



SHAKEY'S PIZZA — EL MONTE
PRIME COST KPI

Food, Beverage & Game Cost

Manager Reference Guide

(items listed are just for reference. Actual items will be decided separately)

What Is the Cost Side of Prime Cost?

Prime cost has two halves: what we spend on product and what we spend on people. This guide covers the product side — the food, beverages, paper and packaging, and game room toys that make up Cost of Goods. The companion guide covers the labor side.

Here is the formula for the cost side:

$$\text{Cost of Goods} = \text{Food} + \text{Beverages} + \text{Paper \& Packaging} + \text{Game Room Toys}$$

When we add Cost of Goods to Factored Labor and divide by Net Sales, we get our prime cost percentage. Our target is simple:

PRIME COST MUST NEVER EXCEED 52% OF NET SALES

For the cost side to do its part, we need to know what counts, how to measure it, and how to control it. That is what this guide is about.

What Counts as Cost of Goods

Cost of Goods captures the cost of everything a guest consumes or receives as part of their order. Specifically, it includes four categories:

Food Items

Every edible ingredient that goes into a menu item. This includes the dough, sauce, cheese, and toppings on a pizza. It includes the breading on chicken tenders, the oil they are fried in, and the ranch cup served alongside them. It includes condiment packets like ketchup and Parmesan that the guest takes with their order.

Beverages

Soft drinks, juices, and any other drink we sell. This includes the syrup in the BIB system, the CO2 that carbonates it, and the cups we serve it in. The cup itself is counted under paper, but the liquid inside is beverage cost.

Paper & Packaging Delivered to the Guest

To-go containers, pizza boxes, paper cups, to-go bags, and any similar item the guest receives as part of their order. The key distinction is that the product is delivered inside of it or the guest takes it with them.

Game Room Toys

The prizes and toys stocked in the game room for ticket redemption. These are a real cost that must be tracked just like food.

The Simple Test

Did the guest eat it, drink it, or was the product handed to them inside of it? If yes, the cost counts. If no, it does not.

What Does NOT Count

- Napkins, straws, and general-use disposables that are not the container a product is delivered in
- Back-of-house supplies like plastic wrap, aluminum foil, cleaning chemicals, and sanitizer
- Equipment, smallwares, and utensils (tongs, pans, cutting boards)
- Office supplies, printer paper, and non-operational purchases

A paper cup counts because the drink is served in it. A ketchup packet counts because the guest consumes it. A napkin does not count because it is not the container or the product itself. Plastic wrap in the walk-in does not count because it never reaches the guest.

How We Measure Cost of Goods

You cannot manage what you cannot see. The labor side of prime cost is visible in real time on the Team Hot Sheet Dashboard. The cost side requires physical counts. We use two inventory cadences to make it visible:

Cadence	What It Does	When
Daily Fast-Check	Counts ~20 high-value items to catch cost problems within 24 hours	Every day, pre-open
Monthly Full Inventory	Counts all ~255 items to produce actual COGS for the month	Last operating day, after close

Think of the daily fast-check as a smoke detector — it does not tell you the exact temperature of every room, but it will scream if something is on fire. The monthly full inventory is the full inspection — it tells you exactly where you stand.

Daily Fast-Check Inventory

The daily fast-check is a focused physical count of approximately 20 high-value, high-velocity items. These items together represent the majority of your food cost. The purpose is not to calculate a precise total — the monthly inventory does that. The purpose is early warning. If mozzarella usage is running 15% above what sales predict, you want to know today, not in 30 days.

The Fast-Check List

The following items make up the initial fast-check list. They were selected based on dollar volume, waste or theft risk, and price volatility. The list should be reviewed quarterly.

