

SHAKEY'S PIZZA — EL MONTE

PRIME COST KPI SYSTEM

Product Requirements Document

Daily Fast-Check Inventory · Monthly Full Inventory · Real-Time Labor Tracking

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1. Executive Summary

This document defines the product requirements for the Prime Cost KPI System at Shakey's Pizza El Monte. Prime cost — the sum of food, beverage, paper, and game room toy costs plus factored labor — is the single most important number the management team tracks. The target is clear: prime cost must never exceed 52% of net sales.

The system described in this PRD establishes the processes, tools, cadences, and accountability structures needed to measure, monitor, and manage prime cost on a daily, weekly, and monthly basis. It introduces two new inventory disciplines: a Daily Fast-Check Inventory covering approximately 20 high-value items, and a Monthly Full Inventory covering the complete ingredient catalog. Together with the existing Team Hot Sheet real-time labor dashboard, these components create a closed-loop system where managers can see prime cost forming in real time and take corrective action before the week closes.

2. Background & Problem Statement

2.1 Why Prime Cost Is the Primary KPI

As defined in the Prime Cost Training Guide, prime cost is the sum of two halves: the cost side (food, beverages, paper and packaging delivered to the guest, and game room toys) and the labor side (gross payroll \times 1.13 to account for employer taxes and workers' compensation). When this total exceeds 52% of net sales, the restaurant cannot cover rent, utilities, insurance, equipment, corporate fees, and still return a reasonable profit.

The challenge is that without structured, recurring measurement, prime cost is only visible retrospectively — often weeks after the damage has already been done. A spoiled case of mozzarella, an unclaimed vendor credit, or three days of overstaffing can push prime cost above target before anyone notices.

2.2 Current State Gaps

Labor visibility is strong. The Team Hot Sheet Dashboard already monitors 7 shifts clock data against Toast POS revenue on 6-minute intervals, showing factored labor cost in real time. Managers can see the labor half of prime cost forming throughout every shift.

Cost-of-goods visibility is weak. There is no systematic daily or weekly process for measuring food, beverage, paper, or toy costs. Vendor invoices are processed into the database, but actual usage — the food that left the walk-in and either became a sold product, waste, or untracked consumption — is only knowable through physical inventory counts. Without regular counts, the cost side of prime cost is essentially a black box between monthly P&L statements.

No closed-loop system. There is no single view that brings both halves of prime cost together against net sales at a cadence fast enough for managers to course-correct within the same week.

3. Goals & Success Criteria

3.1 Primary Goal

Establish a repeatable, manager-owned system that makes prime cost visible and actionable at three cadences: daily (fast-check), weekly (composite), and monthly (full inventory reconciliation). The system must be simple enough that any trained manager can execute it without assistance.

3.2 Success Criteria

Metric	Target	Measurement
Weekly prime cost	≤ 52% of net sales	Weekly composite report
6-week trailing average	≤ 52% of net sales	Rolling calculation
Daily fast-check completion	100% of operating days	Timestamped log entries
Monthly full inventory completion	Completed by 1st of each month	Inventory record in D1
Vendor credit capture rate	100% of documented shortages	Credit log vs. shortage log
Food cost variance (actual vs. theoretical)	≤ 2% gap	Monthly reconciliation

4. Prime Cost Formula Reference

This section restates the formulas from the training guide so the PRD is self-contained.

4.1 The Core Formula

$$\text{Prime Cost} = \text{Cost of Goods} + \text{Factored Labor}$$

$$\text{Prime Cost \%} = \text{Prime Cost} \div \text{Net Sales} \times 100$$

4.2 Cost of Goods Breakdown

- **Food items** — every edible ingredient that goes into a menu item, including condiment packets
- **Beverages** — soft drinks, juices, and any other drink sold

- **Paper & packaging delivered to guest** — to-go containers, pizza boxes, paper cups, to-go bags
- **Game room toys** — prizes and toys stocked for redemption

The simple test: Did the guest eat it, drink it, or was the product handed to them inside of it? If yes, it counts. Napkins, back-of-house supplies, cleaning chemicals, and equipment do not count.

