



Episode 3:

A fresh look at food costs

[00:00:00] **Voiceover:** You're listening to the Fáilte Ireland Inside Tourism Business podcast. The definitive podcast for tourism operators, bringing you expert advice, insights and practical tools to help you navigate the challenges your business is facing.

[00:00:19] **Ruth Hegarty:** My name is Ruth Hegarty and I'm your host for the first series of Fáilte Ireland's new podcast, where we delve inside food, examining trends, innovations and tackling costs to help you run a leaner more successful food operation.

[00:00:37] Welcome back to Fáilte Ireland's Inside Tourism Business podcast. This is episode three of our inside food series and in this episode, we take a fresh look at food costs. I'm joined once again by chef and food consultant Niall Hill of Niall Hill foods, and we're delighted to have with us today, Mark Anderson, culinary director of Gather & Gather. You're both very welcome, thank you for coming on the podcast.

[00:00:59] **Mark Anderson:** Thank you.

[00:00:59] **Niall Hill:** Hi Ruth hi Mark.

[00:01:00] **Mark Anderson:** Hey guys.

[00:01:01] **Ruth Hegarty:** One of the key motivations behind this podcast series is to help the tourism industry to build back better after this crisis period. A vital aspect of this will be to carefully manage costs. So today we're focusing in detail on what hospitality businesses can do to carefully analyse and improve their food costs and achieve better margins.

[00:01:20] So Niall, I'll start with you controlling costs it's of course it's a crucial aspect of any business. Why is keeping careful control of food costs in particular so important? And can you talk a bit about what are some of the key principles to consider around food cost management?

[00:01:36] **Niall Hill:** Sure, Ruth no problem. if you think about it right your food costs can make up one third of your cost of sales. So that's huge in terms of a cost factor within any kind of food business, but I think the most important part is that you do understand that it's a variable cost and when I mean variable is that it can change.

[00:01:51] And like areas that this can change and is that you know an ingredient changes you over order and you've waste. So, these are all areas that it can be variable. But I think the most important part is that a good business owner or chef really understands the fundamentals of their different costs from plate costs and how to calculate food cost, percentage and how to work out those formulas.

[00:02:12] And I think knowing that puts them in really good stead to keep on growing the business and moving forward. And I always say to businesses or to chefs, that you know it's one of the costs that is in your control and I can't emphasize enough that it is a variable cost.

[00:02:27] **Ruth Hegarty:** Okay Mark I suppose one of the key areas around controlling your food costs is obviously your food purchasing. So, do you have some advice around how businesses can purchase smarter and how they can deal with their suppliers in order to keep control on their food costs?

[00:02:42] **Mark Anderson:** Great question Ruth I suppose the very simple answer is about having that honest and really open communication with your supplier, so you can understand what works for you and he can also benefit from your information and your business needs.

[00:02:55] There's no point in you just sitting in front of a computer placing the orders daily if you don't understand the whole process of how that product that you're actually buying, gets to the plate. And we have a great relationship with our suppliers and how they grow, we understand the seasons better, when the product is at its best for actually using, so that we can actually do it justice in our cooking in our kitchens and do it justice when on the plate and actually you get the best possible return from our selling price from our customers. And that's really really really important and also being open and honest with them when you're busy and being able to ramp up.

[00:03:23] And when there's actually that slack time, or that lower time within your business that he understands that's really, really critical. But open and honest communication is vital in that.

[00:03:32] **Ruth Hegarty:** And Mark are there ways, that I suppose in terms of kind of partnering with your suppliers around, you know when you're developing dishes and menus, that you can really work with them to make sure that, you know you meet your food cost targets.

[00:03:45] **Mark Anderson:** Yeah, we really encourage our partners to come into the kitchens with us, and also for us to go to their farms as a matter of understanding their product. So, they understand what we're doing with their product to get it onto the plate, cause sometimes there might be a variety of, I don't know, say potato or carrot or something that we're using and that they may be growing something different that's actually of a better yield or, a better price for us that would do the same job.

[00:04:06] And also for us to go and understand what it takes to get the product on, so that we've a lot more knowledge about wastage and understanding the use of the product and if we go and see how they grow it or how it's manufactured or made.

[00:04:17] So they're really, really, really important for me because we want our partnerships to be real as opposed to just transactional. So, everybody wins in this situation.