#	Item	Count Unit	Category	Location
1	Mozzarella (shredded)	lbs (catch wt)	Cheese	Walk-in cooler
2	Dough flour (All)	50 lb bags	Dry goods	Dry storage
3	Pepperoni (sliced)	Cases	Meat	Walk-in cooler
4	Chicken wings (raw)	lbs (catch wt)	Meat	Walk-in freezer

5	Chicken tenders (breaded)	lbs (catch wt)	Meat	Walk-in freezer
6	Ground beef	Cases	Meat	Walk-in cooler
7	Sausage (Italian link)	Cases	Meat	Walk-in cooler
8	Mojo potatoes (frozen)	Cases	Frozen	Walk-in freezer
9	Pizza sauce (#10 cans)	Cases	Sauce	Dry storage
10	Ranch cups (2 oz)	Cases	Condiments	Walk-in cooler
11	Pizza boxes (large)	Bundles	Paper	Dry storage
12	Pizza boxes (medium)	Bundles	Paper	Dry storage
13	To-go containers	Cases	Paper	Dry storage
14	Drink cups (22 oz)	Sleeves	Paper	Dry storage
15	Dough (prepped)	Each / trays	Prep	Walk-in cooler
16	Lettuce (shredded)	Cases	Produce	Walk-in cooler
17	Tomatoes (diced/sliced)	Cases	Produce	Walk-in cooler
18	Olives (sliced, #10 cans)	Cases	Canned	Dry storage
19	Ham (diced)	Cases	Meat	Walk-in cooler
20	BIB syrup (Pepsi products)	Boxes	Beverage	BIB rack

Catch-weight note: Items 1, 4, and 5 are catch-weight (variable weight per case). For Greco invoices, only chicken items and mozzarella are catch weight. All other items showing lbs are fixed weight (pack size × case count). Count cases and estimate partials — the system applies average case weight from recent invoices.

How to Do the Daily Fast-Check

The count should take 15–20 minutes once you are practiced. Do it every day before open, before any deliveries arrive.

1. **Arrive and go straight to storage.** Do not accept any deliveries first. Count before anything new enters the building.
2. **Walk the path in order.** Dry storage → walk-in cooler → walk-in freezer → BIB rack → prep area. The list matches this flow.
3. **Count full cases first, then estimate partials.** Use quarter, half, and three-quarter estimates. For dough balls, count trays and estimate per tray.
4. **Note yesterday's deliveries.** The system calculates: (yesterday's on-hand + deliveries) – today's on-hand = usage.
5. **Flag anything that looks wrong.** Investigate immediately. Talk to the closing manager, check waste logs, review comps.

6. **Submit the count.** Timestamped and logged. Takes effect immediately.

The Usage Formula

The system calculates daily usage with one equation:

$$\text{Usage} = \text{Beginning On-Hand} + \text{Deliveries Received} - \text{Ending On-Hand}$$

The system multiplies usage quantity by the most recent unit cost from the vendor catalog to estimate the dollar value consumed each day.

Variance Alerts

If any item's daily usage is more than 20% above what sales volume would predict, an alert fires. These alerts are investigative, not punitive. Common legitimate causes include catering, large parties, or delivery timing. Common problems include over-portioning, unlogged meals, unrecorded waste, or theft. The alert gets you looking.

Monthly Full Inventory

The monthly full inventory covers every item in the restaurant — all 255+ SKUs across 9 categories. This produces the actual Cost of Goods Sold for the month.

When and Who

- **When:** Last operating day of the month, after close.
- **Who:** Two managers. One counts, one records.
- **Prep the day before:** Organize storage. Stack like items, move partials to the front, consolidate open containers.
- **No deliveries on count day:** A mid-count delivery contaminates the numbers.

Count Procedure

1. Print or load the count sheet, organized by location and category.
2. Walk each area: dry storage, walk-in cooler, freezer, behind the line, front counter, bar, game room prize storage.
3. Count full cases, then estimate partials. Weigh catch-weight partials on the prep scale to the nearest half-pound.
4. **Never leave a line blank.** A zero is data. A blank is ambiguity.
5. Both managers sign the completed count sheet.
6. Enter the count into the system within 24 hours.

Calculating Actual Cost of Goods Sold

$$\text{COGS} = \text{Beginning Inventory} + \text{Purchases} - \text{Ending Inventory}$$

- **Beginning Inventory** = last month's ending inventory
- **Purchases** = total vendor invoices received during the month
- **Ending Inventory** = this month's physical count value

This is the number that matters. Combine it with the month's factored labor, divide by net sales, and you have the actual monthly prime cost percentage.

