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First chapter only

The Menu Profit Fix

Price Dishes by Margin, Supplier Cost, and Menu-Mix Data — Not Instinct

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The Menu Profit Fix

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Why Food Cost Percentage Misleads Owners

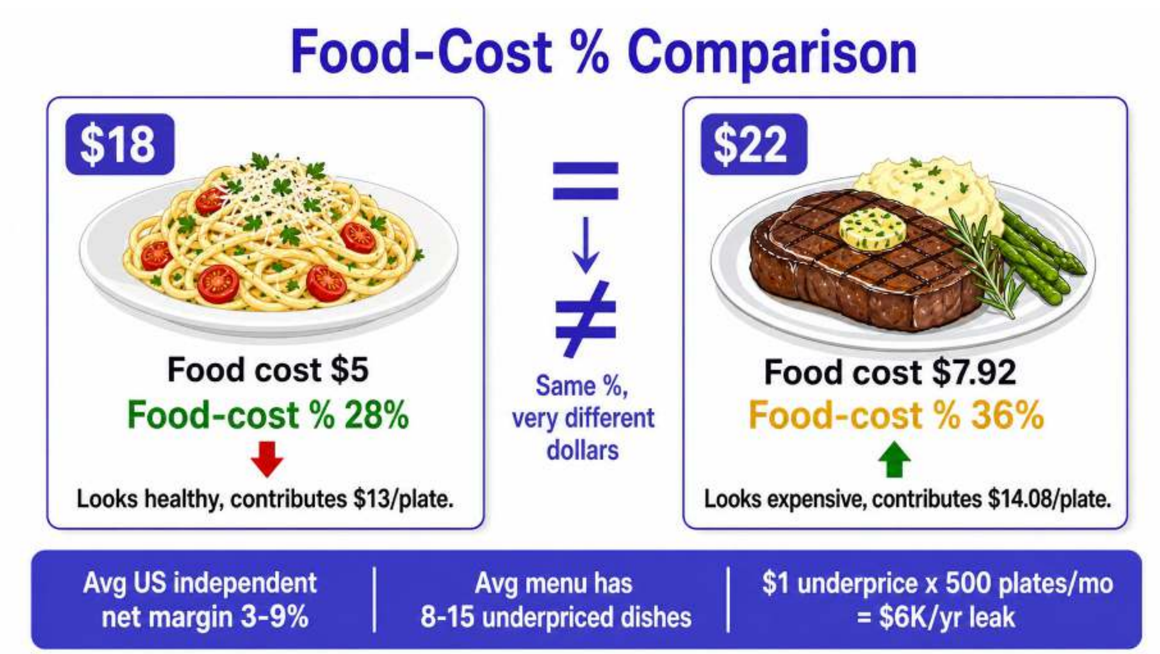

Figure 1. Food-cost percentage can mislead: a $18 pasta at 28% contributes $13, while a $22 steak at 36% contributes $14.08—and a $1 underprice across 500 plates becomes a $6K yearly leak

1.1 The Dish That Costs You Money Every Night

Here is the conversation I have in the back office of almost every independent restaurant I walk into. The owner pulls up a P&L on the laptop, points at the food cost line—usually somewhere between 30 and 34 percent—and says some version of the same thing. "We are right where we should be. The numbers are fine. So why is there nothing left at the end of the month?"

Then we sit down with the menu and a calculator. Within twenty minutes we have found three dishes that are quietly bleeding cash. Not because the food cost percentage is wrong on paper. Because food cost percentage is the wrong question.

The first dish is usually the carbonara. The owner priced it at $18 because that felt right next to the $22 ribeye. The food cost is $5—a tidy 28%. Looks healthy. Now do the other math. You sell 500 plates of carbonara a month. Each one contributes $13 to covering rent, labor, and profit. The steak across the menu has a 36% food cost, sells 120 plates, and contributes $14 a plate. The carbonara looks better by the percentage. The steak makes you more money per plate. And the carbonara, if you had priced it at $22 instead of $18—which the market would have absorbed without a flinch—would have added $2,000 a month to the bottom line. Selling the same 500 plates. To the same customers. With the same kitchen labor.

$6,000

annual leak from a single dish underpriced by $1 selling 500 times a month—and most independent menus have eight to fifteen of these

1.2 Where Food Cost Percentage Came From and Why It Stuck

Food cost percentage became the default metric in the 1970s because that is what the trade magazines printed and that is what point-of-sale systems calculated automatically. It is the easiest number to produce. Multiply each sold dish by its recipe cost, divide by sales, and you get a single percentage you can put on a slide. Operators repeat it the way pilots repeat altitude readings: "We are running at 31%, all good."

The problem is that food cost percentage tells you almost nothing about whether you are making money. A coffee shop runs food cost at 20% and goes bankrupt because labor is 45%. A steakhouse runs food cost at 38% and prints money because each ticket is $80 and the staff is lean. The percentage is a number on a dashboard. The dollar is what pays your mortgage.

