b>	<b>12.5</b>	<b>182,600</b>	<b>12.1</b>
<b>Restaurant Operating Income</b>	<b>8,245</b>	<b>6.9</b>	<b>114,690</b>	<b>7.6</b>
Interest Expense	955	0.8	955	0.1
Other (Income)/Expense	(350)	(0.3)	(3,200)	(0.2)
<b>Income Before Income Taxes</b>	<b>\$ 7,640</b>	<b>6.4</b>	<b>\$ 116,935</b>	<b>7.7</b>

NOTE: All percentages are calculated as a percentage of Total Sales except Cost of Sales line items, which are based on their respective sales. Bar Consumables percentage is based on Liquor Sales.

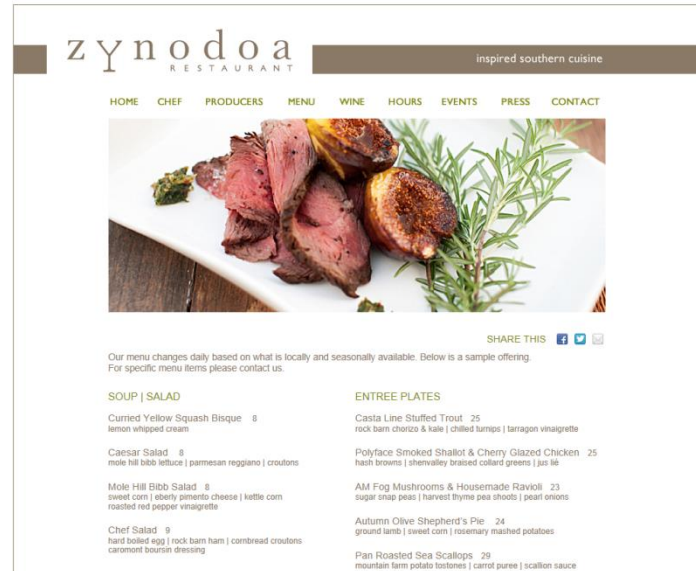
OR

# Rules of Thumb – Most Important

Prime Cost: (COGS + Labor)

Full Service 65% or less

Limited Service 60% or less



Maybe 25 – 40 – 25 - 10



## HAMBURGERS

Thank you for choosing to visit Wright's today. Please remember that everything is prepared fresh when you order it. Our average service time is less than 15 minutes for most orders, but during our busy times, orders may take 20 minutes or more. We thank you for your visit to Wright's, and we hope you have a pleasant visit.

<b>SUPERBURGER</b> .....	<b>3.49</b>
Staunton's original since 1952. Two patties of pure ground beef (total quarter pound), real American cheese, shredded lettuce, and our own special sauce. Served on a seeded triple-decker bun.	
<b>BACON-CHEESEBURGER</b> .....	<b>4.19</b>
Third Pound with American cheese and Bacon.	
<b>MUSHROOM-SWISS BURGER</b> .....	<b>4.19</b>
Third Pound with Swiss cheese and Mushrooms.	
<b>CAROLINA BURGER</b> .....	<b>4.19</b>

Third Pound with American cheese, chili, onion and cole slaw.

Maybe 38 – 25 – 27 - 10

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<b>Total Sales</b>	<b>119,950</b>	<b>100.0</b>	<b>1,509,000</b>	<b>100.0</b>
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Beer	1,750	25.5	19,790	24.3
Wine	2,220	29.2	32,670	34.2
<b>Total Cost of Sales</b>	<b>36,445</b>	<b>30.4</b>	<b>470,710</b>	<b>31.2</b>
<b>LABOR :</b>				
Management	10,500	8.8	126,000	8.3
Staff	22,710	18.9	273,580	18.1
Employee Benefits	7,100	5.9	85,700	5.7
<b>Total Labor</b>	<b>40,310</b>	<b>33.6</b>	<b>485,280</b>	<b>32.2</b>
<b>Prime Cost</b>	<b>76,755</b>	<b>64.0</b>	<b>955,990</b>	<b>63.4</b>
<b>Other Controllable Expenses:</b>				
Direct Operating Expenses	6,200	5.2	86,400	5.7
Music & Entertainment	520	0.4	6,150	0.4
Marketing	1,680	1.4	22,580	1.5
Utilities	3,790	3.2	50,110	3.3
General & Administrative Expenses	5,800	4.8	65,950	4.4
Repairs & Maintenance	1,960	1.6	24,530	1.6
<b>Total Other Controllable Expenses</b>	<b>19,950</b>	<b>16.6</b>	<b>255,720</b>	<b>16.9</b>
<b>Controllable Income</b>	<b>23,245</b>	<b>19.4</b>	<b>297,290</b>	<b>19.7</b>
<b>Non-Controllable Expenses:</b>				
Occupancy Costs	10,500	8.8	128,600	8.5
Equipment Leases	1,750	1.5	21,000	1.4
Depreciation & Amortization	2,750	2.3	33,000	2.2
<b>Total Non-Controllable Expenses</b>	<b>15,000</b>	<b>12.5</b>	<b>182,600</b>	<b>12.1</b>
<b>Restaurant Operating Income</b>	<b>8,245</b>	<b>6.9</b>	<b>114,690</b>	<b>7.6</b>
Interest Expense	955	0.8	955	0.1
Other (Income)/Expense	(350)	(0.3)	(3,200)	(0.2)
<b>Income Before Income Taxes</b>	<b>\$ 7,640</b>	<b>6.4</b>	<b>\$ 116,935</b>	<b>7.7</b>

NOTE: All percentages are calculated as a percentage of Total Sales except Cost of Sales line items, which are based on their respective sales. Bar Consumables percentage is based on Liquor Sales.

# When you're not hitting your Ideal/Prime Cost % Target

- Identify any **Control Issues** Keeping You from Hitting Your Target -- Then Correct Them
  - Waste
  - Portion Control
  - Receiving problems
  - Theft
  - Unrecorded sales
  - Accounting Error(s)
  - Outdated ingredient costs on recipe mapping

# When you're not hitting your Ideal Cost % Target

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- **If not a Control Issue,**
  - **Raise Prices**
  - **Lower Costs**
    - **For labor intensive items, buy pre-prepared**
    - **For simple to fix items, prepare from scratch**
    - **Cut back staffing**
    - **Use less expensive ingredients**
    - **Reduce portion sizes**
  - **Use suggestive selling/menu design to increase # of menu items with higher profitability (shift the mix)**

# When you're not hitting your Ideal/Prime Cost % Target

## Change the Target

- Prepared or from scratch?
- Less expensive ingredients.
- Reduced portions
- Menu engineering
- Vendor negotiation



# When you're not hitting your Ideal Cost % Target

Evaluate Current Profitability

<b>Fish</b>	<b>Food Cost</b>	<b>Selling Price</b>	<b>Food Cost %</b>	<b>Gross Profit</b>
Halibut	\$2.75	\$12.79	21.5%	\$10.04
King Crab Legs	\$7.50	\$20.79	36.4%	\$13.29
Salmon	\$6.42	\$18.99	35.6%	\$11.57

# What's Your Menu PQ ?

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## What is your Profitability Quotient (PQ)?

If you answer "no" to any of questions on the handout I have for you, **you could be leaving thousands of dollars in gross profit on the table. . .**

you could be missing out on as much as **15% of your gross profit**

See: "What's your Menu PQ" by Banger Smith on SV SBDC site.