SERVING UP SUCCESS:

THREE WAYS

TO CUT COSTS AND HELP

YOUR RESTAURANT TURNA PROFIT



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Part of the job of any successful restaurant manager is to cultivate an atmosphere that helps guests feel relaxed, comfortable, and ready to enjoy a meal. And, if the manager has done his or her job sufficiently, those guests will never sense the exhaustion that comes along with the other aspects of the job: the consistently stressful responsibilities of running a profitable business in the foodservice industry.

Why all the hard work? It's simple: as fun as it is to serve the perfect plate of fettuccini, not even Michelin-caliber noodles will pay your bills. We all need to make money, and in an industry where profit margins are narrow and budgets are strained by many factors out of your control – managing the costs you can control is everything.

We've broken it down into three sections: energy costs, food costs, and labor costs. Together, this triad forms the foundation of your entire budget. Keep them in line and you're well on your way; let them control you and you'll face a fate worse than an overbooked Valentine's Day.

By the end of this e-book, you'll be able to:

- Identify your restaurant's pain points
- Reevaluate your budget
- Understand the major components affecting your bottom line
- Create checklists that work
- Streamline your processes
- Hire smarter and train better
- Learn how you can use technology to support your new goals

We can't cure every possible restaurant problem in just 22 pages, but we can give you the tools to better serve your people, processes, and profit.

Ready?







Regardless of theme, size, geographic location, or target clientele, all restaurants have one major concern in common: labor costs.

Finding the delicate balance between enough staff to cover the dinner rush and keeping your budget in check is not an easy task. Do you hire more qualified cooks and risk the blow to your bottom line, or do you tinker with quality? Do you pay your servers a better rate and offer guests the personalized service only long-term employees can provide, or do you stick with a base rate and deal with employee turnover?

The industry standard for food service labor cost is about 20%; less than that and you're likely sacrificing customer service, but much higher than 20% and you might have idle staff members and a blown budget.

In this chapter, we'll discuss four key ways you can manage labor costs without cutting the quality levels and customer service your guests deserve.

- 1. Prevent turnover
- 2. Improve training
- 3. Streamline processes
- 4. Strategize scheduling





PREVENT TURNOVER

The restaurant industry experiences a higher rate of employee turnover than other businesses in the private sector. This is largely due to the disproportionate number of teenagers working in restaurants (one-third of all teenagers currently working in the United States) and the number of part-time and seasonal employees (31%).

This high turnover rate is expensive for employers, and can actually cost restaurants \$1,000 for each employee they turn over.

Here are four ways to prevent turnover and increase employee satisfaction:

- 1. Hire smart: Instruct your managers to look for quality candidates with:
 - Loyal work histories: You want candidates who will stick so you can invest time and money in training them.
 - Experience: Whenever possible, go for experience; they'll need less training, so they're on the floor faster. This allows your managers to focus on guests, rather than worrying about new employees.
- 2. Compensate through thoughtful scheduling: Offering employees flexible scheduling to allow for personal or educational commitments can be seen as a form of compensation. Similarly, avoid split shifts or unpredictable scheduling that may prevent employees from achieving work-life balance.
- 3. Mix full-time & part-time employees: While PT employees don't require costly benefits, they can be less committed to the restaurant and less reliable in the long term than FT employees who rely on the hours and benefits a full-time position provides. Hire enough of both to ensure that you have a balance of highly reliable employees and easier-to-afford employees who can help with tasks that don't require as much expertise and commitment.
- **4. Avoid overstaffing:** A few extra employees per shift may not seem like a major expenditure, but even minimum wage adds up quickly. In addition, too many servers on the floor means everyone takes home less tip money–which can easily deflate morale.



IMPROVE TRAINING

New or veteran employees will cost time and money when they are underperforming. By improving employee efficiency through training, you can conceivably schedule a leaner staff without sacrificing service.

