



FOOD COST MANAGEMENT

THE USER'S GUIDE TO EASY FOOD COST MANAGEMENT



SALMON FILLETS
\$8.27 PER LB
US FOODS VENDOR
10 LBS SUGGESTED PURCHASE
THURSDAY NEXT DELIVERY

THE 6 GOLDEN RULES OF EASY FOOD COST MANAGEMENT

INTRODUCTION

No one gets into the restaurant industry because they have a passion for spreadsheets and crunching numbers in Excel, or because they can't wait to whip out their calculator and count inventory. But in an industry known for slim profit margins, restaurant operators must control food costs to maintain a healthy business. With food costs typically ranging from 28-35% of total sales, food cost management is key to a restaurant's success or failure. Unfortunately, that task can be extremely daunting on top of day-to-day operations, which are complicated and time-consuming enough as is. So how can restaurateurs effectively manage food costs without wasting time or sacrificing guest experience?



CHICKEN SANDWICH

CHICKEN MAIN INGREDIENT

\$4.39 PER LB

US FOODS VENDOR

18 LBS SUGGESTED PURCHASE

TOMORROW NEXT DELIVERY



PASTA CARBONARA

EGG NOODLES MAIN INGREDIENT

\$1.92 PER LB

US FOODS VENDOR

20 LBS SUGGESTED PURCHASE

TOMORROW NEXT DELIVERY

MASTER YOUR COSTS WITH AUTO-REPLENISHMENT

Avero has set out to change the way restaurant operators think about managing food costs. We developed these 6 Golden Rules of Easy Food Cost Management built around the concept of auto-replenishment – the reduction of food costs by taking the guesswork out of purchasing and inventory. Through a combination of careful forecasting, dynamic pars, and strategic inventory counts, you can determine exactly how much needs to be purchased with minimal effort. Auto-replenishment is the best way to control food costs, as it addresses the problem right at the source, before the delivery has even arrived at your door. Plus, auto-replenishment significantly simplifies the standard purchasing process, reducing manual data entry, eliminating the need for recipes, and overall making restaurant operators' lives easier, letting them get back to doing what they love: making great food and keeping customers happy.

Follow Avero's Golden Rules of Easy Food Cost Management to revolutionize your purchasing and inventory practices through the powerful idea of auto-replenishment.



FOOD COSTS

BEEF BRISKET

\$5.20 PER LB

US FOODS VENDOR

30 LBS SUGGESTED PURCHASE

TUESDAY NEXT DELIVERY

RULE #1: LEVERAGE WHAT YOU ALREADY HAVE

USE CASE

Consider how much harder it is to manage food costs and inventory without all this data. Between trying to back into depletion via POS reports and attempting to crunch the numbers in spreadsheets, it's likely you waste 3-5 hours per week. Plus, uncertainty about inventory depletion creates several problems, such as wastage from over-buying and unhappy customers from 86'ing items when you run out of product. Using POS data to generate an estimate of what you have on hand is the best first step you can take towards successful food cost management, saving you hours of data entry while giving an accurate account of what's on hand.

SAVE TIME ON INVENTORY WITH HISTORICAL POS DATA

A restaurant's point of sale system is a treasure chest of information that can be unlocked to reveal crucial insights about major cost and revenue drivers. But amazingly, most food cost management solutions do not integrate with POS systems, leaving a huge amount of information on the table (pun intended). POS sales data provides the most accurate picture of inventory depletion and what's on hand at any given time without the need for data entry. Historical sales data from the POS provides a track record of what products were taken out of inventory and sold to customers in the form of menu items, revealing key trends about how inventory depletion changes based on demand.

RULE #2: USE THE PAST TO PREDICT THE FUTURE

USE CASE

How many menu items with avocado have you sold this week? How about last week, and last year? This trended data creates next week's avocado menu item sales forecast AND tells you exactly how many cases of avocados you need to order for those sales. Real data from the past can be used to predict the future, allowing you to zero in on the exact order quantities you need. Simple forecasts only look at one or two metrics, rather than an optimized combination, resulting in predictions that are up to 80% less accurate, leading to many inefficient operational decisions that can undercut profits by thousands of dollars per month.