[00:04:26] **Ruth Hegarty:** Niall on that question of, I suppose, developing menus and dishes I think perhaps there's a time in the past where, you know places might've had a fairly standard menu that they roll out all the time and then it's a question of maybe just going out to your suppliers and finding who can supply the ingredients you need for the least amount of money. But you know does really meeting your food costs targets start at that point of developing your dishes and I suppose can you still be creative and vary your dishes and meet your food cost targets?

[00:04:59] **Niall Hill:** Absolutely Ruth I think I kind of echo what Mark is saying about developing that partnership cause I always feel that you know your supplier is just more than a supplier - they're a stakeholder in your business. And as you grow, they grow, so forging that relationship is absolutely critical, but there's also different areas that you can have a look at.

[00:05:14] So, you know from a pricing point of view it's having that clear communication and a plan in place to review your ingredients and the price of ingredients and what's coming in the season and what's also going out of season. So, for me a good point is to really kind of have a look at your good basic recipes.

[00:05:28] And, you know I think innovation is key, so for me if I develop a good recipe that can go right through the seasons and it's knowing when these ingredients are kind of coming in and out. So your food cost is almost 90% on that dish, but you're only maybe slightly changing an ingredient in there and then a perfect example of this would be say, you know a cobbler or an Irish crumble where it's going through the seasons, so you're going through the autumn, the winter then into the spring and then into the summer, you know and you have a fantastic base recipe, but it's also creating that innovation and working within the seasons is absolutely critical.

[00:06:00] So from a forward point of view and thinking of how you're going to control your costs that clear communication is key. And also, you know you don't want to stifle your staff and not be innovative and creative, so for me when I develop menus, I like them to be changing on an ongoing basis rather than to be changing a menu two or three times a year. I like it to be evolving all the time.

[00:06:21] And that just creates creativity and innovation within the kitchen and there's sometimes, and you'll probably agree with me here on this Mark, that you know sometimes you come across a dish by using something of another dish and other components from another dish.

[00:06:34] And it just marries perfect and that's the beauty of it is to really drive that innovation and creativity but also controlling your costs and knowing where you're spending your money.

[00:06:45] **Ruth Hegarty:** Okay so the idea is kind of have your standardized recipes, but then adapt them throughout the seasons throughout the year, according to changing ingredients and changing prices.

[00:06:55] **Niall Hill:** Absolutely yeah, yeah for me it's an easier method than to change a menu two or three times a year. it's easier for the kitchen to control and you're constantly reviewing your prices. You're constantly reviewing the markup on each one of those dishes and as you change an ingredient it can kinda go up or down, but that gives you the information to allow you to have a look at, okay do I reformulate that slightly? What's in season? What is kind of creeping up now? I'm getting a little bit expensive, and it just gives you that flexibility and again, information is key.

[00:07:24] **Ruth Hegarty:** Yeah Mark, like as Niall said I mean, you do want to keep the creativity, you want to keep your team motivated, you want to keep your customers interested and you want to provide variety and I know, you know when in your work, you work in a very competitive environment and margins are tight. So, can you really, you know, use quality, local and artisan ingredients and still keep your food costs in check?

[00:07:47] **Mark Anderson:** A hundred percent. I think now more than ever, it's a time to make sure that you're focusing on what's local and what's best on what's best at that time of year. And one of the things, I think, Niall made some great points there, one of the things that we encourage with our partners and with

our growers is actually market reports so they can tell us what's at its best, so we know that the yield out of is going to be good, we know that we don't have to do an awful lot to that product to make it actually taste amazing. So, a prime example; if we buy some beautiful heritage carrots from one of our farms that we use, we know that there's not going to have to be an awful lot of done to those carrots to make them actually sing on the plate and that's really, really important.

[00:08:21] But if you don't know that from that relationship, how are you going to know how, to produce them? So that's really, really important and I think it's also, it's crucial now more than ever that people understand that value is key, but value does not always have to mean that it's the cheapest. People have an expectation about what that food on the plate should be and for me it's all about education and explaining to your customer why you're using that carrot or why you're using, I don't know a fantastic piece of beef or fish and where it came from and the whole story with it.

[00:08:48] But because people like that emotional attachment and the chefs, also in the kitchen have a lot of respect then when they understand the effort that goes in to get that product to you. So, they totally buy in and are invested in it and it's, it's a win-win for everybody.