Here are five ways you can build a more efficient team:

- 1. Establish set steps of service: Create a solid employee handbook and create an employee training plan. It should cover everything from the initial guest greeting through dropping the check, and will make it easier to eliminate superfluous steps and evaluate individual employee performance.
- 2. Provide checklists for reference: Whether they need to focus on the items daily or weekly, a checklist enables them to form good habits. If used consistently, restaurant checklists ensure that they understand their responsibilities, follow procedures, and remain accountable.
- 3. Cross-train your staff: Train new employees in all areas of the restaurant when they first start, so they develop an understanding of how the restaurant functions as a whole–keeping BOH and FOH separate, of course. Not only will this increase overall functionality, staff members will also be better equipped to jump in and assist employees in other positions should the need arise.

- **4. Hold regular staff meetings:** Holding pre-shift meetings as each set of staff hits the floor is a great way to relay new policies, menu changes, and other important items, leading to fewer mistakes and greater efficiency.
- **5. Conduct regular staff reviews:** Evaluate your employees' performances to identify where your team can improve individually and as a whole. Know your priorities, and provide management with a pre-determined reference to ensure that they evaluate the things that will help the team consistently deliver excellent service.

STREAMLINE PROCESSES

Everything and everyone in your restaurant hinges on the processes you have in place. Once you've established standard operating procedures, creating a restaurant checklist will help ensure those procedures are adhered to.

Here are four ways to streamline restaurant operations:

- Rethink your menu: Excessively large and overly diverse menus can be difficult to execute without a similarly large number of BOH staff on duty.
- 2. Resection your floor chart: Inefficient floor charts could mean restaurants are overstaffing just to cover sections that are underused. Examples of this may be: scheduling someone





in the cocktail lounge from 6-12 pm when the lounge doesn't get busy until 10 pm. Servers could share a section until 10 pm or take on the bar or patio area as well.

- **3. Review policies:** Set clear guidelines as to when employees can clock in, clock out, take breaks, and do side work, and utilize a POS system that logs employee hours to help monitor staff compliance.
- 4. Optimize your space: While a renovation may not be feasible, simple changes can lead to a reduction in the number of staff members per shift without affecting service speed or food quality. Evaluate areas of inefficiency to identify the best options. Common ideas include:
 - Add a service well so servers can get drinks on both sides of a very long bar.
 - Reorganize the kitchen so someone can work the fish station and the fryer at the same time.
 - Add a marking table mid-floor (attractive shelving or table) with extra items they may need to maintain their tables (linens, side plates, water pitchers, silverware, etc.)

STRATEGIZE SCHEDULING

Scheduling is arguably the most important factor influencing labor costs. While it can be difficult to minimize staffing costs while also maintaining guest expectations, smart scheduling can alleviate some of the more pressing issues.

Use these three tips to effectively schedule employees:

- 1. Customize your scheduling: Don't copy and paste your schedules! Thoughtfully schedule your staff when it comes to things like a specific event that is going to be in town or big-party and buy-out reservations that are already in the system. Incorporate on-call shifts (scheduling staff that may be "cut" or called off if guests don't rise as expected) to ensure staff availability during peak times.
- 2. Look back to plan ahead: Forecast sales and guest counts using numbers from similar time periods the previous year (March Madness, Valentine's Day, Fourth of July weekend) to anticipate staff needs for the current year.
- **3. Automate scheduling:** Computer schedulers or "online talent management systems" make schedules mobile, allowing managers to post schedules online and employees to swap or pick up shifts via their computers or mobile phones, (with managers reserving final approval, of course), all of which prevents last-minute staff shortages and other scheduling complications.
- **4. Follow first in, first out:** Product should be rotated so nothing ever lingers past its expiration date and everyone knows that the products to the front of the walk-in's shelves are the products that should be used next. Procedures for consistent inventory and rotations should be established and continually adhered to.

REACHING IDEAL LABOR COSTS

Reaching ideal labor costs is a long-term balancing act that requires keen insight into the hiring practice, staff desires, and the needs of your restaurant. You can help achieve and maintain this balance by:

- Hiring strong team members and give them the training they need to succeed
- Regularly reviewing operational processes to ensure efficiency
- Crafting a thoughtful schedule that takes both guest and staff needs into account







Afraid to look at your restaurant's monthly energy bills?

