



Secrets to Mastering Rising Costs

Strategies to accelerate profits amidst rising costs

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Introduction

State of the Industry

It is a challenging time in the restaurant industry. Restaurant operators face increasing food costs, rising labor costs, and shrinking profit margins while contending with fierce competition. According to the National Restaurant Association, 98% of restaurant operators say higher labor costs are an issue in their restaurant while 97% cite higher food costs. Profitability is key to success and yet 38% of responders said that their restaurant was not profitable in 2023.¹

“Restaurants only grow if you are constantly worried about profitability”

Kevin Romance
Great American Restaurants

These dynamics put restaurant operators in a no-win situation. Maintaining the status quo keeps the business unprofitable, but raising prices could put off customers. In response, operators must look elsewhere in the business to find efficiencies, increase menu margins, and lower food costs.

What’s Driving Rising Costs?

There are few drivers creating the current high-cost environment for restaurants, including:

- **Labor Costs:** Labor costs are rising. In some states, that is the result of minimum

wage increases, Fair Workweek Laws, and other regulatory changes, but across the country, the hospitality labor shortage creates greater competition for top talent and drives up wages.

- **Rising Food Costs:** Ingredients cost more than they once did. Disruptions to transportation impact availability of key food items as operators struggle to stock their pantries. More, factors like climate change and increased demand drive up the cost of meat, produce, and other staples.
- **Utility and Operating Costs:** Energy costs for heating, cooling, and cooking are rising as well, due to higher natural gas and electricity rates. Plus, the rental market for business space continues to climb, creating an ongoing burden for operators.

These factors are largely outside the control of any individual operator. They cannot fix the labor market. They cannot smooth over supply chain disruptions. However, operators are not without agency. They can focus their efforts on creating efficiencies, devising more profitable menus, and finding suppliers with the best prices.

To help, we’ve assembled this collection of tools and calculators. Whether it’s our Menu Engineering Template, Order Starter Tracker, Utility Cost Tracker or other resource, use these tools as a guide to balance rising operating costs while remaining competitive.

¹National Restaurant Association, [State of the Restaurant Industry Report](#)

Labor Cost Tools

Restaurants are labor-intensive operations requiring skilled staff in a variety of positions. From cooks to hosts to servers, the restaurant needs a strong, motivated team to be successful. Building and maintaining that team presents a necessary but significant cost to the business.

In this section, we've provided two tools to help understand and manage labor costs in your restaurant. Our **Labor Cost Calculator** provides a bird's-eye view of labor expenses, while the **Meal Cost Calculator** provides insights on the cost of one of the industry's most common benefits.

 [Labor Cost Calculator](#)

 [Meal Cost Calculator](#)

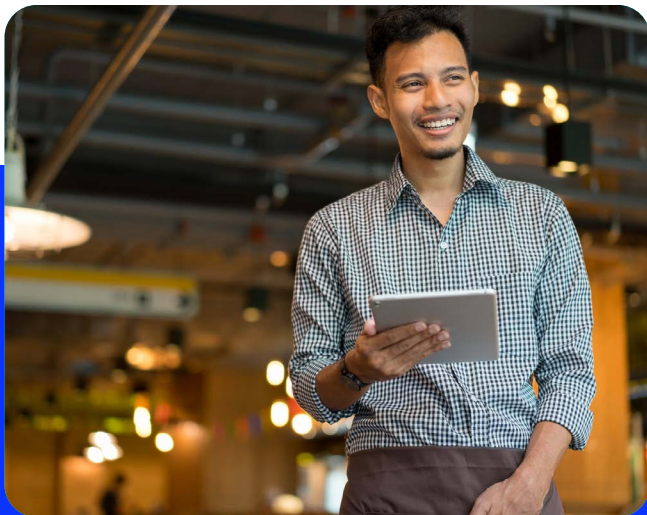


Labor Costs: Labor Cost Calculator

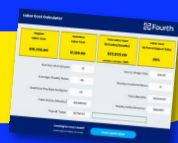
Labor Cost Calculator

To manage rising labor costs, use our Labor Cost Calculator to track labor spending, including employee count, wages, hours, overtime, and benefits. Adjust these fields to forecast weekly labor costs and compare them to sales revenue to determine labor costs as a percentage of sales.