Key Insight

The single most expensive habit in independent restaurants is reading food cost percentage as a goal instead of as a diagnostic. A 28% food-cost dish that contributes $3 in margin is worse for your business than a 38% food-cost dish that contributes $12. The right question is never "what is the food cost %." It is "how many dollars does this dish put in the till after I pay for the ingredients."

1.3 The Restaurant Math That Actually Matters

There are three numbers I run for every dish on every menu I touch. None of them is food cost percentage.

Metric	What It Tells You
Contribution margin (CM)	Sell price minus food cost—dollars per plate
Monthly CM contribution	CM times units sold—dollars per dish per month
Menu mix %	Plates of this dish divided by total plates sold

CM is the dollar amount each plate contributes to covering everything that is not the food on it—rent, gas, dish soap, payroll, your own draw. Monthly CM tells you which dishes are actually driving the business. Menu mix tells you which dishes the kitchen has to be able to fire on a Friday night without falling apart. These three numbers, on a single Excel tab, will rewrite your menu.

1.4 The Industry Backdrop in 2026

A few benchmarks worth keeping in your head as you read the rest of this book:

Metric	Value
US independent restaurant average net margin	3–9%[1]
Prime cost target (food + labor)	60–65% of sales
Full-service food cost target	28–35%
QSR / fast-casual food cost target	25–30%
Pizza category food cost target	22–28%
Bar program target pour cost	18–22%
Independent restaurants closing in year one	17%[2]
Independents closing within five years	60%

Read those numbers carefully. The average independent runs on a 3–9% net margin. That is the gap between a restaurant that thrives and one that closes inside five years. Recovering $1,500 a month in mispricing on a restaurant doing $60,000 a month moves your net margin by 2.5 percentage points. On a business this thin, that is the difference between paying yourself and not.

[1]National Restaurant Association, "State of the Restaurant Industry," 2025.
[2]Cornell School of Hotel Administration, longitudinal closure study, 2024.

1.5 The Three Pricing Traps That Got You Here

Almost every underpriced dish on an independent menu can be traced to one of three traps. I am going to name them so you can spot them tonight when you read your own menu.

1.5.1 Trap 1: Pricing Off What Felt Right Last Year

The carbonara was $15 when you opened in 2022. Beef costs are up 34% since then. Olive oil doubled. The dishwasher's hourly rate went from $15 to $19. The carbonara is now $16. You raised it once, two years ago, and it hurt to push the button, so you stopped.

1.5.2 Trap 2: Pricing Against the Competition Down the Street

The restaurant a block away charges $18 for their carbonara, so you charge $17 to look like a value. Then you discover their carbonara uses pancetta from a 50-lb wholesale case while yours uses guanciale from the Italian importer. Their food cost is $4.20. Yours is $6.80. You are matching their price with a higher cost structure. You are losing on every plate.

1.5.3 Trap 3: Pricing for the Loudest Customer

One regular complained at $22, so you knocked it to $20 and never moved it back. Meanwhile, the other 499 customers a month would have paid $22 without saying a word. You let one customer's opinion cost you $1,000 a month for the next year.

Pro Tip

Open your current menu right now. Circle three dishes you have not repriced in the last 12 months. Those are almost certainly your largest leak points. Do not change anything yet—we will work through the math in Chapter 2 and the reprice strategy in Chapter 8. Just mark them so you know where to look first.

1.6 What This Book Will Do for You

Eight chapters. The math gets gradually more sophisticated, but it never requires anything more than Excel or Google Sheets and a kitchen scale. By the end you will have:

- A recipe-costing system that captures every dollar going onto the plate, including the modifications you currently absorb for free
- A contribution margin worksheet that ranks every dish by how much money it makes you
- A menu matrix that classifies your menu into stars, workhorses, puzzles, and dogs—with a specific action for each category
- A supplier price tracker that fires reprice triggers automatically when ingredient costs cross your thresholds
- A delivery app margin model that tells you whether DoorDash is profitable for you or just busy
- A 30-day reprice plan that lets you fix the menu without alienating your regulars

Case Study

The Diner That Found $2,400 a Month

A breakfast and lunch diner in a strip mall just north of Denver came to me because the owner could not figure out why a 31% food-cost month felt tighter than

> a 34% food-cost month the prior year. We ran the contribution margin on every dish over a long Saturday afternoon. We found that the most popular plate—a build-your-own omelette with three fillings—had been priced at $11.50 since 2021. By 2026 the egg cost alone had jumped 41%. The CM on that omelette had quietly dropped from $6.80 to $3.90. With 700 plates a month that was $2,030 of pure margin walking out the door. We repriced it to $13.50 over the following month, lost about 35 plates a month in volume, and netted an additional $2,400 in monthly contribution. The food cost percentage went from 31% to 32%—and the bank account stopped lying about the business.

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