The Basics of Costing Menus

To cost a menu, it is necessary to identify the direct and indirect costs involved in operating the menu. Balancing these costs will make a huge impact on the financial success of the menu

Direct costs

These are the food costs and relate to the ingredients that go towards compiling the menu.

In order to identify the food cost, absolutely everything that goes into a dish has to be taken into consideration, including the salt and pepper, the amount of oil or butter used in the cooking, the potential wastage and portion size.

Bear in mind the following:

- Many Fish and premium cuts of meat are generally expensive to buy, so the cost is high and the margin low.
- Pasta and less fashionable cuts of meat and fish are inexpensive, so the cost is low and the margin high.
- Some dishes will always be more popular (high volume) than less popular (low volume) ones. Beef, for example, is generally a high volume dish compared with pigeon.
- Balancing the costs of a menu requires the juggling of the number of low cost / high margin / low volume dishes alongside the number of high cost / low margin / high volume dishes.

Controlling Wastage

Controlling wastage is a key factor in keeping food costs down, otherwise the financial loss can be enormous.

If £50 of food is wasted a day, it can add up to £350 a week or £18,200 a year – which could pay for an extra chef de partie! Therefore chefs need to be as frugal as possible, using every part of an ingredient in different way. For example, a whole chicken can be utilised by using the breasts in a main course dish, the legs in a terrine and the wing tips and carcass for a stock.

Indirect Costs

These costs are made up of almost all the other elements beside the ingredient costs that are required to produce a menu and run a restaurant. They include the amount of time taken to prep certain dishes and other factors such as rent or mortgage payments, rates, staff, administration, light, heat, equipment, maintenance, linen and cleaning materials.

Gross profit and gross profit percentage

What is gross profit, or GP?

The GP is the difference between the selling price of the dish and the cost of the ingredients.

What is gross profit percentage or GP%?

The gross profit percentage (GP%) is the gross profit measured as a percentage of the selling price of a dish and is the figure that is widely considered to be the most important measure of profitability in a restaurant.

A higher GP% does not always mean a higher GP in cash terms. For instance, a pasta dish that sells for £5 with a food cost of £1.50 will have a GP of £3.50 and a GP% of 70%. In comparison, a beef dish that sells at £10.00 with a food cost of £5.00 will be more profitable in cash terms with a GP of £5.00, but will have a lower GP% of 50%.

How to calculate a GP and a GP%

• To calculate GP, subtract the food costs from the selling price of the dish which in the case of the pasta dish is £5.00 - £1.50 = £3.50

• To calculate the GP%, take the GP of the dish, which is £3.50 with the pasta dish, divide this by the selling price of £5.00 and multiply this by 100. So, £3.50 ÷ £5.00 x 100 = **70%**

The GP% needs to be high enough to sustain all the indirect costs in running a restaurant.

All costs need to be tightly controlled so that the net profit (difference between the selling price of the food and both direct and indirect costs) ends up as close as possible to the GP.

How to be financially successful

To be financially successful, a menu needs to make a GP% of about 65-70%, with food costs of 30-35%. To achieve this it is essential to negotiate the best possible price for ingredients of the highest possible quality, whilst keeping wastage to a minimum. Different styles of restaurants, though, can operate acceptable food costs of between 20% and 60%.

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