Most restaurants aim to keep labor costs below 30%, with full-service restaurants targeting 20–30% due to higher staff complexity and benefits investment. QSRs and fast-casual typically target around 20%, given their reliance on part-time and hourly staff. Use this calculator to assess your current labor cost and make necessary adjustments.²



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Tips for Lowering Labor Costs

Hourly and overtime costs:

- Train your managers to avoid overtime
- Track how frequently your encounter over and understaffed shifts
- Crosstrain your employees. They'll develop new skills, which keep things running smoothly and they'll appreciate growing their skills and aid retention.³

Benefits costs:

- Reassess your benefits package to balance cost and quality. Consider providers like PEOs or ASOs to save money without sacrificing value.
- Tailor benefits to employee needs to reduce turnover and boost satisfaction. Popular options include flexible schedules, training, meal policies, and mental health support.

A scheduling software can help automate processes like overtime tracking and align staffing with demand, keeping labor costs in check.

² TouchBistro, "How to Calculate Your Restaurant Labor Cost Percentage."

³ LinkedIn, *Develop Employees: Career Development Resources*, LinkedIn Learning, 2024

Labor Costs: Meal Cost Calculator

Meal Cost Calculator

Free or discounted staff meals are a common hospitality benefit, typically representing 1-2% of a full-service restaurant's budget. This small expense significantly boosts morale, reduces turnover, and enhances performance, with larger or high-turnover restaurants budgeting closer to 2% and smaller operations targeting 1%.

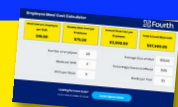
Use this **Meal Cost Calculator** for insights into your current policies, helping you assess ongoing costs and adjust strategies for greater profitability. Understanding the impact of employee meals on overall costs and tailoring your approach to balance staff needs with business performance is key to managing this benefit efficiently.

Tips for Lowering Meal Costs

- Evaluate the discount policy to improve margins or limit offerings to select menu items with low costs.
- Closely monitor BOH obedience of this policy.
- Adopt a family meal model to feed staff affordably before or after shifts. Use low-cost items like pasta, rice or near-expiry ingredients to reduce waste and avoid impacting menu profitability.



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Food Cost Tools

The food that is served, where it is bought, and how much goes to waste are huge factors in the profitability of a restaurant. Our guide includes three tools to find efficiencies in food costs:

 **Menu Engineering Template**

 **Order Starter Tracker**

 **Inventory Waste Calculator**

Our **Menu Engineering Template** helps build and maintain profitable menu items, our **Order Starter Tracker** helps operators source the best ingredients, and our **Inventory Waste Calculator** reveals what ingredients are dragging down profitability the most. Use these tools to reduce food costs and build a larger profit margin.



Food Cost Tools: Menu Engineering Template

Menu Engineering Template

The menu is perhaps the biggest driver of profitability. If your product is not delivering sufficient revenue, profitability becomes nearly impossible. Worse, many restaurant operators are unaware of their profitability margin until it's too late. Bills accumulate, revenue cannot keep up, and digging the restaurant out of its hole becomes harder by the day.

Use this Menu Engineering Template to ensure that you are only serving profitable dishes in the restaurant. The template allows you to track food costs, sales, and margin for each dish on your menu. Then, understanding its costs provides recommendations on how to categorize each dish and adjust them for greater revenue. A "Plowhorse dish", for example, is beloved by customers but not profitable. In that instance, the template recommends raising the price.



Tip for Profitability

- Conduct weekly or monthly analysis of your menu to ensure it drives profitability instead of undermining it. Frequent reviews help identify adjustments like portion sizes or promoting high-margin dishes to boost revenue.

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Food Cost Tools: Order Starter Tracker

Order Starter Tracker

Sourcing ingredients from the right supplier can reduce inventory costs, but most restaurants are too busy to compare prices and negotiate with multiple suppliers for every item and order.

The **Order Starter Tracker** simplifies this by monitoring key purchases, identifying spending trends, and helping you develop strategic inventory plans.

It's especially valuable for those who frequently buy from restaurant depots, offering better visibility into spending and enhancing your purchasing power.



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Food Cost Tools: Inventory Waste Calculator

Inventory Waste Calculator

Food waste is a reality in all restaurants. Produce and meat expire, and restaurant operators must forecast demand to ensure they are not over-buying perishable ingredients. The size of the restaurant and its location could also influence the amount of waste each month. Smaller restaurants have less space in the pantry and freezer to store ingredients. As a result, these restaurants must submit orders to suppliers more frequently. The larger the restaurant, however, the larger the purchases and greater quantities of ingredients that can spoil.

If left unchecked, food waste can become a large, recurring expense for the restaurant. It's important for operators to track food waste, understand why ingredients aren't being used, and take steps to curb waste.

