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Fast 50

How to Cut Costs Without Reducing Quality or Guests' Experience

Here are 50 proven practices that restaurants large and small have found to be effective in reducing losses and, as a result, put more of their hard-earned sales dollars on their bottom line.

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We often talk about the astounding number of ways there are to lose money in the restaurant business, whether it's in the kitchen, dining room, bar, storage areas or back office. This being the case, it stands to reason that there are also lots of things that operators can do to stem potential losses by modifying how they do business in these areas.

Here are 50 proven practices that restaurants large and small have found to be effective in reducing losses and, as a result, put more of their hard-earned sales dollars on their bottom line. You might find it helpful to use these 50 items as a checklist to spot potential problem areas. While some may not have the potential to generate significant savings, it is important to remember the cumulative effect that successful implementation of several of these controls could mean to the overall profitability of your business.

1. Lower inventory levels. Obviously, there's a limit to how much you can lower inventory levels, but it's common for many restaurants to have more food on their shelves than they really need. Evaluate your inventory levels product by product and base your reorder levels on how much you think you'll actually use until the next delivery comes in and add in a small but reasonable safety factor. By reducing excess inventory you'll have less waste and spoilage and you'll likely see your staff do a better job of portioning and handling your expensive products when there is less of it on hand.

2. Daily inventory on key items. This is one of the most basic, yet effective cost controls in the restaurant business and we're constantly amazed at how many independent operators don't do it. This practice begins with identifying your top 10-15 products that make up the bulk of your food cost. Each day, count and record the beginning or opening quantity on hand for each product. Add to that any purchases during the day. At the end of the closing shift, count the ending inventory and compute the usage for each item by adding the beginning quantity and the purchases, then subtract the ending amount on hand. The result is the amount of each product that was used. Now, compare that figure with the POS (point-of-sale) product usage report for each product. If actual usage is greater that the POS (theoretical) usage, investigate immediately. This could be a sign of theft, overportioning or other food-use problem.

3. Get rid of trashcans in kitchen. Any restaurant is at risk for losing good, usable food products to their kitchen trash cans. If there's a training gap or people are careless when slicing, dicing or prepping anything in your kitchen, good, usable (and expensive) products can end up in the trash. We know of operators who occasionally remove all the trash cans out of their kitchens and replace them with clear plastic food boxes. Each employee receives a clear plastic food box with their name on it. They are then instructed to place all of their scraps, trimmings and waste into their own food box.

At the end of each shift, a manager briefly inspects the contents of each employee's food box. If good, usable product is discovered, it's immediately brought to the employee's attention and, if necessary, they receive some on-the-spot training. As they say, "Don't expect what you don't inspect." Ditching your kitchen garbage cans for plastic food boxes, even for a just week or two, will give you the perfect opportunity to find out exactly what's leaving your kitchen and ending up in the dumpster.

4. Check garbage cans in the dish room too. Trash cans are potential profit holes in the dish room too. Smart operators occasionally inspect the contents of dish room trash cans and often find expensive china, glass, silverware and other tableware.

5. Place a video camera in your dumpster area. Dishonest employees will oftentimes steal individual steaks, bottles of liquor or other expensive items by concealing them in purses, backpacks and coats. However, for an employee to steal an entire case of product, the favored method of operation is to throw it in the trash and come back to retrieve it later. Key item inventory counts help to isolate missing product to a particular shift or day, but knowing how the product was stolen is often elusive. Having a video camera pointed toward your back door and dumpster area allows you to play back the suspicious periods of occurrence.

6. Never allow employees to take trash to the dumpster without manager approval. As described in the previous tip, the easiest method for stealing is to discard the stolen product with the garbage. For this reason, any access in and out of the kitchen door should be controlled. Many restaurants keep the kitchen door locked by installing a panic bar that sounds an alarm if used to exit the building. Any exit is controlled by the kitchen manager or designated supervisor. Specific times are set for removing trash, giving managers the opportunity to visually inspect what is being discarded.

7. Consolidate purchases with a prime vendor arrangement. We've noticed that the practice of buying a large portion of products from one broadline supplier is much more common in more highly profitable restaurants than it is in marginally successful ones. While one-stop shopping, as it's sometimes referred to, is no panacea, in most cases consolidating the majority of purchases with one supplier tends to offer the opportunity to lower overall food prices and costs. Prime vendor relationships can be structured in many ways but most operate on a cost-plus basis. Suppliers agree to a certain percentage or dollar amount of "markup" over their cost for a certain amount of time, often a year. While some operators say they have not found a prime vendor relationship particularly advantageous, many successful independents have and some even claim their close relationship with their prime supplier is one of the main reasons for their success.

