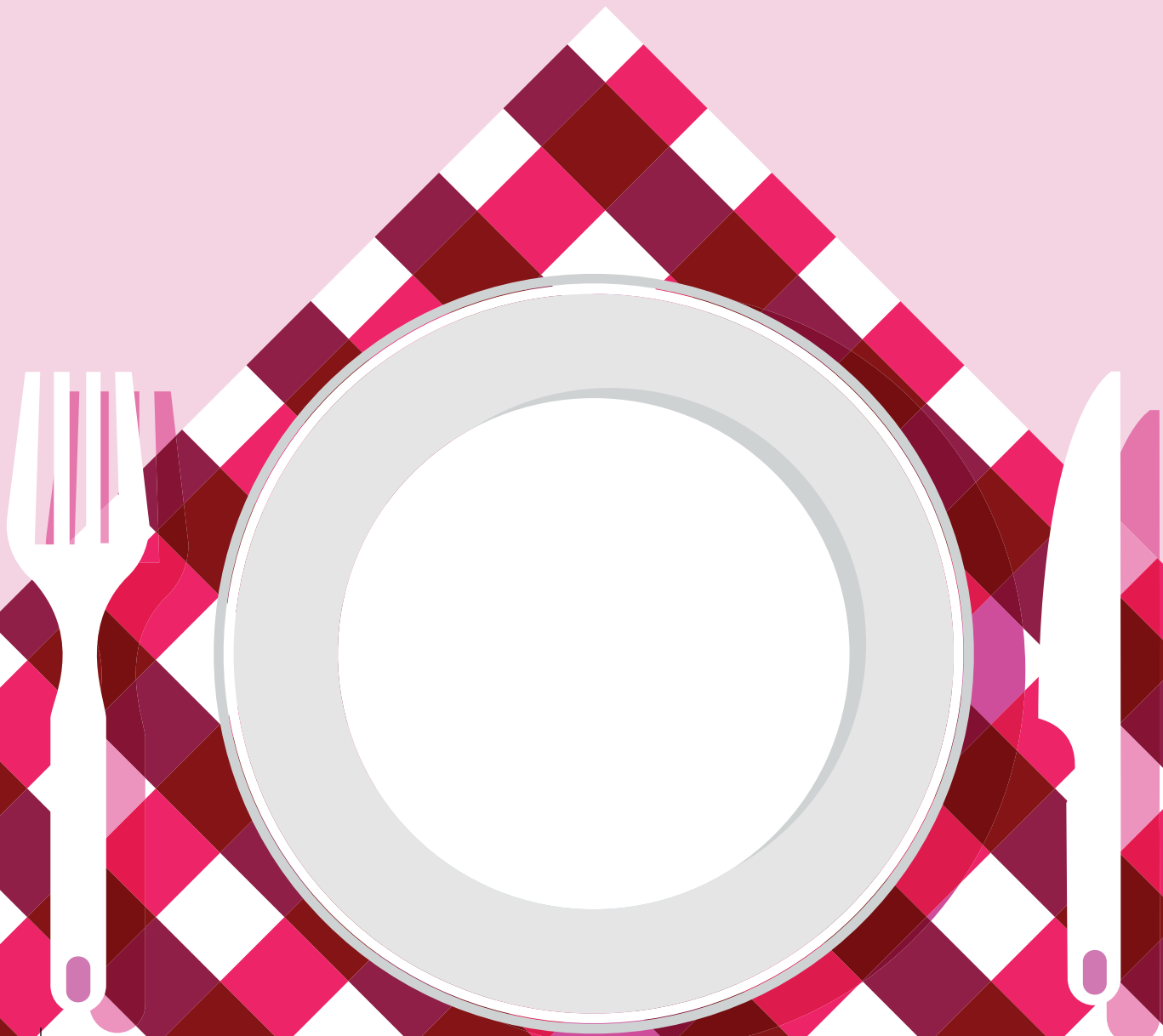


The Challenge of Recipe Costing for Today's Entrepreneurial Chef

(Part 1 of 2)

By: Mark Kelnhofer, MBA



It's no secret that restaurants fail at a high rate. We all see entrepreneurial chefs and operators come and go each year. It is my opinion that in many cases it is related to the lack of proper documentation of the recipe and the identification of our costs related to producing the menu items for the guest.

It can be stated restaurant operations today do not have accurate recipes costs. **Recipe costs are the foundation of much more strategic functions such as the menu engineering process and theoretical performance benchmarking.**

Too frequently recipes are not written with the details needed nor are all the processes and costs accounted for. There is now increased pressure of managing not only cost of ingredients, but the additional labor and overhead costs as well. Recipes can assist in identifying and managing all the costs related to the operation. Every process should and can be accounted for no matter how simple.

