

Kitchen Management 101:
Reduce the Hassle and Discover the Benefits of a Better Weekly Inventory Control System

Profitable Kitchen Basics to Create a Better, More Predictable Guest Experience



Restaurant OWNER.com

Welcome!
Today's webinar will be starting shortly.

* See handout link on the control panel

Restaurant OWNER.com KITCHEN MANAGEMENT 101

Your Hosts



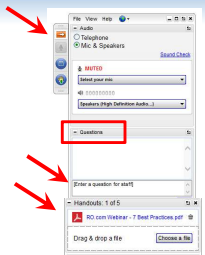
Jim Laube



Joe Erickson

Restaurant OWNER.com KITCHEN MANAGEMENT 101

Comments & Questions



Handouts: 1 of 5
80.com Webinar - 7 Best Practices.pdf

Restaurant OWNER.com WEBINAR OVERVIEW

1. Inventory control primer
2. Why count it weekly?
3. Simplifying weekly counts
4. Evaluating inventory apps



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INVENTORY CONTROL PRIMER

Restaurant OWNER.com RESTAURANTS ARE RETAIL . . .



Restaurant OWNER.com AND ALSO MANUFACTURING PLANTS

1. Raw Materials
2. Direct Labor
3. Production
4. Assembly
5. Final Product

How does manufacturing inventory differ from retail?

Restaurant OWNER.com RETAIL INVENTORY CYCLE

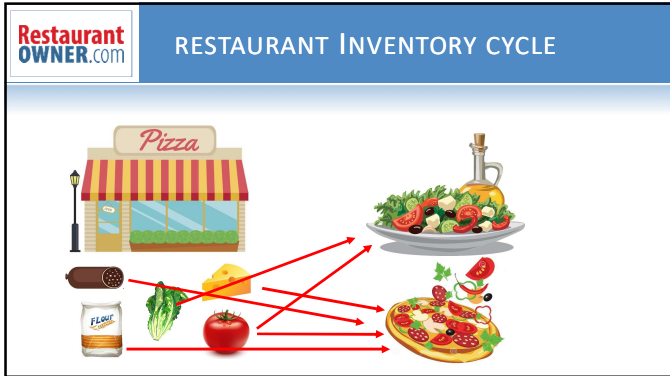
Clothes

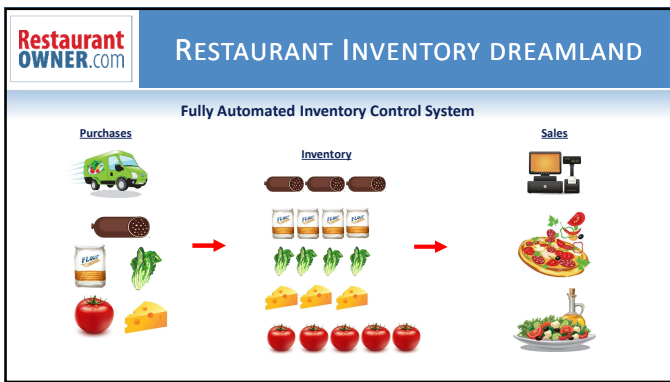
Books

Restaurant OWNER.com RESTAURANT INVENTORY CYCLE

Pizza

Very few items are sold individually.





Restaurant OWNER.com RESTAURANT INVENTORY REALITY

Fully Automated Inventory Control System

Why it may not be a good fit for the average independent restaurant


- Lengthy setup - every ingredient and recipe must be programmed
- Changing menus, substitutions and combinations
- Requires interface to vendor and POS
- Extensive training
- Constant updates



RESTAURANT INVENTORY REALITY

Practical inventory controls for most independent restaurants include...

