

## [National Restaurant Association ®](#)

### To buy, or not to buy?



Arby's Roast Beef Classic

As about one-third of sales in a typical restaurant go toward food or beverage purchases, now is a good time to reexamine your kitchen workload and decide which items to make from scratch and which to purchase prepared. A thorough make-or-buy analysis can cut costs while ensuring quality. Here are five questions to consider before implementing any changes:

#### **1. Will my customers care if I change an item?**

“Certain items may be sacrosanct and cannot be changed,” says restaurant consultant Eric Dzwonczyk of AlixPartners’ Enterprise Improvement Practice in New York. Determine what’s core to your operation, including signature items and other points of differentiation.

At [Arby's](#), the roast beef arrives raw and is slow-roasted for three to four hours in each of the 3,400 units. “We have looked at a finished product that we could just warm up and serve to our customers,” says David Cox, president of Atlanta-based ARCOP, Inc., Arby’s Supply Chain Cooperative, and chairman of the National Restaurant Association’s [Supply Chain Management Executive Study Group](#). “But nothing beats the current formulation when it is slow-roasted in our restaurants. It’s part of our heritage and adds to the aroma of our restaurants.”

#### **2. Can I find a product that matches the quality of an item made in-house?**

If you’re considering replacing an item, create a detailed product specification and shop around for vendors. Start with labor-intensive items that have easy replacements, such as chopped onions, chopped or peeled garlic, processed lettuce and grated cheese, recommends Dean Small, managing Partner of Synergy Restaurant Consultants, headquartered in Laguna Niguel, California.

Larger chains may find that manufacturers can mimic items like soups, sauces and desserts, given time and provided with feedback, says Dzwonczyk. “It might take a supplier three or four iterations to match the taste, the color, the quality, the consistency,” he says.

Once your staff is satisfied with the quality, test the product with consumers. For an independent operator that could mean replacing your homemade chocolate cake with a vendor’s for a few weeks and gathering informal feedback. Large multiunit operations might conduct an extensive taste-testing panel and then try the item in a few units before scaling up to a regional test and an eventual national rollout.

### 3. How can I ensure consistency?

Cooking from scratch can yield a superb product, but not always. “You might have great pesto when Joe makes it, but not when Ralph does,” says Small. You can imagine the possible variance at large chains. “Operators will often decide it’s better to purchase a prepared item that allows for consistency than to make an item from scratch and have a big swing in quality.”

### 4. What’s less expensive?

Assuming you can find a product that meets your quality standards, compare the cost of “make versus buy.” Start by doing a yield study to determine food costs. A one-pound head of broccoli that you prep in-house obviously yields less than a one-pound package of broccoli florets. To get a meaningful price comparison, you need to compare apples to apples – or, in this case, chopped broccoli to chopped broccoli.

Next, consider your labor costs. While cut broccoli costs more per pound, it also reduces prep work. Calculate total labor-related costs, not just hourly wages, including social security, worker’s compensation and unemployment-insurance expenses, notes restaurant consultant Tom Bruce, president of Central Coast Food & Beverage in Capitola, California.

Consider the cost of purchasing and maintaining equipment necessary to prepare an item in-house. Also, take into account your staff’s skill level. If your staff cannot accurately portion pricy items like steak without much waste, it’s probably more cost-effective to buy pre-portioned items. Factor in the value of the kitchen space needed for the work and whether that real estate could be used more productively.

### 5. Are the savings real or only on paper?

Let’s say you calculated that purchasing cut broccoli is less expensive, because it reduces your labor by 20 minutes per day. While the math works in theory, most operators can’t reduce their labor by that small amount. Instead, you’ll need to take several items out-of-house at once. Otherwise, your costs could actually increase, since you’ll pay a premium for value-added products. “If you don’t reduce your labor in turn,” says Small, “all you’ve done is raised your costs.”

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