

Calculating the retail (selling) price

Calculating an accurate selling price must be based on YOUR CANTEENS OWN OVERHEADS. Prices must be set so that items sell, the canteen makes a sufficient profit, and the goals in the canteen policy relating to the markups on healthy and less healthy products are followed. Before you can make a decision on how much you are going to charge, you need to look at the BIG picture of how your canteen operates.

Simply follow these steps to calculate the selling price in your canteen
(hypothetical example only)

STEP 1

What are YOUR canteen's overheads?

- Wages, inflation, equipment depreciation, new equipment, cleaning materials, long service leave, insurance, super - expressed as a percentage
- IT DOES NOT INCLUDE COST OF FOOD

What is the net profit you would like to aim for?

- For example, \$4,000

Inflation

- We encourage you to include 5% for inflation as it generally removes the need to constantly raise prices during the year

STEP 2

Determine your school's **gross profit requirements**. This is how many cents in each dollar you need to cover all your overheads and desired net profit.

Unless something very drastic has changed (e.g. you have 30% more/less students, or wages have gone up by \$5 an hour) you should be able to last year's figures as a guide.

Case study example:

Previous year's total sales \$88,000

This year's expected overheads and desired net profit is calculated at \$39,000. This is the required gross profit.

Now you are in a position to calculate a target for expected sales.

- Net profit required by school \$4,000 + Expected overheads \$35,000
= Required gross profit \$39,000
- Expected sales \$88,000 + 5% for inflation (88000×0.05) = \$4,400
- \$88,000 + \$4,400 = **New expected sales = \$92,400**

STEP 3

Calculate your gross profit percentage i.e. - calculate what percentage of the new expected sales (\$92400) the overheads represent (\$39000).

- **Type this into the calculator:** $39000 \div 92400 \times 100 = 42.2\%$
- This means you need just over 42 cents in every dollar the canteen makes in sales to pay for all your overheads
- This means your **wholesale percentage** is 57.8%. Or in other words, you have 57.8 cents in each dollar leftover to pay for your cost of goods/ingredients and make a profit.

STEP 4

Calculate the selling price.

- Determine the cost of ingredients (wholesale price)
- Divide the cost of ingredients by the wholesale percentage

For example:

- Chicken tender wrap cost \$2.57
- Type this exactly into the calculator $2.57 \div 0.578 = \$4.44$ (selling price)

STEP 5

Check your calculations.

Gross profit percentage $\text{SELL PRICE} - \text{COST PRICE} \div \text{SELL PRICE}$

For example:

- Based on STEP 4, the chicken tender wrap costs \$2.57 to make and the sell price is \$4.44
- Type this into your calculator $4.44 - 2.57 \div 4.44 \times 100 = 42.1\%$

Revisit STEP 3 to ensure the price is covering the overhead percentage of (42.2%)

Rounding - the ACTUAL selling price you use should be rounded. For example, \$4.44 could be rounded up to \$4.50.

This is easier for you and easier for your customers. It also gives you a gross profit percentage of 42.8% (this slightly increases your expected profit).

Example

- Gross profit is: $\text{sell price} - \text{cost price} \div \text{sell price}$
- A pie costs \$1.00 and is sold for \$1.50.

$\$1.50 - \$1.00 \div \$1.50 = 33.3\%$ gross profit

RECIPE COSTING SHEET

Chicken tender & salad wrap

INGREDIENTS	UNIT COST	QUANTITY PER WRAP	INGREDIENT COST
8" Flour tortilla, 1 packet of 12	\$2.95	1	\$0.25
Chicken Breast Strips, box of 66	\$44.00	2	\$1.33
Tomato sliced	\$3.66kg	3 slices	
Whole lettuce shredded - 4 cups	\$2.99 each	½ cup (35g)	\$0.37
Whole cucumber sliced - 45 slices	\$1.48 each	4 slices	\$0.13
Carrot grated - 5 tbsp. 100g grated	\$0.20	2 tbsp. (40g)	\$0.08
Mayonnaise 540g jar	\$3.76	1 tbsp. (20g)	\$0.14
Paper wrap		1 sheet	\$0.05
TOTAL COST OF RECIPE			\$2.57
COST PER PORTION			\$2.57
WHOLESALE PERCENTAGE as per STEP 3			57.8%
SELLING PRICE as per STEP 4 (\$2.57 ÷ 57.8%) =			
ROUND UP :			

Tomato slices

Calculating cost price

Price per kilo ÷ 1000g x weight of individual item



For example:

\$ _____ kg ÷ 1000 x _____ g = _____ individual item

3 slices of tomato

Cost per serve _____ x 3 = \$ _____

STEP 6

The Mark-up Schedule and Trading Statement should be used in conjunction to work out -

- Your expected net profit one goods sold
- Your actual net profit.

The mark-up schedule tells you exactly how many items you sold, at what prices, and what your totals sales figures were for all of your food items.

The Trading Statement shows you what the ACTUAL figures were. This is the evidence against which the mark up schedule can be compared. The trading statement is made up of your opening and closing stocktake figures, all your income and expenditure.

You will be able to see from the mark up schedule exactly how many items were sold, and therefore how much money you SHOULD have taken.

But the Term Trading Statement is the real clue. Ideally, it should match exactly what the final sales total is on the mark-up schedule. But if it is out more than a few %, then you know that somewhere, somehow, money is being taken, or the incorrect change is being handed back, or money is being used straight from the till for petty cash, OR, your prices are too low.

NOTE:

Hypothetically, let's assume you have a gross profit percentage of 45%. Once you have correctly costed out all your food items and you have applied the 45% figure to them to arrive at your selling price, you may decide the prices are too high or low. You can then change the percentage accordingly.