8. Audit first and last 15-30 minutes of every shift. There's a saying that "Work expands so as to fill the time available for its completion." (C. Northcote Parkinson, Parkinson's Law). This means that when employees are given less time for a task they will work faster and get more work done than they are presently doing. In restaurants, you can often tell if employees have too much time by noticing their pace and sense of urgency during the first and last 15-30 minutes of each shift. A casual or slow pace especially during these times may indicate that they could get the same amount of work done on their shift with fewer hours on your clock.

9. Stop doing a repetitive schedule. Prepare the weekly labor schedule based on anticipated sales and customer counts. As business slows or ramps up, adjust employee hours accordingly.

10. Establish and use detailed specifications for every product you buy. Detailed specs are needed to ensure consistency of your products and to accurately compare bids. You may also discover that a lower grade on some products will still give you results you want.

11. Don't accept deliveries during lunch. During the lunch rush your people are swamped and can't do an accurate job of checking in your products. Have a policy that states no deliveries between, say, 11 a.m. and 1:30 p.m.

12. Ensure the maximum usage of your products. Have a plan to use usable trim and byproducts somewhere else on the menu. Soups, garnishes and even sauces can be prime candidates for food that may be going straight to your trash bin.

13. Use a bus tub for plate scraping in the dish landing area. One of the most common places to lose silverware is in the dish landing area. As plates and glassware are returned, waiters, busboys or dishwashers will scrape the leftovers into an open trash container — along with the occasional knife, fork or spoon. Although the magnetic liners used by some help to reduce loss, the best method used is to scrape dirty plates into a bus tub placed on the dish landing area. It makes it much easier for staff to see what has been tossed and the dishwasher can separate errant utensils before emptying the scrapings.

14. Buy only what you need. Overpurchasing is one of the most expensive things you can do in this business. It leads to more waste, spoilage and overportioning.

15. Use purchase orders. Keep a record of what you ordered, the quantity ordered and the quoted price. At check-in, verify that this matches what is physically at the back door and on the vendor's invoice. Mistakes happen and they are usually not in your favor.

16. Don't let drivers into your storage rooms. Don't tempt people who don't even work for you with helping themselves to your expensive products. After properly checking in a delivery, have one or more of your employees put it away.

17. Calculate cash over/short with each checkout. When using a POS for ringing sales before the menu item can be produced, as explained earlier, the obvious expectation is that there will be a receipt of cash or credit card to pay for that sale. This two-step process wherein the revenue (sales) side of the equation is generated at the cash register or POS level, and the settlement (receipts) side is based on actual receipts, provides a check-and-balance system in which sales should equal receipts. When there is a difference between the two it is commonly referred to as cash over and short (Cash O/S). By using a properly designed cashier checkout form you can catch cash discrepancies for each cashier. Typically you'd like to see this figure no higher than $2 to $5 for a given shift.

18. Use a scale. Weigh products that you buy by weight. Drivers know who uses a scale and who doesn't. Protect yourself from being shorted by at least weighing certain products on a spot basis. Many restaurants weigh everything they buy by weight.

19. Calibrate dial scales. Dial scales are inexpensive and handy portioning tools. But scales can get dropped or knocked around, which can lead to inaccurate readings and weights. Keep your scales (and portioning) accurate by regularly calibrating them using a separate weight like a roll or two of coins. A roll of dimes weighs 4 ounces; a roll of quarters, 8 ounces.

20. Focus on selling your highest gross profit menu items regardless of food cost. There are times when a higher food cost can mean more profit. Such is the case when you promote and sell more high-cost dishes like steak or fresh seafood and sell fewer lower-cost items such as spaghetti or grilled chicken. While the steak may have a high food cost it will usually bring in more gross profit dollars, resulting in higher food cost but a larger profit too.

21. Calculate and report on your cost of sales and labor cost every week. It's a fact: What gets measured improves your bottom line and your biggest and most volatile costs are food, beverage and labor costs. These costs added together are referred to as a restaurant's prime cost and the most profitable restaurants in the industry know their prime cost at the end of every week. When there is a problem, they can react quickly and get it resolved instead of not knowing a problem exists when this information is only calculated once a month.

