

Restaurant Expense Control: *Myth vs Reality* — Masterrestaurant Analysis 2026

 By **Diego F. Parra** · Updated 2026-07-17 · Costing & Finance

QUICK VERDICT

Verdict. Restaurant expense control is not won by cutting food cost to the bone, but by governing prime cost —food plus labor— within 55%-65% of sales. The number that decides everything: full-service labor cost reached 36.5% of sales in 2024 (National Restaurant Association, 2025), its historical ceiling. If your prime cost exceeds 67%, you don't have a pricing problem: you have a structural capital leak. This analysis synthesizes real public data by segment so you know, with a cited figure, where you land and which decision to trigger today.

 **Masterrestaurant Study / Sector Synthesis** · Expert synthesis · cited industry sources · 12 min read

· 2026-07-17

INTELLECTUAL PROPERTY OF MASTERRESTAURANT® — EXCLUSIVE FOR SECTOR LEADERS

This document is an expert synthesis —not primary research with an in-house sample. Diego F. Parra and the Masterrestaurant team gathered and cross-checked real public data from serious industry sources (National Restaurant Association, Toast, U.S. Bureau of Labor Statistics, Black Box Intelligence, Rezku, MoneyGeek) published between 2024 and 2026, and applied the reading of a consultant who has worked with more than 8,400 restaurants across 43 countries. The figures belong to the cited sources; the contribution is the interpretation and by-segment organization.

Restaurant expense control drags a costly myth: that 'controlling' means cutting food cost. The reality, read over 2024-2026 public data, is that food cost is only one of the two halves of prime cost, and that labor —now at historical highs— is the variable that destroys the most margin. This analysis separates myth from metric reality line by line, each figure attributed to its real source, so the decision rests on the industry's verified benchmark, not on intuition.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	MYTH (COMMON OWNER BELIEF)	REALITY (REAL PUBLIC INDUSTRY DATA)
Labor cost, full service	✗ Controlled by cutting it to ~25% of sales	✓ Real median 36.5% of sales in 2024 (National Restaurant Association, 2025)
Labor cost, limited service	✗ Same as full service	✓ Median 31.7% of sales in 2024 (National Restaurant Association, 2025)
Occupancy cost (rent)	✗ Doesn't matter as long as rent is paid	✓ Healthy ≤6-10% of gross sales (Toast, 2025; FSR Magazine)
Third-party delivery	✗ Costs only the visible commission (~15-30%)	✓ Total effective cost 30%-40% of the order (OPA!, 2026)
Food waste	✗ A minor, unavoidable loss	✓ ≈\$72,000 per restaurant per year (The Restaurant HQ, 2025)
Staff turnover	✗ Swapping people is free	✓ \$2,305 per hourly employee; \$16,770 per GM (Black Box Intelligence, 2024)

Finding 1 — Prime cost rules: food plus labor within 55%-65%

Restaurant expense control is governed by prime cost —food cost plus labor—, which must stay between 55% and 65% of sales, not by food cost alone. The half destroying the most margin today is labor: full-service labor cost hit 36.5% of sales as a 2024 median, according to the National Restaurant Association (Restaurant Operations Data Abstract 2025), while limited-service landed at 31.7%. Working with over 8,400 restaurants, I've seen the same mistake repeated: owners who squeeze the plate to a 25% food cost while overstaffing the floor. Cutting food without governing labor is squeezing the wrong half. Industry labor cost ranges from 25% to 35% of sales depending on format (U.S. Bureau of Labor Statistics), and in QSR it rose 6.3% in 2024 from minimum-wage hikes alone (National Restaurant Association). The verdict starts with the whole, not with the plate. Labor is today the line weighing most on profit, at 36.5% of sales in full-service during 2024, according to the National Restaurant Association.

Finding 2 — Labor at historic highs: the variable that decides the result

That figure isn't temporary: it reflects minimum-wage hikes that pushed QSR labor cost up 6.3% in a single year (National Restaurant Association, 2024). The healthy sector benchmark places labor between 25% and 35% of sales by format (U.S. Bureau of Labor Statistics; Toast). When a full-service crosses 36% without fixing schedules, operating margin evaporates before rent is even paid. Add a hidden cost almost nobody books: workers' compensation insurance costs US\$1.06 per US\$100 of payroll, according to Kickstand Insurance (2025). Diego F. Parra insists: forecasting hours by daypart, not cutting food cost, is the real lever on prime cost. Labor decides the outcome. Staff turnover costs hard cash: replacing an hourly employee runs US\$2,305 in hard separation, replacement and training costs, and replacing a general manager reaches US\$16,770, according to Black Box Intelligence (2024). That spend appears neither on the menu nor in food cost, yet it destroys margin as real as any spoilage.

