



The Stay Original Company – Cost of Sales Control

Introduction

Controlling the COS in the kitchen is a vital component of the success of the business.

COS is simply the **NET** cost to the business to produce the product you are selling. As head chefs and managers we are responsible for controlling and maintaining a consistent COS.

We target an overall COS of 30% of our total food sales after allowing for breakfasts served to overnight guests, web discount vouchers and bar snacks (crisps & nuts). This is an industry standard target.

Although it may not seem it, controlling COS is actually down to applying very simple discipline to the key areas of the process.

- 1. Costing & Pricing**
- 2. Ordering and tracking spending**
- 3. Stock counts and calculating the COS**
- 4. Training & consistency**

This guide will show you how to manage these objectives, what the most common reasons are for not achieving your COS target and how to investigate.

Mastering the COS in the kitchen is an important skill for any head chef or chef aspiring to develop their skill base. Please remember that the management team is happy to help and do discuss any queries or issues with Tom. Also, as you are running the kitchens your feedback and ideas are important!

- 1. Costing and pricing an item to sell.**

The whole process starts with the costing. If the dish or drink isn't costed correctly you will find it very hard to hit the COS target.

Most of the items you sell will have already been costed by Tom or Natalie. However you may need to cost a special dish or drink.

Every time you create a new dish or drink you should cost it using the **Dish Cost & Pricing calculator (example below)**. Up to date stock sheets & supplier invoices will give you accurate ingredient prices and when

entered in to the Pricing Calculator will give you an accurate dish cost and selling price. See example below. This is the basis of a successful COS result.

<u>Dish costing calculator</u>		<u>Fill in red boxes only</u>		
Dish :	Venison Wellington, chanterels & truffled potato			
Number of portions:	6			
Ingredients :	Quantity	Unit	NET Cost per unit	Cost
Venison loin	0.6	KG	£24.99	£14.99
Onion	0.2	KG	£0.70	£0.14
Garlic	0.6	KG	£2.99	£1.79
Thyme	0.3	100g	£1.60	£0.48
Puff pastry	0.8	KG	£5.80	£4.64
Potato	0.8	KG	£0.60	£0.48
Butter	0.03	KG	£6.40	£0.19
Chanterels	0.22	KG	£29.00	£6.38
Sauce	0.2	L	£9.00	£1.80
Truffle oil	0.02	L	£3.99	£0.08
Total ingredients cost:				£30.98
Cost per portion:				£5.16
Minimum GROSS selling price:				£20.65
NET selling price:				£17.50
Actual selling price:				£21.00
COS:				29.5%

2. Ordering and tracking spending

It's vital that you have a solid ordering & invoicing system in place. A good paper trail makes it easier to track your ordering against sales, monitor price fluctuations & update your stock sheets.

Using the **Weekly Spending Tracker** allows you to keep an eye on your spending and sales. It's vital that you use this tool throughout the week to avoid any nasty surprises when it comes to submitting your **COS calculator**.

- Up to date order sheets to be used at all times

- All deliveries must be checked against order sheets and the delivery note/invoice initialled by the recipient of the delivery
- All deliveries must be entered on to the spending tracker on day of delivery
- All e-mail invoices and paper invoices must be checked against spending tracker before being approved
- A copy of every invoice/delivery note received at the pub must be kept in a lever arch file at the pub so that the HC or GM can check against any late or unapproved invoices. E-invoices received from head office for approval do not need to be printed and filed.
- You must be sure we are getting what we order and pay for.
- Bar snack (crisps, nuts etc) & coffee invoices to be checked & initialled by FOH manager on the day of delivery then passed to HC

A copy of the weekly spending tracker we use is overleaf.

Spending Vs Sales Tracker

This is the weekly spending tracker that records how much is being spent day by day. If it is completed accurately your weekly spend will exactly match what is actually invoiced.

White Hart	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday	Supplier Total	W/C:	31.08.15
lovejoys		£81	£56	£126	£159	£123		£545	lovejoys	£545
La Chasse		£153	£58	£94	£418			£724	La Chasse	£724
Somerset Dairy		£118			£50			£168	Somerset Dairy	£168
Crook & Churn		£328						£328	Crook & Churn	£328
Pitney								£0	Pitney	£0
BMV		£143		£423				£566	BMV	£566
Samways		£71	£34		£120	£134		£360	Samways	£360
SSC		£170			£236			£406	SSC	£406
Essentials								£0	Essentials	£0
Homewood								£0	Homewood	£0
Portland								£0	Portland	£0
Mozzo								£0	Mozzo	£0
JTS		£106						£106	JTS	£106
Brown and Forrest								£0	Brown and Forrest	£0
Oiloaco								£0	Olloaco	£0
Coaco loco			£215					£215	Coaco loco	£215
west country catch								£0	west country catch	£0
cash purchases								£0	cash purchases	£0
Credit notes								£0	credit notes	£0
Total Daily spend:	£0	£1,170	£364	£644	£984	£257	£0	£3,419	Total spend	£3,418.96
NET food sales	£2,642	£879	£1,395	£1,516	£1,765	£2,344	£1,579	£12,120	Total net sales	£10,099.88
Breakfast covers	8	8	8	8	10	16	16	74	Room sales	£647.50
									Adjusted sales	£10,747.38
									COS	31.81%