Helpful Hints for Controlling Cost of Goods

Hint #1: Waste Is a Silent Killer

When food is wasted — burned, dropped, over-prepped, expired, or given away without being rung up — the cost goes up but no sale offsets it. If you make a pizza and sell it, cost and sale move together. If you make a pizza and throw it away, you still spent the money but there is zero on the sales side.

Example: food costs are \$5,000 on \$20,000 in sales = 25%. Add \$200 in waste and it becomes \$5,200 on \$20,000 = 26%. That one point adds up to over \$10,000 a year. Every time something goes in the trash, picture dollar bills going in with it.

Hint #2: Comps and Discounts Hurt Twice

When you comp a \$20 pizza, the cost side stays the same but the \$20 in sales disappears. The denominator shrinks while the numerator holds. Every comp should be deliberate, documented, and worth it. If you are comping multiple items every shift, that pattern will show up in your weekly numbers.

Hint #3: Portion Accuracy Is Free Money

When a pizza cook adds an extra handful of cheese because it "looks right," that extra ounce per pizza compounds fast. At 200 pizzas a day with one extra ounce each, that is 12.5 pounds of cheese per day — roughly 87 pounds per week. At current pricing, that is hundreds of dollars a week for just one topping on one product.

Use scales and portioning tools. Follow the spec chart. The spec is the spec, not a suggestion. Consistent portioning is the easiest, most immediate way to protect food cost.

Hint #4: If It Is Not Tracked, It Is Invisible

Employee meals that are not logged become invisible waste. The food is consumed, the cost hits invoices, but there is no record. It looks exactly like theft or spoilage to the numbers.

The fix: every employee meal gets logged. No exceptions. This is not about being stingy. It is about keeping the numbers honest.

Hint #5: Check Every Delivery and Get Every Credit

If you ordered 10 cases of cheese and 9 arrived, your invoice still says 10. If you do not document the shortage and get a credit, you paid for a case you never received. Make this a habit:

1. Check the delivery against the invoice while the driver is still there
2. Count cases and look for damage before signing
3. Note shortages on the invoice and have the driver initial
4. Contact the vendor the same day to request a credit
5. Follow up to confirm the credit appears on the next statement

Hint #6: FIFO Is Not Optional

First In, First Out means older product gets used first. New cases go behind existing cases. You pull from the front. This prevents spoilage, and spoilage is pure cost with zero return. FIFO applies everywhere: walk-in, freezer, dry storage, salad bar inserts, fry station, behind the make line. If it has a date, oldest goes first. If it has no date, write one.

Hint #7: Use Both Levers

When Cost of Goods runs high, the instinct is to cut portions, cut waste, cut spending. But there is a second lever: driving more sales. Prime cost is a fraction — costs over sales. You can improve it by shrinking the numerator or growing the denominator. An extra \$500 in sales from upselling drinks and game room deposits brings the percentage down without cutting a single portion. The best managers use both levers.

Quick Reference Summary

Term	Definition
Cost of Goods	Food + beverages + paper/packaging delivered to guest + 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	Never exceed 52% of net sales (COGS + factored labor combined)
COGS (monthly)	Beginning Inventory + Purchases – Ending Inventory
Daily Usage	Yesterday's On-Hand + Deliveries – Today's On-Hand
Daily Fast-Check	~20 high-value items counted pre-open every operating day
Monthly Full Inventory	All ~255 items counted last operating day of the month
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
Game Room Rule	Deposits historically ≈ 11% of food + beverage sales

Remember: Cost of Goods is one half of prime cost, but it is the half that hides. Labor is visible every minute on the Hot Sheet. Food cost only becomes visible when you count it. The daily fast-check and the monthly full inventory are how you turn the invisible into the manageable. Own the count and you own the cost.

ACKNOWLEDGMENT

I have read and understand the Prime Cost KPI — Cost of Goods Manager Reference Guide. I understand how Cost of Goods is defined, how it is measured through daily fast-check and monthly full inventories, and my responsibilities for controlling it as part of the 52% prime cost target.

 Manager Name (Print)

 Date

 Manager Signature