

CONTROLLING FOOD AND LABOR COSTS IN A PIZZERIA

SYNERGY RESTAURANT CONSULTANTS

FIVE SIMPLE STRATEGIES

RECOMMENDATIONS AND BEST PRACTICES
FOR CONTROLLING COSTS



DEAN SMALL

FOUNDING PARTNER SYNERGY RESTAURANT CONSULTANTS

- Founder of Culinary Driven Operations Obsessed Global Consulting group
- We have worked for over 250 largest chains in the world affording us insights on efficiency
- The heart of what we do every day is conducting operations assessments with the goal of finding meaningful ways for restaurants to improve their financial performance and the execution their food, beverage and hospitality strategy
- Over the last 29 years of practice my company has performed over 800 Operations Assessments in almost every dining segment



DEAN SMALL

RESTAURANT INDUSTRY CHALLENGES

- Lean Margins & Moving Parts
- Perishable Products
- Entry-level workforce that requires training
- Employee Retention
- Consistent Execution
- Inventory Control and Loss Prevention



This is a pennies business, if you control the pennies, the dollars take care of themselves

TYPICAL PIZZA OPERATOR P&L

Food and Beverage Costs	25%
Labor Cost FOH & BOH & Delivery	28%
Management	8
Benefits	4% (Prime loaded 65%)
Operating Expenses	8%
Disposables	3%
Occupancy and CAM	7%
G&A and Debt	2%
Marketing & Coupons	3%
Total Expenses	88%
Net Operating Profit	12% or 12 cents on every dollar

Reducing your prime operating expenses by 3-5 points will get you to greater profitability

FIVE STRATEGIES FOR COST SAVINGS

IMPROVING PROFITABILITY THROUGH CONTROLS

1 | Control Food and Beverage Costs

2 | Minimize Waste

3 | Improve Productivity

4 | Optimize Labor

5 | Utilize Technology



REDUCING FOOD AND BEVERAGE COSTS

STRATEGIES FOR COST CONTROL

BEST PRACTICES: CONTROL FOOD AND BEVERAGE COSTS

STAFF FOOD CONSUMPTION

- Are you feeding your kitchen team for free? Are they snacking?
- Do not allow cooks and servers to fill up large glasses with soft drinks – use paper snow cone type cups that are in a dispenser – This would immediately save you money or create a daily consumption fee that's deducted from check

SECURITY & INVENTORY

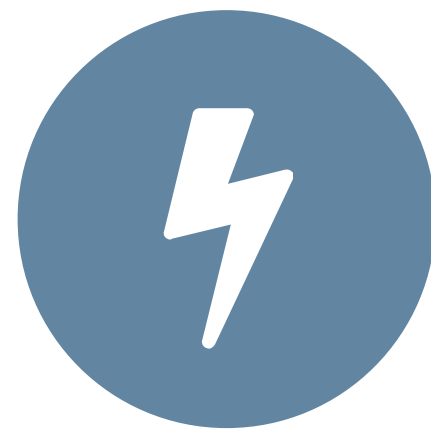
- Production and inventory Management – keep coolers lean
- Taking WEEKLY physical inventories – Top 20-25 spend each week
- Have all recipes costed-out with yields (weight and volume) to determine a theoretical food cost based on PMIX
- Meat cage for security – eliminates shrink
- Lock back doors for security
- Use a receiving scale and implement proper receiving procedures

SUPPLIES & MENU OFFERINGS

- Challenge current raw materials - quality and savings
- Dough Management - based on projected sales using PMIX
- Menu innovation – keeping the core menu stable and innovate around the edges with low cost high margin product offerings – Cheesy Bread, Meatballs, Baked Pasta and garlic knots
- Pizza Build Matrix based on size – avoid over portioning
- Create Product Specifications - for all products
- Vertically integrating production recipes to eliminate single use items
- Look into Key Drops – that can usually save you money from your broad line distributor

BEST PRACTICES: FOOD AND BEVERAGE COSTS

OBJECTIVELY ASSESS YOUR RAW MATERIALS



SUBSTITUTIONS

A good Canola Olive oil blend like Colavita is often times better and significantly less money than a broad liners basic pure olive oil



PRODUCE

Look at lemon and lime and tomato sizes – do you really need extra large fruit
Evaluate your lettuce yields



QUANTITY

When you get a produce delivery occasionally empty the box upside down to count the number of lemons and limes to see if the repack is accurate and check the count and quality



SIZE/TYPE

Challenge the specification some of your existing high volume items such as cheese, onions, citrus, chicken. If you are buying raw chicken and cutting it up for pizza toppings and salads 'randoms' could save you money over a sized breast