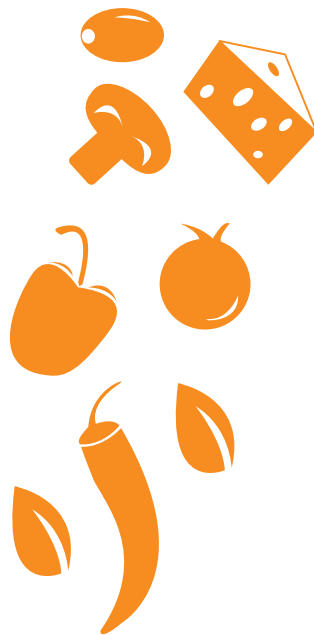
Developing true costs for the menu items is a concept that can bring about greater benefits such as better training tools, greater discipline, consistent product quality, improving profits, and overall greater efficiencies.

First, when addressing ingredient costs, there are two primary concepts to assist in obtaining accurate costs: accounting for all the processes and proper weights and measures.

The first basic concept states that anytime a product or production item changes form, no matter how simple it may be, the process and costs should be accounted for. As an example, let's take fresh basil. When purchasing fresh basil from your local produce company, it comes packaged usually by the pound. The basil is still on their stems when it is received by the restaurant. In order to make the basil useable, all the basil leaves need to be picked off. Although in terms of complexity, this is a very simple task, we need to account for the loss or the finished weight. If we paid \$7.50 a pound and did not account for the loss properly, we would have used the incorrect cost \$0.469 an ounce on our recipes. The reality is that not everything is useable.

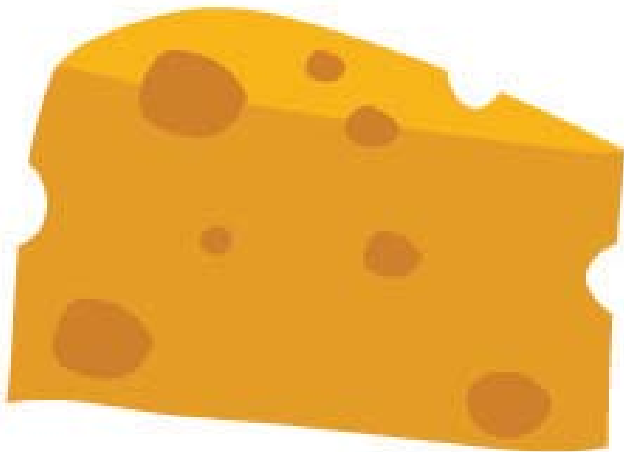
In the example we used, it was determined that only 11 ounces were useable resulting in a new cost of \$0.682 per ounce. This is the accurate cost to utilize moving forward. When working with fine dining and high end restaurants, the recipes can be very complex and the simple example above only reinforces the need to account for all the known losses and the associated costs.

It may surprise you how the costs accumulate. **If all the processes are not accounted for, the cost you are developing will be understated and any profit overstated.**



Recipe Costing

In addition to accounting for proper yields, the second piece of recipe costing is taking a recipe written by a culinary professional and converting it to proper weights and measures. As an example, many recipes will call out for a cup, tablespoon, or teaspoon of an ingredient. Utilizing these utensils ensures portion control and proper execution. However, for recipe costing, we need to account for the associated weights.



For example, a cup of feta cheese is not going to be eight ounces for costing. When the cup of feta cheese is placed on a digital scale, what you will discover is that the true weight is not close to eight ounces (4.0 ounces). Just as accounting for the proper yields is important, it is just as important to account for the proper weights and measures to determine your recipe costs as well.

Accurate recipe costs become the base of many other things such as menu engineering, obtaining theoretical costs and commodity price impacts. Without determining accurate costs, the operation cannot possibly plan properly for success.

With the high level of competition in the industry, it would be detrimental not to make the most informed decisions. Some of the emotion of a new menu item needs to be combined with the analytical side to confirm the addition or the removal of a menu item. Although pursuing a higher level of accuracy may take some initial work and investment of time, it is energy and money well spent in the end. It will assist in improving the profitability of the restaurant operation.

Part 2 of 2: The Challenge of Recipe Costing for Today's Entrepreneurial Chef will appear in the next issue of *Entrepreneurial Chef* and will address the ability to account for labor and overhead costs on a recipe to obtain a total cost for each menu item.



Mark Kelhofer is the President and CEO of Return On Ingredients LLC and has over 20 years in managerial accounting experience, many in the foodservice and restaurant industries. He has published several books including *Return On Ingredients* and *The Culinary Pocket Resource of Yields, Weights, Densities, and Measures*. He is a member of the speaker bureau for Restaurant Institute presenting on various hospitality topics. Additionally, he is a lecturer at The Ohio State University on Food, Beverage, and Labor Cost Controls for their Hospitality Management program and sits on several academic advisory boards for hospitality management programs including Ohio University and Hocking College. He can be reached at (614) 558-2239 and Mark@RestaurantInstitute.com.