- Weekly Cost of Sales Tracking
- Ideal Cost Comparison
- Daily Key Item Tracking




RESTAURANT INVENTORY REALITY

Weekly Cost of Sales Tracking

- Recording sales
- Recording purchases
- Counting inventory
- Calculating cost of sales

Restaurant Name	Ideal P&H Cost				Actual Cost				Variance	Total	Percent
	Week 1	Week 2	Week 3	Week 4	Week 1	Week 2	Week 3	Week 4			
SALES	1,000	1,200	1,100	1,300	1,050	1,250	1,150	1,350		10,800	100%
COGS	300	350	320	400	310	360	330	410		3,400	31%
Net Profit	700	850	780	900	740	890	820	940		7,400	69%
Food Cost %	30%	29%	29%	31%	29%	29%	30%	31%			
Alcohol Cost %	10%	10%	10%	10%	10%	10%	10%	10%			
Non-Inventory %	10%	10%	10%	10%	10%	10%	10%	10%			
Total	1,000	1,200	1,100	1,300	1,050	1,250	1,150	1,350		10,800	100%

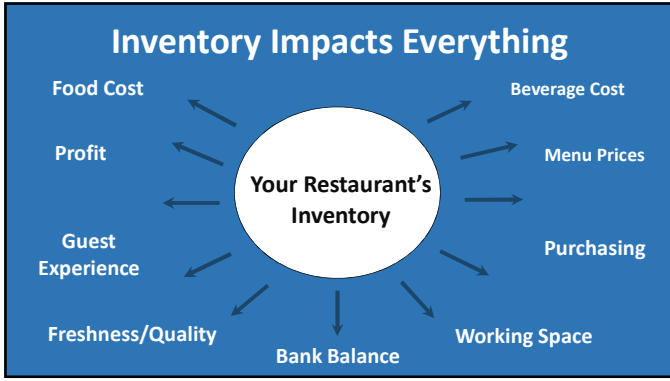


RESTAURANT INVENTORY REALITY

Ideal Cost Comparison

- Comparing actual cost of sales to ideal cost
- Ideal cost is the cost of each item sold times the number of units sold for the week
- Requires accurate recipe costing and POS sales mix

Item	Unit Cost	Units Sold	Actual Cost	Ideal Cost	Variance
Item 1	1.00	100	100.00	100.00	0.00
Item 2	2.00	50	100.00	100.00	0.00
Item 3	0.50	200	100.00	100.00	0.00
Item 4	1.50	70	105.00	105.00	0.00
Item 5	0.80	125	100.00	100.00	0.00
Item 6	1.20	80	96.00	96.00	0.00
Item 7	0.90	110	99.00	99.00	0.00
Item 8	1.10	90	99.00	99.00	0.00
Item 9	0.70	140	98.00	98.00	0.00
Item 10	1.30	75	97.50	97.50	0.00
Item 11	0.60	160	96.00	96.00	0.00
Item 12	1.40	70	98.00	98.00	0.00
Item 13	0.50	190	95.00	95.00	0.00
Item 14	1.60	60	96.00	96.00	0.00
Item 15	0.40	220	88.00	88.00	0.00
Item 16	1.70	55	93.50	93.50	0.00
Item 17	0.30	250	75.00	75.00	0.00
Item 18	1.80	50	90.00	90.00	0.00
Item 19	0.20	300	60.00	60.00	0.00
Item 20	1.90	45	85.50	85.50	0.00
Item 21	0.10	400	40.00	40.00	0.00
Item 22	2.00	40	80.00	80.00	0.00
Item 23	0.05	500	25.00	25.00	0.00
Item 24	2.10	35	73.50	73.50	0.00
Item 25	0.02	600	12.00	12.00	0.00
Item 26	2.20	30	66.00	66.00	0.00
Item 27	0.01	700	7.00	7.00	0.00
Item 28	2.30	25	57.50	57.50	0.00
Item 29	0.005	800	4.00	4.00	0.00
Item 30	2.40	20	48.00	48.00	0.00
Item 31	0.002	900	1.80	1.80	0.00
Item 32	2.50	15	37.50	37.50	0.00
Item 33	0.001	1000	1.00	1.00	0.00
Item 34	2.60	10	26.00	26.00	0.00
Item 35	0.0005	1100	0.55	0.55	0.00
Item 36	2.70	5	13.50	13.50	0.00
Item 37	0.0002	1200	0.24	0.24	0.00
Item 38	2.80	5	14.00	14.00	0.00
Item 39	0.0001	1300	0.13	0.13	0.00
Item 40	2.90	5	14.50	14.50	0.00



Restaurant OWNER.com WHY COUNT WEEKLY?