BEST PRACTICES: FOOD AND BEVERAGE COSTS

BEVERAGE

- Do you really need to sell coffee? Do you sell significant quantity, or is the bulk of coffee that is produced being consumed by your staff? If coffee sits for more than 45 minutes it really should be discarded and if you are selling it you are doing a disservice to your guests
- Secure bottled beer
- Have beer lines properly maintained to minimize foam which costs you money
- Determine what your wine pour needs to be (5 or 6 ounces) and use a glass filled with water or coke as a template when pouring to avoid over-pouring wine
- Use a jigger for measuring all spirits or testing kit to minimize over-pouring
- Don't overproduce beverage garnishes as they dry out and lose their freshness
- Conduct weekly beer inventory
- Implement bottle for bottle spirits inventory control
- Assess your pricing elasticity - competitive market assessment on like items
- Go to straight forward pricing - eliminate the .09 and .95 - \$4.00





MINIMIZE WASTE

PREPARATION WASTE, SPOILAGE WASTE, PORTIONING/PLATE WASTE

BEST PRACTICES: MINIMIZE WASTE

KEY DRIVERS OF PIZZERIA WASTE ARE:

- Over-portioning, failure to follow recipes and food waste are considered the three biggest factors for loss.
- Other factors:
 - Giving away food
 - Incorrect ring-ins
 - Theft and unapproved discounts
- Over ordering (failure to use pars and no food budgets set)
- Over portioning vs. accurate portioning through failure to use portion control tools
- Over producing
 - Failure to properly manage production
 - Utilities
- Dough management, especially towards the end of night
- Use of pull charts so products are not defrosted under running water or in a microwave or left out overnight
- Assess portion sizes – look at the dish area for clues on what items are not being consumed
 - Sauce and salad dressings not consumed
 - Soft drink size



BEST PRACTICES: MINIMIZE WASTE

TIPS FOR REDUCTION

- USE A PORTION CONTROL DEVICE FOR CHEESE!
- Try not to over-order food:
 - Only order the minimum amount required for a period to avoid unnecessary spoilage.
- Cook seasonally: Ingredients that are out of season have made a longer journey to your kitchen
 - Have a higher risk of spoilage
- Vertically integrate raw materials into multiple recipes to maximize use and rotation
- Cook smaller batches of pre-prepared staple food to make sure you don't over order and hold food
- Line set-up chart with appropriate portion control tools identified
- Store fresh herbs far from the walk in door and in water
- Use scrapers and rubber spatulas – it's a pennies business and 3 ounces of sauce in a container is around 18-22 cents
- Power up and power down energy schedules
 - Avoid power surges and minimize utility consumption – big cost for ovens and fryers
- Food items that are held hot with low movement should be held cold and reheated to order or placed in smaller containers **during times**
- Beer lines cleaned to minimize foam and get a better yield on beer kegs
- Lettuce discolors and deteriorates when its wet – use salad spinners
- Portion control baggies for products like; pasta, calamari, wings, cheese



IMPROVE PRODUCTIVITY

CREATE SYSTEMS THAT DRIVE SMART PRODUCTION

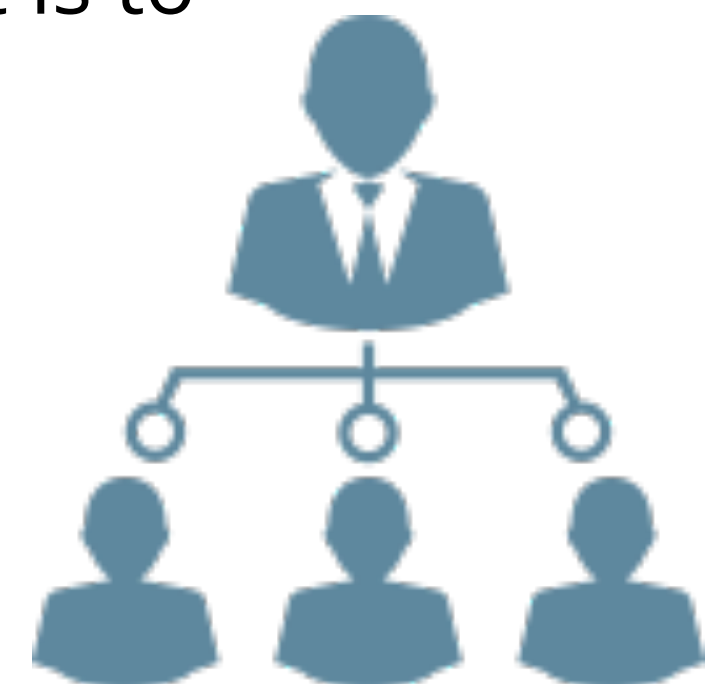
PIZZERIA COST CONTROLS

BEST PRACTICES: IMPROVE PRODUCTIVITY

STAFF RETENTION

- According to the Bureau of Labor Statistics, the employee turnover rate for the hospitality industry has been increasing for the last five years. In 2010, the average turnover rate was 56 percent; by 2015, this has spiked to 72 percent. Dallas-based research firm TDn2K reports that in 2015, 71 percent of all voluntary terminations had been on the job for less than one year.
- This rise in turnover has a real impact on operators' bottom lines. The cost of hiring and training an hourly employee can top \$2,000, according to TDn2K Research, rising to more than \$13,500 for managers. A company that employs 50 hourly workers and four managers faces more than \$112,000 in turnover costs each year. For a company with 30 locations, that's a whopping \$3.4 million per year.
- Create a Company Culture that attracts the best people
- All too often operators "hire by panic," waiting until they are down two or three staffers to begin the recruiting process. This type of disruption results in poor service and food quality, which can result in even more turnover.
- One of the key steps an operator can take to improve the quality of the applicants they attract is to make recruiting an ongoing process.

