TAKE ACTION NOW TO IMPROVE YOUR BOTTOM LINE PROFITS

By Lloyd M. Gordon
President GEC Consultants, Inc.
Skokie, Illinois
C.F.E., Food Service Executives Association

Many restaurant operators see today's sales softening. The auditor's report at month's end shows a slight dip in revenue in both food and bar categories. This is a warning flag to most restaurateurs but a closer examination of the sales and cost data is necessary to form a strategy to keep your foodservice operation healthy and alive.

Sales need to be analyzed to determine the extent of both increases or declines. The breakdown of sales for analysis is important in order to take appropriate action. Ratios, or comparisons of two or more factors are useful. Six of these are:

1. sales per seat.
2. sales per employee labor hour.
3. sales per menu item.
4. average daily sales.
5. sales per dining room, counter, take-out, etc.
6. number of meals served per employee labor hour.

It is easy to find these ratios. Note: */ means divided by*.

Sales per seat: Total Sales/number of seats in restaurant

Sales per employee labor hour: Total Sales/labor hours used

Sales per menu item: Total Sales/number of items on the menu

Average daily sales: Total Sales/number of days in this month

Sales per dining area: Sales in Area/Total Sales

Number of meals served per employee labor hour: Total number of meals served/labor hours used

Try each of these ratios in your foodservice operation on a weekly basis for a month. Compare each week with the week that follows. You will find some interesting relationships. These relationships and movements up and down can be used for operations planning.

Prime Cost

Many foodservice operators aim for a total cost of food and labor of 60-65%. This is called Prime Cost. If the total exceeds this figure, for most operations, investigation is needed to control costs and increase sales. If the Prime Cost is much lower than this, it is possible that the customer is not getting a good value which may cause sales to fall in the long run. Prime Costs may be higher than you would like to see them because of many factors. Some of them that you should look into are as follows:

1. are foodstuff prices rapidly rising?
2. are your purchasing habits wasteful?
3. are your menu prices too low?
4. is there a large amount of food spoilage?
5. are your preparation and cooking methods wasteful?
6. are your receiving practices lightly controlled?
7. do you over-produce food?
8. do you over-portion food?
9. do you poorly utilize left-overs?
10. is theft going on?
11. are you tightly scheduling labor?
12. are you closely examining time cards?
13. are employees being supervised properly?
14. are wage rates set competitively?
15. are employees properly motivated?

Using ratios and examining the status of your Prime Costs will not in themselves solve problems of rising costs and dwindling sales, but they are some initial steps that you should take to make yourself aware of areas in your operation that merit your immediate attention.

* * * *