22. Lock up and dispense towels, aprons and napkins. An often overlooked area for cost savings is that of linen and laundry. One method to reduce this cost is to issue towels and aprons at the beginning of each shift rather than allow staff to get them whenever they want. Likewise, you can reduce linen napkin usage by limiting their use for service only. Never allow your staff to use napkins for cleaning.

23. Lock up your liquor, beer and wine. A proven method for reducing theft and unrecorded sales is to keep backup inventory of liquor, beer and wine under lock and key. Establish a fixed par level for all beverage items that will be stocked in your bar. At the end of each shift, bartenders should bring to the manager all empty liquor bottles (do not allow bartenders to throw liquor empties away), and the number of each beer and wine item needed to bring the stock back to par. Never give the employees the key to the liquor room and only allow management to issue the resupply stock. Keep a perpetual inventory log of all items issued and of deliveries from vendors. Properly maintained, the perpetual inventory log should always match the physically counted inventory. Keeping a perpetual inventory also simplifies ordering and week-ending physical counts.

24. Clean draft beer lines regularly. Have you ever watched as your bartender is pouring a draft beer and has the glass tilted to the spout while foam flows down the drain until finally getting the glass full? On average, restaurants waste anywhere from 5 percent to 10 percent of draft beer purchases by allowing them to simply go down the drain — along with your profits. Temperature, air pressure and dirty beer lines greatly affect the yield you get from draft beer. Have your vendor clean and service your beer lines regularly. In many states your beer vendor is allowed to clean your lines for free.

25. Use glass racks to store dirty glasses. In the fast pace of turning tables, loose glasses, especially dirty ones, will eventually get broken. You can reduce breakage significantly by having enough proper-size dishwasher storage racks. Have staff place all soiled glassware in its respective rack until the dishwasher can run them through. Store clean glassware in the racks and place on mobile rack dollies for transport.

26. Use a metal detector to scan soiled linen bags. It's amazing how much silverware gets thrown into soiled linen bags. Several years ago, well before 9-11, a general manager for a very high-volume steak-and-seafood restaurant was determined to reduce the loss of expensive silverware. He went to a local spyware shop and purchased a metal detection wand like those now used at airports. The restaurant's managers would periodically check linen bags before allowing them to be taken to the storage area outside. The dishwasher and bussing staff cringed each time the detector sounded. They were ordered to empty the entire bag and go through each napkin to find the discarded utensil. Fortunately these detectors made it into the supply industry and are readily available and widely used.

27. Cost out your schedules. As we pointed out earlier, schedules should be made to meet the demand of anticipated sales. Additionally, costing out your schedule by multiplying the number of hours times the hourly rate for each employee will provide a daily labor budget target. If sales are lower than expected then labor needs should reduce somewhat as well. Actual labor cost should be compared with sales daily as a measure of efficiency. Over time, managers will become familiar with the ebbs and flow of sales volume and can react by cutting or adding staff accordingly.

28. Have managers carry a shift card with a list of scheduled employees and hours. One of the most effective tools in managing labor cost is the "manager's shift card." The typical design is an 8.5-by-5.5-inch, preprinted heavy cardstock, with spaces for entering notes and a list of each employee and their scheduled hours for that shift. The shift manager can carry it during the shift and refer to it often to see when employees should begin side work or cleanup or for cutting servers as business slows down. Employees are required to bring the printed time slips when clocking out for the shift and the manager will note it on the shift card. This not only reduces the number of employees who "forgot to clock out" but also makes it easier for management to stick to the budget. The shift card also serves as a handy tool for making notes to be logged in the manager's logbook.

29. Use requisition printers for kitchen and bar; pre-ring orders before service. Whether you have a limited-service or full-service restaurant, having a POS or cash register system capable of sending orders to the kitchen or bar will help reduce your cost of sales by at least 5 percent. By putting in place a system in which orders must be rung up before the product can be prepared or served, you ensure accountability and reduce the opportunity for theft.

30. Eliminate the open food and open liquor keys from your cash register. Every item you sell should have a predetermined selling price, including up-charges and add-ons. When you establish a selling price you also establish the anticipated profit. Having an unrestricted open key — doesn't require a manager — reduces the effectiveness of requisition printers because it allows verbal order overrides.

31. Cost out every menu item and recipe. To be profitable, a restaurant not only needs to achieve specific sales goals but it must also hit certain cost targets as well. However, if you don't know what your target should be then how can you expect to hit it? The first step to projecting a cost target is to create a master inventory list and pricing of every ingredient you purchase. Using the master inventory, you can calculate the cost of every recipe and menu item for comparison with the selling price of the menu item.