You're not alone; energy consumption makes up a large portion of a restaurant's overhead costs. Because of a restaurant's narrow profit margins, just a 20% reduction in energy costs can result in an additional 1% of annual profit.

To start cutting energy costs, take a look at how your kitchen and front-end are operating. There are simple tactics you can implement right away to begin decreasing the impact utilities have on your energy spend. Swapping out bulbs, properly maintaining equipment, and modifying the way you use your existing equipment can have an immediate impact on your savings.

So how do you get started with an energy efficiency makeover to cut operating costs at your restaurant?



SLICE INTO KITCHEN EQUIPMENT COSTS

Food preparation eats up about 30% of the average restaurant's energy bill. Cut power costs in the kitchen by upgrading, maintaining, and/or optimizing usage of equipment to decrease your overhead. Here are two tips for cutting costs associated with kitchen equipment:

- 1. Turn off energy-intensive equipment when possible: Fryers and steamers are expensive to run. Easily cut unnecessary costs by turning off some of your fryers during slow hours. This can help you can save up to \$600 per year, per fryer. If you operate multiple locations, those savings will add up significantly.
- Select more energy efficient equipment:
 Replacing kitchen equipment for more energy
 efficient pieces can yield significant savings.
 Using more efficient steamers can result in
 savings of up to \$2,000 per year, per steamer.
 While purchasing new kitchen equipment is a
 more expensive solution for cutting costs, it
 can be implemented over time to avoid high,
 up-front costs to your business.

DIM THE IMPACT OF RESTAURANT LIGHTING COSTS

Fast food outlets are particularly impacted by energy costs. With the high traffic of customers and long hours of operation, lights are kept on for significant periods of time. Choosing light bulbs with a longer lifespan that use less energy will help lower electricity costs, especially for locations that are open for extended-hours.

Fluorescent and compact fluorescent lighting (CFL) and light emitting diodes (LED) lighting can help you cut energy costs in four ways:

- **1. Longer life:** CFLs last 10 times longer than common, incandescent bulbs.
- 2. Less heat: CFLs and LEDs generate less heat, lowering cooling costs and cutting fire risks.
- **3. Lower energy consumption:** CFLS use up to 75% less energy than traditional bulbs, and LEDs use up to 90% less, which can result in significant savings.
- **4. Tax savings:** As of 2016, the EPACT lighting tax offers significant tax advantages for commercial building owners who switch to LEDS a possible deduction of up \$1.80 per square foot.





FREEZE OUT REFRIGERATION COSTS

Refrigeration costs can make up about 18% of a restaurant's energy bill, making it a good area to focus on for impactful savings. Newer, energy-efficient models aren't always in the budget, so take a look at the procedures currently in place to identify inefficiencies you can address without upgrading. Here are three places you can start:

- 1. Log temperatures more often: It's common for refrigerators and freezers to run at colder temperatures than necessary, resulting in high energy costs. Logging temperatures more often will help you control temperatures and reduce energy costs.
- 2. Equipment maintenance: Don't make your units work harder than they have to! Dirty coils make the cooling units work much harder and longer to maintain low temperatures. By cleaning and replacing these more often, you'll drive down refrigeration costs.
- 3. Rethink your ice: It's more energy-efficient to make one large batch of ice than it is to run two half-sized batches, making large-batch commercial ice machines actually more economical than their smaller counterparts.

 Rather than purchasing an additional 300-pound or 500-pound machine, consider switching to one 1,000 pound machine.

REDUCE HOT WATER SPEND

Depending on climate zones, water heating can make up anywhere from 10-30% of the energy consumption for U.S. restaurants, making these systems an ideal target for energy savings. Start making changes to your hot water spend with these three tips:

Fluorescent and compact fluorescent lighting (CFL) and light emitting diodes (LED) lighting can help you cut energy costs in four ways:

- 1. Lower the heat: Set the temperature to 140°F for your commercial dishwasher and to 110°F for kitchen hand-washing stations. These temperatures are hot enough to clean, but not so high that they consume unnecessary energy.
- 2. Stop the leaks: The average restaurant loses \$1,000 or more per year from minor leaks. Performing regular checks to ensure sinks, mop stations and dishwasher are functioning properly can help prevent money lost from leaks.
- 3. Load and use efficiently: Run the washer full to lower your per-piece cleaning costs it costs the same amount per load to heat the water and run the washer whether you wash a single glass or a full load.