Finding 3 — Staff turnover is a P&L line, not an HR topic

In dozens of restaurants I've seen kitchen teams turn over three times a year, then the owner wonders why prime cost won't drop below 65%. Team stability is a line on the managerial P&L, not a human-resources matter. With full-service labor cost already at 36.5% of sales (National Restaurant Association, 2024), each prevented resignation directly protects margin. Retaining costs less than replacing: that's the math Masterrestaurant puts on the table, and it moves prime cost more than any supplier renegotiation. Third-party delivery doesn't cost 'the app's commission': its total effective cost reaches 30%-40% of the order value once you add fees, promotions and refunds, according to OPA! (True Cost of Third-Party Delivery, 2026). With a 30% food cost and 36.5% labor (National Restaurant Association, 2024), a channel taking another 35% of the ticket operates below break-even on every order.

Finding 4 — Third-party delivery: a channel that can operate below break-even

The mistake I see again and again: owners celebrating delivery volume without costing real margin by channel. The number decides: if healthy prime cost lives between 55% and 65% of sales, adding a channel at 40% direct cost forces raising in-app prices or restricting the available menu. Masterrestaurant treats it as a separate P&L by channel, not as incremental cost-free revenue. Volume without margin is a trap. Occupancy cost —rent plus associated charges— must stay below 6%-10% of gross sales to avoid drowning the margin, according to Toast and FSR Magazine benchmarks. Utilities (energy, gas, water and waste) add another 2%-5% of total revenue (Toast, 2025): in physical terms, a restaurant spends about US\$2.90 per sq ft on electricity and US\$0.85 per sq ft on natural gas per year. These fixed costs aren't loaded onto the plate: they belong to break-even, alongside labor and rent.

Finding 5 — Occupancy and utilities: the fixed costs that set break-even

The classic error is diluting rent and power inside the plate's food cost, distorting the costing. With occupancy under 10% and utilities under 5%, there's room for a 55%-65% prime cost (food plus labor) to leave profit. Masterrestaurant always separates the plate's variable cost from the location's fixed cost so the pricing decision never lies. Food waste costs an average of US\$72,000 a year per restaurant, according to The Restaurant HQ (Food Waste Statistics 2025), a spend that rarely appears explicitly on the P&L yet inflates food cost without the owner noticing. That shrinkage adds to kitchen equipment cost —between US\$50,000 and US\$150,000 for a mid-size restaurant (Rezku, 2025)— and to opening cost, which in the U.S. had a median of US\$375,000, or US\$113 per sq ft, in 2025 (Rezku). Controlling expenses starts by measuring the invisible: portions, spoilage and overproduction.

Finding 6 — Food waste: US\$72,000 a year almost nobody measures

In my experience, attacking waste recovers food-cost points faster than renegotiating with suppliers. With food already one of the two halves of prime cost, every dollar of avoided waste protects the 55%-65% target as directly as a well-planned labor shift. Insurance is a cost that stabilizes the business and shouldn't be the first to cut: a Business Owner's Policy (BOP) for a restaurant costs about US\$3,000 a year in the U.S., and property insurance runs around US\$740 annually, according to MoneyGeek (Restaurant Business Insurance Cost 2025). Add workers' compensation at US\$1.06 per US\$100 of payroll (Kickstand Insurance, 2025), a cost that grows with the very 36.5% full-service payroll (National Restaurant Association, 2024). Against a construction cost of US\$100 to US\$800 per sq ft (Rezku, 2025), these premiums are marginal but protect the entire investment.

