

Finding Creative Ways to Cut Costs and Keep Prices Low

Keep Rising Food and Labor Costs From Effecting Your Kitchen's Bottom Line

Progressive Gourmet

The United States seems to be entering a perfect storm of a slowing economy and rising costs, from food to labor. The foodservice industry is especially affected by these increases and many operators are finding creative ways to deal with the sudden escalations. Here we examine the problem and pose a few solutions to help you weather the storm of rising costs.

After enjoying relatively steady food prices for the last few decades, we suddenly find ourselves facing enormous jumps in the cost of everything from flour to dairy. According to a BBC special report on the cost of food, the increases are not nearly as large as those in the early 1970s, but rising food costs have put many in the foodservice industry in a position to look for money saving solutions wherever they can.

However, today's increases are much more serious than those of the early 1970s, according to the report. While those increases were based on short-term causes, such as the oil embargo and regional droughts, today's increases are due to much more long-term problems. This is forcing foodservice operators to create more long-term solutions in their kitchens.

Though many say the rising costs are due to the increased demand for corn for ethanol, corn has actually seen the smallest increase, 31 percent, between March 2007 and March 2008, and it is not just the price of corn that is on the rise. Everything from dairy to proteins has seen rapid increases in cost since the end of 2006. The largest increases have been in the cost of wheat, which jumped 130% from March 2007 to March 2008. The increased cost of all types of food lends itself to the conclusion that there are larger factors than just the demand for ethanol. Among these factors are the growth in the world's population and the pressure this growth puts on natural resources. By the middle of the century, the world's population is expected to be over nine billion people, almost three billion more people than today. This will put a large amount of pressure on already waning natural resources, including food supply. A related factor is the emerging middle and upper classes in China and India. As economies grow, middle and upper class consumers purchase more processed foods, which increases demand and cause price increases. A final factor is global climate change. The environmental pressure created by population increases is believed to be linked to global warming which is causing desertification in many parts of the world as well as changes in rainfall patterns and increased flooding. All of these environmental changes directly affect the land and agricultural production.

Though there is no one reason for the increasing cost of food, one thing is certain, there is no clear end in sight. According to the United Nation's Food and Agriculture Organization, prices are expected to level off over the next decade, though at much higher averages than have been seen in quite some time. This new reality means that foodservice operators will have to find ways to cut cost so as not to pass exorbitant increases on to consumers. Individuals are facing a big enough crunch at the grocery store that they will cut back significantly on eating out, if the cost becomes too prohibitive.

The effects of the increases in food costs are already starting to show in the foodservice industry. According to a study by Technomic and Tyson Foods, there has been a steady decline in sales since July 2007. People are not only opting for less expensive meals, they are also opting out of extras when they do splurge for more expensive establishments. According to a recent Technomic survey, more than 75% of operators have increased prices due to cost increases, which is their number one concern. Close behind are rising labor costs which only adds to the increasing cost problems for many foodservice establishments.

For the last few years, labor costs in the U.S have steadily been on the rise. In late 2006 according to the New York Times, the Federal Reserve reported that in many areas of the country, employers were paying more, especially for jobs that required special skills. In that same year, according to the International Herald Tribune, labor costs increased 3.2 percent, compared to 0.8 percent increase in the five previous years. At the same time, corporate profits were also rising, but in the slowing economy of today rising labor rates are cutting into profits for many industries. Many operators struggle with passing on these increases, along with the increases in food cost to customers just to maintain a profit.

Aside from the rising cost of labor, actually finding qualified help is becoming a huge issue for many foodservice establishments. Due to the increase of food-focused reality televisions, many are entering the industry for the glory and want to start out at the top of the food chain. According to the National Restaurant Association Educational Foundation, there was a seven percent decrease in foodservice workers between the ages of 16 and 24 in 2007. However, industry positions are on the increase and despite the slowing sales are expected to grow.

All of these cost increases seem to paint a pretty grim picture for the future of the foodservice industry. But all hope is not lost, and many operators around the country are finding creative ways to cut costs and keep prices low so that the customers keep coming back. According to the National Restaurant Association, consumers spend nearly half of their food dollars on meals prepared outside their homes.

One of the easiest ways to cut costs in the kitchen is to control portion sizes. Make sure every serving of a particular dish is exactly the same size. Another side to this option is to minimize the portions. The trend today is towards smaller portions, so why not take advantage and help reduce your costs while keeping up with the trends. Not only will you be saving money, but your customers will appreciate that you are not trying to overfeed them.

In addition to decreasing portion size, operators are paying attention to what ends up in the trash and using this as a way to cut items from a plate. Why serve huge portions of items like rice, which keep increasing in cost, if most people are going to throw it away. Pay attention to your trash for a few weeks and see what items keep coming back and consider taking these items out of your dishes.

