**The Basics of Food and Labor Costs**

**Food Cost**

Food Cost is often times the biggest cost of a Toppers Pizza restaurant. Because of this, it is important that Shift Leaders and Managers understand how to control. There are a couple big reasons why this is so important:

Consistency: The most important reason to control food cost is so you can serve a consistent product to your Customers. When a store doesn’t have good controls in this area, they will send out both over, and under portioned products. Customers will receive products that look and taste different than they were intended to, and it can have a very negative impact (i.e. Customers won’t like the food, and won’t continue to order).

Profitability: The other big reason to have good food cost controls is to not waste money. Without a good system of controls, it’s easy for a store to waste hundreds of dollars per week just in over-usage. It doesn’t take much to get to this place. Even if half the crew over-cheeses by 1 ounce on every pizza and Topperstix, that could end up being 100 lbs. in a week.

**Ideal Food Cost**

Ideal Food Cost is how much food you should go through based on the orders entered into the POS for a given time period. When an order is placed in the POS, the POS will calculate all the different things that go into making the items within that order. Ex. If someone orders a large pepperoni pizza, the POS calculates that you should use a large dough ball and its ingredients, 5 oz. or pizza sauce, 7.5 oz. of cheese, etc.

Review a Key Indicator for a previous day or week while walking through the following:

* Ideal Food Cost is calculated by both percentage and dollar amount
	+ The dollar amount will show how much food you should have used in dollars
	+ The percentage is calculated as a percentage of sales. To get this number, you take the Ideal Food Cost in dollars and divide it by the Net Sales for the same time period.
		- Ex. If Ideal Food Cost is $200 and sales is $800, the Ideal Food Cost percentage would be 25% ($200 ÷ $800 = 25%).

The Ideal Food Cost percentage will fluctuate based on how much an item, or items, are sold for. Ex. If a pizza costs $3.00 to make (Ideal Food Cost dollars), and you sell it for $10.00, the Ideal Food Cost percentage would be 30%. However, if you discounted that same pizza and sold it for $8.00, the Ideal Food Cost percentage would raise to 37.5%, making that pizza less profitable.

**Actual Food Cost**

Actual Food Cost is the real amount of inventory you used to make an order, or orders, for a given time period. This number is also calculated as a dollar amount and as a percentage of sales.

To calculate what you actually used, you must do inventory and enter it into the POS.

***\*Have GM show MIT how to enter inventory in POS and check actual usage***

**Food Variance**

Food Variance is simply the difference between Actual and Ideal. More specifically, it is Actual minus Ideal. This number is also calculated by a dollar amount and as a percentage of sales.

Food variance can be shown as either a positive or a negative number. If it is a positive number, it means that and item, or items, were overused. If it’s negative, they were underused.

* Ex. If you used $250 in food, but Ideal was $200, your Food Variance would be +$50.

To calculate the Food Variance as a percentage of sales, you would take the Food Cost in dollars divided by the sales for that time period. The variance dollars and percentage are also shown on the Key Indicators.

**Your Role in Controlling Food Variance**

Anyone leading a shift has the responsibility of sending out consistent and accurate food. Therefore, every person leading a shift is controlling the food variance. There are many ways to do this in a store.

* Discuss with your GM the different methods your store uses to control food costs
	+ Q&As
	+ Weighing out specific toppings
	+ Weighing out the first 10 pizzas on each shift
	+ Doing cheese checks
	+ Doing checks on other inventory items multiple times per day
	+ Etc.

**Labor Cost**

This section of the training is more of a general overview of labor cost, and how a Shift Leader/Operations Manager can help to control the other big cost in our business.

Labor is simply the amount that we pay Team Members to work. This number is calculated by a dollar amount and as a percentage of sales.

Each week, a schedule is made that should project sales and labor (dollars and percentage). This projection is broken down by day and for the entire week. A Shift Leader’s job is to make sure that the appropriate level of labor is being spent in order to provide great service; Not necessarily to think about it just from the profitability angle. By having the service mentality, the Shift Leader can make decisions that would either decrease or increase the labor based on the service needs on that shift. (e.g. They could increase labor by calling someone in to help, or they could decrease it by cutting a Team Member early).

GM to show MIT the following:

* How to check what the sales and labor projections are for the day
* How to check what the actual sales and labor levels are for the day
* Discuss the appropriate times to call someone in and when to cut someone early