



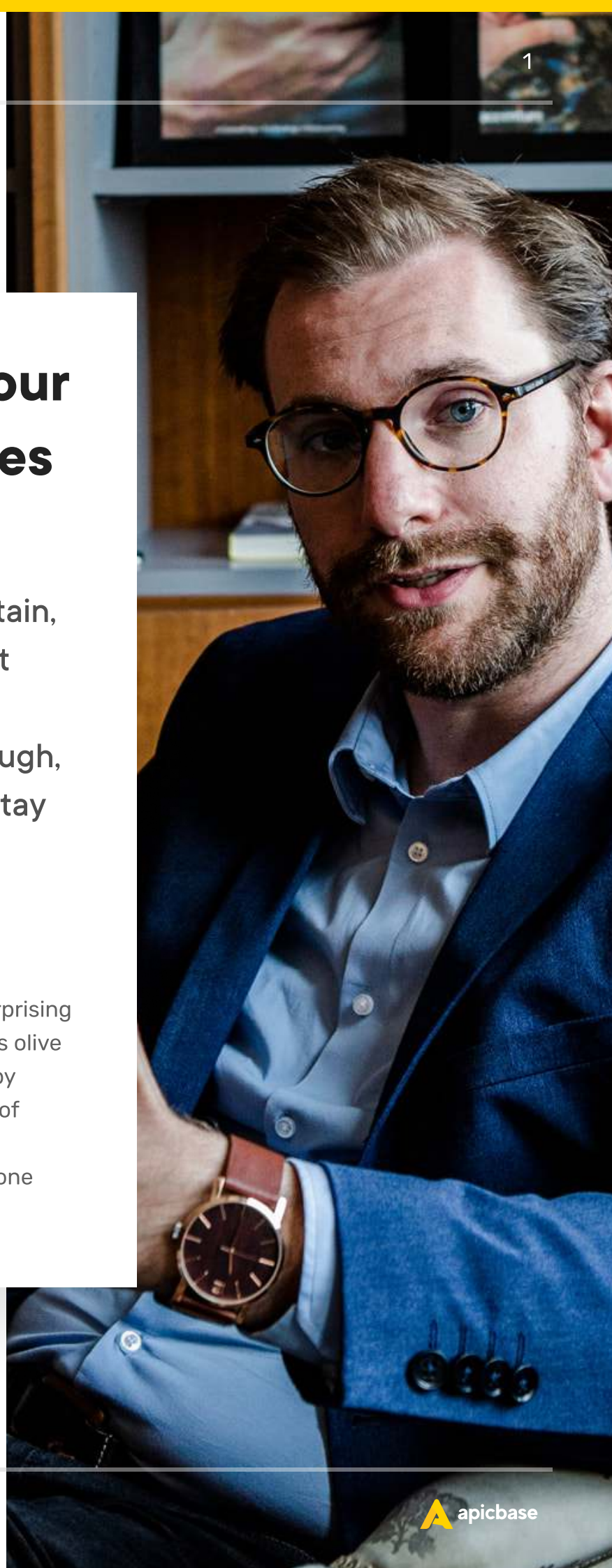
WHITE PAPER

# How to protect your margins when sales are going down

## How to protect your margins when sales are going down?

Now that revenues are uncertain, cost control is more important than ever. Food cost weighs heavily on profits. "Oddly enough, high food costs managed to stay out of the spotlight for a long time," says Carl Jacobs of Apicbase.

30 years ago American Airlines made a surprising discovery. They found that putting one less olive on each passenger's plate reduced costs by \$40,000. Today that would be a reduction of \$89,000 in today's money. The story made headlines because nobody expected that one small detail could make such a difference.





# What makes this story worth remembering?

What makes this anecdote worth remembering is not the spectacular reduction in costs, but how American Airlines came to that conclusion. They took the trouble to examine what the food cost of that one olive was.

And rest assured: after what they found, they did not leave it at that one analysis.

None of the passengers noticed the minimal adjustments they made, and yet, the airline managed to increase its profits considerably.

## Food cost is a silent killer

Another example is that of entrepreneur Peter De Clerck. He is at the helm of a hospitality group with successful bars and restaurants in Antwerp, Belgium. In an interview, he shared that he had noticed that bars in other countries never served free salty nuts.

He decided to do the calculations. It turns out that the salty nuts they served with each

drink cost the group 12,000 euros a year. So, out went the free nuts. The change also had an unexpected result. Turnover increased because crisps and snacks suddenly were in much higher demand.

The extra attention to cost management had, other words, also influenced revenues and not only profitability.



