



# Restaurant Management System Essentials



COGS-Well

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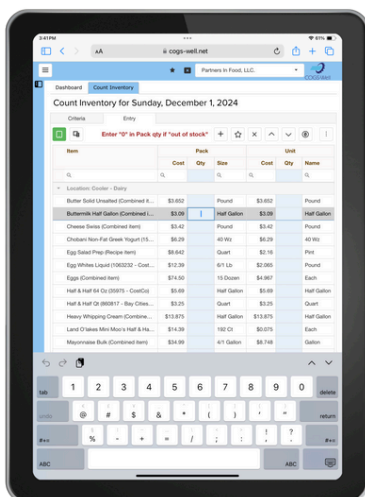
Knowing what to look for is key when choosing an inventory, recipe, and cost management system for your restaurant. The right system can streamline your operations, save you time, and improve your bottom line.

This guide breaks down the essential features and integrations every restaurant operator should expect in a comprehensive solution.

## Inventory Management

A restaurant inventory management system should include features for importing invoices, exporting to your accounting system, and counting, ordering, receiving, and transferring inventory items.

**Invoice Processing:** An inventory management system should include a solution for scanning and importing invoices to automatically update the inventory item receiving database. The summary invoice information should also be able to export to your Accounts Payable system. You should not need to enter invoices manually. A quality inventory system can also import invoices directly from vendors via Electronic Data Interchange (EDI).



**Counts:** An inventory management system must provide an easy way for you to count and value your inventory on hand, ideally on a tablet or via a worksheet. You should be able to assign items to storage locations and count items by both full and partial packs. Ideally, even a new inventory item just received will show up in the system for counting.

**Ordering:** The ordering features should include order entry, order templates, par levels, and suggested reorder levels. There should also be an option to order by vendor or by item. The system should generate purchase orders that can be automatically emailed or exported to vendors. A robust system will include an option for item usage projections or forecasts.



**Receiving/Invoice Detail:** Inventory items, pack size, quantity received, pack cost, and vendor for each item should be tracked.

The system should tell you what items you are buying, from which vendors, in what quantity, and at what cost over any desired date range. Invoice images should also be available when needed. The system should generate cost alerts for significant item cost changes.



**Transfers:** If your restaurants transfer between locations or utilize a commissary, an inventory system needs to include features for requesting and fulfilling transfers. The transfer feature should adjust costs, stock levels, and export cost adjustments to your general ledger system for each location. Systems with transfer request and fulfillment features provide a more complete solution than fulfillment-only alternatives.



**Actual Usage:** An inventory management system should calculate your inventory usage at an item level as well as an aggregated level. This tracking should be aligned with how you track your cost of goods sold (COGS) on your profit and loss statement. The accounting formula is:

**Beginning inventory, + purchases, +/- transfers, - ending inventory = Actual Usage and COGS.**

**Accounting Integration:** Your inventory system should be able to interface with your accounting system to export invoice information to accounts payable, export transfer adjustments, and export ending inventory valuation adjustments to your general ledger.

## Recipe Management

A quality inventory system will also include recipe costing and modeling features, allowing you to add the ingredients for each of your recipe items and calculate the cost to prepare each recipe item based on the most recent ingredient costs. The ingredient costs should always be up to date (reflecting the last invoice).

### Multiple Recipe Unit Types:

Onions might be used by the weighted ounce in one recipe, by the cup in another, and by each in another recipe item. The best recipe systems will let you assign recipe units for more than one measure class (volume, weight, and count) to a single ingredient.

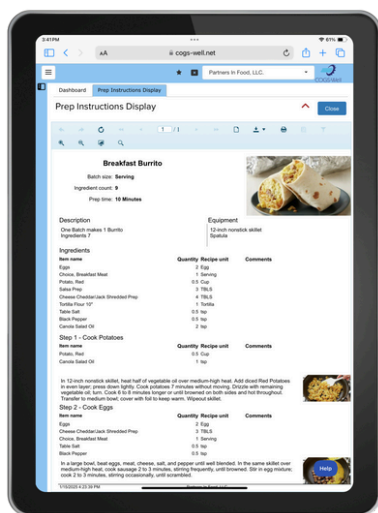


Item name	Recipe unit	Quantity	Unit cost	Total cost	% of total
Avocado (Combined item)	Tbs	4	\$0.065	\$0.258	9.72%
12/14 Daily Bacon (Weber Quality Meats, Inc.)	Slice	1	\$0.281	\$0.468	17.62%
Pepper Jack Chsw 2/5# (Challenge)	Wz	1.5	\$0.197	\$0.296	11.14%
3-1 Round Beef Patty (Weber Quality Meats, Inc.)	Patty	1	\$1.018	\$1.018	38.30%
Lettuce Iceberg (Bay Cities Produce)	Leaf	1	\$0.050	\$0.055	2.08%
Tomato Large (Loose) (Bay Cities Produce)	Wz	1.5	\$0.078	\$0.131	4.92%
				\$2.657	26.70%

**Scalable Recipe Units:** You might use a tablespoon of vinegar in one recipe, a cup in another, and a liter in another recipe. Top-notch recipe costing systems allow you to select from multiple recipe units within the same measure class when adding an ingredient to a recipe.