BUILD A SALES FORECAST WITH RELEVANT SALES DATA

Historical sales information from your point of sale system has even more uses that can significantly optimize your business. In fact, looking at historical sales is the best way to forecast future sales. A tool that uses a combination of variables from past sales data to predict future sales in the near term can result in a highly accurate sales forecast. This streamlines operations in many ways, and is the key to successful auto-replenishment by predicting exactly which products you need and exactly how much of them to order.

RULE #3: PAR FOR THE COURSE

USE CASE

Let's say you set dynamic par of 2 days for a chicken breast product. During a busy week, 5 cases of chicken is enough to last 2 high-sales days. During a slow week, 2 or 3 cases are plenty for the same amount of days. One powerful, dynamic par keeps you covered for a wide range of business scenarios. With a static par of 4 cases, during a busy week, you'd run out of chicken before the next delivery arrives, and during a slow week, you'd be way over-stocked, which could lead to profit losses of 5% or more. Combining dynamic pars with auto-replenishment means orders containing exactly what you need until next delivery can be generated automatically.

REDUCE WASTE BY SETTING PARS BASED ON DESIRED DAYS ON HAND

Wait, what is this “par” we speak of? In terms of inventory, par is the level at which the on-hand quantity of a product is replenished. Many restaurant operators use a single par to keep enough inventory on hand so that they don't run out of product. Some people try to be more precise by setting several pars, depending on the day of the week. While pars are decent safeguards against 86ing menu items, they need to be improved.

Pars are “static” – they don't take nuanced changes in demand into account. This can lead to over- AND under-ordering, even in cases of more sophisticated, static pars that differ on various days of the week. Avero is a strong supporter of dynamic par, which sets par for a number of days rather than number of cases. Paired with auto-replenishment and powered by an accurate sales forecast, dynamic par ensures you always have enough product for a specific number of days.

RULE #4: COUNT WHAT COUNTS

USE CASE

You might want to perform a full inventory count once a week, a class count on all Meat & Poultry products every couple of days, and a spot check on more expensive and highly-perishable products every day that you place an order. A variety of inventory count types such as these saves you time and gives you the most accurate picture of what's on hand. This method will save you 4+ hours on inventory counts a week compared with a schedule of 3 full counts per 7-day period.

INCREASE INVENTORY ACCURACY WITH FEWER COUNTS

A big time sink Avero hears about from restaurant operators is inventory. Many claim they spend at least 5 hours per week on it. While inventory is no doubt a crucial part of restaurant operations, it's actually not necessary to include every single product in every single count. At Avero, we think it's best to only count what matters via cycle count – counting fewer products more frequently, giving you a better idea of where and when your money is coming and going.

To do a cycle count, select a rotating set of key products to count on an ongoing basis. This prioritizes products that are more expensive, ordered more frequently, and that have not been counted recently. This way, you gradually cycle through your entire inventory while counting less but learning more about the health of your food costs. Full inventory counts are still important to take regularly, but performing full counts less frequently with cycle counts sprinkled in between saves valuable time and effort while improving the overall accuracy of inventory data.

What are some other ways to supplement the cycle count/full count inventory system? Spot checks help you double-check the exact on-hand amount of a handful of products before placing an order. By counting just a few business-critical products before making a purchasing decision, you can ensure that you're ordering the exact quantity you need for service. Additionally, class counts on specific types of products, such as Meat & Poultry, can provide useful information on how much cash you typically allocate to a certain product class, and which products within that class cost the most money.

RULE #5: BEFRIEND YOUR VENDORS

USE CASE

US Foods provides real-time access to their pricing, which means you're not relying on last week's prices or waiting for a bid to know how much you're going to pay. Plus, their transparent pricing helps you keep your recipe costs up to date, so you don't lose money on a menu item due to the cost of its ingredients increasing unexpectedly. Additionally, US Foods' ordering and delivery process is fully digitized and integrated, giving operators total visibility into the procurement process and enabling them to manage orders from the convenience of third-party systems like Avero. Without convenient access to vendor data, restaurant operators can waste up to an hour per delivery reconciling between the purchase orders and the invoices.