Inventory is ...

Restaurant OWNER.com WHY COUNT WEEKLY?

When you count it you ...

- ✓ Increase awareness
- ✓ Discourage theft
- ✓ Reduce waste
- ✓ React faster

Results: 2-5% increase in profits!


Restaurant OWNER.com WHY COUNT WEEKLY?

Typical Restaurant	Sales	\$1,000,000	
	Cost of Sales	340,000	34%
	Labor Costs	320,000	32%
	Operating Expenses	160,000	16%
	Occupancy & Other	130,000	13%
	Net Income	\$50,000	5%

Restaurant OWNER.com WHY COUNT WEEKLY?

Typical Restaurant	Sales	\$1,000,000	
	Cost of Sales	340,000	34%

Restaurant OWNER.com WHY COUNT WEEKLY?

	Sales	\$1,000,000	
	Cost of Sales	320,000	32%

\$20,000 or 40% Bump in NET INCOME!

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WHY COUNT WEEKLY?

Calculating inventory values is the ONLY way to know your true cost of sales.

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WHY COUNT WEEKLY?

HOW TO CALCULATE ACTUAL COST OF SALES

F&B Purchases	(what you bought)
Add - Beginning inventory	(what you started with)
Deduct - Ending inventory	(what you had left)
<u>Cost of Sales</u>	(what you actually USED)

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PURCHASES ARE NOT ACTUAL COST

FOOD COST CALCULATION

Food Purchases	\$ 10,000
Add - Beginning inventory	
Deduct - Ending inventory	
Food Cost	<u>10,000</u>

Restaurant OWNER.com **FOOD PURCHASES VS FOOD COST**

FOOD COST CALCULATION

Food Purchases	\$ 10,000	\$ 10,000
Add - Beginning inventory		6,000
Deduct - Ending inventory		(3,000)
Food Cost	10,000	13,000

PROFIT & LOSS STATEMENT

Food Sales	40,000	100%	40,000	100%
Food Cost	10,000	25%	13,000	33%
Gross Profit	30,000	75%	27,000	67%

Restaurant OWNER.com **WHY COUNT WEEKLY?**

Counting inventory is the only path to consistent cost of sales %

Restaurant OWNER.com **WHY COUNT WEEKLY?**

When percentages are consistent, it's easier to spot potential problems.

Restaurant OWNER.com WHY COUNT WEEKLY?

Cost % spikes can be attributed to the following reasons ...

- ✓ Waste
- ✓ Portion control
- ✓ Receiving problem
- ✓ Theft
- ✓ Unrecorded sales
- ✓ Sales mix
- ✓ Outdate menu cost
- ✓ Rising prices

Restaurant OWNER.com WHY COUNT WEEKLY?



Reduce cash tied up in inventory

- ✓ Food – turn over 4-6 times per month (5-7 days on hand)
- ✓ Liquor – turn over ¼-1 times per month
- ✓ Wine – turn over 1-2 times per month
- ✓ Beer – turn over 2-3 times per month

"Even though inventory is the same as cash at your restaurant, you can't deposit it into your account."