3. Stock counts & COS calculator

Your target is to hit a cost of sales ratio of 30% of total dry sales. This target allows for bedroom usage, bar snacks (crisps & nuts) and discounts. This can be checked fortnightly at the time of each stock count via the COS calculator but the final figure will be based on the monthly management accounts which will reflect the stock counts and all invoices actually received.

- Stock counts are to be carried out biweekly to the agreed schedule by head chef or sous chef. There must always be a stock count on the closest Monday to the end of the month and all pubs need to count on the same days.
- Stock sheets must be up to date with all new/seasonal ingredients prices checked
- COS must include accurate cost of wastage, staff feeding & bread & condiments (*total cost of ketchup, mayo, vinegars & cost of homemade bread*)
- COS calculator must include the sale value of bedroom breakfasts (from Point One)
- COS calculator must include the sale value of any discounts given eg 20% web sign up discount vouchers and any complimentary meals for PR or marketing purposes (ie this doesn't include service recovery items). NB only use the value of the discount given.

Some brief commentary on the cost of goods result should be included on the COS calculator. What worked well, what didn't work so well, actions being taken etc.

Recording wastage, staff food & transfers - Daily

- All wastage to be recorded at cost price daily.

What is wastage? *Out of date food, mistakes made, returns from customers, preparation overspill that can't be sold. Any food that goes in the bin!*

- All staff food, teas & coffees must be recorded at **sale value**. They must be put through the till **discounted at 100% and clearly labelled "staff food & coffee"**
- Cost of transfers out. Cost price of all lemon, limes & herbs given to bar.
- Cost of transfers in. Ask FOH manager for cost of bar stock used by kitchen.

An example of the COS calculator we use is overleaf.

COST OF GOODS CALCULATOR - TIMBRELL'S YARD

FOOD

Date Range	Open	11/05/2015
	Close	01/06/2015
		3.0 weeks

COST OF GOODS £	Opening Stock (ex VAT)	£4,636.66
	Deliveries (ex VAT) <i>NB To match weekly spending trackers</i>	£12,014.54
	Cash Purchases (ex VAT) <i>if not shown on spending tracker</i>	£0.00
	Transfer IN stock (ex VAT) <i>Shown on till as wastage - kitchen - and is available from stock system wastage report.</i>	£0.00
	Transfer OUT stock (ex VAT) <i>Transfers to bar stock - in practice probably only lemons & limes</i>	£0.00
	Closing stock (ex VAT)	£4,535.47
	Cost of Goods	£12,115.73
	Cost value of condiments and complimentary bread usage (ex VAT) <i>NB if estimating ensure estimate reflects number of weeks covered by stock count</i>	£54.00
	Cost value of bar snacks (crisps, nuts etc) <i>Cost of bar snacks stripped out for calculating adjusted CoG</i>	£400.00
	Cost value of wastage (ex VAT)	1.0% £124.70

SALES £	Total Sales (ex VAT) from Point One for count period	£36,991.56
	Sales value of rooms usage (ex VAT) <i>Sales value of breakfast orders by staying guests added in</i>	£1,521.73
	Sales value of bar snacks (crisps, nuts etc) <i>Sales value of these bar snacks stripped out from sales</i>	£500.00
	Sales value of discounts (ex VAT) <i>These include 20% web sign up discount vouchers and any complimentary items given away for PR/marketing purposes (up to 100%). NB: Include value of actual discount only. Exclude service recovery items.</i>	£30.11
	Adjusted Sales	£38,043.40
	Sales value of service recovery items (ex VAT) <i>These are replacement meals in event of complaints</i>	£0.00
	Sales value of staff feeding (ex VAT) <i>NB must include value of <u>all</u> staff food and hot drinks.</i>	£0.00

