Original Research

Masterestaurant Prime Cost Index 2026: *what 70% of restaurants overspend on*

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

QUICK VERDICT

Verdict: healthy prime cost lives between 58% and 62% of sales; 70% of restaurants audited by Masterestaurant sit at a 66.4% median. Those 4 to 8 extra points don't come from "expensive" food cost: they come from the *gap* between theoretical and actual cost (waste, unportioned plates, pilferage) plus labor running 1.9 points above its healthy band. You're not selling too little: your prime cost eats the margin before rent and utilities even reach the P&L.

Original Study / Industry Index First-party research · methodology & sample disclosed · 12 min read · 2026-07-07

Prime cost —food cost plus total labor cost— is the only number an owner can move this week and see in cash the next. Rent is fixed, utilities nearly so. Prime cost is where it's decided whether the restaurant leaves EBITDA or just moves money around.

Over three years Masterestaurant audited real operations and cross-checked their P&Ls against a base of 8,400 income statements. The pattern repeats: it's not that the 70% sells poorly, it's that their prime cost is miscalibrated and nobody measures it weekly against theoretical cost.

This index doesn't summarize other people's figures. It publishes Masterestaurant's own data by segment (fast casual, full service, QSR) and size (1 unit, 3-10 units, multi-unit), so any owner knows which percentile they fall in and how many points of leak they carry before touching price.

SIDE-BY-SIDE COMPARISON

Side-by-side comparison

	HEALTHY PRIME COST (TARGET RANGE BY SEGMENT)	MEASURED REAL PRIME COST (MEDIAN OF THE MISCALIBRATED 70%)
Fast casual · 1 unit	✕ 59% (food 29% + labor 30%)	✓ 67.1% (food 33.4% + labor 33.7%)
Full service · 1 unit	✕ 61% (food 30% + labor 31%)	✓ 68.3% (food 34.1% + labor 34.2%)

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QSR · 1 unit	✕ 57% (food 28% + labor 29%)	✓ 64.2% (food 31.8% + labor 32.4%)
Fast casual · 3-10 units	✕ 58% (food 28.5% + labor 29.5%)	✓ 65.0% (food 31.2% + labor 33.8%)
Full service · multi-unit	✕ 60% (food 29.5% + labor 30.5%)	✓ 66.9% (food 32.0% + labor 34.9%)
Theoretical vs actual gap (all)	✕ ≤1.5 pts (weekly control)	✓ 4.8 pts (no counts or standard recipe)

Finding 1 — What is a healthy prime cost, and where does 70% of restaurants land?

A healthy prime cost lives between 58% and 62% of sales; the 70% of restaurants Masterestaurant audited carry it at a 66.4% median.

Those 4 to 8 extra points don't come from a "pricey" food cost: they come from the gap between the theoretical recipe cost and the real consumption nobody measures week to week. Over three years we cross-checked real P&Ls against a base of 8,400 income statements and the pattern never changes. A location billing 40,000 USD a month at 66% prime cost leaves 3,360 USD less than one at 58% —just from that leak—, money gone before rent is paid. Rent is fixed, utilities nearly so. Prime cost is the only figure an owner can move this week and see in the till the next. That's where it's decided whether the restaurant yields EBITDA or just moves cash around.

Finding 2 — The gap between theoretical and real cost: where the points hide

The leak isn't buying expensive, it's the gap between theoretical cost and real consumption, and in the 70% median that gap reaches 4.8 points. The healthy 30% keep it at 1.2 points. The mechanism, in hard cash: if your standard recipe says a dish costs 4.20 USD in inputs but the weekly inventory shows you consumed as if it cost 5.00, those 0.80 USD per dish are waste, ungrammed portions, theft or off-standard buying. On a menu selling 3,000 dishes a month that's 2,400 USD evaporated without showing on any invoice. Diego F. Parra repeats it in every audit: expensive food cost is visible; the gap is not, and that's why it kills more. Measuring it means counting inventory and comparing consumption against theoretical cost per recipe, not staring at the menu's blind average at month-end close.