Finding 7 — Insurance and protection: the cost that stabilizes, not the first to cut

The mistake I see is cutting coverage to dress up the monthly margin. Masterrestaurant treats them as capital armor: optimized by negotiating, not eliminating, because one uninsured claim erases years of well-executed expense control. The myth cuts food cost to 25% and neglects labor; the reality is that healthy prime cost lives between 55% and 65% of sales, and that full-service labor already weighs 36.5% (National Restaurant Association, 2025). Cutting food without governing labor squeezes the wrong half. The myth sees delivery as 'the app's commission'; the reality is a 30%-40% effective cost of the order once you add fees, promos and refunds (OPA!, 2026). A channel that looks marginal may be operating below break-even. The myth treats turnover as zero cost; the reality is \$2,305 to replace an hourly worker and \$16,770 for a general manager (Black Box Intelligence, 2024). Team stability is a managerial P&L line, not an HR side note.

Finding 8 — Myth vs reality: where capital really leaks

The myth ignores utilities and waste as 'small'; the reality is 2%-5% of revenue in energy, gas, water and waste (Toast, 2025) and ≈\$72,000/year in food thrown away (The Restaurant HQ, 2025). The 'small' leaks add up to whole EBITDA points.

POINT BY POINT

Myth vs reality, criterion by criterion

FOCUS OF EXPENSE CONTROL

A · MYTH (COMMON OWNER BELIEF) Cut food cost below 25%

B · MASTERRESTAURANT Govern prime cost (food + labor) at 55%-65%

Verdict: Reality wins: with full-service labor at 36.5% (NRA, 2025), prime cost is the lever that decides the margin.

DELIVERY ACCOUNTING

A · MYTH (COMMON OWNER BELIEF) Count it by the app's visible commission

B · MASTERRESTAURANT Count it by its 30%-40% effective cost of the order

Verdict: Reality wins: without the effective cost (OPA!, 2026), the channel looks profitable while operating below break-even.

STAFF TURNOVER COST

A · MYTH (COMMON OWNER BELIEF)

Assume swapping people is free

B · MASTERRESTAURANT Cost each
departure (\$2,305 hourly / \$16,770 GM)

Verdict: Reality wins: turnover (Black Box Intelligence, 2024) is a P&L line, not a soft HR topic.

FIXED STRUCTURE (OCCUPANCY AND UTILITIES)

A · MYTH (COMMON OWNER BELIEF)

Ignore it because 'it's already paid'

B · MASTERRESTAURANT Set occupancy
≤6-10% and utilities 2%-5% of sales

Verdict: Reality wins: healthy ranges (Toast, 2025) protect EBITDA when sales dip.

SIDE-BY-SIDE COMPARISON

The operational myth COMMON BELIEF

- ✗ Controlling expenses = cutting food cost to the bone.
- ✗ Labor is fixed and there's nothing to do about it.
- ✗ Third-party delivery costs only the commission you see in the app.
- ✗ Food waste is a minor loss that doesn't move the needle.
- ✗ Rotating staff is free: one leaves, another comes in.

The metric reality MASTERESTAURANT

- ✓ The lever is prime cost (food + labor), not food cost alone.
- ✓ Full-service labor reached 36.5% of sales in 2024, its ceiling (NRA, 2025).
- ✓ Delivery costs 30%-40% effective of the order with fees, promos and refunds (OPA!, 2026).
- ✓ Waste drains ≈\$72,000/year per restaurant (The Restaurant HQ, 2025).
- ✓ Replacing a GM costs \$16,770 in hard costs (Black Box Intelligence, 2024).

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	MYTH (COMMON OWNER BELIEF)	REALITY (REAL PUBLIC INDUSTRY DATA)
Labor cost, full service	✗ Controlled by cutting it to ~25% of sales	✓ Real median 36.5% of sales in 2024 (National Restaurant Association, 2025)
Labor cost, limited service	✗ Same as full service	✓ Median 31.7% of sales in 2024 (National Restaurant Association, 2025)
Occupancy cost (rent)	✗ Doesn't matter as long as rent is paid	✓ Healthy ≤6-10% of gross sales (Toast, 2025; FSR Magazine)
Third-party delivery	✗ Costs only the visible commission (~15-30%)	✓ Total effective cost 30%-40% of the order (OPA!, 2026)
Food waste	✗ A minor, unavoidable loss	✓ ≈\$72,000 per restaurant per year (The Restaurant HQ, 2025)
Staff turnover	✗ Swapping people is free	✓ \$2,305 per hourly employee; \$16,770 per GM (Black Box Intelligence, 2024)

THE NUMBERS THAT MATTER

The scorecard: expense control by line (real public figures, 2024-2026)

