



10 Strategies to Take Control of Food Costs



Best practices to lower variances and improve margins in every restaurant

Table of Contents

Click on a chapter to skip ahead

Part One	3
How to Calculate Food Cost Variance	
Part Two	6
Strategies to Reduce Food Cost Variance	
Part Three	17
Brand Story: How Fox Restaurant Concepts Reduced AvT to 3%	

Part One

How to Calculate Food Cost Variance

Diligent restaurant inventory management and food cost control are at the heart of profitability for all foodservice operations. Actual vs. theoretical food cost variance (AvT) is a powerful cost control methodology to keep your restaurant's food costs in check. First, it's important to understand how to calculate your food cost variance.



What is Food Cost Variance?

Theoretical food cost is what a restaurant's food costs should be, based on current inventory costs of all ingredients for the meals sold, and assuming perfect portions, no breakage, and no shrinkage. To accurately calculate your theoretical costs, you need:

- Accurate recipes that include all ingredients used in each menu item
- Up-to-date local market prices of each ingredient used in a menu item
- Up-to-date sales data on each menu item



Once you know your restaurant's theoretical food cost, you can compare it to your actual food cost.

Actual food cost is the real cost of all the products that your restaurant used during a given sales period. This factors in all of the products used including any waste, spoilage, or shrinkage. This amount is determined through an accurate inventory count.

The difference between the two numbers is your actual vs. theoretical food cost variance and it provides a true measure of efficiency in food cost control. The ultimate goal is to reduce your AvT to its lowest possible point.

A low AvT is the mark of truly great food cost control. An exact match would mean perfect portioning and no breakage or shrinkage. The larger the gap, the more unpredictable the food costs.

Once the overall variance from theoretical cost is known, the best practice for reducing it requires identifying the individual ingredients with the largest variances by dollar volume, and analyzing their use to spot waste, theft, or supplier overcharges.



Calculating Actual vs. Theoretical Variance (AvT) in Food Costs

By analyzing actual vs. theoretical food costs at the ingredient level, operators can better identify and address additional costs that might otherwise be easy to miss.

Bun

Theoretical: \$.37

Actual: \$.42

Lettuce

Theoretical: \$.04

Actual: \$.07

Tomato

Theoretical: \$.10

Actual: \$.13

Cheese

Theoretical: \$.23

Actual: \$.29

Beef

Theoretical: \$1.67

Actual: \$1.99

Onion

Theoretical: \$.05

Actual: \$.06



⚠ Inaccurate forecasts lead to either supply excess or shortages.

⚠ Staff is not verifying that delivery amounts are accurate.

⚠ Cooking instructions say 2 oz. but costing is based on 1 oz.

⚠ Line cooks are grabbing too many slices per sandwich.

⚠ 8% of each shipment is going bad before use, but that's not being logged.

⚠ The restaurant has been consistently overcharged by its supplier.

⚠ The quantities were changed by hand on the invoice.

These ingredients:

Should cost \$2.46

Actually cost: \$2.96

Variance \$0.50 per burger

575 cheeseburgers a week:

Should cost: \$1,414.50

Actually cost: \$1,702.00

⚠ That's a loss of **\$287.50 per week** and **\$14,950 a year** for one location, for one menu item.

Part Two

10 Strategies to Reduce Food Cost Variance

1

Match every purchase against the invoice

Food cost management starts the second the product arrives in the store. An incorrect delivery that goes unnoticed can cause big problems, not just for tracking AvT, but for making sure you don't run out of something vital.

Your store managers should carefully cross-check the original order, the vendor invoice, and the actual delivery. This ensures your restaurant is paying for what you actually get—no more, no less. Along with determining accurate quantities, managers should also check product quality; check the packaging for damage, open produce boxes to check for contaminants like dirt, rocks, or mold, evaluate use-by dates for accuracy, and ensure that they do not expire before the next order arrives. Just because something is delivered does not mean it is usable.



