

Food Cost VS Margin (gross profit)

This is a subject that a large number of operators seem to get confused.

For years now, I have asked owners, managers and Chefs from virtually every segment of the food service industry “would you rather sell a burger for 8.95 at a 25% food cost or a steak at 16.95 at a 50% food cost?”

Over 65% of the operators I have asked this question of will, without hesitation, say the burger. From a purely food cost % yes, but, from a profitability stand point the answer should be the steak. Why? Lets look at the \$ that get to the bank...

Burger 8.95 @ 25% food cost = 2.23
 Gross profit (\$ going to the bank) 6.68

Steak 16.95 @ 50% food cost = 8.45
 Gross profit (\$ going to the bank) 8.45

The steak generated 1.77 more profit.

Mr. Banker, and your bottom line, is interested in \$\$\$ not %.

And from a labor standpoint, the labor % is lower on a 16.95 item than on a 8.95 item, all tho the \$ are the same.

Your food cost may increase a bit but should be offset with a bit lower labor cost.

Ask this question of your Managers and Chef, you may be surprised.

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