36.5%

Full-service labor over sales,
2024 median (historical ceiling)

31.7%

Limited-service labor over sales, 2024 median

40%

Third-party delivery total effective cost over the order (top of the 30-40% range)

72000 USD

Food waste per restaurant per year (average)

16770 USD

Hard cost of replacing a general manager

375000 USD

Median cost to open a U.S. restaurant (2025), \$113/sq ft

REAL CASE

“According to Hudson Riehle, senior vice president of research at the National Restaurant Association, elevated labor costs were the single biggest drag on restaurant profitability in 2024. I've seen it again and again at the register: the owner fights pennies on food cost while labor, already at 36.5% of sales, eats the margin without ever being looked at. The day we stopped auditing food alone and started governing the full prime cost, three points of EBITDA appeared that had been hiding in the wrong line for years.”

— Consultant's reading by Diego F. Parra (Masterrestaurant) on public data from the National Restaurant Association (2025)

HOW TO APPLY IT IN YOUR RESTAURANT

How to position yourself: from scorecard to decision

1

1. Calculate your real prime cost, not just food cost

Add food cost + total labor cost and divide by the period's sales. The healthy range is 55%-65%. If your labor alone already sits near 36.5% for full service (National Restaurant Association, 2025), the room for food is tighter than you think: aim for food cost $\leq 32\%$ per dish as a ceiling, never a target.

2

2. Audit channels by effective cost, not visible cost

Reclassify third-party delivery to its real 30%-40% cost of the order (OPA!, 2026) and compute its contribution margin by channel. An order that 'wins' in the app may lose money. Decide which channel to scale and which to cap using per-channel menu engineering, not gut feel.

3

3. Put a price on your turnover and your waste

Multiply your departures by \$2,305 (hourly) and \$16,770 (GM) per Black Box Intelligence (2024), and benchmark your waste against the ≈\$72,000/year average (The Restaurant HQ, 2025). These two 'invisible' lines usually cost more than the savings you chase on supplies.

4

4. Close the structure: occupancy, utilities and unit economics

Verify occupancy (rent) stays ≤6-10% of gross sales (Toast, 2025) and utilities at 2%-5% of revenue (Toast, 2025). With food, labor, channels, occupancy and utilities in order, recompute your break-even and EBITDA per location. That's where real restaurant expense control lives.

FAQ**Frequently asked questions about restaurant expense control****Which restaurant expense should I control first?**

Labor, not food. In full service it reached a median of 36.5% of sales in 2024, its historical ceiling (National Restaurant Association, 2025). Control prime cost first —food plus labor— because that is where the margin is decided.

How much should food cost per dish be?

The recommended maximum is 32% of the selling price per dish, never the target. Labor, rent and utilities are not charged to the dish: they go to break-even. A 28-32% food cost with prime cost under control is healthier than a 22% one that neglects everything else.

Why does my restaurant sell well but make no profit?

Almost always it's capital leakage in invisible lines: delivery at 30%-40% effective cost (OPA!, 2026), turnover at \$2,305-\$16,770 per departure (Black Box Intelligence, 2024) and ≈\$72,000/year in waste (The Restaurant HQ, 2025). Selling more without governing them amplifies the loss.

What does third-party delivery really cost?

Between 30% and 40% of the total order once you add commission, fees, promotions and refunds, not just the visible commission (OPA!, 2026). That's why you must compute contribution margin by channel before deciding how much delivery to push.

Sector data 2026 (official sources)

Verifiable industry benchmarks from official, non-commercial sources (government, industry associations, market research) - not competitors.

Metric	Benchmark 2026	Source
Unidades del sector restaurantero en México	12,2% de los negocios del país (2024)	CANIRAC / INEGI 2024
Valor de la industria restaurantera de México	300.000 millones de pesos en 2024	CANIRAC 2024
Empleos indirectos del sector restaurantero en México	3,5 millones de empleos indirectos (2024)	CANIRAC 2024
Caída de ventas del sector gastronómico en Colombia	-44% en 2024 (vs -40% en 2023)	Acodrés 2025
Establecimientos gastronómicos en Colombia	130.000 establecimientos, 54% informales (2024)	Acodrés 2025
Cierres de restaurantes en Colombia	1.600 restaurantes cerrados (ago 2023-2024)	Acodrés 2025