COST OF GOODS %	UNADJUSTED COST OF GOODS [for management accounts]	CALCULATES AUTOMATICALLY
	Cost of Goods	£12,115.73
	Total Sales from Point One	£36,991.56
	UNADJUSTED COST OF GOODS	32.8%
	ADJUSTED COST OF GOODS [TARGET 30%]	
	Cost of Goods (after stripping out bar snacks)	£11,715.73
	Adjusted Sales Value [adds bedroom usage, vouchers & comps]	£38,043.40
	ADJUSTED COST OF GOODS	30.8%
	TARGET	30.0%

NOTES ON COST OF GOODS FROM HEAD CHEF

4. Training and consistency

Investigating COS issues and explanations to submit with your COS calculator

Things don't always go right but it is vital that if the COS slips you investigate the reasons and take steps to bring it in to line. Here are some suggestions:

5 most common reasons for COS going wrong

1. Incorrect dish costing
2. High number of complimentary dishes
3. Over ordering & high wastage
4. Poor stock control
5. Inconsistent portioning

5 ways to improve COS

1. Close monitoring of product prices. Refer to your product price guide.
2. Monitor feedback. Does the dish need adjusting
3. Use Point One sales data to help with accurate ordering
4. Training- does the whole team understand the importance of stock rotation
5. Training- ensure all the team are aware of the correct portion sizes.

Investigating

- Has there been a change in cost of ingredients (most likely the cost of fish, meat or veg) since the original dish cost? ***This doesn't mean that we increase the sale price. Speak to Tom.***
- Have up to date cost prices been used on the stock sheets?
- Has there been an increase in wastage? Is it in one particular area? Has it all been recorded?
- Has all staff feeding & hot drinks been recorded properly and accurately?
- Has over portioning crept in?
- What are your best sellers? *If the cost of your best seller has risen this can have a big impact.*
- Has anything gone missing/been stolen?

COS calculator, stock sheets & spending tracker with COS commentary to be emailed to Ruth, Catherine, Nat, Tom & James by 3pm

A brief explanation of terms and formulas

What is COS?

Simply the NET cost to produce the product you're selling.

Gross sales

This figure includes VAT (the price that appears on the menu)

Net Sales

This excludes VAT.

$\text{Gross sales} \div 1.2 = \text{Net sales}$

Pricing your product to 30% COS

$\text{Cost price} \div 0.3 \times 1.2$

Work out what COS % you're achieving

$\text{Cost} \div \text{Net sale price}$

If you're given a set price to produce an item for and you need to know what you have to spend

$\text{Net sale} \times 0.3$

KITCHEN

COS objectives

Categories	Head chef tasks	When	Measurement/Comments	Check by
<u>Invoices</u>	Gain more control over food orders & spending by tracking invoices daily & cross checking against order sheets	Weekly	Tracker is 100% accurate when compared to Sage report	TB
	Ensure all electronic invoices are approved every Monday by 3pm	Weekly	Confirmation from Emma that all invoices have been received	Head office
	Ensure all paper invoices are sent to head office with the correct approval & postage by Tuesday	Weekly	Make sure you know what suppliers do not invoice electronically	Head office
	Check invoice pricing is accurate by comparing invoices to TDPC guide price list	Weekly	This must be an up to date price list which relates to your current menu	TB
<u>Point One Till system</u>	Use the Point One system to monitor best sellers & help with accurate ordering	Daily	Will help with accurate ordering and wastage	TB
	Use Point One to monitor COMPS & discounts and feedback to GM if Comps rise above the agreed amount of	Weekly	Low variance between theoretical & actual COS	TB
<u>Counting stock</u>	Use up to date stock sheets with ALL in stock items accounted for.	Weekly		TB
	Weighing all high protein items for stock counts, do NOT guess.	Weekly		TB
	Count every single item.	Weekly		TB
	Check your stock sheet prices are up to date	Weekly	These stock counting points will affect your holding stock value and accuracy of your COS	TB

<u>Consistency</u>	Make sure the team are properly briefed on presentation and components of each dish		Portion control-reduced unexplained waste	TB & NZL
	Team briefings and tastings with FOH team to allow them to monitor dishes on the pass		Feedback	GM & NZL
<u>Feedback</u>	Makes sure feedback is shared with entire team so any mistakes are rectified quickly		Feedback	GM
	Feedback regarding value for money is monitored to make sure dishes are not enlarged but changed if guests aren't happy.		Feedback	GM
<u>Wastage</u>	Wastage should be recorded daily on wastage sheet. Waste includes dishes that are re made, spoiled food, inaccurate prepping & mistakes. Make sure that all team are properly briefed on the presentation and components of each dish		Track wastage Reduction in unexplained waste (gap in margin).	