Our Inventory Waste Calculator is a valuable tool in tracking waste and clarifying its impact on restaurant profitability. The calculator allows you to track quantities purchased, amount used, waste percentage, and total waste costs. By using this checklist for several months, you can recognize trends in the restaurant's consumption of its most important ingredients. From there, calibrate your purchasing to reduce waste.



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Food Cost Tools: Inventory Waste Calculator

Tips for Reducing Inventory Waste

It's hard to monitor every instance of waste. Try these tips to decrease waste in your restaurant and increase profitability:

- **Track What You Can:** Ask your kitchen team to record notable discards of food items in their daily reports.
- **Special Menu Items:** As ingredients approach expiration, introduce special menu items that utilize these ingredients before they spoil.
- **Multi-use Menu Items:** Design your menu to use the same ingredient in multiple dishes. This will reduce waste if a particular menu item happens to be unpopular at the time.
- **Calibrate Portions:** Analyze how many dishes can be created per unit of the ingredient. Calibrate your menus to increase the item yield.
- **Seasonal Menu Adjustments:** Be mindful of seasonality when ordering from suppliers. Adjust your purchases to reflect upticks and downturns in item popularity. Perform a weekly analysis of sales data or use the Menu Engineering Template to create seasonal menus.
- **Order to Par Levels:** When purchasing ingredients, purchase the minimum quantities of ingredients to meet demand with a small margin of error. It's better to make a second purchase mid-month than let ingredients go to waste.

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Utility Cost Tools

Restaurant profit margins are impacted not just by food and labor costs but also by overhead expenses like energy consumption and equipment maintenance. Utility costs can rise unexpectedly, especially during peak seasons, so it's important to monitor them closely. We've developed three tools to help manage these costs:

