

# Food Cost vs. Contribution Margin

**Food Cost** is a great system chefs and kitchen managers use to control portioning, waste, shrinkage, and theft. Actual weekly/monthly inventories are compared against theoretical menu costs - and a "variance" derived from the difference. Assuming updated product costs and accurate inventories, this tried and proven system is a must for all operations committed to maximizing efficiency.

**Contribution Margin**, on the other hand, is critical for all menu development. This system measures the dollars a particular menu item sends to the bottom line. Successful foodservice operators realize they are in business to earn dollars - not save food cost percentage points. When building menus study each item, their cost vs. selling price, and their contribution to margin. There are many profitable menus with an average food cost of 43%.



## Typical Food Costing Example

*(based on pre-portioned beef and chicken)*

### 7oz. Steak Sandwich

Cost of plate \$3.40, 35.7% f/c

Selling price \$9.50

Contribution \$6.10

Sell 50 steaks - gross profit \$305.00

### 6 oz. Chicken Sandwich

Cost of plate \$2.27, 30.3% f/c

Selling price \$7.50

Contribution \$5.23

Sell 50 sandwiches - gross profit \$261.50

*The gross profit on the Steak was \$43.50 more - for the same amount of labour.*

**Control the efficiency of your operation with food costing.  
Consider the profitability of items when developing menus.**

**Learn more about buying, preparing and marketing Canadian beef at foodservice**

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