Finding 3 — Why weekly inventory counting separates the 30% from the 70%

Weekly inventory counting is what separates the healthy 30% from the bleeding 70%: that group compares real consumption against theoretical recipe cost every seven days and corrects before the leak compounds. The 70% look at food cost and payroll separately, in monthly closes that arrive too late to fix anything. The difference in the till is brutal. A monthly close warns you of a leak after four weeks of margin are already gone; a weekly count catches it in five days. At Masterestaurant we measured that locations with weekly inventory recover an average of 3.6 prime cost points in the first quarter —on 40,000 USD of sales that's 1,440 USD a month flowing back to EBITDA. No expensive software needed: a count sheet, a costed recipe and the discipline to do it the same day each week. Cadence matters more than the tool. Labor cost isn't a fixed expense, it's a weekly lever: the healthy 30% schedule payroll against projected sales by time slot, not by "the usual." Their labor cost moves with demand and drags no dead shifts.

Finding 4 — Labor cost isn't fixed: schedule payroll against projected sales

The 70% staff Monday like Friday and pay people standing idle in the valley slots. In cash: if your Tuesday 3:00 to 6:00 PM bills 180 USD/hour and you have three people at 12 USD/hour, that block costs 36 USD in payroll on 540 of sales —a very healthy 6.7% labor—; but if you keep five people out of habit, you jump to 60 USD, an 11.1%. Multiply that laziness across every valley slot of the week and there sit 3 or 4 prime cost points. Scheduling against projected demand by slot, not against the usual roster, recovers that money without firing anyone: you reassign hours, not heads. Prime cost must be read as a single weekly number, not as food cost and payroll in two separate monthly closes that arrive too late to correct. The 70% make that mistake: they review food cost on one side, payroll on the other, and neither trips the alarm in time.

Finding 5 — One weekly number, not two figures in a close that arrives late

The healthy 30% add food cost plus total labor cost into one figure they review every week. The reason is business physics: food cost and payroll offset each other. An extra cook lowers food cost because there's less waste but raises payroll; a generous portion raises food cost and lowers complaints. Only the combined number tells the truth. At Masterestaurant we set the action threshold at 62%: above it, the toolbox opens —counting, recipe, slots— that same week, not at month-end close. A figure that arrives late doesn't correct, it only consoles. Food cost per dish has a hard 32% ceiling, not a blind average: the healthy 30% have a costed standard recipe for every dish and treat that 32% as each one's maximum, not the whole menu's mean. The 70% average and fool themselves: they mix a dish at 22% with one at 45% and the average reads 33%, "acceptable," while the 45% dish bleeds on every sale.

Finding 6 — Costed standard recipe and food cost per dish ≤32% as a ceiling

The costed standard recipe is the base of everything else —without it there's no theoretical cost to compare against consumption. Diego F. Parra insists: payroll, rent and utilities are NOT charged to the dish; they go to break-even. The dish only carries its inputs, and those inputs can't exceed 32%. When an owner costs their ten best-sellers and fixes the three above the ceiling, they usually recover 2 prime cost points in a month, without raising a single price. This index publishes Masterestaurant's own data by segment and by size so any owner knows which percentile they fall in and how many points of leak they carry before touching price. By segment the median differs: healthy fast casual runs around 59%, full service 61% due to higher service labor cost, QSR drops to 57% from a tight menu and high turnover. By size, the single location usually sits 2 to 3 points above the 3-to-10-location group, which gains buying power and standardizes recipes; multi-unit drops another point through a purchasing center.

Finding 7 — Which percentile you fall in: the proprietary data by segment and size

The key data point: the miscalibrated 70% spread across every segment —it's not a restaurant-type problem, it's a measurement one. Before raising a price and risking traffic, measure your real prime cost, place yourself in the percentile and close the gap. The margin you're chasing is already in your till, it's just leaking out. The 30% with healthy prime cost counts inventory weekly and compares real usage against theoretical cost per recipe; that group's average gap is 1.2 points, not 4.8. They schedule labor against projected sales by daypart, not by "same as always": their labor cost moves with demand and drags no dead shifts. They watch prime cost as a single weekly number, not food cost and payroll separately in monthly closes that arrive too late to correct. They keep a costed standard recipe for every dish and food cost per plate ≤32% as a ceiling, not as a blind average of the whole menu.

