



arena4|finance 



Financial planning for re-opening food and beverage outlets post COVID
With Debra Adams

1

arena4|finance 



Overview

- Preparing standard recipes and food costing
- Menu design and ingredient management
- Controlling preparation and production costs
- Product pricing

2

arena4|finance 



Post Covid

The pandemic will irrevocably change diners' relationship with eating out, and restaurants need to be ready. With the possibility of reduced capacity and declining demand, caterers will need to **understand what to sell, who to sell it to, and at what price.**

(Vaughn Tan)
<https://london.eater.com/2020/4/21/21228609/coronavirus-restaurants-lockdown-social-distancing-eating-out>

3

arena4finance

01

Social distancing will require adapted kitchen design and altered seating space.

02

Customers may demand options that enable social distancing such as takeaway or home cook.

03

The Corona Cycle of social distancing may continue for some time.

4

arena4finance

The P & L Account

	£	%
Sales (turnover)	1000	100
Cost of sales	300	30
Gross profit	700	70
Payroll and related costs	500	50
Operating expenses	100	10
Operational profit	100	10
Undistributed costs (overheads)	50	5
Surplus or loss	50	5

Average spends x volume of customers
 Variable cost
 Variable and fixed costs
 Fixed cost

5

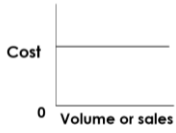
arena4finance

Variable cost

Food cost
Zero hours staffing cost
Part of energy costs

6

Fixed cost



- Permanent staffing
- Insurance
- Rent
- Hire of equipment

Can you reengineer some fixed costs as variable costs?



7

Cost of sales

Opening inventory +
Purchases - Closing inventory



8

Gross Profit

Sales – Cost of sales =
Gross profit £ or %



9

Preparing standard recipes

A standard recipe is a list of the ingredients and their quantities and the procedures required to make a specific product so that:

- It is exactly the same every time.
- Product usage is controlled.
- Costs are controlled.
- Quality is controlled.



10

A good standardized recipe contains the following information:

- Menu item name
- Total number of servings (yield)
- Portion size
- List of ingredients
- Preparation/method section
- Cooking time and temperature
- Special instructions, if necessary
- Recipe cost



11

Ingredients	Quantity	Cost (£)	Total cost
Chicken	3 kilos	£2.40 per kilo	£7.2
Mushrooms	0.25 kilos	£1.80 per kilo	0.45
Four medium onions	0.2 kilos	£1.90 per kilo	0.38
Chicken stocks	0.5 litres	20p per litre	0.10
Streaky bacon	0.5 kilos	£2.62 per kilo	1.31
Egg	2 eggs	£1.32 per dozen	0.22
Salt, pepper, parsley	To taste	2p in total	0.02
Puff pastry	0.45 kilos	£1.60 per kilo	0.72
		Total cost	10.40
		Cost per portion	1.30
		Plus vegetable portion	0.80
		Total cost of food	2.10
		Net selling price for 70% GP	7.00
		Gross selling price	8.40



12

Example

A standardised recipe provides the following information:

10 portions of fish pie cost £10.00 to prepare based on food cost:

Food cost per portion	£1.00
Target cost of sales %	40%
To calculate selling price = £1.00 / 0.4	£2.50
So the gross profit is £2.50 - £1.00	£1.50



13

Example

A standardised recipe provides the following information:

100 portions of fish pie cost £100.00 to prepare based on food cost:

Total sales	£250.00
Total food cost	£100.00
Total gross profit	£150.00
Payroll cost	£50.00
Other expenses	£10.00
Operating profit	£90.00



14

Action plan

1. Review all menu items
2. Update food prices in recipes – check for price increases
3. Consider production methods – make or buy?
4. How many ingredients are being used?
5. Consider relationship between recipes to reduce quantity of ingredients



15

Cost of holding inventory

- Cash tied up in inventory
- Risk of wastage
- Cost of the space
- Manage stop / go / stop cycles



16

Inventory turnover

The number of times the inventory changes in a set time period

Inventory days

The number of days the inventory is stored in the business

What are the costs of holding inventory?



17

Bars inventory with a value of £7,800 and a cost of sales of £4,600 for 30 days.

The average daily cost of sales is calculated by:

$$\frac{\text{Cost of sales}}{\text{Number of days}}$$

$$\text{Average daily cost of sales} = \frac{4,600}{30} = \text{£}153.33$$

$$\text{Inventory days} = \frac{7,800}{153.33} = 51 \text{ days}$$



18

Concept design

- Target market
- Customer preferences
- Demand patterns
- What equipment is available?
- What skills are needed?
- How to manage social distancing?
- Storage space for ingredients and equipment?



19

Recipe impact

- How many ingredients?
- How many dishes use these ingredients?
- How many cooking processes?
- How much preparation time?
- Ingredient cost per portion
- Margin per portion
- Cook to order / batch cooking



20

So, when you are reviewing your ingredient lists, here are some simple tips to keep your ingredient list under control:

- Focus on menu items that are popular with your customers
- Use common recipes but with small variations for interest
- Keep recipes simple, focus on ingredient quality and cooking
- Develop dishes that use some ingredients from other recipes
- Keep the range of pack sizes that you buy to a minimum
- Consider the shelf life of ingredients

<http://www.wrap.org.uk/content/menu-planning-preventing-food-waste>



21

- Do you know your most profitable items?
- Which items do you want to sell more of?
- Are there any relationships between items to be aware of?



22

Menu Engineering



Profitability
 Stars—high profitability and high popularity
 Plough-horses—low profitability and high popularity
 Puzzles—high profitability and low popularity
 Dogs—low profitability and low popularity

$$\text{Product profitability} = \text{Selling price less costs of production}$$



Kasavana and Smith (1982)

23

Protect the Gross Profit!

- Manage the purchasing process
- Manage the production process
- Price products correctly
- Monitor product popularity
- Minimise waste



24

1.

Where is your food waste coming from?

- Start tracking your food waste
- How to measure and Measurement guidelines
- Reporting guidelines
- How are you doing? Contact us at GoG@WRAP.org.uk

2.

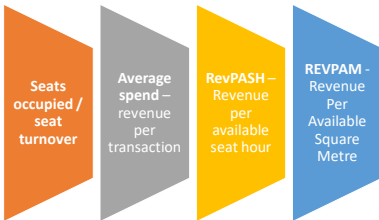
Reducing food waste

- Menu planning
- Food storage
- Preparing food
- Portioning and plate waste
- Recycling

<http://www.wrap.org.uk/food-drink/business-food-waste/hospitality-food-service>

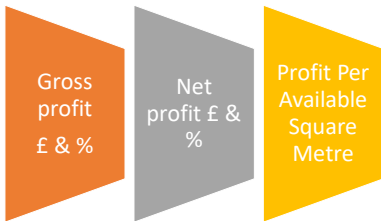
25

Revenue measures



26

Profit measures



27

The P & L Account

	£	%
Sales (turnover)	1000	100
Cost of sales	300	30
Gross profit	700	70
Payroll and related costs	500	50
Operating expenses	100	10
Operational profit	100	10
Undistributed costs (overheads)	50	5
Surplus or loss	50	5



28



Recap

- Preparing standard recipes and food costing
- Menu design and ingredient management
- Controlling preparation and production costs
- Product pricing

29

SPEAK TO US TODAY



Telephone
01202 849691



Email
hello@arena4finance.co.uk



30