Source: FastCasual.com



BEST PRACTICES: IMPROVE PRODUCTIVITY

IDENTIFY WAYS TO IMPROVE PROCESS

- Develop highly efficient kitchen production systems
 - Based on Shelf Life and not pars to eliminate over-production
- Use smallwares like tomato and onion dicers to minimize handwork
- Consider a Sunkist Citrus Cutter to speed up cutting citrus
- Use a high capacity food processor to eliminate unnecessary handwork
- Close-to-open procedures, eliminate that morning hunt of smallwares to set up the line
- Establish certain prep tasks that can be performed in down time or between shifts when staff has plenty of time on their hands
- Use sheet pan and insert pan liners to reduce the amount of time the dishwasher needs to scrub pans
- Consider night drops so the kitchen team is not dealing with deliveries during meal periods
- Do online ordering to keep salespeople out of the kitchen which makes staff more productive
- Use a CART. So much time is wasted every day by cooks running back and forth the walk in cooler. Cooks should have a **line set up form** for their specific stations and use a cart to get all of their products in one trip. Each trip the walk in costs you over \$.40 in labor!



BEST PRACTICES: IMPROVE PRODUCTIVITY

MANAGEMENT



Create operating budgets for food purchases and labor & hold the management team accountable

Shift some of the production labor from morning prep to slow periods in the afternoon

Shift the portioning and low skilled items from AM prep to mid day and evening

Create bonus programs based on achieving certain budgetary numbers



OPTIMIZE LABOR

REDUCE LABOR TO CUT COSTS

PIZZERIA COST CONTROLS

BEST PRACTICES: OPTIMIZE LABOR

INDEPENDENT RESTAURANTS SELDOM HAVE MANY OF THE BASIC LABOR CONTROLS IN PLACE.

The response we typically get when we challenge labor issues with management is:

- The Chef tells us that he needs the labor coverage
- Our Chef makes everything fresh each day from scratch
- We are short handed so we have lots of overtime
- Chef and GM do not have formalized labor budgets
- We thought we would be busy and staffed heavy
- I need to give my people hours or they will quit



If we used \$12.00 an hour as an hourly wage with 25% benefits you are paying a cook a minimum of \$15.00 per hour or .25 per minute. Whether that person is fetching products, shooting the breeze with fellow teammates or checking their phone, it is costing you .25 per minute. Next time you are in the kitchen, step back and objectively look at how productive your team is—especially after a rush. Are they productive? Do they have tasks to complete?

BEST PRACTICES: OPTIMIZED LABOR

- Employees should only time-in when they are ready to go to work not when they arrive
- Establish labor budgets and guidelines that are updated weekly
- Production Planning based on POS and 5 week previous rolling history
- Use a Shelf life strategy not pars for setting production
- Labor Mapping - Establish daily time requirements with the Chef and GM to accomplish each task and total the labor minutes to arrive at a number of hours and then apply wages against it
- Use Hot Schedules and Ctuit as ways to manage labor
- Hold weekly management meetings and make labor management a discussion point
- Assess speed scratch value added products – If you don't get credit for making an item from scratch and the guest doesn't care why bother?
- Do a yield test on lettuce – and factor in all labor and yield
 - Box Lettuce
 - Some salad dressings
 - Some sauces
- Again, Close to open operating procedures – can easily save 30 minutes of labor each day
- Organize the walk in and dry storage areas in accordance with your order guides and inventory sheets to speed up the process



UTILIZE TECHNOLOGY

INTEGRATED SYSTEMS FOR DEEPEST INSIGHTS

PIZZERIA COST CONTROLS

BEST PRACTICES: UTILIZE TECHNOLOGY

LABOR MANAGEMENT

- Build optimized schedules using forecasting and historical data; centrally onboard staff; foster real-time collaboration among a mobile-empowered staff

INVENTORY CONTROL

- Conduct ordering based on forecasts; manage recipes and product-costing capabilities; view real-time product usage; maintain global overview of purchases by vendor, store and item

LOSS PREVENTION

- Reduce food, labor and other variable costs; reduce shrink and increase sales; analyze data by location, server and transaction

REPORTING & ANALYTICS

- Gather sales and productivity data while off-site, monitor when employees are approaching overtime, examine reports featuring comprehensive sales, financial, and operational information

FORECASTING & BUDGETING

- Create forecasts, guide stock ordering and staff scheduling to ensure demand is met

KITCHEN MANAGEMENT

- Simplify kitchen communication and processes, increase efficiency, reduce errors, and enhance food quality and speed of service



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THANK YOU