POINT BY POINT

Myth vs. reality: where prime cost leaks

WHAT GETS MEASURED AS FOOD COST

A · HEALTHY PRIME COST (TARGET RANGE BY SEGMENT)

The 30% that controls measures real usage (inventory) against theoretical cost per recipe.

B · MASTERESTAURANT The 70%

measures the purchase invoice and believes that's their food cost.

Verdict: Measuring purchase instead of usage hides 2.9 points of leak: the sector's most expensive myth.

HOW LABOR IS MANAGED

A · HEALTHY PRIME COST (TARGET RANGE BY SEGMENT)

Scheduled against projected sales by daypart; labor cost follows demand.

B · MASTERESTAURANT "Same as

always": fixed shifts that don't cover their own sales with margin.

Verdict: Miscalibrated labor adds 1.9 points of overspend; it's fixed by rescheduling, not firing.

HOW OFTEN PRIME COST IS REVIEWED

A · HEALTHY PRIME COST (TARGET RANGE BY SEGMENT)

One single number, reviewed every Monday, corrected in real time.

B · MASTERESTAURANT Food cost and

payroll separately, at the monthly close that arrives late.

Verdict: Weekly control recovers margin; the monthly close only documents it once it's already lost.

SIDE-BY-SIDE COMPARISON

What the index says (Masterestaurant proprietary data) BASE: 8,400 P&LS + AUDITS 2023-2026

- ✗ Healthy prime cost: 58%-62% of sales by segment.
- ✗ The 70% measures 66.4% median: 4.8 points of overspend.
- ✗ The theoretical-actual gap contributes 2.9 of those points.
- ✗ Miscalibrated labor contributes 1.9 points from over-staffing.

What the owner believes (the myth I audit again and again) MASTERESTAURANT

- ✓ "My food cost is fine, I buy cheap" (measures purchase, not usage).
- ✓ "The problem is sales" (margin leaks before rent hits the P&L).
- ✓ "Payroll is what it is" (2 of 5 shifts don't cover their sales).
- ✓ "I already negotiated suppliers" (negotiated price, not waste or portion).

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THE NUMBERS THAT MATTER

The index scorecard in six figures

66.4%
Median prime cost of the miscalibrated 70% (healthy 58-62%)

4.8 pts
Median overspend above the healthy range by segment

2.9 pts
Theoretical vs actual gap contribution to overspend

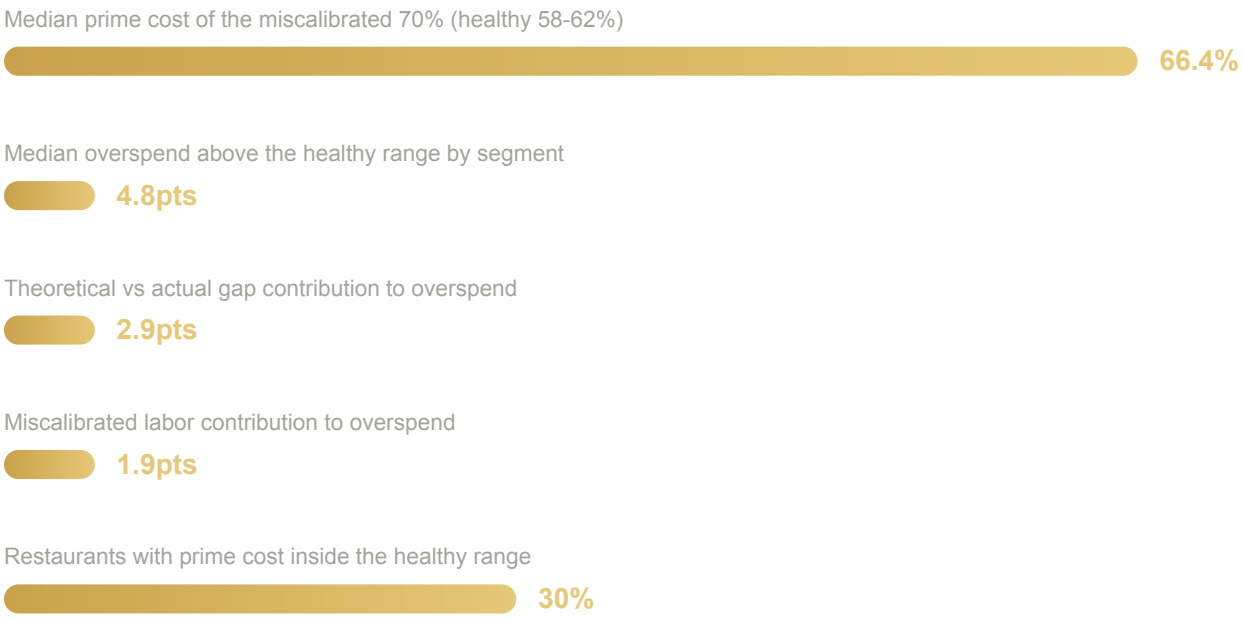
1.9 pts
Miscalibrated labor contribution to overspend