**Prepared Item Recipes:** Recipe items that you prepare in batches such as soup, chicken salad, or chili should be able to be counted and valued in your ending inventory. They should also have the option to be transferred.

**Suggested Prep and Production:** More sophisticated restaurant management systems will provide an option to suggest and track your preparation or production quantities and costs for prepared items.



**Preparation Instructions:** A recipe management system should also include the option to enter preparation instructions, including pictures, steps, descriptions, and prep utensils. There should be a “recipe viewer” feature for prep staff.

**Recipe Modeling:** Ideally, a recipe for a sales item (a menu item you sell) will calculate the cost as a percent of its price and the gross profit of the sales item. There should be an option to enter a target cost percentage so pricing can be suggested or to enter a desired price to see the impact on cost or profitability for the sales item.

**Waste:** A quality inventory system will also provide the option to track and report waste quantities and costs. It should accommodate tracking waste for inventory and recipe items.



## Food and Beverage Cost Analysis

An inventory, recipe, and cost management system must interface with your Point of Sale system to import the menu item sales mix (what menu items were sold, at what price, and in what quantity). The best systems integrate with numerous POS systems and can rapidly integrate with new ones.

**Theoretical Cost & Usage:** Theoretical cost and usage are calculated by combining the sales mix from your POS with the recipe for each item to determine what your cost of sales and inventory usage should be (your theoretical cost and usage). For example, if a hamburger uses 8 ounces of beef that costs \$.25 per ounce, and if 100 were sold, your theoretical usage for beef is 800 ounces (100 x 8oz), and your theoretical cost for beef is \$200 (800 x \$.025).

**Variance Analysis:** The system should compare theoretical cost and usage to your actual cost and usage to determine variances to help isolate problems such as theft, over-portioning, or too much waste. Using the above hamburger example, the system should compare your actual cost and use of beef to the theoretical cost and usage to calculate variances.

### Item Usage Variance Report

Sunday, July 07, 2019 thru Sunday, July 14, 2019  
Meat

Item name	Pack size	Begin	+Recvd	Actual		-End	=Usage	Theo Usage	Variance		Waste Quantity
				+/-Xfers	+/-Prod				Quantity	Amount	
<b>Food-Meat</b>											
12/14 Daily Bacon (Weber Quality Meats, Inc.)	Pound	30.00	30.00	0.00	0.00	30.00	30.00	28.35	-1.65	(\$10.57)	0.00
20Z Pork Link Jone/Raw (Weber Quality Meats,	Pound	10.00	10.00	0.00	0.00	5.00	15.00	25.93	10.93	\$46.92	0.00
20Z Sausage Patty Rose (Weber Quality Meats,	Pound	5.00	0.00	0.00	0.00	5.00	0.00	11.18	11.18	\$41.29	0.00
3-1 Round Beef Patty (Weber Quality Meats, Inc.)	Pound	3.33	24.00	0.00	0.00	2.33	25.00	23.69	-1.31	(\$3.87)	0.00
40z Stk Eze Philly Stk (Weber Quality Meats, Inc.)	10 Lbs	0.00	0.00	0.00	0.00	0.50	-0.50	0.00	0.50	\$41.25	0.00
6" 4-1 Hot Dog-5264 (Weber Quality Meats, Inc.)	Pound	5.00	0.00	0.00	0.00	5.00	0.00	0.19	0.19	\$0.94	0.00
Bulk IT Sausage-Weber (Weber Quality Meats,	Pound	4.00	0.00	0.00	0.00	5.25	-1.25	0.25	1.50	\$26.39	0.00
CHIX BR/SKS/Random (Weber Quality Meats,	Pound	40.00	0.00	0.00	0.00	0.00	40.00	48.08	8.08	\$13.69	0.00
Corned Beef Brisket (Weber Quality Meats, Inc.)	Pound	3.00	0.00	0.00	0.00	0.00	3.00	5.66	2.66	\$13.16	0.00
Eye of Round Beef 1/4 (Weber Quality Meats,	Pound	5.00	0.00	0.00	0.00	10.00	-5.00	12.92	17.92	\$70.89	0.00

## Menu Analytics

A management system that includes recipes and a POS interface should provide tools to analyze and evaluate your menu based on each item's cost or profitability and popularity. For example, a menu item with a high food cost percentage may also be very popular resulting in it contributing more to your overall profit margin than an unpopular menu item with a low food cost percentage contributes.

