Prime Cost KPI — Cost of Goods TL;DR

Target: Prime cost must never exceed 52% of net sales.

Prime cost = Cost of Goods + Factored Labor, divided by Net Sales. This summary covers the cost side.

What Counts as Cost of Goods

Everything a guest **eats, drinks, or receives as part of their order**:

- **Food** — every edible ingredient (dough, sauce, cheese, toppings, condiment packets, fry oil)
- **Beverages** — BIB syrup, CO2, juice
- **Paper & Packaging** — pizza boxes, to-go containers, paper cups, to-go bags
- **Game Room Toys** — ticket redemption prizes

Does NOT count: napkins, straws, cleaning supplies, back-of-house supplies, equipment, office supplies.

How We Measure It

Cadence	What	When
Daily Fast-Check	~20 high-value items (mozzarella, flour, pepperoni, chicken, etc.)	Every day, pre-open
Monthly Full Inventory	All ~255 SKUs across 9 categories	Last operating day, after close

Daily usage formula: Usage = Yesterday's On-Hand + Deliveries − Today's On-Hand

Monthly COGS formula: COGS = Beginning Inventory + Purchases − Ending Inventory

Variance alerts fire when any item's daily usage exceeds 20% above what sales predict.

Daily Fast-Check (15–20 min)

1. Go straight to storage before accepting any deliveries
2. Walk the path in order: dry storage → walk-in cooler → freezer → BIB rack → prep
3. Count full cases, estimate partials (quarter, half, three-quarter)
4. Note yesterday's deliveries so the system can calculate usage
5. Flag anything that looks wrong — investigate immediately
6. Submit the count

Catch-weight items: Mozzarella, chicken wings, and chicken tenders are variable weight per case. All other items showing lbs are fixed weight.

Monthly Full Inventory

- **Two managers** — one counts, one records
- Prep the day before: organize storage, consolidate open containers
- **No deliveries on count day**
- Never leave a line blank — a zero is data, a blank is ambiguity
- Enter into the system within 24 hours

---

7 Hints for Controlling Cost

1. **Waste is a silent killer** — $200/week in waste = ~1 point of food cost = $10K+ per year
2. **Comps hurt twice** — cost stays, sales disappear; every comp must be deliberate and documented
3. **Portion accuracy is free money** — one extra oz of cheese × 200 pizzas/day = ~87 lbs/week; use scales, follow the spec
4. **Track everything** — unlogged employee meals look exactly like theft in the numbers
5. **Check every delivery** — count cases while the driver is still there, get credits same day for shortages
6. **FIFO is not optional** — older product up front, new cases behind; date everything
7. **Use both levers** — cut waste *and* drive sales; an extra $500 in sales shrinks the percentage without cutting a single portion

---

Quick Reference

Term	Definition
Cost of Goods	Food + beverages + paper/packaging + game room toys
The Simple Test	Did the guest eat it, drink it, or was it handed to them inside of it?
Prime Cost Target	≤ 52% of net sales (COGS + factored labor)
COGS (monthly)	Beginning Inventory + Purchases − Ending Inventory
Daily Usage	Yesterday's On-Hand + Deliveries − Today's On-Hand
Variance Alert	Triggers at 20% above expected usage based on sales mix
Catch-Weight Items	Mozzarella and chicken (Greco) — variable weight per case
Net Sales	Food + Beverage + Game Room deposits, net of sales tax

> **Bottom line:** Labor is visible every minute on the Hot Sheet. Food cost only becomes visible when you count it. Own the count and you own the cost.