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The Importance of Managing Food Cost

Considering all the work involved for a food-service operator, there may be nothing more important to your success than managing food cost. Outside of capital investment costs and labor, food cost is the number one expenditure in a restaurant or foodservice organization.

Quickly defined, food cost is the cost of each ingredient of the menu item divided by the menu price. However, there is much more that goes into that equation than simple division.

Normal food cost in a foodservice operation should average between 29 – 35% percent of your total economics. Not included in that number are the costs associated with supplies, meal amenities or other serving related preparation expenditures. Taxes are also not included in the food cost calculation.

TYPICAL FOOD COST SCENARIO

A standard food cost scenario looks like this:

- Recipe Cost \$5.63
- Menu Price \$19.95
- Food Cost 28.4%

This formula determines the **THEORETICAL FOOD COST**. In order to determine the **ACTUAL FOOD**



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COST, an operator must factor in the changing value of inventory. To determine **ACTUAL FOOD COST**, use this formula:

$$\text{Beginning inventory} + \text{Purchases for the period} - \text{Ending inventory} = \text{Net Purchases}$$

$$\frac{\text{Divide Net Purchase by the Revenue for the Period}}{\text{Period}}$$

Example:

- Beginning Inv. \$ 7,237
- Purchase \$24,583
- Ending Inventory \$ 4,845
- Net Purchase \$26,975
- Revenue \$86,321
- Food Cost % 31.3%

You can positively affect your food cost in many ways. Remember that the cost of ingredients, center of the plate items and supplies like wraps and liners are part of your costs, too. Including these costs will help you better understand where and how your money is spent.

Tips to Control Food Costs:

1. Determine the cost of producing each serving. Calculate the expense of each ingredient that goes into each dish and divide by the total number of plates served per week or month. Include all actual costs; food, delivery, interest on purchases, spoilage, theft and returned meals. (Remember that if feeding employees who receive free meals incur 100% food cost and you may want to calculate these costs separately.)

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2. Manage menu mix by perfecting and promoting higher ticket items.
3. Eliminate items that do not sell well.
4. Utilize purchase orders and reconcile to be sure what you order is received and at the right quantity and price.
5. Utilize Safe Serve and security techniques to reduce food from spoilage or theft. Perform regular audits, track products to sales, record how many dishes are produced, served and paid for daily. The number returned, discounted or given away affects actual food cost.
6. Require servers to check their tickets against each takeout order. Don't over portion amenities like ketchup packets, salt/pepper or napkins.
7. Determine the cost of distribution and agree on a set delivery mark-up. Manage your deliveries so that you receive orders in the least number of shipments. If you are bidding products through multiple suppliers, you may want to consider a formal relationship with a few key suppliers. A Group Purchasing Organization (GPO) can help with distribution agreements.
8. Work with manufacturers to reduce the base product cost. Negotiate with them to receive contracted pricing.

The current cost to customers dining in full-service restaurants is 2.2 percent higher than a year ago, according to the Bureau of Labor Statistics. Disease, drought, inflation and government regulations are factors that adversely affect costs. Those increases were particularly high in meat, fish, eggs and produce. Operators must either raise menu prices and risk a decrease in sales or manage it through food cost planning procedures. Always utilize a solid food cost management program.

**We Highly Recommend
Reducing Costs
by Joining a GPO**



Over the last decade, thousands of foodservice operators have joined Group Purchasing Organizations to help them manage their food costs. The primary reason is they do not have the time, knowledge, staff or purchasing power to fully analyze and secure the best pricing and distribution contracts.

By joining a GPO, you attain "strength in numbers" benefiting from the group's total purchasing power to earn better pricing, service and services that would normally not be accessible to you.

The heightened power you will gain from being a part of a GPO will provide peace of mind as well as the foundation for secured growth. **Axis Purchasing is a great way to get started!**

Referral Special! **Free Apple Mini I-Pad**

When you refer a Colleague to Axis and they Join!

For details, contact Axis Purchasing at 703-310-7607



Customer Profile

The Cheese Course® Offers Classes and World-Class Cheese

The Cheese Course, as its name implies, is both an educational and epicurean delight for cheese lovers who pass through its doors.

With 10 locations stretching from Florida to Texas to Colorado, The Cheese Course has carved out a very strong niche in the area of fine cheeses. Offering over 150 artisanal cheeses, the European-style shop imports its products from dairy farms around the world. The hand-crafted cheeses are authentic creations from experienced cheesemakers who focus on high quality.

In a time-honored tradition, the Cheese Course incorporates cheese that has been produced in the original method passed on from generation to generation. The resulting culturally rich exploration of food takes pride in its organic roots.

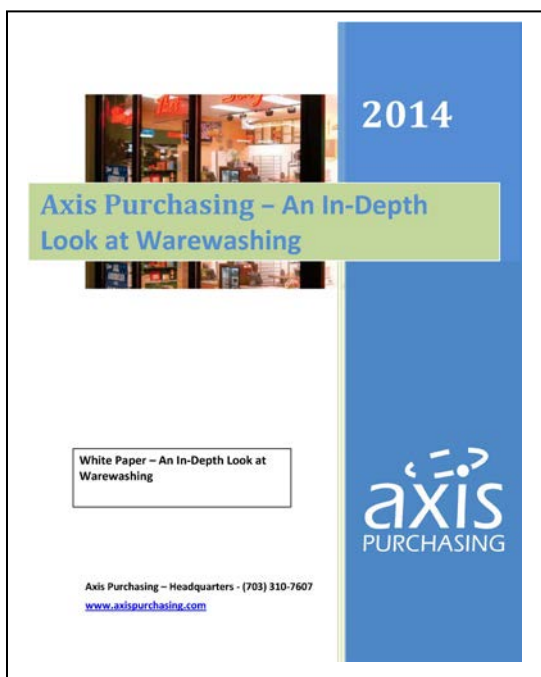
The Cheese Course creates a learning environment as well as a gourmet cheese experience. Customers can sit and read books and magazines about cheese and its companions. The highly educated staff will discuss the nuances of cheese and cheese history. Each Cheese Course offers a bistro menu where customers can choose cheeses, salads and sandwiches.