# Focus on cost control, especially during growth spurts

Revenue is the order of the day for many entrepreneurs. The attention to cost control usually is much smaller. Management, however, has much more control over the costs than it has over turnover. After all, this is an industry where a few drops of rain can cause revenue to plummet.

Businesses who monitor their F&B closely will easily cut thousands of euros in avoidable expenses.

Avoidable costs reduce the working capital, and they slow down growth.

This is certainly true for companies in the process of scaling up. After all, when the expenses are 100% under control, it is a lot easier to turn a healthy profit almost immediately when you open a new location. Especially the food costs since most other costs are more or less fixed.

The following calculation speaks for itself.

In this example, gross profit doubles if food costs fall by only 5%.

## Impact of Food Cost on G.O.P

Revenue	17,200,000	17,200,000
Food Cost	6,020,000	5,160,250
Staff Cost	8,500,000	8,500,000
Fixed Costs	2,070,000	2,070,000
Profit	610,000	1,470,750
		<b>x 2,4</b>

*In dit rekenvoorbeeld verdubbelt gross profit als foodcost daalt met slechts 5%.*

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## Rapid currents at low tide

An old proverb goes: nobody can see the garbage on the bottom of the river when the water is high. It is only when the water goes down that you notice how all that rubbish was obstructing the flow of the river. For a business, it is the same. When the revenue is high, nobody goes looking for

the invisible costs that are inevitably slowing you down.

That is why it's good to monitor food cost carefully and streamline operations continuously. Think back to the olive, the details make all the difference.

## Where to find the data to make cost-reducing choices?

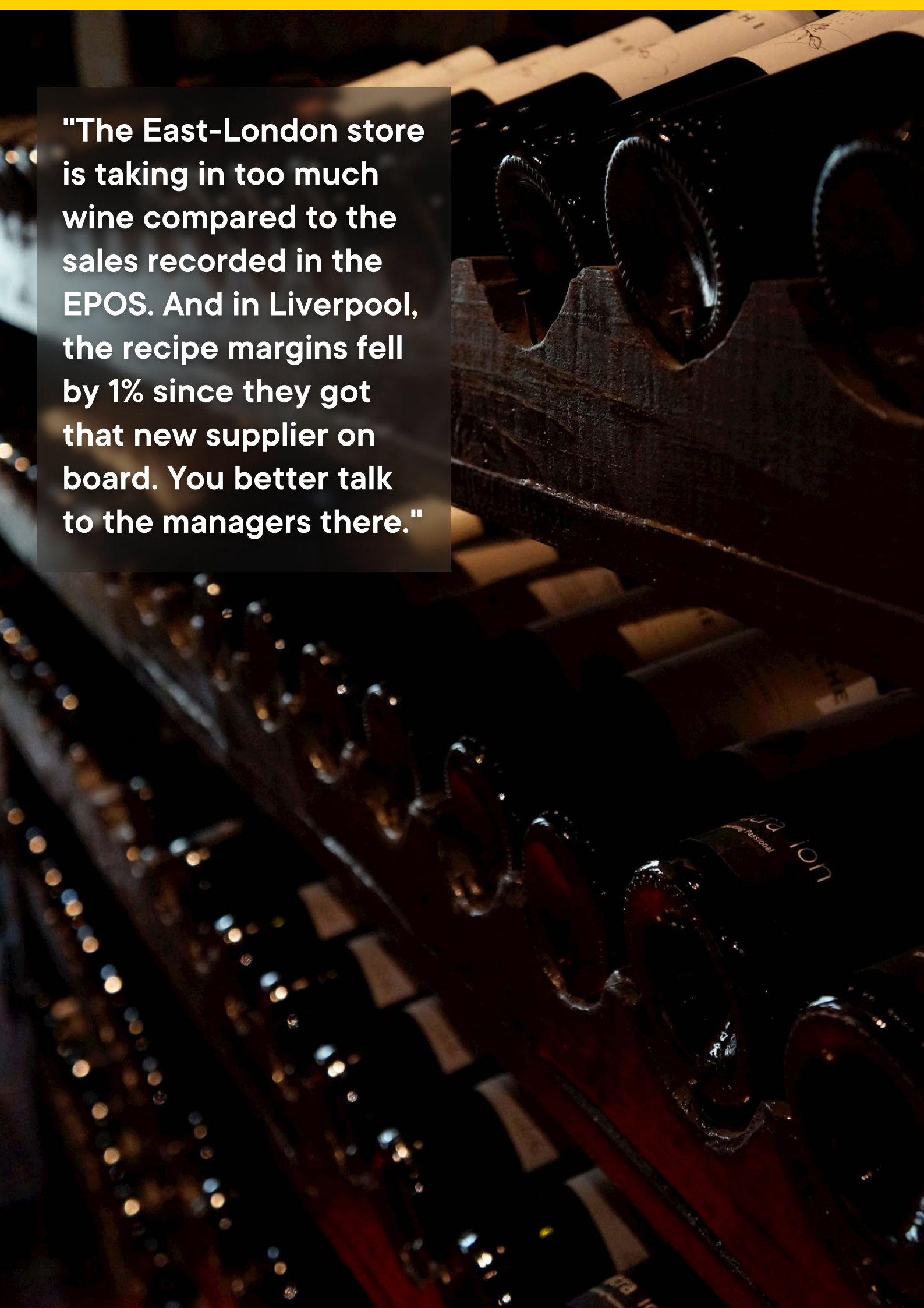
You need reliable data if you hope to get a firm grip on your food cost. These data are often found just below the surface. That is why a real food cost ninja will never rely solely on a three-monthly stock count to figure out where all the money is going. They keep track of the money all the time.