Best Practice

Ops leaders: Train store managers to conduct invoice and product checks as quickly as possible once an order arrives, as many vendors will not offer refunds or replacements if too much time has passed.

2

Use measuring cups, spoons, and scales to properly portion food during prep

Inconsistent portioning can severely affect your AvT variance. Remove the guesswork from food prep by always providing teams with plenty of measuring cups, spoons, and scales to promote accurate portioning. Make sure the utensils are distinguishable and clearly labeled to avoid mix-ups. Provide easy access to training materials so employees can refer back when they need help with proper portioning amounts. Have managers regularly check that employees are using the right serving utensils and using them correctly (not over-filling).

Additionally, ensure that the proper serving utensils and measuring cups are available for the service line when needed. Portioning mistakes go both ways; having the right equipment and tools will help ensure that your guests get the right amount each time, not too much or too little.



Best Practice

Stick to the basics by ensuring stores always have backup utensils available. When utensils need to be washed, get broken, or are misplaced, team members will have backup options ready to go. Simple, yet effective.

3

Eliminate high-cost, low-margin menu items

Restaurant operators know that some menu items are not as profitable as others, and with certain ingredients exponentially rising in cost, it can mean that some menu items are not as profitable as they used to be. Evaluating and eliminating these items or finding ways to make them more cost-effective is a great way to reduce food costs and make your menu more profitable.

Be careful, though, as some menu items are “loss-leaders,” meaning that while the item itself may not be profitable for the restaurant, they are often bought with other items that have higher profit margins. For example, a specific sandwich on the menu may be costly to the restaurant on its own, but if it brings in customers who also purchase high-profit drinks or sides, then it could be beneficial to the restaurant overall. Eliminating this type of item may have an unexpected impact on profitability, especially if the menu item is a customer favorite.



Best Practice

Regularly evaluate menu profitability and customer preferences to ensure that your menu is driving ROI. There may be seasonal differences in customer preferences and ingredient costs which can drastically affect profitability.

4

Create repeatable processes to identify and record food waste

Food waste, especially for expensive ingredients, should be carefully tracked. Any product in the store that cannot be sold should be recorded as waste, such as food products that are expired or items that fall on the floor.

Create a solid process with team members to ensure that they take the right steps before discarding expired or incorrectly prepared products. Proper training is essential to teach teams how to correctly track and record waste, while also helping them understand the purpose behind documenting it. By maintaining accurate waste records, you can pinpoint areas where additional training is needed or where improvements can be made.



Best Practice

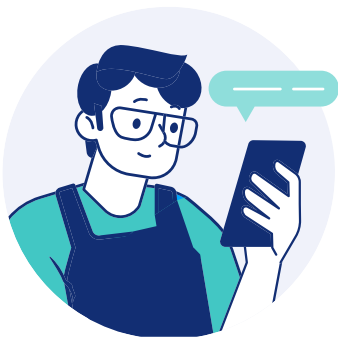
Work to eliminate the stigma surrounding waste in your kitchens. Oftentimes, team members may feel discouraged or hide waste out of fear of repercussions. Recognize that some level of waste is inevitable, and identifying waste should be a team effort.

5

Monitor customer food waste and cut portions where necessary

Regarding food waste tracking, many restaurants fail to look outside of their kitchens. If your restaurant's trash cans are always full of extra french fries or the leftover lettuce from the bottom of a salad, then chances are most customers won't be upset by, or even notice, reduced portion size—especially if it can mean a menu price increase can be delayed.

Take time to evaluate what customers are throwing away or have bussers keep track of what is most often left on customers' plates and report to management routinely. One common culprit of excess waste is sides of sauces, especially house-made sauces like aioli or ranch dressing. Reducing sides of sauce from two ounces to one, or asking customers if they want sauce instead of automatically providing it, can help reduce food waste without reducing portion sizes for your actual menu items. Plus, it will save time during prep, and if sauces are served in reusable cups, then your dishwashers will thank you.



Best Practice

Evaluate portion sizes offered by competitors with similar types of menus to gauge customer expectations and industry standards.

