

## Improving Gross Profit Margins

- 3.1 Whilst maintaining controls over the food and payroll costs, the owners should also focus on improving the beverage gross profit margin. Bringing beverage gross profit in line with 'best practice' margins would have reduced purchase costs by over £7,000 in the 10 months to July '09.
- 3.2 A high quality venue would expect to achieve a gross profit of 70% on beverage sales. The owners should carry out a full review of their beverage suppliers and get quotes from other suppliers. To ensure a business is receiving the best possible prices from their supplier a review should be carried out annually.
- 3.3 An independent stock taker at approximately £130 per month would be a very useful service to help management monitor the profitability of the wet stock and can also advise on the competitiveness of the suppliers wholesale prices.
- 3.4 The cost of all meals prepared should be calculated by the kitchen team in order that they become fully aware of the cost of all parts of a dish. It is not unusual in a restaurant serving good quality vegetables with the main courses for the vegetables and accompanying sauce to cost more than the meat/fish portion.
- 3.5 Procedures should then be put in place to ensure the required gross profit margins are maintained. If the owners wish to maintain an overall food gross profit of 70%, each dish selling price must be calculated to achieve at least 72% GP in order to allow for kitchen wastage and other non essential items purchased by a kitchen but not included in a dish recipe e.g. kitchen foil. These items will still be included in the overall kitchen purchases.
- 3.6 'Food Suppliers Reconciliation' charts should be completed daily to enable the kitchen to monitor on a daily basis the purchases and gross profit margins. This will enable the head chef and his team to monitor progress and be aware of the profit levels being achieved by his department during the month without having to wait for the stock takers report at the end of the month.
- 3.7 The format of management information provided should be changed to allow the owners to monitor all elements of the business and share the information in a simple format to share with the heads of department. Sales should be broken down into food and beverage. Purchases should be sub divided into food and beverage.
- 3.1 If the restaurant is to maintain its improved financial performance, monthly management reports must be presented in a more practical way. The development and implementation of Key Performance Indicators (KPI's) agreed with the owners and Onecall should support the progress in sales targets and profit margins; food, beverage and other overheads. The KPI's are a powerful management tool if they focus on the areas that determine overall business success.

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