



IMPROVING FINANCIAL PERFORMANCE

The Three basics of improving financial performance in F&B

There are three key ways to improve your financial performance:

- Sell more
- Buy cheaper
- Sell for more



This is very simplified but if you can deliver one or more of these, you will see benefits for the business.

SELL MORE

Look for ways to increase your sales without increasing your costs. This would mean generating additional covers at functions when you are already staffed accordingly, adding extra sales potentially through techniques such as upselling, generating more covers on busy days, and maximizing other opportunities. If you can increase your sales when you pass your daily or event break event point, this has a significant impact on the profit you can make.

What will not necessarily be productive is trying to generate additional sales in ways that incur further costs, such as putting on additional functions, or trying initiatives that incur more staffing/product costs that are disproportionate to the potential extra revenue. For example, if you already have a number of salaried staff in, plus some hourly paid on a Saturday, if you can sell more of what you are already offering, you will improve your financial performance. If you can increase the average number of covers for Sunday lunches throughout the year, you will enhance your finances. However, if you try and run a new function to just increase revenue, you need to be aware of all the costs associated with the event and monitor ticket sales closely to evaluate if it will be a success. Offers are a good way to use up stock that may soon go out of date, avoiding writing it off, however this may come at the detriment of your profit margin as if these replace your normal sales, you are generating less revenue, so a decision needs to be carefully considered.

Ultimately, if you sell more of what you already do, you will improve your financial performance.

BUY CHEAPER

Purchasing is a key part of any business and F&B is no exception. There is a careful balance to be met regarding quality, as you can always find someone who supplies lower quality product at a lower price, however if you can get the same product cheaper, so there is no compromise on your offering, this will improve your performance.

There are several ways to achieve this, and re-negotiation of deals, building of relationships, utilizing buying groups by purchasing through them at advantageous prices, or moving to new suppliers to purchase the same items you already buy that they also offer, are options you have available.

There are also other considerations regarding cost for your food offering, as the main objective is to reduce the total cost of what is put on the plate, so you also have options to reduce portion size and retain your retail price as well, although this may affect sales moving forwards.

When looking to refresh menus, it is worth investigating if your chef/caterer can produce dishes that will retail at the same price but use cheaper cuts of meat, which can require more preparation work to produce tasty options but produce an overall better profit margin.

Ultimately, if you reduce your costs whilst maintaining your revenue, you will improve your financial performance.

SELL FOR MORE

If you can increase your retail price and sell the same amount of products, your financial performance will improve. However, there can be a fine balance between increasing prices and sales dropping if you go too far. Equally there are other factors related to price increases and supplier increases enforcing a retail price rise are also things to carefully consider.