**Menu Engineering:** A key component of Menu Analytics is a "Menu Engineering" report that combines sales mix and recipes to evaluate menu performance. This report will tell you your Star items (profitable and popular), and your dogs (unprofitable and unpopular).

Sales Item	Count	Popularity %	Price	Cost	Profit	Cost %	Sales amount	Cost	Profit amount	Popularity	Profitability	Sales Item class
Breakfast Burrito - Savings Link	206	21.85%	\$11.54	\$0.00	\$11.54	0.00%	\$2,377.75	\$0.00	\$2,377.75	HIGH	HIGH	Star
Breakfast Veggie Burrito	85	8.95%	\$9.72	\$1.98	\$7.75	20.35%	\$822.00	\$158.91	\$663.09	HIGH	LOW	Workhorse
The Breakfast Med	60	6.36%	\$11.50	\$11.78	(\$0.28)	102.45%	\$690.00	\$708.91	(\$18.91)	HIGH	LOW	Workhorse
Chilaquiles	44	4.61%	\$12.82	\$2.19	\$10.63	17.06%	\$564.00	\$69.25	\$494.75	LOW	HIGH	Challenge
Sanwich Breakfast	31	3.28%	\$19.71	\$0.00	\$19.71	0.00%	\$312.00	\$0.00	\$312.00	LOW	HIGH	Challenge
Traditional Breakfast	29	3.08%	\$13.81	\$8.45	\$4.16	60.43%	\$394.80	\$274.11	\$120.69	LOW	LOW	Dog
Pancake Breakfast	19	1.99%	\$13.44	\$8.69	\$3.75	72.11%	\$251.60	\$143.28	\$108.32	LOW	LOW	Dog
Biscuits and Gravy	10	1.06%	\$11.00	\$9.76	\$1.24	88.8%	\$110.00	\$7.96	\$102.04	LOW	HIGH	Challenge
Honey Rancheros	10	1.06%	\$13.00	\$1.93	\$11.07	14.84%	\$130.00	\$19.29	\$110.71	LOW	HIGH	Challenge
French Toast Breakfast	8	0.85%	\$12.25	\$0.00	\$12.25	0.00%	\$98.00	\$0.00	\$98.00	LOW	HIGH	Challenge
French Toast Breakfast - Savings	2	0.21%	\$14.00	\$0.00	\$14.00	0.00%	\$28.00	\$0.00	\$28.00	LOW	HIGH	Challenge
Breakfast Entrees Total	543	100.00%	\$11.28	\$2.45	\$8.82	21.74%	\$10,621.85	\$2,209.24	\$8,412.61			*Popularity Factor: 58.81
Food - Breakfast Sides												
2 Eggs	40	32.00%	\$1.65	\$1.00	\$2.05	27.42%	\$148.00	\$40.00	\$108.00	HIGH	HIGH	Star

## Multi-Restaurant

Even if you only have one restaurant location, having the flexibility in your system to address multiple locations should be included in your restaurant management system purchasing decision.

Partners In Food, LLC

**Company**

- Partners In Food, LLC.

**Business unit**

- California Franchising
- Los Angeles Area Stores
- San Francisco Area Stores

**Site**

- Jake's Cafe & Catering
- Jake's Cafe - Alameda

If you do have multiple locations, sharing common vendors, inventory, and recipe items is essential. Isolating unique items is also important. A quality inventory system will allow you to isolate your locations, enabling managers to only see and focus on their location, and the home office team to compare multiple locations.

Inventory management systems designed for multi-unit operators should have the ability to add franchisees to a company database, isolate them from the company locations, and handle integrations to different POS and/or accounting systems for different locations.

## System Setup & Maintenance:

Restaurant Inventory, Recipe, and Cost Management systems require time and effort to set up initially. The easier your system provider makes the initial inventory database setup, the faster you can start using the system, and the fewer resources you need to divert.

These systems also require time and effort to maintain. Vendors often change or substitute items. You may start buying new items or switch vendors, and each of these events requires items to be added or updated. The easier your system provider makes maintenance, the fewer resources you will expend, and the more accurate your database will remain.

**We've highlighted the 7 essential components that every comprehensive inventory and recipe management system should include:**

**1**

Invoice  
Processing

**2**

Inventory  
Control

**3**

Recipe  
Management

**4**

F&B Cost  
Analysis

**5**

Menu  
Analytics

**6**

Multiple  
Locations

**7**

Setup &  
Maintenance

With these features, you'll be equipped to streamline your operations, make data-driven decisions, and optimize your restaurant's performance.

The easier your system provider makes the initial setup and ongoing maintenance of your inventory database, the less time and resources you'll spend doing this yourself.

*To learn more about COGS-Well, please visit: [www.cogs-well.com](http://www.cogs-well.com) or contact us at [info@cogs-well.com](mailto:info@cogs-well.com).*