



# 20 Ways To Raise Your Restaurant's Profit Margin

A Guide

## 20 WAYS TO RAISE YOUR RESTAURANT'S PROFIT MARGIN

Running a restaurant is the black diamond of storefronts when spearheading an increase in profit margin.

Why? Because when we think of restaurant profit margin and profitability, we have to consider a myriad of factors and equations.

In this guide, we will lock onto the levers that need pulling to increase restaurant profits so that you can **keep more money in your pocket at the end of the day. (Yay!)**





## HOW TO CALCULATE YOUR RESTAURANT'S PROFIT MARGIN

Before we jump into how to increase your restaurant's profit margin, we have to define our terms. So how do we calculate these numbers?

### Calculations To Find Your Restaurant's Profit Margin(s)

#### Gross Profit:

= Gross Revenue - The Cost of Goods Sold

#### Gross Profit Margin:

=  $[\text{Gross Profit} \div \text{Gross Revenue}] \times 100$

#### Net Profit:

= Gross Revenue - The Cost of Goods Sold  
- All Other Expenses (aka Total Expenses)

#### Net Profit Margin:

=  $[\text{Net Profit} \div \text{Revenue}] \times 100$

After a quick look at these calculations, you will soon see that the best way to increase your restaurant's profit margin is to lower operating expenses while simultaneously increasing gross revenue!

***"The best way to increase your restaurant's profit margin is to lower operating costs and raise revenue."***

## WHAT ARE RESTAURANT OPERATING COSTS?

Restaurant operating costs can typically be broken down into three distinct buckets. Labor and people management in the first bucket, food costs in the second, and rent and other costs in the third. What goes into those buckets may vary depending on the type of restaurant you run or the kind of support you need to run a successful operation, but for the most part, those buckets will look like this:



### Food Costs

- Ingredients
- Wastage
- Theft
- Delivery Costs
- Menu Engineering

### Labor and People Management

- Hourly Labor Costs
- Salaries
- Payroll Software
- Workforce Management Software
- HR Software
- Bookkeeping and Accounting Costs

### Rent and Other Costs

- Rent
- Utilities
- Maintenance and Repairs
- Marketing
- Reservation Software
- POS Software
- Equipment

# 15 WAYS TO LOWER RESTAURANT OPERATING COSTS

Now that we understand most of what makes up restaurant operating costs, we can start to plan how to lower them bucket by bucket. These are our top tips for reducing restaurant operating costs.

## 1 - Try Menu Engineering | Food Costs

During different times of the year or economic events, food costs for specific items will vary. Consider engineering your menu to offer cyclical dishes that reflect these shifts.

## 2 - Increase Your Training | Food Costs

Did you know that your team can develop an exact feel for how to measure units with practice and muscle memory? It's true. Consider investing in portion control practice with your team to help them serve the right amount every time, using muscle memory. In addition to this, be sure to train kitchen staff on how to properly portion and prepare food to reduce wastage — speaking of...

## 3 - Lower Wastage | Food Costs

The average restaurant wastes up to 75,000 pounds of food annually, with food being one of the highest variable costs in running a restaurant. Making the best use of it can maximize your margins. Do this by being mindful of the ordering, storing, and quality of the food you purchase.



## 4 - Prioritize Portion Control | Food Costs

Properly portioning dishes has a massive impact on the bottom line because mistakes add up quickly. Use best practices by portioning food during pre-shift before service commences, using measuring cups, ladles and color-coded tools to help your team stay on track.

## 5 - Build Relationships with Suppliers | Food Costs

Restaurants are built on community, food, and togetherness. Food is cyclical, and if your restaurant changes its menu frequently, it pays to build relationships with those on the front line when it comes to keeping things fresh and delicious.

## 6 - Love Your Inventory Management System | Food Costs

This point should arguably be number one, as your inventory management system is the epicenter of food tracking and inventory. Finding a great inventory management system that works for you will be the key to optimizing your food costs.



### 7 - Schedule Smart | Labor and People Costs

Labor costs are one of the most significant expenses for managing restaurant costs — typically hitting around 30% of gross revenue. This can be reduced by using scheduling software to help you schedule smart. Such software can help reduce labor costs by 3% by using overtime alerts and providing labor forecasts.

### 8 - Don't Pay For Unworked Hours | Labor and People Costs

In a recent study, a local juice bar discovered they were losing \$91,200 per year paying employees for unworked hours. An easy solution to combat time theft is by using time tracking software. This tool alerts business owners when staff members punch into their shifts outside their allotted scheduled shift times.

