

Food & Beverage - Food Cost Control ROI - By Joe Dunbar

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If you've invested the time and money to build a food cost management system, this year will give you an above average return on investment. The reason your ROI will be higher is the edge may keep you in business. Many of my clients have seen their sales decline from 2007. Certainly, everyone has seen an increase in their cost of sales. Energy costs are soaring and the impact is seen in every delivery.

Management's #1 challenge is to survive 2008. Once a solid short term strategy is in place, the entire organization can work together to meet weekly goals.

In the longer term, many companies will emerge stronger and with fewer genuine competitors. If you follow the industry news, you've seen plenty of failures. Stale concepts and red hot brands have faltered. The future will be quite profitable for companies with profitable business models today.

The ROI from an investment in a food cost management system is greatest now - in a downturn. The reports you see each week give you an edge. This edge could be the difference between a profit and a loss. Reports which show price fluctuations are very useful. While your competition sees higher food cost percentages, you will understand these increases better. Menu analysis and recipe costing tools help with pricing decisions.

What is the impact of a smaller portion option? How are my top 25 items performing this year? If I raise prices, should I do it across the board or on specific menu items? Reports from your food cost system will help to answer these questions.

Some programs have reports with a gross margin analysis. The reports use standard recipes and current purchase prices to calculate gross margin by menu item. The calculation subtracts the recipe cost from the selling price and multiplies the result by the number sold (from your POS system). You can now see where your profits are produced. Menu engineering models use this data to help you with pricing decisions. I like to treat the menu as a portfolio of profit generators.

Purchase history reports will help you see price trends on your high volume items. You may not be in a position to buy differently but you will be able to measure the impact. This information puts you in position to make better decisions.

The perspective of the manager who is armed with a food cost management tool is superior. Your profits will grow tremendously as the economic conditions improve. Your ROI from the investment may just be a solid future for your company.

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