6

Educate your staff on food costs during onboarding and continued training

Those who have been in the industry for a while likely find food cost management to be second nature, but to new employees or managers, food cost can be a complicated and overwhelming subject. Help your restaurant management teams find success by educating them from the start on how to best manage food costs and providing ongoing training and refresher courses.

From understanding AvT to placing product orders to tracking inventory and waste, restaurant management teams have a lot to learn about food cost management, so breaking up the training into smaller sessions can help aid in successful retention.



Best Practice

Make training materials accessible at all times so that team members can refer back to them when needed. This will help them feel more comfortable and will result in more accurate food cost management.

7

Provide free or discounted employee meals to build team morale and reduce shrinkage

After a long shift serving your restaurant's food, it is likely that employees will be hungry. Providing free or discounted meals to staff can be an added bonus that helps build morale by making employees feel valued and also prevents food shrinkage.

For example, sneaking extra sandwich toppings or soda refills negatively impacts food costs and increases the AvT gap. Instead, consider providing free or discounted employee meals, and set the expectation that everything that comes out of the kitchen goes through the POS system. This will result in better food tracking and provide more insight into actual usage.



Best Practice

Set a limit on food allowances per shift that is within reason based on your restaurant's menu and communicate that this only applies before, during, or immediately after the employee's shift.

8

Purchase food and supplies in bulk when applicable

It is no secret that buying in bulk usually comes with lower costs, and restaurants are in the perfect position to take advantage of the savings. Buying in bulk, or purchasing directly from a distributor, can cost significantly less than purchasing items from a grocery store shelf due to the reduction of packaging and handling costs.

When choosing which items to buy in bulk or from a wholesaler, select products that your restaurant will be able to use before the product expires; otherwise, the cost savings from buying in bulk or from a wholesaler will be canceled out by waste. Buying in bulk applies not only to food products and packaging but also to office and cleaning supplies or even outdoor maintenance products like salt for sidewalks if your restaurant is prone to winter weather.



Best Practice

Before buying a large amount of bulk product, ensure that each location has enough space for storage, or the items may be improperly stored, raising the likelihood of them getting damaged, misplaced, or not used in the right order.

9

Hold quarterly food pricing reviews with vendors

Food cost management is a continuous process, especially with fluctuating food prices. It is important to meet with vendors often to review the prices. Remember that while your vendors are in business to profit, a good vendor will also want your restaurant to succeed and will do what they can to make that possible. Maintaining positive relationships with your vendors can also ensure that they will do what they can to keep your business.



Best Practice

Research current prices and trends for key items so that you can go into each meeting with fair expectations and can use the information to advocate for your restaurant when appropriate. Additionally, you should aim to choose an inventory management solution that streamlines vendor pricing. This typically includes automated bid comparisons, where the platform compares prices across multiple vendors, saving you time and money.

10

Know what tools are required to determine actual vs. theoretical food cost

Tracking food costs is exceedingly difficult without access to the right tools and information. The accurate measurement of actual and theoretical food costs requires the following for every store and commissary in your company:

- Accurate local market pricing for all ingredients
- Accurate beginning and ending inventory count to determine usage
- Accurate ingredient amounts specified for all recipes
- A system for accurately recording waste
- A system to capture, in real-time, recipes sold and their associated ingredients' costs (and for depleting from inventory the individual ingredients)

**Best Practice**

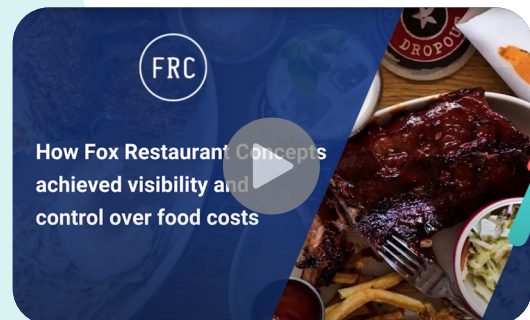
Having this type of data on demand enables you to troubleshoot food cost issues in real time. Of course, the best way of processing an overwhelming amount of data, like that of a typical multi-unit restaurant operation, is with an integrated restaurant inventory management system that does real-time analysis for you automatically across all your locations.

