

Increase profits through accurate recipe costs

By Mark Kelnhofner, MBA

A fairly accurate assessment of current restaurant operations today is that they do not have accurate recipe costs. Recipe costs are the foundation of much more strategic functions such as the menu engineering process and theoretical benchmarking. Too frequently recipes are not written to determine accurate costs. They are generally written in cookbook terms and not manufacturing terms. Thinking about a restaurant as a manufacturer is a unique concept and not typically applied. It is a concept that can bring about greater benefits such as improving profits and greater efficiencies. There are two primary concepts to assist in obtaining accurate costs.

The first is to understand what it means to treat recipes like manufacturers. The basic rule states that anytime a product or production item changes form, no matter how simple it may seem, the costs should be accounted for. As an example, let's take fresh basil. When purchasing fresh basil from your local produce company, it comes packaged usually by the pound. The basil is still on



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their stems when it is received by the restaurant. In order to make the basil useable, all the basil leaves need to be picked off. Although in terms of complexity, this is a very simple task, 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 \$0.469 an ounce on our recipes. The reality is that not everything is useable. In the example we used, 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 utilize. When working with fine dining and high end restaurants, the recipes can be very complex and the simple example above only reinforces the need to account for the known losses and the associated costs.

In addition to accounting for proper yields, the second piece of recipe costing is taking a recipe written by a culinary professional and converting it to proper weights and measures. As an example, many recipes will call out for a spoodle, tablespoon or teaspoon of an ingredient. Utilizing these utensils ensures portion control and proper execution. However, for recipe costing, we need to account for the associated weights. For example, a one ounce spoodle of feta cheese is not going to be an ounce for costing. When the spoodle of cheese is placed on a digital scale, what you will discover is that the true weight is not close to an ounce (0.3 ounce). Just as accounting for the

proper yields is important, it is just as important to account for the proper weights and measures to determine your recipe costing as well.

Accurate recipe costs become the base of many other things such as menu engineering, obtaining theoretical costs and commodity price impacts. Without determining accurate costs, the operation cannot possibly plan properly for success. With the high level of competition in the industry, it would be detrimental not to make the most informed decisions. Some of the emotion of a new menu item needs to be combined with the analytical side to confirm the addition or the removal of an item. Although pursuing a higher level of accuracy may take some initial work and investment of time it is energy and money well spent in the end. It will assist in improving the profitability of the restaurant operation.

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