CHOOSE PARTNERS THAT PUT YOUR BUSINESS FIRST

It's important to have good relationships in this industry, especially with your vendors. Your successes are intrinsically linked, so you should think of vendors as your partners and vice versa. Vendors should earn your loyalty by being reliable, reputable, and showing their commitment to your success. The restaurant operators Avero works with tell us that getting a good price on the products they order is top priority, so one of the best ways vendors can demonstrate their integrity is by being transparent with customers about their price data. Better price transparency is a show of good faith that vendors are providing consistently fair pricing. In turn, operators can rely less on comparing a few dollars and cents between vendors, because they can use increased pricing visibility to manage long-term costs more effectively.

As tech becomes a more and more important force in the restaurant world, vendors can make restaurant operators' lives easier by implementing technology into "smarter" ordering and delivery logistics. By digitizing product catalogs, order status updates, product exceptions, and truck transport notifications, vendors can keep their customers in the know during every phase of the procurement process. Without these advantages, an operator cannot know when or what he or she is receiving until the cases are unpacked in the kitchen, leaving a huge amount of uncertainty about one of their most critical business inputs.

RULE #6: ALL RECIPES ARE NOT CREATED EQUAL

USE CASE

If your top 5 best-selling menu items earn 40% of your total revenue, and the 3 most expensive ingredients in each make up 75% of each recipe cost, by creating simple recipes of just the 3 most expensive ingredients for your top 5 best-sellers, you've accounted for 30% of your total food costs in just a few minutes. Adding every single ingredient to these recipes would get you very little upside with a much larger time investment. To get the most out of recipe costing, be strategic about which recipes and ingredients you take the time to map out, and just don't sweat the rest.

WHEN TRACKING RECIPES, PRIORITIZE THE BEST SELLERS

The topic of recipes comes up a lot, when it comes to managing food costs. Avero has heard over and over from restaurant operators that creating and maintaining recipes is incredibly labor-intensive. The few who do take the time to enter all their recipes say it takes months or even years to complete, and one single restaurant kitchen can churn out hundreds of recipes. Avero believes that the recipe creation process should be as quick and easy as possible, and that by focusing on just the recipes and ingredients that matter most, you can simplify setup and reduce ongoing maintenance.

Avero strongly believes that not all recipes are created equal, and that food cost management should work whether you create zero recipes or a hundred. Recipes help inform depletion, but the goal during recipe creation should be tracking high cost ingredients in a subset of recipes, rather than trying to complete the input of 100% of your recipes, which will likely never happen. It's certainly worthwhile to create recipes for top-selling items to get a good grasp on the profitability variations of the products moved most often, but maintaining a recipe for a side dish that guests never order is a huge waste of time. Similarly, Avero believes that not all ingredients are created equal either. Again, while it's important to include the main cost-driving ingredients in a recipe, mapping out every pinch of salt will have a negligible impact on a restaurant's bottom line.

CONCLUSION: AVERO FOOD COST MANAGEMENT



CHICKEN WINGS
\$2.27 PER LB
US FOODS PROVIDER
40 LBS SUGGESTED PURCHASE
TOMORROW NEXT DELIVERY

AUTO-REPLENISHMENT TAKES OUT THE GUESSWORK

Avero's new Food Cost Management module seeks to revolutionize the way restaurant operators manage food costs by implementing the philosophy outlined in the 6 Golden Rules of Easy Food Cost Management, which uses Auto-Replenishment to take the guesswork out of purchasing. Through our integration with over 65 POS systems, we can build highly accurate sales forecasts tailored specifically to each customers' business. We combine this forecast with dynamic par settings to generate suggested purchase quantities for every product you order, which can be Auto-Replenished for every scheduled delivery. Our cycle count, full count, class count, and spot check options reduce time spent on inventory and increase accuracy, and our quick create recipe tool significantly reduces setup time. Above all else, we are committed to your restaurant's success; in partnership with Avero, US Foods has provided their full digital product catalog and real-time pricing data for customers who buy their products through Avero FCM. Combined, these features make food cost management more effective and easier than ever.

To learn more about Avero Food Cost Management, contact us today:
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ABOUT AVERO

Created by restaurant operators for restaurant operators, Avero is the trusted technology partner for the hospitality industry. We empower 40,000 restaurant professionals with the answers they need to transform their businesses and their lives, getting them out of the back office and in the kitchen with their staff, on the floor with their guests, and home with their families. Learn more at www.averoinc.com.