Part Three

Brand Story: How Fox Restaurant Concepts Reduced AvT to 3%

Managing food costs can be daunting, but implementing a strategy that addresses food costs from every angle is the best way to make sure nothing slips through the cracks and widens your AvT gap. A structured approach to food cost management can complement the chaos often found in kitchens, so be sure to set goals, schedules, and expectations with your restaurant management team. Using an inventory management system built for restaurants can also significantly streamline the process and take the guesswork out of calculating AvT.

With a team of over 6,000 employees, 80+ locations spanning across the U.S., and dozens of ever-evolving brands, including Zinburger and Doughbird, Fox Restaurant Concepts, uses Crunchtime to manage inventory and minimize its food cost variance.



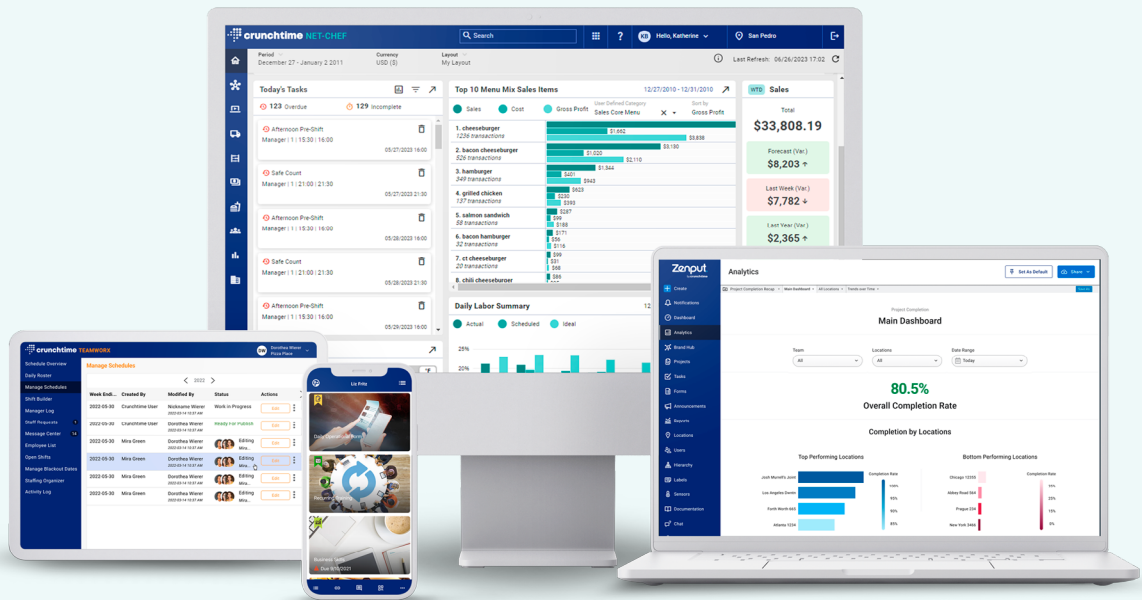
Before

- Using spreadsheets led to difficulty with inventory accuracy, updating costs, updating pricing, and updating order guides
- AvT was 6-10%

After

- Can accurately predict what consumption is on a daily basis and prep to shelf life, eliminating waste
- AvT reduced to 3%
- Time savings and reduction in admin work gets staff out of the office and on the floor supporting guests
- Able to tell what a dish costs before putting it on the menu





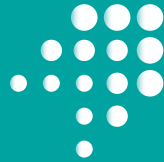
Ready to get started with
better food cost management?



GET A PERSONALIZED DEMO



GET IN TOUCH



crunchtime

www.crunchtime.com



© 2025 Crunchtime Information Systems, Inc. All rights reserved