32. Calculate your ideal cost regularly. The prerequisite for controlling food cost is to know what your food cost should be — your food cost target. First, you must go through the exercise of costing out your entire menu (as explained earlier). Next, calculate the ideal cost based on actual menu sales mix from your POS product mix reports. This report should tell you the quantity sold and total sales for each menu item for a given period. Simply list the cost of each menu item and the number of sales for that item. Then, multiply the cost times the number of sales to arrive at the ideal cost for each item. Next, add the ideal cost for all items to arrive at the total ideal food cost for the period. Now compare your targeted cost with the actual cost for the period. The difference is the potential cost savings lost to overportioning, theft and waste.

33. Update the surround cost of your menu. Whether it's table condiments, chips and salsa, bread and butter, or frying oil, every restaurant has food products that make it difficult to allocate cost to specific menu items. Often called "plate cost" or "surround cost," this needs to be considered to have accurate menu cost expectations.

34. Preportion menu item ingredients. Most restaurant kitchens are fast-paced, high-intensity production lines struggling to serve as many guests as possible in a short time span. Preportioning is not only essential to this process but is also necessary to control costs and stick to predetermined recipes.

35. Use recipe quick-reference on the kitchen line. The first thing most cooks learn is to memorize the proper method for cooking a given menu item. However, large menus oftentimes have very similar ingredients and portions and it can be easy for cooks to confuse them. One method for ensuring consistency is to display recipe quick-reference charts at each station. This chart contains a list of the ingredients and portions for each menu item so cooks can quickly verify correct recipe portions.

36. Use an order guide. An order guide is a set of forms that contain a listing of all the products a restaurant uses. It is usually divided into separate sections such as meat, produce, cleaning supplies and paper. The order guide form is used as a tool for counting and tracking all the products that your restaurant uses and must reorder. The most effective order guides include as much order history as the form will allow. By seeing historical product usage, you can adjust your pars as needed and keep inventory at optimum levels.

37. Maintain accountability for voids, comps and discounted sales. First and foremost, restrict the void and discount functions to managers only. However, you must also have a system to hold managers accountable to maintain documented reasons for voids and discounts. This helps reduce the likelihood of them using the void function to pocket cash sales. Unfortunately, manager theft is often never caught because of the control they have over POS totals. The only way to combat this is to make them accountable for the number of voids and comps.

38. Reconcile cash on hand every shift. Restaurants not only handle many cash transactions, they also must keep a significant amount of cash on hand for making change, paying tip floats and petty cash expenditures. The constant movement of cash makes it hard to spot when there are losses. A proven method for tracking cash on hand is to first never mix cash received from sales with your cash-on-hand fund. Another technique is to maintain a constant cash supply-on-hand total that is large enough to meet the cash demands for making change. Third, reconcile all cash-on-hand funds for each cash drawer, change fund and petty cash fund at the end of every shift and have incoming and outgoing managers sign off on them.

39. Conduct periodic surprise cash audits on cashiers. One of the most common ways for cashiers (and, of course, bartenders) to earn extra money on the side is to "build the till." It's a simple process of placing all the cash they receive from customers exactly where it's supposed to go: in the cash drawer. However, every fifth soft drink or small order of fries isn't rung up or rung up at a lower price. The customer, however, is still charged full price for everything. This means more cash is going into the cash drawer than the amount of sales getting rung up on the register. Every so often during a shift (on a surprise basis) pull a cashier's or bartender's cash drawer (swap it out with a different one) and take a register reading, which will tell you how much cash "should" be in the drawer. Count the actual cash in the drawer and if you come up with a cash "overage," you either have a problem with incompetence or someone's cheating. Usually the latter.

40. Establish daily prep level pars. To control freshness, waste and spoilage, you need to know the amount of food to prepare for each shift based on anticipated sales. Kitchen managers and chefs who shoot from the hip when it comes to deciding how much and what needs to be prepared oftentimes end up shooting you in the foot. Too much product on hand results in nibbling, waste and spoilage. Too little results in running out of needed supply on the line, which in turn means the occasional comp to make it up to the guest. By establishing and constantly re-evaluating par levels for all prepped items, you help to reduce excessive waste.