Utility Cost Tracker

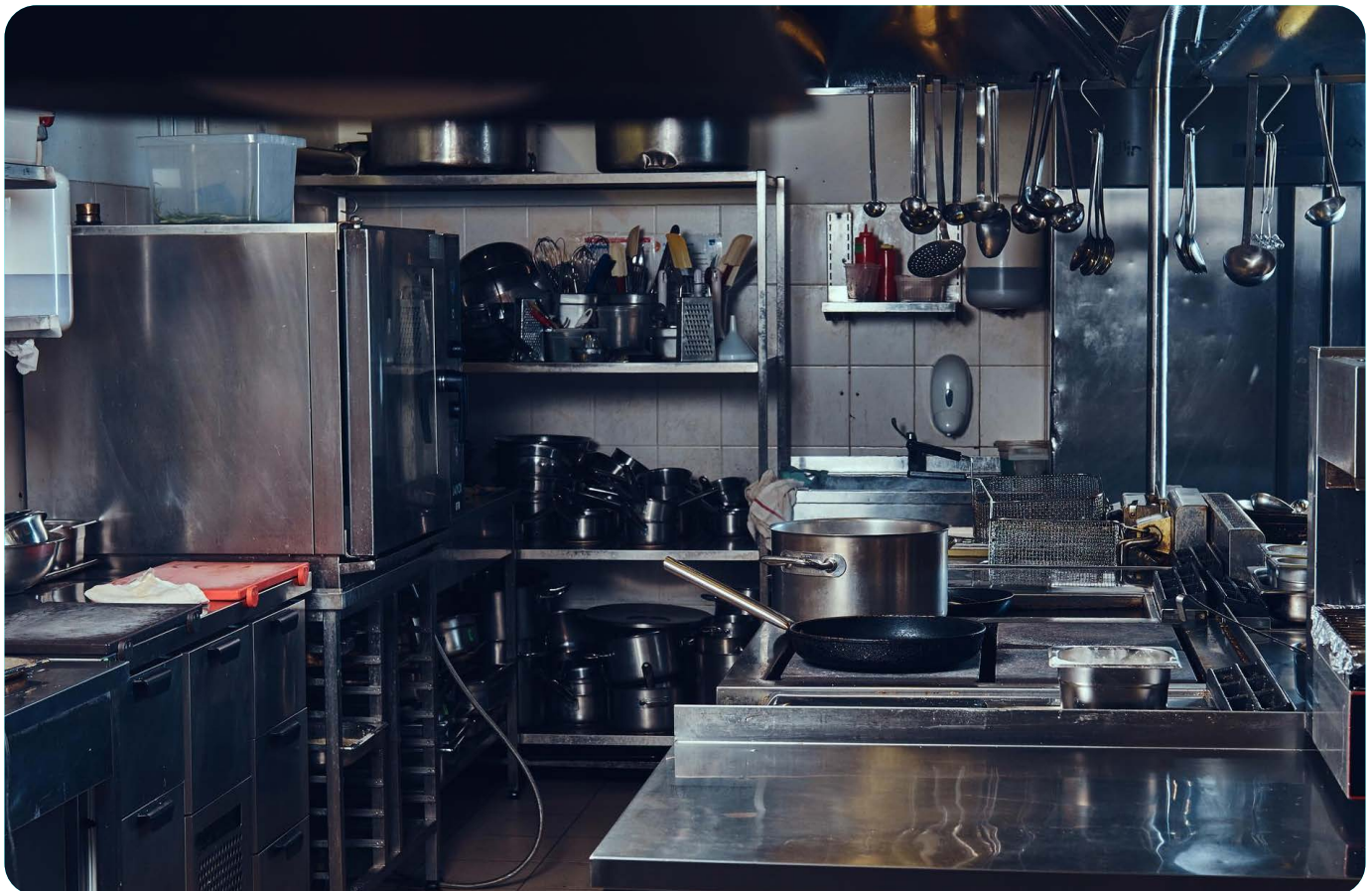
Energy Consumption Tracker by Appliance

Restaurant Equipment Maintenance Tracker

The **Utility Cost Tracker** helps operators track energy consumption fluctuations month-to-month and spot seasonal trends, like higher cooling costs in summer, allowing you to plan ahead to protect your margins.

The **Energy Consumption Tracker by Appliance** lets operators monitor energy use per appliance to identify opportunities for upgrades and create policies to reduce consumption, especially in high-energy-use environments.

The **Restaurant Equipment Maintenance Tracker** organizes maintenance schedules for essential equipment, helping operators prevent breakdowns and maintain smooth operations.



Utility Cost Tools: Utility Cost Tracker

Utility Cost Tracker

Next to labor and inventory, energy costs are one of the largest recurring operating expenses for a restaurant. Though options to switch providers are limited, tracking this expense provides valuable insights into the overall cost of doing business.

Use the Utility Cost Tracker to record energy expenses across electricity, water, and natural gas as well as a percentage change month to month. As you use the tracker, you'll be able to identify seasonal changes and plan accordingly. Further, you can see how adjustments to the menu, inventory, and other factors influence utility costs.



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Utility Cost Tools: Energy Consumption Tracker by Appliance

Energy Consumption Tracker by Appliance

Kitchen appliances like ovens, stoves, and freezers are among the largest energy consumers in restaurants. Tracking energy consumption helps pinpoint which appliances contribute most to utility costs and identify opportunities for upgrades or usage policies.

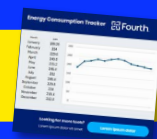
An Energy Consumption Tracker also highlights seasonal fluctuations, offering insights to strategize equipment use and reduce costs. It can reveal how menu adjustments, inventory practices, and other factors influence utility expenses, empowering operators to make data-driven decisions for better cost management.

Tips to Reduce Energy Usage

- Upgrade equipment to models with higher energy efficient ratings
- Set programmable thermostats to reduce heating and cooling costs when the restaurant is unoccupied
- Train your team on energy-saving practices, such as turning off lights to utilize natural light when possible



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Utility Cost Tools: Equipment Maintenance Tracker

Equipment Maintenance Tracker

Essential restaurant equipment like refrigerators, ovens, dishwashers, fryers, ice machines, and more require maintenance from time to time. Often maintenance schedules are recommended by the device manufacturer on a 90-, 120-, or 180-day basis. Though this presents a recurring expense, failure to keep up with maintenance schedules can lead to equipment failure, disruption of business, and reduced revenue on top of hefty repair costs.

Use the Restaurant Equipment Maintenance Tracker to document maintenance schedules for all equipment in the restaurant. The tracker provides fields to note the maintenance frequency, last maintenance date, and next scheduled maintenance. This enables you to organize maintenance obligations and ensure timely upkeep of restaurant equipment. This is especially important for restaurants with a high turnover, because the influx of new staff makes keeping accurate records more difficult.



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Conclusion

Finding Profitability in Challenging Times

There is no easy answer in finding profitability. With a tight labor market and rising food costs, the main levers that operators can pull to influence profitability simply aren't available. There are other areas in the business where operators can reduce costs, create efficiencies, and ultimately build a profitable business. In these challenging times, any cost reductions can have an impact on the success of the restaurant.

Together, these tools will be an asset in recording, tracking, and optimizing expenses in the business.



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