Restaurant OWNER.com HOW TO TRACK YOUR INVENTORY LEVELS

Days Inventory Ratio

The ratio tells you how much food and beverage inventory you have in terms of how much food and beverage you're using per day



Restaurant OWNER.com # DAYS INVENTORY RATIO

STEP 1

Calculate Average Daily Food Cost


<u>Food Cost (P&L)</u>	<u>\$30,000</u>	=	\$1,000
# of Days in Period	30 days		

Restaurant OWNER.com # DAYS INVENTORY RATIO

STEP 2

Calculate # Days Inventory

Food Inventory	\$6,000	=	6 days
Avg. Daily Food Cost	\$1,000		



30 days in month ÷ 6 days of inventory = 5 turns per month

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SIMPLIFYING WEEKLY COUNTS

Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Dept: GROCERY Blue Fish Grill Month: May

Item	QTY	PRICE	AMOUNT	DATE	TIME	BY	STATUS
Green tomatoes	10	1.50	15.00	5/1/17	10:00	JACK	OK
...

Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Best Practice Tips

Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Clean, organized storage and refrigeration areas.

- ✓ Shelves and product labeled
 - Easy to find
 - Easy to count

Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Clean, organized storage and refrigeration areas.

✓ Provide Sufficient Space



Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Organize into groups.


Food Inventory	Bar Inventory	Operating Supplies Inventory
Meat	Liquor	Paper
Seafood	Beer	Catering and banquet supplies
Poultry	Wine	Kitchen utensils
Produce	Bar consumables	Restaurant supplies
Dairy (Cheeses)		Cleaning supplies
Bakery		Linens
Grocery		Uniforms
Nonalcoholic beverage		

Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Option 1

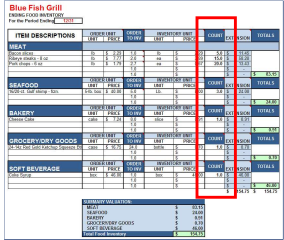
Use a printed template form


✓ Inventory Count Sheet



SIMPLIFYING WEEKLY COUNTS

Inventory Count Sheet






SIMPLIFYING WEEKLY COUNTS

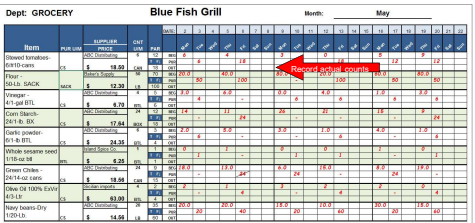
Use a printed form template

- ✓ Inventory Count Sheet
- ✓ Order Guide Count Sheet



SIMPLIFYING WEEKLY COUNTS

Order Guide Count Sheet



Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS


Keep inventory information updated.

- ✓ Use a master template (or app)
- ✓ Update pricing daily
- ✓ Rearrange forms to match storage area changes

Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Count it on Sunday

- ✓ Mon-Sun tracking week works best
- ✓ Lowest inventory level
- ✓ Easier to prepare weekly orders
- ✓ More cash available for purchases




Restaurant OWNER.com SIMPLIFYING WEEKLY COUNTS

Use 2-person count team.

- ✓ One counts, one records
- ✓ 2nd pair of eyes
- ✓ One team for food, another for bar
- ✓ "Paint" your restaurant





EVALUATING INVENTORY APPS



EVALUATING INVENTORY APPS

Broad Line Distributors









EVALUATING INVENTORY APPS

POS and Credit Card Services















Restaurant OWNER.com EVALUATING INVENTORY APPS

Inventory Control Apps

Restaurant OWNER.com EVALUATING INVENTORY APPS

Streamline your current system first

- ✓ Are counts being completed within guidelines?
- ✓ How accurate are the numbers?
- ✓ Organized?
- ✓ Prices and other info updated weekly?

Restaurant OWNER.com EVALUATING INVENTORY APPS

List the reasons you want to automate

- ✓ Speed up counting
- ✓ Speed up calculation
- ✓ Maintain current pricing
- ✓ More accuracy
- ✓ Just because it's cool

Restaurant OWNER.com EVALUATING INVENTORY APPS

Set your expectations

- ✓ What you may not realize
- ✓ Extensive set-up
- ✓ May require you to record individual item purchases in order to keep prices updated
- ✓ 99.9% chance you will still be counting

Restaurant OWNER.com EVALUATING INVENTORY APPS

Designate a champion

Someone needs to be held accountable for a successful rollout.

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Your Comments & Questions

