

## Food & Beverage - Food Cost and Break Even Point - By Joe Dunbar

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In speaking with many local operators (completely unscientific sample), the consensus estimate is a 12% drop in revenue (year over year). This is tough to swallow with the current trends in food cost percentages. Since the cost of many commodities have risen, the impact of the revenue decline has hurt more than usual. We haven't seen the typical drop in ingredient costs which occur in many recessions.

These higher food costs have caused the break even point to grow rapidly. Many operators have seen a shift from 5 to 10% profit to a loss. What can restaurant managers do to lower their break even point in this challenging environment?

This is a time to promote people with line authority and shed corporate staff. A lower fixed overhead expense is the fastest way to lower the break even point. If you currently work in a corporate staff position, try to get closer to the customer. Abandon your desk post and go into the field. Find ways to improve the efficiency at your locations.

I worked for 3 corporations on either the internal audit staff or as the operations auditor. My travel time averaged over 70% for a 10 year period. In each office, there was a staff room and you were considered under-utilized if the Vice President saw you in the room for over 1 week. My final travel intensive job required close to 90% out-of-town work. When it was time to come in from the field, my boss handed me my paychecks and gave me the week off.

The return for my on site work was enormous. I knew the key operations staff and many of the department heads on all of our key projects. We worked together to solve many issues which simply can't be handled by clever report analysis and endless meetings. You'll find messy walkins, open back doors near closing, unopened boxes of seafood and meat in the garbage, employees with substance problems, invisible over-achievers, well-disguised under-achievers and you'll see many other critical issues first hand.

The break even point will go down as you become a variable cost instead of a fixed expense. You'll be part of the gross margin improvement. Lets say your salary is \$1,500 per week and you can visit 2 locations per week. If the sales at each location is \$50,000, the combined sales figure is \$100,000. If you can make a 1.5% impact, you have covered your expenses at the operation level and completely eliminated your cost at the office.

Perhaps you can have a 3% impact. You will probably be promoted back to the headquarters to make sure the people are not in the staff room for more than one week.

Note: My friend Keith Gellman and I started a social network for everyone in the industry. Please join us at [the Foodservice Club](#) and let us know about your company and position.

Joe Dunbar

Dunbar Associates

P.O. Box 579

Fairfax, VA 22038-0579

800-949-3295

<http://www.joedunbar.com>

[jdunbar401@aol.com](mailto:jdunbar401@aol.com)

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