

Critical Numbers: A Weekly Report Every Restaurant Should Prepare

by Jim Laube

Chain operators are serious about what they do. Here's one report that every chain restaurant prepares each week and how they use it to stay on track. Find out an easy way you can do it and add 2%-4% of your sales to your bottom line - GUARANTEED!

If you're serious about making more money, you've got to know how your biggest, most volatile costs are running, not just once a month, but at the end of every week. In regard to controlling prime costs, once a month is just not good enough.

The most profitable restaurants I've ever worked with all track their prime costs on a weekly basis. They don't wait around until their monthly or 4-week P&L is prepared to find out what happened. And for their efforts in preparing a weekly report, they are rewarded handsomely on their bottom lines.

Many of the large chain operators, prepare a full Profit & Loss Statement each week. A weekly P&L is not feasible for most independent operators, but knowledge of sales and prime costs each week is a must for any restaurant serious about controlling their biggest and most volatile costs.

What Is Prime Cost?

Prime cost is cost of sales (food & beverages) plus all payroll related costs, including gross payroll of all management and hourly personnel and payroll taxes, benefits, worker's compensation, etc.

Prime cost usually runs 60% to 65% of total sales in a full service restaurant and 55% to 60% of sales in a quick service restaurant.

You want to know your prime cost as frequently as possible. If you learn about a problem with hourly payroll or liquor cost from your monthly Profit & Loss Statement what can you do about it then? How long has the problem been going on? By the time you get your financial statements you're probably half way through the following month and it's old news. Think of all the money you're probably already lost. If you know what your prime costs are at the end of every week, when something is out of line, you're in a much better position to react quickly, cut your losses and get the problem resolved.

The most profitable restaurants in the country, know their food and beverage costs at the end of each week. They also know how many days worth of inventory is sitting on the shelf, as of "last night." If there's a problem, they know about it quickly and can respond accordingly. Weekly food cost reporting changes the entire culture in the kitchen because of the awareness and the sense of ongoing accountability it creates.

Another benefit of weekly food cost reporting is that it also makes people very cognizant of their inventory levels. It's very common for restaurants to **lower their food cost by 2 to 4 percent of sales** in just a few weeks by calculating food cost and tracking inventory levels every week.

The first step in calculating your weekly food cost is to keep a record of your food and beverages purchases every day on what some operators refer to as an **Invoice Log**. An invoice log worksheet is included in our downloadable Prime Cost Worksheet file. It's just a process of posting your food and beverages to the report each day and indicating what amounts are chargeable to your specific food & beverage categories.

Don't forget about posting credits for any **product returns or invoice adjustments** and be sure to log in **cash paid-out transactions** for food and beverages purchases too. At the end of the week you've got your total purchases of food, liquor, beer and wine.

Hourly labor cost should be calculated daily. If your POS or other timekeeping system calculates this for you, great, then you can just enter your hourly labor cost daily or at the end of the week. If you've don't get your daily labor cost daily, we've included a separate worksheet within our Prime Cost Worksheet file so you can easily calculate it. You just list your employees in the same order that you can get their daily hours and then indicate each employee's hourly wage rate. Each day you can enter the hours worked and the worksheet calculates hourly labor cost.

Below is the Weekly Prime Cost Worksheet. Enter the daily sales figures from your Daily Sales Report and your ending inventory from an extended Inventory Count Sheet. The beginning inventory is last week's ending inventory. You can also add the number of covers served each day to get your daily and weekly check average.

Blue Fish Grill

PRIME COST WORKSHEET

Week Starting/Ending Dates

2-Jan 8-Jan

Taxes & Benefits

22.0%

	MON	TUE	WED	THU	FRI	SAT	SUN	INVENTORY		TOTAL	PCT
	2-Jan	3-Jan	4-Jan	5-Jan	6-Jan	7-Jan	8-Jan	BEG	END		
SALES:											
Food	1,106	1,298	1,547	1,758	1,956	2,357	1,647			11,669	73.5%
Liquor	151	205	196	223	350	421	338			1,884	11.9%
Beer	75	101	120	138	140	166	158			898	5.7%
Wine	95	109	185	224	205	350	255			1,423	9.0%
Total Sales	1,427	1,713	2,048	2,343	2,651	3,294	2,398			15,874	100.0%
COST OF SALES:								Purchases			
Food							4,417	2,359	2,885	3,891	33.3%
Beverage -											
Liquor							927	1,958	2,554	331	17.6%
Beer							276	572	595	253	28.2%
Wine							599	1,021	1,146	474	33.3%
Total Beverage							1,802	3,551	4,295	1,058	25.2%
TOTAL COST OF SALES										4,950	31.2%
LABOR:											
Management										1,400	8.8%
Hourly Personnel	281	303	392	427	495	540	541			2,979	18.8%
Payroll Taxes & Benefits										963	6.1%
TOTAL LABOR										5,342	33.7%
PRIME COST										10,292	64.8%
GROSS MARGIN										5,582	35.2%
Covers	105	119	145	159	165	184	156			1,033	
Check Average	13.59	14.39	14.12	14.74	16.07	17.90	15.37			15.37	

Here's the completed Prime Cost Report comparing the current week results with the prior week:

Blue Fish Grill					
PRIME COST REPORT					
Week Starting/Ending Dates		2-Jan	8-Jan		
		CURRENT WEEK	LAST WEEK	VARIANCE	
SALES					
Food	\$ 11,669	73.5%	\$ 11,542	74.1%	127
Liquor	1,884	11.9%	1,905	12.2%	(21)
Beer	898	5.7%	885	5.7%	13
Wine	1,423	9.0%	1,250	8.0%	173
TOTAL SALES	15,874	100.0%	15,582	100.0%	292
COST OF SALES					
Food -	3,891	33.3%	3,354	29.1%	(537)
Beverage -					
Liquor	331	17.6%	365	19.2%	34
Beer	253	28.2%	275	31.1%	22
Wine	474	33.3%	656	52.5%	182
Total Beverage	1,058	25.2%	1,296	32.1%	238
TOTAL COST OF SALES	4,950	31.2%	4,650	29.8%	(300)
PAYROLL					
Management	1,400	8.8%	1,400	9.0%	0
Hourly Personnel	2,979	18.8%	2,875	18.5%	(104)
Total Salaries & Wages	4,379	27.6%	4,275	27.4%	(104)
Total Employee Benefits	963	6.1%	964	6.2%	1
TOTAL PAYROLL	5,342	33.7%	5,239	33.6%	(103)
PRIME COST	10,292	64.8%	9,889	63.5%	(403)
GROSS MARGIN	5,582	35.2%	5,693	36.5%	(111)

Many restaurants end their week on Sunday and have the report prepared by noon on Monday. Inventory levels are usually at the lowest level of the week on Sunday night (Monday morning) so there's fewer products on the shelves to count.

Some restaurants that have the managers prepare this entire report. Others have a bookkeeper or clerical person assist in some way on Monday morning.

One suggestion. To make it easier to post invoices, have your vendors, particularly the broadline distributors, give you separate invoices for each major product type. Tell them you want a separate invoice for just your food items, a separate invoice for cleaning supplies, an invoice for paper goods and so on. This makes it very easy to log invoices into their correct categories without having to break out the categories manually. Also have them break down your food items by your food categories like meat, seafood, poultry, grocery, etc.

If you're serious about controlling your food and beverage costs, knowing where you stand each week will definitely help. It will be **well worth the effort** when you notice the difference on your bottom line.