Along the same lines, you can consider decreasing the number of side items you offer with entrees. If you offer two side items, consider just offering one. Or take orders for side items for a small additional charge, as many operators are doing in lieu of increasing menu prices. Also, you could consider dividing the menu into two levels, one with higher prices and extra side items

and a value level with just a main entrée. Or instead of offering a complimentary bread basket, only bring it to customers who specifically request it. The small savings in the cost of each item will start to add up for your operation.

If you are opposed to altering your menu structure, you could always consider forming a buying group or working with other operators in your area to negotiate pricing with your vendors. This can be especially helpful to independent operators who don't have the benefit of a big chain name to create leverage with suppliers. Vendors face the same increasing costs and may be willing to work with a buying group to negotiate discounts for bulk orders or other benefits. Aside from working with a buying group, ask your vendor sales reps for ways to maximize their products. They might be able to offer insight in to what other operators are doing or ways to stretch your money further.

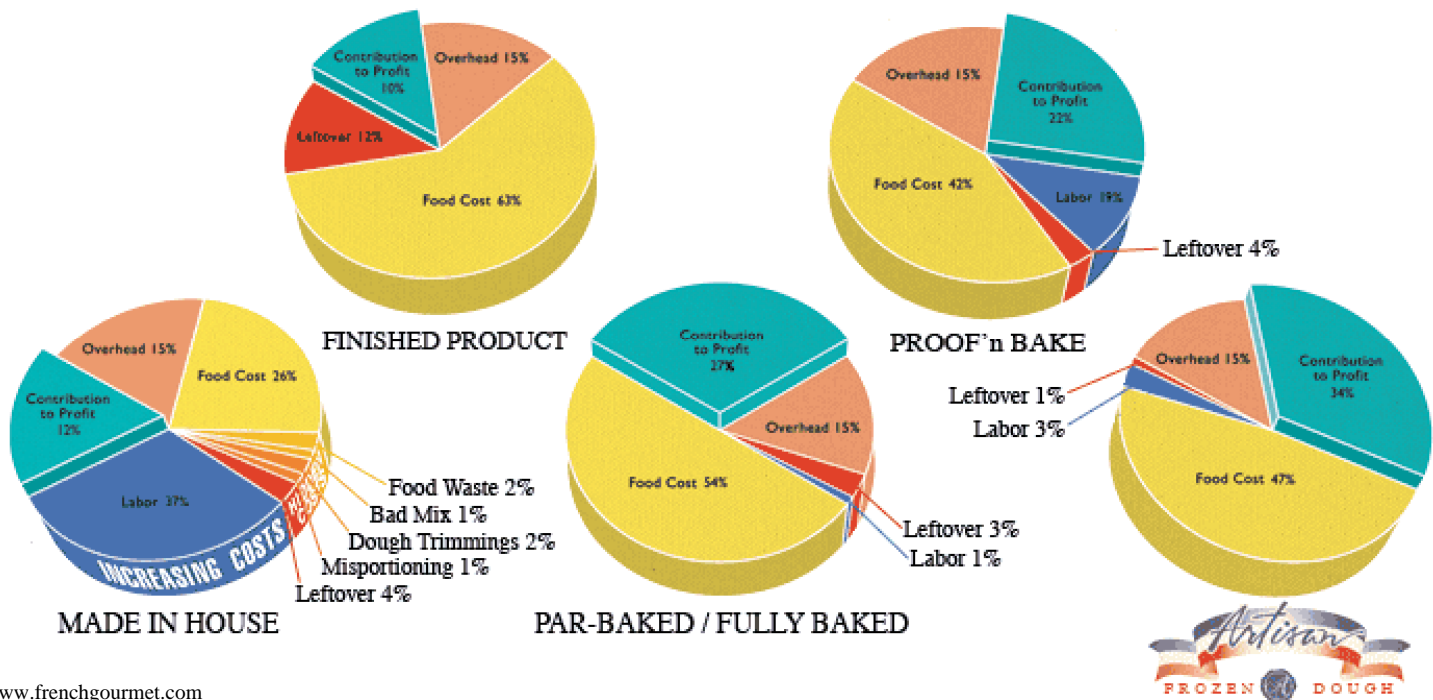
Looking for ways to save on food costs isn't the only way to reduce expenses in a kitchen. As labor costs continue to increase, many operators are coming up with creative ways to reduce those costs as well. Reducing labor costs can be just as effective in cutting food costs in overall savings for the operation.

One of the easiest ways to reduce labor costs is to create a more efficient workspace in your kitchen. Review your floor plans and see if there are areas where efficiency can be increased by reworking your equipment layout and design. If you reduce the amount of time it takes a worker to complete a task, you can effectively reduce the number of workers you need in the kitchen at one time. However, moving equipment isn't the only way to make your kitchen more efficient, evaluate the number of steps each tasks requires and see if there are ways to make tasks less time consuming. Once you've improved the efficiency of your kitchen, you can further save on labor costs by staggering shifts or scheduling fewer workers for each shift.

