



DinerMagic

Web Based Solutions for Today's Restaurants

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Case Study

Written: September 30, 2010

Item: Tiger Prawn , 16/20 & Mexican Prawn, 16/20

Restaurant: Cafe Kitanishi, Brookings, OR 97415

Increasing food costs is an ongoing issue that all restaurants have to deal with, especially when seasonal changes or unforeseen occurrences happen that affect the yields of many different foods. These types of increases are usually much greater than normal inflation. When the average profit margin for restaurants is supposed to be at least 30%, how can restaurants keep from losing most of their profit margins when food costs rise by 20% or more? The following example shows how a DinerMagic restaurant customer was able to adjust its menu prices for those affected items. The savings for this one item more than paid for DinerMagic!

Situation Analysis

A seafood supplier sent the following email alert to one of our DinerMagic customers:

From: (Name withheld - General Vendor)

To: Café Kitanishi

Sent: Wednesday, September 29, 2010

Subject: Mexican Shrimp Update and Advisory

“Mexico has gotten off to a rocky start for both the farmed and wild shrimp seasons. The white spot virus was initially devastating...estimates were that the harvests were going to be reduced by 50%...”

Also, as a result of tropical storm Georgette affecting the temperatures and salinity levels and the cooler fall temperatures... “the end result of all this will be a further reduction of aquaculture receipts as well as smaller shrimp.”

During all of this, the prices for shrimp in Mexico have been driven up by US buyers all competing for a piece of this ever-shrinking pie. An already difficult season is becoming more difficult by the day.”

Advisory: “If I had a crystal ball I would venture to guess (a cost increase of) 20% +. For those who can we are suggesting BUY NOW!!!....OR change your menu prices to reflect the higher cost of goods that is soon to come.”

Solution

“We order about 48 pounds of prawns each month, which currently costs us about \$450. This is up from about \$300 last January. After the projected increase in October, we expect to be paying about \$520 per month. Because we have DinerMagic, we are able to increase our menu prices for the 10 items that use prawns, and we will fully cover the 20% increase for these items on our menu. We had just gone through this exercise a few months ago due to the Gulf Oil spill. So our cumulative savings was actually a lot more... Since we started using DinerMagic we will have saved over \$1000 in only 8 months in food cost for just this one item alone, because we will be able to immediately adjust our menu prices.” - Beth Wong, Cafe Kitanishi

Summary

In just a few minutes, this restaurant was able to edit and print new menus that reflect adjusted menu prices of the 10 different entrees that used shrimp or prawns on their menu. This customer has now preserved its' profit margin without having to contact their menu designer for the privilege of paying them and then having to wait for new menus to be printed and shipped. Prior to using DinerMagic, if this customer waited the typical 6-month interval between menu updates of most restaurants, think of how much money they would have lost.

Here are the actual numbers:

Tiger Prawn 16/20

6 packs x 4 lbs/pack = 24 lbs.

Cost / lb.	lbs	Total Cost	Invoice Date	Increase % since Jan. 2010	Annualized Savings with DinerMagic	Notes
5.899	24	141.58	1/14/2010			
6.140	24	147.36	1/28/2010	4.09	69.41	
6.149	24	147.58	2/4/2010	4.24	72.00	
6.149	24	147.58	2/18/2010	4.24	72.00	
6.149	24	147.58	3/4/2010	4.24	72.00	
6.160	24	147.84	3/18/2010	4.42	75.17	
6.169	24	148.06	4/8/2010	4.58	77.76	[1]
6.589	24	158.14	4/22/2010	11.70	198.72	[1]
6.589	24	158.14	4/29/2010	11.70	198.72	[1]
6.759	24	162.22	5/20/2010	14.58	247.68	[1]
6.990	24	167.76	5/27/2010	18.49	314.21	[1]
6.999	24	167.98	6/3/2010	18.65	316.80	[1]
8.079	24	193.90	7/15/2010	36.96	627.84	[1]
7.659	25	191.48	7/15/2010	29.84	598.85	[1] [3]
7.659	25	191.48	7/15/2010	29.84	598.85	[1] [3]
8.079	24	193.90	8/26/2010	36.96	627.84	[1]
9.059	25	226.48	9/9/2010	53.57	1,018.79	[1] [3]
9.059	25	226.48	9/9/2010	53.57	1,018.79	[1] [3]
8.159	24	195.82	10/7/2010	38.31	650.93	
10.870	24	260.88	Projected	84.27	1,431.65	[2]

[1] Increases attributed to the Gulf Oil Spill of 4/20/2010

[2] Projected 20% price increase per September 29, 2010 Alert

[3] Mexican Prawn 16/20 - 5 packs x 5 lbs/pack = 25 lbs.