### 9 - Make Hiring Easy | Labor and People Costs

According to multiple sources, the average cost of hiring a new position is around \$4,000, so using smart technology, tools, and tips to streamline these operations can save you big money. If you haven't already, consider using an applicant tracking system to make hiring easy. You might also want to consider a platform that allows employees to self-onboard, and other tools like interview templates and SOP's.

### 10 - Automate Where You Can | Labor and People Costs

Can you automate it? Then do! We live in the glorious age of technology, meaning many epic tools can help us run our business without having to lift a finger.

If you manage a restaurant, consider using a software solution that offers automated tools such as streamlining worked hours to payroll, automating payroll calculations, or creating schedules for you based on forecasts for the week.

### 11 - Save 10 Hours A Week On Admin | Labor and People Costs

Less time spent on admin tasks like payroll calculations, employee recruiting, employee hiring, or onboarding adds up. A recent study found that they saved up to 10 hours per week using workforce management software to navigate their administrative and people management tasks.

### 12 - Use The Data | Labor and People Costs

The most shocking thing about data is that the results are not what you expect most of the time. As a business owner who manages sales vs labor metrics, understanding and learning from the data could help you avoid losing money from being over or understaffed regularly. Lean into tools that offer integrations between your labor and sales so you can make choices that will make your business money.

### 13 - Appreciate the Good Ones | Labor and People Costs

According to multiple sources, the average cost of hiring a new position is around \$4,000, so it pays to keep the good ones. There are many ways to keep great people. Still, some high-level takeaways include hiring smart, having a great onboarding process, offering flexible working hours, listening to and appreciating your staff, and tracking employee performance. This can be done manually or with the help of HR software.

### 14 - Get Green | Rent and Other Costs

Did you know that utility costs average between **2.5-4.5%** of overall sales?

We live in a time of smart houses and smart kitchens and, since every little bit counts, why not take advantage of it. Other ways going green could help you save money include:

- Opting for tablets or QR codes instead of menus.
- Using cost (and energy) saving lighting or utilities.
- Buying local.

### 15 - Get Creative With Rent | Rent and Other Costs

Rent is up there when it comes to operations costs, but there are always ways to cut costs if you are open to getting creative. For example, one option could be renegotiating your lease with your landlord. Alternatively, you could rent out your space for events or partner with another food service provider to offer their goods. There is also the option to downsize or purchase a space and renovate it using used or unique goods. Where there's a will, there's a way!



## 5 WAYS TO INCREASE RESTAURANT REVENUE

As we discussed earlier, the two most important levers to adjust when working to increase a restaurant's profit margin are those that lower operating costs and raise revenue. This section will dig into some ideas on how to raise restaurant revenue without spending a dime.

### 16 - Teach Selling Techniques | Increase Revenue

Working front of house in a restaurant is a sales job — that's why encouraging your FOH staff to improve their selling techniques will play a massive role in increasing restaurant revenue. This could include training around cross-selling, upselling, food and wine pairing, or more.

### 17 - Prioritize Menu Training | Increase Revenue

The best way to sell authentically and naturally is to really like and understand the product you are selling. So menu training and tasting should be prioritized whenever a new item is rolled out. Building this deep knowledge could be baked into the **onboarding process**.



### 18 - Learn Your Customers | Increase Revenue

We are social creatures, and the foodservice industry is a social place. Learning customers' names, preferences, and patterns is a great way to build trust and recurring business! A customer is more likely to become a regular if they feel wanted and noticed, so learn their names and faves.

### 19 - Strategic Features | Increase Revenue

Different dishes have different margins of profit based on their cost to acquire, produce and sell. Customers can easily be overwhelmed by extensive menus, so a win-win could be to select a low-cost (yet delicious) item with a high-profit margin for staff to feature all night long.

### 20 - Consider Staff Morale | Increase Revenue

Working in the restaurant industry should be fun. It's social, fast-paced, and involves connection. Lean into the vibe and promote morale with staff by introducing selling contests like BINGO or offering prizes or free meals to top sellers of the night.

## INCREASE YOUR PROFIT MARGIN WITH TECHNOLOGY

We hope you found these tips on understanding and reducing restaurant operations costs while raising revenue to be helpful and productive.

If you are looking for a great way to simplify your people operations and save up to 10 hours a week, consider Push Operations.

Push is the all-in-one platform for restaurants making people management easy. Push offers integrated payroll, HR, and workforce management tools that connect with most restaurant POS systems to help streamline operations and increase efficiency.

**Want To Increase Your Restaurant's Profit Margin?**

**BOOK A DEMO**