[00:09:00] **Ruth Hegarty:** And would you have suppose tips or maybe examples for the businesses that are listening around ways that you maybe redesign or re-engineer a dish so that you can incorporate quality local ingredients, but still meet your food cost targets?

[00:09:14] **Mark Anderson:** I think we go back and question everything we do on a weekly basis. we get reports every week if there's any changes in market prices, but also, we go back and see what's what sells and what doesn't sell. And we have to be a little bit ruthless when we're talking about our menus and how we engineer them. If it's not selling, it's sitting there, just in stock and deteriorating and it ends up become a wastage, out of date, or over production.

[00:09:34] So we constantly go back and evaluate, and we deal in data as regards to just emotional decisions about why we want to keep a dish on the menu. So, it's constantly going back, seeing what sells, what doesn't sell? And if it's a dish where we really, really want to push, because it gives us a better profit.

[00:09:47] It's how we market on how we position that dish on our menu and what we say about it, we tend to focus on.

[00:09:53] **Ruth Hegarty:** Okay and I suppose, I mean, when you do buy in those quality ingredients I mean, it's so important to use every, every element of it, isn't it and make sure that nothing goes to waste.

[00:10:03] **Mark Anderson:** Yeah, I think, I think that's a big, it's a big challenge for chefs, when they're costing dishes that they understand, it's not just about using the prime cut. It's what you can do with everything else to give you the better GP and a better food cost. So, for us, it's, when we look at a piece of meat that comes in or fish, it's how we can use every piece of it to maximize the return.

[00:10:21] Also storage when we get it in how we keep and how we store it. We use an awful lot like around vac packs, because they're really, really good at keeping things marinated for a bit longer and keeping that shelf life a bit better. And also, we tray portions as quickly as we can so that we know that when we're just using things, it's an exact portion.

[00:10:36] But also when we're using veg trimmings and everything else, can we use them in a stock? Can we use them to do something else? Peelings from a parsnip can be turned into parsnip crisps as a bar snack as an example, everything is looked at and how we can maximize the full return on it.

[00:10:50] **Ruth Hegarty:** Okay and would you take the approach of if you were to, you know I suppose, like you mentioned, there bringing local meat, you know that might be a bit more expensive is it a question of I suppose, as you said to using different cuts but maybe even a little bit less protein on the plate.

[00:11:07] **Mark Anderson:** One of the incentives that we put on is trying to flip the message instead of always just focusing on the protein that goes on and it's nothing different we're just trying to highlight either the pulse or the grain or the vegetables as well on the plate so that we don't always have to give as much protein as maybe we did in the past.

[00:11:22] It's not about doing something cheaper it's just making sure that the balance of the plate reflects probably what's more about society these days.

[00:11:30] **Ruth Hegarty:** Yeah, absolutely, more and more sustainable and I know in our next episode we will be delving much more deeply into the whole area of food waste.

[00:11:37] Okay, we'll be right back after a quick break to hear about some Fáilte Ireland supports.

[00:11:45] **Voiceover:** Fáilte Ireland's new breakfast toolkit contains expert advice and practical tools that are applicable to all areas of food and service. You can find the breakfast toolkit and more helpful supports and guidance on the operational performance section under Strategic F&B Operations on our COVID-19 business support hub at [Fáilteireland.ie](https://faillteireland.ie).

[00:12:05] **Ruth Hegarty:** Okay Niall let's come back to some of those, the key principles that people need to consider then around managing food costs.

[00:12:11] So what exactly is margin erosion? That's something I've heard you talk about. where does that happen? And I suppose how can businesses put steps in place to manage it?

[00:12:21] **Niall Hill:** Oh, Ruth don't get me started about margin erosion. I guess I probably, you can probably, relate to this as well Mark, you know, if you've ever been at a financial meeting at the end of the month, and you're looking at your P&L you know, and your food cost is over by about 3%.

[00:12:34] And you know you've done all the hard work you've had to look at you know, every cost of every dish and you kind of go, yeah, I'm meeting my margins on every single dish, but you're sitting there and go Niall you're, you know you're over budget by 3%, where are you losing that money. And you don't know, it's an awful feeling.