One of the biggest costs involved with labor is training new employees. To cut down on these costs, invest in your staff. If you hire the best performers, then keep them engaged and challenged, then the chance of them leaving decreases greatly. If you spend more on training your employees and teaching them new things, there will be less employee turnover and you'll spend less than you would trying to replace workers you've lost.

All of these tactics focus on reducing one of the costs, but you can reduce both food and labor costs by using prepared food items. Frozen products allow you to only use exactly what you need, thus reducing waste. They also allow you to reduce the amount of labor you're using because you don't need as many staff members to cook or prepare the product. Though the starting costs associated with prepared food can be slightly more than items you make from scratch, the end result saves you a significant amount in time, labor and waste.

A survey conducted by French Gourmet, a manufacturer of frozen, ready to bake pastries, shows the profitability of using a prepared product versus a product that is made in house. As you can see from the following chart, initial costs are slightly higher with a prepared product, but with less chance for waste, bad mixes, misportioning and other factors, the end result is a higher contribution to profits.



www.frenchgourmet.com

French Gourmet products are just one of the many examples of cost savings with frozen foods. Hors d'oeuvres, another labor intensive product, can also save you money in the kitchen if you use frozen items. For example, Spanakopita, a staple on many menus, eats up valuable hours in the kitchen if folded by hand for a party of hundreds. Frozen products save your kitchen money by reducing labor costs and guaranteeing you consistent, high quality products every time.

Not only are frozen products proven to contribute more to your profits than products made in house, but another advantage of using prepared foods is the consistency they give. Instead of having to train many different staff members to make an item so that it is the same every time, kitchens that use frozen products are able to have any one on their staff prepare the product. Not only does this give flexibility in the kitchen, but it is also helpful in emergencies or short-staffed situations. Many frozen items require little more than baking or even just thawing before service.

Along with producing a consistent result every time, prepared products also reduce waste in the kitchen. Even with the most precise recipe measurements, there are usually left over ingredients for a particular dish, but with frozen products, there are no extras. Just use what you need and store the rest for your next event. You can also save on storage space, instead of many boxes of ingredients; you only need to store a few cases of finished product in the freezer.

In addition to reducing waste in the kitchen, frozen products are also just as good for you, if not better, than fresh products. For example, when a vegetable is harvested, it immediately begins

losing some of its nutritional value as it is shipped to the store, then sits on the shelf until purchase. But when an item is harvested and then immediately frozen, it retains many of the nutrients that would be lost from a fresh vegetable. A study done by Dr. Geoff Skurry at the University of Western Sydney in Australia, showed that frozen vegetables had almost twice the levels of Vitamin C as found in fresh items. The frozen products also had almost the same levels of potassium and calcium as the fresh items. Not only are frozen vegetables just as nutritious as fresh, but frozen foods also allow you to serve items regardless of the season because products are readily available year round.

Another advantage of using prepared products is that they make your kitchen a more efficient workplace. By eliminating the repetitive tasks of preparing food for a party of hundreds, frozen products allow your staff to focus on more important tasks. They also allow you to schedule less staff to prepare events no matter the size, thus saving on labor costs.

For all of these reasons, as well as the high quality provided by many frozen products, they should be considered as a useful cost and labor saving alternative in the kitchen, especially in these uncertain economic times we are facing. As costs rise, don't get caught having to sacrifice your standards in order to keep prices reasonable for your guests. Frozen products can help you save money and keep your reputation in tact.

Though frozen food manufacturers are not immune to the rising food costs, many work closely with distributors to predict volume for the year, thus allowing them to secure the best pricing with their suppliers. By forecasting their needs for up to a year at a time, distributors are able to influence vendors buying power much more than an individual chef would be able to. Working with distributors of frozen foods, instead of working directly with manufacturers, can also save you additional costs in the kitchen.

Also, many distributors in the New England area, such as Progressive Gourmet, work closely with their vendors as trusted partners. They do not switch suppliers without undergoing an extensive Research and Development process. They also work with their vendors to create items made to their customers' specifications, allowing the customer to retain their signature style without all of the labor costs.

In these unstable economic times, food buyers cannot predict the amount of business they may have in the traditionally busy fourth quarter. Having a partner like Progressive Gourmet as a resource allows them to reduce staffing, but still maintain the ability to produce high quality food. With these resources at their fingertips, food buyers can successfully deal with the rise and fall of their banquet business.

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Research Links:

<http://news.bbc.co.uk/2/hi/7284196.stm>

<http://www.fao.org/docrep/010/ai465e/ai465e00.HTM>

<http://www.nytimes.com/2006/09/07/business/07econs.html?ex=1315281600&en=5cf573a7b36626f5&ei=5090&partner=rssuserland&emc=rss>

<http://www.iht.com/articles/2006/08/13/bloomberg/bxecon.php>

http://www.nytimes.com/2008/06/04/nyregion/04prices.html?_r=2&oref=slogin&oref=slogin

<http://www.fesmag.com/article/CA6550229.html>

<http://www.fesmag.com/article/CA6550260.html>

www.tysonfoodservice.com

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www.goodwives.com