TURN THE DIAL DOWN ON TEMPERATURE COSTS

Heating and cooling costs make up about 30% of your monthly utility costs. Adjusting the temperature inside your restaurant and using automated thermostats to cut heating and cooling costs can substantially lower your energy consumption. Here are two simple ways you can do this:

- 1. Care and maintenance: Cleaning your heating and air conditioner filters more often help them run more efficiently reducing energy costs.
- 2. The rule of three: Lower the heat by three degrees in winter and raise the temperature by three degrees in summer. Your restaurant will still be comfortable, but you'll cut energy spend.

THE EFFICACY OF ENERGY-SAVING TACTICS

Simple changes to your restaurant's equipment schedules, lighting, refrigerator temperatures, hot water and building temperatures can result in significant savings over the course of the year.

Fast food giants like Subway, Baskin Robbins, Starbucks and Arby's make concentrated efforts to use innovation and sustainability for their store design and daily operations.

Whether you are ready to start small with easy changes that require minimal investment, or invest more money into new equipment - taking steps now to reduce energy spend will help you cut operational costs year after year.







To attain and maintain profitability, restaurants need to generate food costs between 28 to 35% –without sacrificing quality. But it's a difficult balancing act, and constantly offset by outside factors.

In 2015, an outbreak of avian flu and new agriculture legislation resulted in egg prices that soared from \$1.45 to more than \$3.61 per dozen. For diners, breakfast spots, and bakeries with menu items that relied heavily on eggs, it was a disastrous situation. Should they absorb the costs or pass them on to clients?

Food cost can make or break a business's bottom line, but as daunting as this seemingly simple equation can be, it's also an opportunity. By identifying cost-related pain points within your restaurant's operational scheme, you're also getting one step closer to identifying profit-boosting solutions.

In this eBook we'll reveal four key ways you can cut food costs at your restaurant, without sacrificing your brand's standards:

- 1. Analyze your menu
- 2. Shop around for food
- 3. Use consistent recipes
- 4. Train FOH/BOH how to reduce waste





ANALYZE YOUR MENU

Building a menu is like an expert-level game of Jenga; each piece that's added or removed can affect the other pieces in unexpected ways. By stepping back and analyzing your current menu, you will often find that there are small things that can be altered, moved around, or even eliminated without threatening the "structure".

Here are five menu-related tactics for reducing food costs:

- 1. Cost out the menu: Every item on your menu should have a food cost between 28 and 35%, and the menu as a whole should average out similarly. If your entire menu averages out to 28%, you may be overcharging; if the menu averaged out at 35% or above, you're leaving money on the table.
- 2. Master the art of the mix: Balance out high-cost items such as lobster or prime rib by pairing them with low-cost side dishes such as rice, seasonal vegetables, or potatoes.
- 3. Pick your battles: Using premium ingredients in popular items (chicken wings, chips and salsa) is arguably unnecessary and most likely a waste; guests won't pay \$25 for mozzarella sticks just because you used organic cheese.
- 4. Refine portion sizes: For every \$1,000 in revenue a restaurant generates, an estimated 3.3 pounds of food is wasted. Look at what's still on plates that are brought back to the dish area. If every customer is leaving with a doggy bag and/or you're throwing out excessive amounts of food, your portions are too big. Scaling back by two shrimp or a half ounce of pasta per dish can majorly reduce your food cost over the long-term.
- 5. Embrace seasonality: Cooking with seasonal ingredients not only results in more flavorful food, it's also cheaper since the purveyor doesn't have to ship the product from warmer climates or use expensive greenhouses for off-season cultivation. Tomatoes, for example, are a high food-cost item during the winter, while pumpkin has no place (fiscally or flavor-wise) on a spring menu.



SHOP AROUND

What you pay for the food you serve is the very foundation of food cost, and the best prices require research and legwork.