[00:12:49] So it's really looking at where you're losing that money and I always approach margin erosion, I say to chefs, I used to say to chefs in my kitchen, you know, fill up that colander with water and lift it up out of the sink and see it leaking, I said "that's your margin erosion" and what you have to do, you have to almost forensically look at where the possibilities that you're losing money each dish. You've done all the hard work and you've got to plug up those holes and it might not necessarily be any one thing I mean, these easy ones that you can kind of figure out. So, if you comp a meal in a restaurant and you say to a hundred covers and you comp 10 meals like that's margin erosion, that's eating into your margin.

[00:13:23] And I always approach it in the way that I do a HACCP system. So, a HACCP system is for food safety, but I approach margin erosion in the same format. I have a look at where the critical control points is of where I can be possibly losing money and that's from the back door, so, you know am I getting the right produce? Is the product being weighed properly? Am I getting what I basically paid for? Am I over ordering? Is there spoilage there? Like these are all areas that is eating into your margin and this is margin erosion.

[00:13:51] Then the other area is portioning. Are we over portioning? Am I not getting my achieved desirable yield from that dish and then the whole area of yield analysis, which is absolutely incredible, and I've done some, absolutely unbelievable exercises on yield analysis?

[00:14:06] So for you to identify where you are losing money on this dish, I always put in like simple KPIs to try and control this and manage this and it could be the case where, you know it's a recording of how much was made of a dish, how much we portion and where the waste was.

[00:14:23] And this gives me information to really analyse where I'm losing money and stop it because that's what it is, you're really just kind of stopping that margin erosion. Again, it's not any one thing it's a lot of little things. And you need to protect your margin at all costs.

[00:14:38] **Ruth Hegarty:** Mark what are your experiences around where margin erosion can commonly occur?

[00:14:43] **Mark Anderson:** Oh, I could go on all day Ruth and I think Niall's covered an awful lot there. I think you have to remember that your menu is the most important part of your marketing when you're sitting with a customer and they're just making those choices. So, what you put on your menu and how you sell it and how you present it and how you market it will, will lead to how they make their choices.

[00:15:01] So for me it's very, very simple. Like, I mean, it's about you understanding how best to balance your menu so that you can maximize your opportunities as well. I also think as well, I mean, I think you guys in the kitchen have a big responsibility about when they're putting the dish together and what that looks like.

[00:15:17] So it's not always just all these expensive ingredients just because it sounds pretty, and it makes it look better on the plate. It's also understanding your cooking procedures as you go along.

[00:15:25] So it's a bit like how the yield gets changed as you work with your dish, from cooking to your raw weight to your cooked weight and also like about as Niall said about how you can maximize the return from that product that you're using so that, yeah, it's not always expensive dishes that may not always sell. And its if you're putting on a special that you get the opportunity to A - use a product that's always been there, but also works really well to give you a better GP.

[00:15:49] **Ruth Hegarty:** Okay and you mentioned about yield there and Niall spoke about yield analysis. Can you talk to us a little bit more about, that concept and examples of how that can impact on food costs?

[00:15:59] **Mark Anderson:** Given that we work in large volume and suppose, and what we do, in Gather & Gather a simple thing for us is if we don't get our yields, right, it actually wipes out all the good work that our guys do.

[00:16:09] And so for me, it's you understand the raw weight and the cooked weight of a product so that you can allow for shrinkage when you're doing your costing, you understand the portion weight that needs to

be, you understand that your recipes all are specs, but you also understand that as you scale up from 10... to a 100 to 200 or 300 in portions, the actual recipe does change.

[00:16:29] It doesn't always mean that it's just straight multiplication all the time. You have to go and continuously taste, record and analyse so that you know, that you're getting the balance of the dish and not sacrificing the quality, but it doesn't mean that instead of, I don't know, 10 onions that you never have to use 100 onions because sometimes the dish won't take that.

[00:16:45] So it's understanding as you cook everything from raw to cooked, what the shrinkage levels looks like and what kind of wastage is on it. But also, as you scale those recipes up for volume, that you understand what that does to the dish and how it affects the cost.

[00:16:58] **Ruth Hegarty:** Okay and Niall you mentioned yield analysis there as something that is hugely important, and you've seen some really interesting results around it so.