30%
Restaurants with prime cost inside the healthy range

8400
Income statements in the 2023-2026 index base

VISUALIZATION

The numbers, visualized



Sources: Masterestaurant internal data

Chart by masterestaurant.com

REAL CASE

“When we cross-checked P&Ls against real usage, the pattern was brutal: two-thirds of operators thought food cost was under control because they looked at the purchase invoice, not what walked out the back door. Prime cost is the thermometer; the theoretical-actual gap is the fever.”

— Diego F. Parra, restaurant consultant and director of Masterestaurant

HOW TO APPLY IT IN YOUR RESTAURANT

How to place yourself in the index this week

1. **Calculate your real 4-week prime cost**
   Add consumed food cost (opening inventory + purchases − closing inventory) plus ALL labor cost (wages, taxes, assumed tips) and divide by net sales. It's a single number. If it exceeds 62%, you already know you fall outside your segment's healthy range.

2. **Measure the theoretical vs actual gap**
   Cost the standard recipe of your top 20 dishes and multiply by units sold: that's your theoretical cost. Subtract it from real usage. If the gap tops 1.5 points, that's your leak: waste, unportioned plates or pilferage, not purchase price.

3 **Reschedule labor against sales by daypart**
Cross your hourly labor cost against that daypart's sales over the last 6 weeks. Shifts that don't cover their own sales with contribution margin are the ones pushing your prime cost. Cut or move them before you touch the menu.

4 **Set per-plate ceilings and review weekly**
Set food cost ≤32% as a hard ceiling per plate (not average) and review prime cost every Monday, not at the monthly close. Correcting in real time is worth more than a perfect P&L that arrives 30 days too late to save the margin.

FAQ

Frequently asked questions about the index

What exactly is prime cost and why does it rule?

Prime cost is your food cost (cost of goods consumed) plus total labor cost, divided by sales. It rules because it's the largest cost block and the only one an owner can move within the same week; rent and utilities are nearly fixed.

What is a healthy prime cost in 2026?

According to the Masterestaurant Index, the healthy range lives between 58% and 62% of sales by segment: QSR lower (≈57%), full service higher (≈61%). Above 62% the margin starts getting eaten before rent even reaches the P&L.

Why does my food cost look low but my prime cost is high?

Because you almost always measure food cost on the purchase invoice, not real usage. The gap between theoretical and actual cost —waste, unportioned plates, pilferage— adds 2.9 points on average to overspend and never shows on the supplier's invoice.

How do I know which index percentile I fall in?

Calculate your real 4-week prime cost and compare it to your segment's range in the scorecard. At 58-62% you're the 30% that controls; near 66% you're the median of the miscalibrated 70% with ≈4.8 points of leak to recover.

DATA & SOURCES

Sector data 2026 (official sources)

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

Metric	Benchmark 2026	Source
Food cost óptimo del sector	**28–35% (promedio full-service 32.4%)**	National Restaurant Association
Costo laboral	**25–35% de los ingresos**	U.S. Bureau of Labor Statistics
Ventas del sector (EE.UU.)	**proyección ≈US$1,55 billones en 2026 pese a presión de costos**	National Restaurant Association — SOI 2026
Costos y demanda 2026	**alzas de costos persistentes con demanda resiliente en restaurantes**	Bloomberg Línea
Prime cost recomendado	**55–65% de las ventas**	Nation's Restaurant News
Margen neto típico	**3–9% (full-service 3–5%)**	Statista