Occasionally you will still come across an F&B manager who arrives at the battlefield armed with pen and paper. Food cost eats up 28% to 40% of your turnover.

That is a battle no one can win with only a notebook in hand. Not even spreadsheets are a helpful guide through the food cost minefield. Excel Files tend to cause more trouble than they solve.

Successful restaurateurs use integrated systems that tell them: "The East-London store is taking in too much wine compared to the sales recorded in the EPOS. And in Liverpool, the recipe margins fell by 1% since they got that new supplier on board. You better talk to the managers there."

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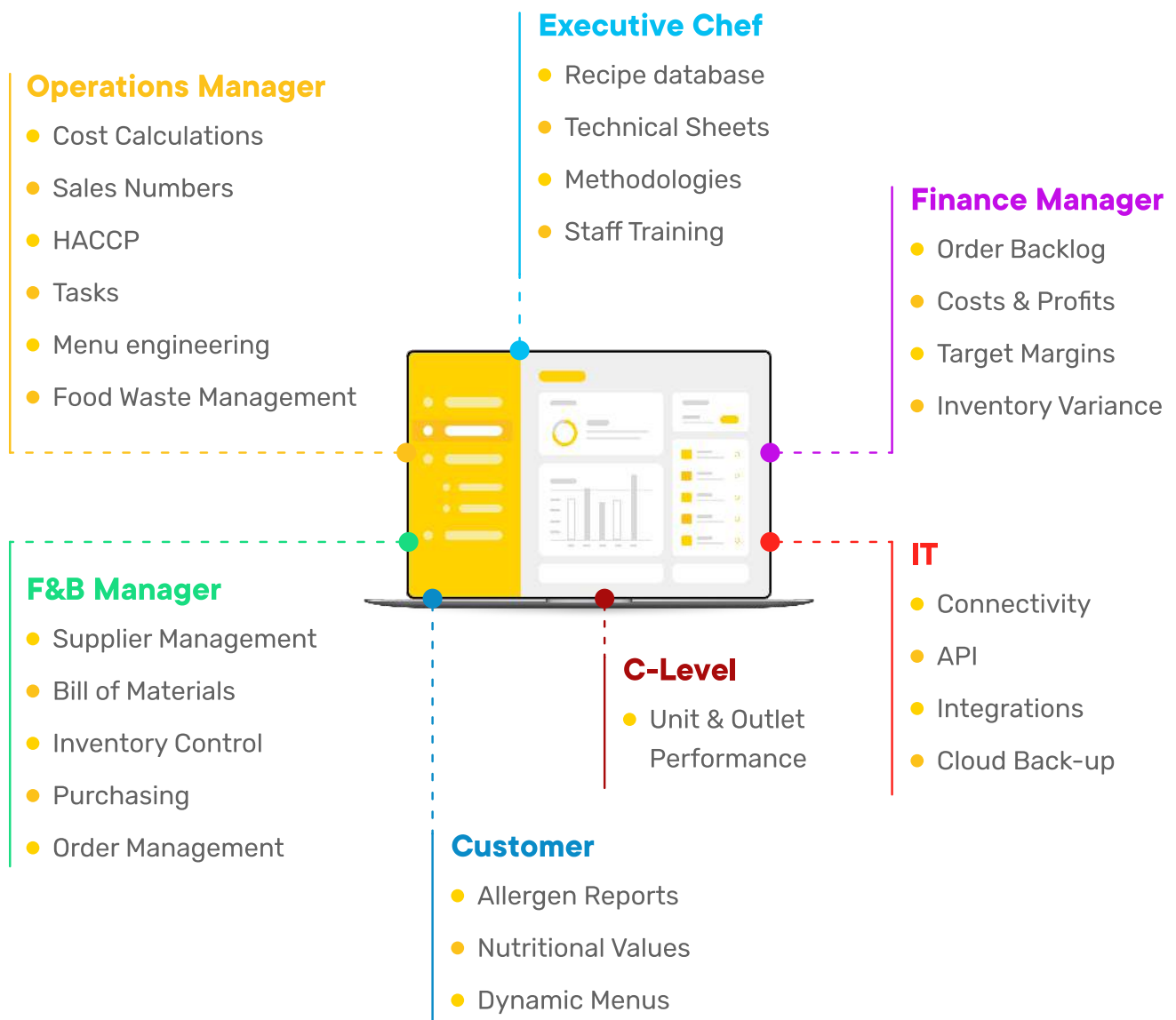