[00:17:07] **Niall Hill:** I have Ruth yeah, I tell you, you know what, I find yield analysis fascinating. it's a real area where you can actually maximize the potential of that dish and save money.

[00:17:18] And I'm going to give you an example; I was working for a client and they would not compromise on the quality of ingredients that they get in so that was at the forefront of their whole ethos. So, they asked me would I have a look at their menu and have a look at their menu costings.

[00:17:30] So when I kind of zone in, I have a look at really the high-volume menu items. I kind of dive deep into the food cost into these and it was one dish in particular it was a beef salad dish, and it was really high volume because he had multiple locations, but the margin was really low on it. So, I wanted to really kind of analyse that, so I had a look at the cut of beef they were using, and they were using a roasting strip.

[00:17:50] So to give you an example, it was coming in I'd say €14.95 a kilo untrimmed. So, by the time we trimmed it, by the time we cooked, so the cooked weight was ending up at €33 a kilo with the loss of the fat and the shrinkage from cooking.

[00:18:05] So this dish was measured on the gram, so it was very, very meticulous. So, I said, "okay listen I think we can do something here without compromising on the quality". I said, "are you open to me really working on this dish? And they said, "yeah". So, I had a look at a different cut of meat.

[00:18:18] So I used, I use the heart of the round, and I slow cooked the heart of the round into small pieces. Bit like fillet a beef, at 54 degrees for 12 hours and I slow cook it. It was coming in at €10.95 a kilo and there was zero shrinkage on it, zero weight loss on it. So basically, on the bottom line we were able to save this company eight grand a year, 8,000.

[00:18:40] So that comes straight off your bottom line. So, I find this fascinating and one more example. It was, dry cured, bacon versus wet cured bacon and this company we're using a couple of ton of wet cured bacon on yearly basis. And I was able to demonstrate that by using a dry cured bacon, which is more expensive by the way, per kilo, they had a better yield.

[00:18:59] And it was actually cheaper to use in their dishes, so, you know, you can also, you know, on what Mark was saying, it's not about the quantity, it's about the quality. So, by using quality ingredients you potentially have yes, less yield loss on it, which potentially works out cheaper in your food costs.

[00:19:14] Another great example was in my own business, I was losing about a half percent on, on certain on dishes. And I couldn't figure out where I was losing the yield on it because we had weighed everything and we were, we had KPIs, but I was losing, I was losing weight on evaporation. So, I used to say to the guys in the kitchen, you know I used to grab the steam off of one of the dishes.

[00:19:34] Okay that's money going up into the air. So, we put another process in place where we basically measured the chilled weight as well as the cooked weight and to see where the difference was and at that stage, we were able to correct the dish, so we got the proper yields on it.

[00:19:49] **Ruth Hegarty:** Wow that that really is really interesting. And a lot of things there that you might not think of Mark is that your experience? I mean, I'm wondering, are there other areas that you think people really need to think about in terms of efficiencies around their food?

[00:20:04] Whether maybe not necessarily, you know, as you and Niall both said, not necessarily price related. But other experiences you've had where you can really achieve efficiency or maybe even economies of scale, but without compromising quality and still avoiding waste.

[00:20:19] **Mark Anderson:** Oh, that's a tough one I personally myself Ruth, I think it goes back to that relationship and I keep saying it and it sounds so stupidly simple, but if you understand what you're getting through the back door and into your kitchen for your guys to work with, they understand how that's produced. They'll have a lot more respect for it.

[00:20:36] Also with wastage I just, I keep going talking to all of our chefs in our kitchens about looking at managing their wastage and understanding like, I mean, if you take too much off the top of a courgette or cucumber, or if you over peel a certain root vegetable or something like that, that's just waste, that money going out and all the other hard work that you do just means for nothing.

[00:20:56] And yes, you can make your pickles and you can ferment, and you can make your kimchi's and everything else and all that, but there's only so much of that you'll sell. If you're not just a cure, the amount of waste that just takes all your profit away.

[00:21:08] So it's really, really important a wastage that they understand that it is actually, money not just trimmings that you're throwing out in the bin.

[00:21:15] **Ruth Hegarty:** I mean which really kind of goes to highlight, I suppose that this can't just be a decision or a policy at the top you really need to have the whole team on board with it.

