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Increasing the Accuracy of Recipe Costing

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It's fair to say that most full-service restaurants do not have accurate recipe costs, even though recipe costs are the foundation of many strategic functions, such as the menu-engineering process and theoretical benchmarking. It is essential to proactively determine costs. Yet recipes are often written with other goals in mind. They are generally written in cookbook terms and not manufacturing terms. Thinking about a restaurant or a caterer in terms of a manufacturer might be an unusual concept, but it can bring about great benefits such as improving profits and increasing efficiencies.

Two primary concepts can help you obtain accurate costs. Treating a recipe as though you were a manufacturer means that any time an item changes form, no matter how simple it may seem, the costs should be tracked. As an example, let's take fresh basil. When purchasing fresh basil from your local produce company, it usually comes packaged by the pound. The basil still has stems when the restaurant receives it. In order to make the basil usable, all the basil leaves must be separated. In terms of complexity, this is a very simple task, but we need to account for the loss or the finished weight. If we paid \$7.50 a pound and did not account for the loss properly, we would have used the incorrect cost of \$0.469 an ounce on our recipes. The reality is that not everything is useable. In this example, it was determined that only 11 ounces were useable, resulting in a new cost of \$0.682 per ounce. This is the accurate cost to use. When working with fine-dining and high-end restaurants, the recipes can be very complex. The simple example above only reinforces the need to account for the known losses and the associated costs.

The second piece of recipe costing involves taking a recipe written by a culinary professional and converting it to proper weights and measures. For example, many recipes will call for a spoodle, tablespoon, or teaspoon of an ingredient. These utensils ensure portion control and proper execution. For recipe costing, however, we need to account for the associated weights. A one-ounce spoodle of feta cheese cannot be counted as an ounce for costing. When you place a

spoodle of cheese on a digital scale, you will discover that the true weight is not even close to an ounce. It weighs 0.3 oz. Just as accounting for the proper yields is important, it is equally necessary to account for the proper weights and measures in determining your recipe costing.

Up to this point, we have only discussed ingredient costs and their change in the process. The other two factors of cost are labor and overhead. Many industries are in the practice of costing out their products to include prime and total cost. Why shouldn't the restaurant industry identify these costs as well? Factoring these components into the recipe cost can be an incredible tool. We can determine make-buy decisions with accuracy and engineer our pricing to drive proper profitability.

To calculate proper labor and overhead costs, it would be wise to conduct a time-motion study. With time-motion studies, we can determine a proper labor standard in time to produce the recipe. Conduct multiple studies with the personnel who are actually responsible for executing the recipes. It is important to capture the total time you have hands in the process, not just cook times. Restaurant operators often list this on recipes as prep time. Once the time standard has been established, multiply it against both a labor rate and overhead rate-per-hour to come up with the total costs.

Accurate recipe costs affect many other aspects of your operation, such as engineering menus, calculating theoretical costs, and producing and ordering dynamic parts. It even even impacts commodity price. It's simple: without determining accurate costs, your operation cannot plan properly for success. With the high level of competition in the industry compounded by a cautious economic outlook, it is important to make informed decisions. Some of the passion we associate with creating menu items needs to cross over into the analytical side. Pursuing a higher level of accuracy may take some initial hard work and investment of time, but in the end, it is energy and time well-spent. It will surely assist in improving the profitability of your restaurant operation.



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