Here are three food-shopping tips to drive down costs:

- 1. **Know your options:** There is generally one or two main food suppliers in each major market, but there are dozens of smaller, alternative sources that sell direct and run with lower overhead two factors that quickly translate into savings.
- 2. Request customized quotes: Interview potential purveyors by asking them for a comprehensive quote that takes specific items, quantities, and frequency of delivery into account. Look not just at food cost but also delivery fees, taxes, fuel surcharges, and anything else that may get tacked on.
- **3. Get generic:** Sometimes brands matter, but often you can swap out a big-name label for a generic substitute that is a fraction of the price. Many of Costco's Kirkland-brand liquors, for example, are actually made by top-shelf distilleries such as Grey Goose and Jim Beam.





ESTABLISH CONSISTENCY, ELIMINATE WASTE

Ensure you set up back of house procedures that will streamline waste reduction. When creating regimented operations, what protocols are most important to set in place and enforce?

These are three excellent practices to begin implementing for your BOH operations:

- 1. Use written recipes: There should be one recipe to rule them all, for two reasons: a dish should taste and look the same no matter which cook is making it and a consistently executed recipe will also have a consistent food cost.
- 2. Take weekly inventory: You can't possibly know if your food costs are in check if you're not doing regular inventory. Results from inventory can be used to catch waste, adjust inventory par levels and improve ordering, and identify loss.
- 3. Mandate portion control: Not all chicken breasts weigh the same and one person's handful of salad greens could be the next person's pinch.
 - Protein should be weighed using a calibrated scale
 - Items like shrimp and scallops should be plated by the exact piece (6 to an order, etc.)
 - Sauces and salad dressings should be scooped out using ladles sized by the ounce



TRAIN YOUR FOH/BOH

Recruit FOH and BOH to join your efforts to reduce food waste and decrease costs. Increase awareness of your initiative amongst staff and empower them to assist in your efforts by educating them on what they're expected to do to reduce food waste. Keep them focused on reducing waste on an on-going basis by measuring compliance regularly.

Here are four ways to empower your staff to reduce food costs:

- 1. Establish and teach standards: If you want employees to meet your expectations, be upfront about what you expect. An employee handbook that clearly outlines portion control guidelines, cook standards, inventory instructions, and plating standards is a good start. Regular training classes and measurement of these standards is the next step. Keep in mind: front and back of house teams that are trained separately will ultimately work separately, leaving you susceptible to a higher probability for misaligned standards.
- 2. Encourage a call back: Improperly prepared meals are one of the most common-but-preventable causes of food waste. Train servers to double check every order for accuracy by repeating items back before they walk away from the table. Menu item modifications to accommodate preferences or-more importantly-allergies, will be the easiest to forget or misunderstand. The practice of ensuring that they understand the requested modifications will prevent returned meals, wasted food, and frustrated guests.
- **3. Work on ticket writing:** Hastily entered POS tickets may be the only communication your servers have with the BOH team. Orders need to be precise, special instructions succinct, and careful effort should be made to ensure that every server is using the same terminology, POS codes, and ticket structure.
- **4. Follow first in, first out:** Product should be rotated so nothing ever lingers past its expiration date and everyone knows that the products to the front of the walk-in's shelves are the products that should be used next. Procedures for consistent inventory and rotations should be established and continually adhered to.

BALANCING ALL OF THE FACTORS

Food cost is influenced by a multitude of factors, all of which must be in balance before a restaurant can make a profit. While efforts to reduce restaurant food waste must be top-of-mind for those performing the day-in, day-out activities of onsite management and staff, you can be involved behind the scenes by:

- Making smart decisions for the product you choose and how you use it.
- Ensuring that your staff is empowered with the training and awareness they need.
- Creating and enforce standards and procedures to reduce waste and keep costs low.





At the end of the day, the restaurant business is about three things: people, processes, and profit. When those three things are in balance, every service can be downright magical.

Use the information provided in this ebook to hire and train the best people, institute and streamline your processes, and dial in your profit, and you'll achieve the one thing that thrills a restaurateur more than a 5-star review: success.