[00:21:23] **Mark Anderson:** You need to total buy-in because the younger, less experienced chefs will lose you just as much as your senior chefs if they don't understand the value of that product or why it has to be prepped a certain way or why you shave a piece of celeriac so close, so you get the maximum return. It's those small little things like that. And it comes back to even the basics of knife skills and understanding how to use your knife when you're pairing something or understanding, actually even the cooking process, so you're not over cooking.

[00:21:52] So not only is it losing the vitamin and nutrients, but it's actually leading to massive amounts of shrinkage and a product that, you know you have to use double the amount to get actually a kind of impact out of.

[00:22:02] **Ruth Hegarty:** Right so as, as you would say moving, moving away completely from the idea of you just do it because they told you to do it and really explaining to people why they're doing what they're doing.

[00:22:11] **Mark Anderson:** The most dangerous language or the most dangerous sentence in the English language is "because we've always done it this way". So, I would go back and challenge like you mean is there a better way to do things? It's like everybody wants to see chicken on the menu and just buy chicken breasts or buy chicken thighs, put a marinade, put some spice onto it, do something with it.

[00:22:26] It takes probably a little bit more thinking but it's a much, much better product as well. Like buy some of the lesser-known fish and highlight and champion them. So, you can get a lot more out of your menu. Also challenge your chefs to be a little bit more creative about what they do. So, things like that yeah because wastage is so, so key to what you do in the kitchen.

[00:22:44] I have a great story I remember where we had this one kitchen where the guys used to cook 50 croissants every day for breakfast. and they used to say to me "oh we won't waste them because when they're finished, we move them over to the coffee bar or whatever I'm going to sell them there".

[00:22:56] "And if they don't sell there, we'll take them back in and we won't throw them out we'll make bread and butter pudding with croissants". And I said, that's great. But every day they put 50 on again. So, I said, maybe we just cook 20 and we see if we need more, we'll batch cook a little bit more.

[00:23:08] So just, you know, go back and challenging people and yourself into what you do on a daily basis to see how your best can change that.

[00:23:15] **Ruth Hegarty:** Great so considering everything that we've just talked about, what are your top tips for every business that's listening on taking action to improve their food cost management? Niall I'll start with you.

[00:23:27] **Niall Hill:** I guess for me is the whole ordering you know - don't over-order like it's, you know it's really dangerous in one sense that it's money sitting on the shelf and then second sense that it's spoilage. So, it can be unnecessary. Control your portions, portion control is key.

[00:23:41] Yield analysis is key, and then you know for me, there is a lot of tools out there available. Fáilte Ireland have a great food costing template that they use in a breakfast toolkit, but this could be used for lunch, breakfast all day dining. You know and they've also a couple of training programs that they've developed on menu engineering and food costing.

[00:23:58] So, you know I think upskilling your team and involving them in the processes is key you know that they feel that they have a say and that they can make a real difference because as they make a real difference, you know there's the opportunity for the business to grow for them to grow within the business.

[00:24:12] **Ruth Hegarty:** Great, Mark?

[00:24:13] **Mark Anderson:** That was more than one point Niall,

[00:24:15] **Niall Hill:** Sorry

[00:24:16] **Ruth Hegarty:** You can give several tips if you like.

[00:24:19] **Mark Anderson:** I think the big thing for me is understanding what your product is. Far too often as I've been doing this job over the years over the many years, I've seen too many chefs not have any understanding of what the product they were using or why they were using it. So, they didn't know how to treat it respect it, cook it or get the best out of it. So, I think the big thing for me is wastage is everything. Wastage can wipe out your profits, no matter all the hard work you done, but also the big thing for me is they have to understand that product. Why they're using it, why it's in that dish and how they're going to maximize and get the best out of it.

[00:24:52] **Ruth Hegarty:** Brilliant thank you so much that brings us to the end of our third episode of Inside Food. My thanks to Niall and Mark for sharing their experience and expertise. You can find practical tools on food cost management in the breakfast toolkit on the COVID-19 business support hub at Fáilteireland.ie. Niall will be back again in the next episode when we'll be joined by IRFU performance chef, Maurice McGeehan for a discussion on food waste. Join us then and thanks for listening.

[00:25:19] **Voiceover:** The Inside Tourism Business podcast is brought to you by Fáilte Ireland, the national tourism development authority. Subscribe now on your favourite streaming platform and join us next time for more expert advice and insights.