

Food & Beverage - Leveraging Your Investment in Food Cost Control - By Joe Dunbar

2008-09-30

The current economy presents a once in a lifetime opportunity for the operators who have an effective food cost control system in place. Imagine adding rampant commodity price increases to an out of control food cost mess. Can you picture the meetings in operations with soaring food prices, theft, poor ordering, waste and lousy portion control? Obviously, the managers who were already abusing the lax system will contribute all the bad news to the market conditions.

If you are on top of your costs, you can see the usage variances and the rate variances and put each in perspective. You have an enormous advantage over many of your competitors. Many operators are avoiding the tough issues and calling attention to the rise in corn prices. Certainly, corn price increases have fueled a quantum leap increase in many food stocks. However, at this time corn prices have been trending lower and many companies are losing money despite menu price increases.

The companies who recognize the opportunity offered by their tight cost controls will prosper in difficult conditions. Look at McDonalds. Their stock is up over 15% in the last 365 days. They have always employed a tight cost control environment. Their perceived menu value and tight cost controls put them in the driver's seat.

Contrast the value menu concepts with the upscale, casual dining segment. How would you like to manage an upscale casual restaurant with the cost of sales completely out of control? Look at the industry press and you will see plenty of failures.

So you are in control. How should you take advantage of the weak competition? I would offer tremendous value to your guests. Use your advantage to make sure the competition isn't even close to making their menu a value proposition. Don't play games with menu prices and don't beg people to come to your restaurant. Let them come for the quality and value. Once the guest arrives, give them lots of extras. Get some buzz going through word of mouth.

Fresh baked rolls and desserts could get rave reviews with a minimal increase in food cost. Take advantage of the perceived major price hike in flour to create a competitive advantage. When bakers are in the news due to high flour prices, you can offer top notch baked goods as a complimentary extra.

I'm just using one example. You know your strengths. Use your tight cost control system as a weapon to win this war. Pick a few of your kitchen's advantages and feature these menu items and extras to defeat your competition.

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This article comes from Hotel News Resource

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