# The holy grail in F&B management

The Holy Grail in F&B is a fully integrated system that not only analyses the sales figures, but that also links them with inventory, procurement and the recipe database. Apicbase provides such an **end-to-end solution for multi-outlet foodservice businesses**.

Carl Jacobs, CEO of Apicbase: "When systems don't integrate,

companies inevitably create data silos. Which means, they end up with spreadsheets that contain the stock counts, emails with purchasing orders and apps that organise the production or allergen information. It's a mess. In the end, somebody will have to free up time to go through all that information and update the data. That is frustrating. In my opinion, software should provide insights and save time."



## What good is a theoretical profit?

"The example of the olive illustrates the difficulty that many businesses struggle with," says Carl Jacobs. "In theory, it's easy to find out what the impact of that one olive is on your overall costs.

The prerequisites are that purchases must be well organised, that each location follows production guidelines to a tee and that someone puts in the time to keep a close eye on everything. That is where things often go wrong."





## Olives are countable, but what about bolognese sauce?

"Exactly, how do you monitor portion sizes? Does each branch purchase the same amount of minced meat? Is there any variation between the theoretical inventory and the actual inventory? All these details have a major impact on food costs and profit margins. A business has to be able to see the whole picture. If the information is scattered in spreadsheets, emails, and apps it becomes difficult to detect irregularities," says Jacobs.

"It is essential to act quickly. Last year, a fast-casual chain with five outlets had €100,000 in food costs that had no corresponding sales. The stock seemed to have evaporated. Where do you begin to look? What is the cause? Was it theft, over portioning, overstocking... They had no idea. These days the company monitors the incoming and outgoing food flows in Apicbase. Should a problem arise, they notice it immediately in the system."

## Is a recipe calculation on its own completely useless then?

"No, it indicates what the selling price of a dish should be to make a profit. But that is a theoretical profit, and what good is a theoretical profit?"

I mean, the goal is to make sure that every dish hits the target profit everyday of the week - in the real world, right? It is only then that a business has firm ground beneath the feet to start scaling up."

## Is an integrated system expensive?

"No, because the ROI is many times greater than the investment. The exact ROI, however, depends on the number of locations. The more locations, the greater the added value.

In a small company, one person can still keep a close eye on the operations and be on

top of everything. If you work on a larger scale, you can't depend on one person knowing everything. You will have several teams with specialised managers. In such an environment, you want a system that can collect all the available data, analyse it, and provide actionable answers.

## Finally, how do you see the future of the industry?

"These are difficult times for the hospitality industry, but every day I meet excellent managers and entrepreneurs who know what they are doing and how to navigate these demanding times. I'm not worried about the future", concludes Carl.



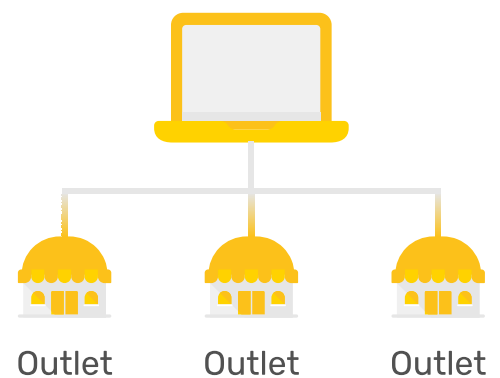
# Multi-Unit F&B Management Platform



Apicbase offers a simple solution for a complex problem: end to end monitoring of F&B data.

The system is modular and flexible and offers in-depth insights no matter what food business you operate: hotel, ghost kitchen, catering, and restaurant (FSR, QSR, Fast-Casual, Casual-Dining).

Apicbase takes care of all the complex calculations. Management gets a straightforward dashboard with food cost, margins, stock, orders, production, recipes, allergens, and nutritional values - for every outlet.







**apibase**

F&B Management Platform

[www.apibase.com](http://www.apibase.com)