41. Track shrink and waste on in-house cut fish and steaks and roasted or smoked meats. Shrinkage, waste and trim are significant factors that can hurt your bottom line. If you cut your own steaks, seafood or poultry, or offer cooked meats such as prime rib, smoked brisket, ribs, roast beef or pulled pork, then it is a certainty that the true cost per pound of the finished product will be significantly greater than the original purchase price.

42. Know the optimum sales and number of customers served per labor hour for each day part. If you are using a POS system to maintain time and attendance of your staff, then you may already have a built-in secret weapon for controlling labor costs. Most systems include reports showing the amount of sales generated or customers served for every hour of labor expended. Sales per labor hour (S/LH) or customers served per labor hour (C/LH) are a key indicator of productivity. When sales or customer counts are too low this indicates possible scheduling or shift management problems. Likewise, too many customers or too high of sales per each labor hour expended could reveal understaffing problems resulting in poor customer service. Finding the optimum levels for your unique restaurant and meal periods ensures maximum productivity.

43. Use compulsory cash drawers. One of the most common methods for controlling cash at that cash register is to only allow the opening and closing of the cash drawer by ringing a sale or pressing the "No Sale" key, both of which provide an audit trail. Some registers feature compulsory cash drawer functionality, which means the next sale cannot be rang until the cash drawer has been closed. However, you may have noticed that many cash drawers are attached to your POS system via the guest check printer rather than directly through the workstation. While this is not always the case, for many POS systems it is not possible to have drawer compulsion functionality when connected in this manner, meaning that a dishonest cashier or bartender could simply leave the drawer ajar to facilitate unrecorded cash sales.

44. Use a customer display at cash registers. Customer displays are used to show the price of each item being rung and the total of the bill. Many customers will watch this process and ultimately challenge any discrepancies, providing a built-in safeguard for keeping your cashiers honest. One of the easiest ways for bartenders or cashiers to steal from you is to under-ring the sale in the cash register while still charging the customer the full amount. When there is not a visible display showing the amount of the sale, then the customer has no way to challenge the amount being charged, thus making it appealing for dishonest cashiers.

45. Never allow more than one person to access a cash drawer. One of the hardest things to detect is when someone is stealing cash when multiple people have access to a given cash drawer, a common practice in quick-serve and limited-service restaurants or bars. Many operators defend this practice by saying they cannot afford or do not have the space to provide a cash register for each cashier needing access.

46. Schedule prep for off-peak meal periods. Controlling minimum staffing levels during offpeak meal periods is difficult because you never know when a busload of tourists or a rush of afternoon diners from a convention PR show decide to pop in. Rather than scheduling prep before you open, consider doing the majority of it during open hours and offpeak times. That way if you do suddenly get an unexpected rush you'll have enough bodies to meet the demand.

47. Cross-train kitchen line cooks, bartenders and servers. One of the great mistakes many operators make is to rely on certain skilled staff members as the only one who can do a certain job. By cross-training some of your staff to be able to do multiple jobs it allows you to reduce the number of staff scheduled, especially for the kitchen line. It also allows you to supplement an employee's hours by allowing them to work where needed rather than finding a few extra hours to make them happy.

48. Maintain at least one-third of your staff as part-time employees. Retail businesses, including and in particularly restaurants, simply cannot give every worker a 40-hour workweek. Retail businesses rely on the availability of part-time workers so that peak periods can have maximum staffing while allowing for staff levels to be reduced as demand wanes. Additional part-time staff when full-time workers are absent or approaching overtime is also a great way to avoid excessive overtime. Many restaurants find that having at least one-third to one-half of their staff as part-timers helps achieve comfortable yet affordable staffing.

49. Filter frying oil every shift. Change fry oil weekly. For restaurants that serve a lot of fried items such as seafood, French fries or appetizers, keeping oil clean and fresh not only enhances the flavor of the food, but also prolongs the useful life and therefore helps in controlling the cost. Considering the average fryer holds anywhere from 35 to 50 pounds of oil, costing anywhere from $20 to $50 to fill each fryer, having a daily filtering routine can save big bucks.

50. Turn off unneeded burners, fryers or ovens during off-peak time. An often overlooked opportunity for cost savings is utility costs. Unneeded gas or electric burners, exhaust hoods, steamers and ovens can use thousands of dollars in wasted energy each year. Add to that the additional electricity or gas for heating and cooling unused dining rooms. Utility costs typically range anywhere from 2.5 to 4.5 percent of overall sales. Incorporating the temperature setting and use of equipment into opening, shift change and closing procedures can produce significant cost savings. **RS&G**