Classes like pairing cheese with various wines and beers and how to make your own mozzarella have turned the Cheese Course into an educational venue for customers and community members looking to enhance their knowledge of cheese. Additionally, the stores offer a Cheese 101 syllabus that includes tips on entertaining, selected books on the subject and an extensive list and explanation of cheeses they carry.



As The Cheese Course grew, it became a member of Axis Purchasing and has been able to gain excellent savings and purchasing support.

Enrique Altamirano, president, says about the Axis Purchasing relationship that “it has added tremendous value to our business. We have seen great benefits that have reduced costs and provided us with a variety of services we could not get elsewhere. We see Axis as a partner as we continue to add new stores.”



Axis Releases Latest White Paper:

“In-Depth Look at Warewashing”

Often overlooked and even more often misunderstood, foodservice warewashing is the method which dishes, glasses, flatware, pots and pans, etc. are cleaned by an automated or manual process that employs hot water, agitation and detergent. How you set up your warewashing system will greatly impact your bottom line and many other parts of your business.

A facility’s automated dish machine is often its most expensive piece of equipment and, ironically, usually operated by the least trained employees. Warewashing equipment costs many thousands of dollars to buy and install, and the process creates the biggest impact on a foodservice operation’s utility costs.

To read more on “Warewashing” and why it is important, [click here for your copy.](#)

Axis Featured Food Manufacturer

Barilla®
Italy's Top Pasta Wows U.S. Kitchens



With pasta menus up 26.7 percent since 2005, there is good reason to use Barilla Pasta, one of Italy's top brands that is now used extensively in U.S. foodservice kitchens. Founded in 1877 as a small family operation, Barilla now operates the world's largest pasta plant in Parma, Italy.

Barilla is now the No. 1 most recognized name in pasta. With over 100 varieties to choose from, Barilla provides excellent versatility to any menu. There is 3,000 tons of authentic pasta in over 170 shapes and sizes are produced daily. So whether for restaurants, cafeterias, commissaries or other food operations, Barilla offers high quality affordable pasta for all menus. In addition, Barilla now covers the spectrum of pasta for all dietary needs.

- Barilla Semolina pasta is at its foundation. It is made from signature durum wheat that holds its shape and texture for more consistency and less waste and is available in 40 different varieties.
- Barilla Plus protein pasta was introduced by the company to provide 40 percent more protein from ingredients like chickpeas, lentils and egg whites.
- Barilla Whole Grain pasta is a signature blend of 51 percent whole wheat, semolina and oat bran. This pasta, certified by the Whole Grains Council as a whole grain food, is an excellent fiber source.
- Barilla Gluten Free pasta appeals to those with specific dietary concerns and is made from corn and rice rather than wheat.
- Barilla White Fiber pasta looks and tastes like semolina pasta but with three times the fiber of a traditional serving.
- Barilla Veggie is just that: vegetarian pasta made with freshly pureed in-season vegetables including carrot and butternut squash, spinach and zucchini, and carrot and tomatoes.

Whatever your desired choice of pasta, look for the Barilla brand name and know you are getting the highest quality pasta available to foodservice operators. For more information on Barilla, contact Axis Purchasing.



Axis Purchasing - A well rounded Purchasing Organization Offering More!



Fresh Produce
Warewashing, Hygiene, and Chemicals Programs
Grainger *"for the ones who get it done"*



Safety Shoes
Wireless Services
Armored Carrier Services
Linen and Laundry
Office Supplies
Smallwares and Equipment



Manufacturer Spotlight

Handgards® Offers Safety and Innovation

As one of Axis Purchasing featured manufacturers, Handgards® announces a new, improved four-year program providing foodservice disposable items to food processing and handling institutions.

By working with Axis Purchasing, companies can now save on purchases of a wide variety of Handgards products, which include foodservice plastic disposables such as:

- Gloves and aprons
- Food storage and freezer bags
- Service apparel items (such as hair nets)
- Expendable items (such as toothpicks and chopsticks)
- And much more as there are a total of more than 200 products in the catalog

Handgards prides itself on developing innovative new products that save time and money; in

addition, their focus on food safety protects servers and end-users from dangerous food contamination.

Since its founding more than 50 years ago, Handgards has provided disposable foodservice products to institutions as varied as schools, prisons, and hospitals.



Handgards is one of more than 350 featured manufacturers offering savings through Axis Purchasing. You can not only save money through Axis, but ensure you maintain the highest safety standards by using all the products offered by Handgards. For more information on Handgards, contact Axis Purchasing.

About Us

Axis Purchasing was founded in 2006 on a simple premise. Busy food-service operators don't have the time and resources to efficiently procure food and supplies, manage supplier relationships, costs and rebates, and stay abreast of continuous changes in markets and products. Axis found a way to handle those details for them while saving them money. **A lot of money.**

In fact, today our group purchasing power exceeds \$18 billion. That leverage combined with distribution and operational expertise has enabled us to provide unmatched support—maximizing manufacturer rebates, reducing invoice costs, and providing up-to-date market and product insight. Put simply, we guarantee maximum value: the most efficient delivery of all the right products at the lowest cost, year after year.

Find us at www.AxisPurchasing.com or call TODAY to learn what you have been missing.