4.3 Factored Labor

$$\text{Factored Labor} = \text{Gross Payroll} \times 1.13$$

The 13% accounts for employer-side Social Security, Medicare, federal and state unemployment taxes, and workers' compensation insurance. This factored number is what appears on the Team Hot Sheet Dashboard.

4.4 Net Sales

Net sales equals the sum of food sales, beverage sales, and game room deposit sales, minus sales tax. Sales tax is money collected on behalf of the government and was never ours. Game room deposits historically run approximately 11% of combined food and beverage sales.

5. System Components

The Prime Cost KPI System is made up of five integrated components. Each component is detailed in subsequent sections.

#	Component	Purpose	Cadence
A	Daily Fast-Check Inventory	Track usage of ~20 high-value items daily to catch cost problems within 24 hours	Every operating day, pre-open
B	Monthly Full Inventory	Complete physical count of all ~255 ingredients for P&L-grade cost of goods calculation	Last day of each month
C	Team Hot Sheet Dashboard	Real-time factored labor monitoring against Toast POS revenue (already operational)	Continuous (6-min ticks)
D	Weekly Prime Cost Composite	Merge cost-of-goods estimate with labor actuals to produce a weekly prime cost percentage	Every Monday
E	Monthly Reconciliation Report	True-up fast-check estimates against full inventory actuals; calculate actual vs. theoretical food cost	By 3rd of following month

6. Component A — Daily Fast-Check Inventory

6.1 Purpose

The daily fast-check is a focused physical count of approximately 20 high-value, high-velocity items that together represent the majority of food cost. Its purpose is not to produce a precise dollar figure for total food cost — the monthly full inventory does that. Instead, the fast-check serves as an early warning system. If mozzarella usage is running 15% above what sales volume would predict, you want to know today, not in 30 days.

6.2 Selecting the Fast-Check Items

The fast-check list should be reviewed quarterly, but the initial list should be built around three criteria:

1. **High dollar volume** — items where the weekly purchase spend is significant. Mozzarella, dough flour, chicken, and pepperoni will almost certainly be on this list because they represent the largest share of food cost.
2. **High theft or waste risk** — items that are commonly over-portioned, consumed by staff without logging, or prone to spoilage. Chicken wings, Mojo potatoes, and shredded cheese are typical examples.
3. **Price volatility** — items where vendor pricing has recently changed or fluctuates frequently. If the price per case of cheese jumped 8% last month, that item deserves daily visibility until you understand how it impacts your cost percentage.

6.3 Recommended Initial Fast-Check List

The following table represents the recommended starting list. Items are grouped by category and storage location to optimize the physical count path through the restaurant.

#	Item	Unit	Category	Count Location
1	Mozzarella (shredded)	lbs (catch wt)	Cheese	Walk-in cooler
2	Dough flour (All Trumps)	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 (canned)	Cases (#10 cans)	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 (variety)	Cases	Paper	Dry storage
14	Drink cups (22 oz)	Sleeves	Paper	Dry storage
15	Dough balls (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, canned)	Cases (#10 cans)	Canned	Dry storage
19	Ham (diced)	Cases	Meat	Walk-in cooler
20	BIB syrup (Coke products)	Boxes	Beverage	BIB rack

Note: Items 1, 4, and 5 are catch-weight items (variable weight per case). For Greco invoices, only chicken items and mozzarella are catch weight. All other items showing lbs are fixed weight. The fast-check count for catch-weight items should record the number of cases or partial cases on hand, and the system will apply the average case weight from recent invoices.

6.4 Daily Fast-Check Procedure

The fast-check should take no more than 15–20 minutes once the manager is practiced. The procedure is designed to be performed pre-open, before any deliveries arrive, so the count reflects overnight usage.

1. **Timing:** Complete the fast-check between arrival and open, before any deliveries are accepted. This gives you a clean starting snapshot for the day.
2. **Walk the path:** Move through storage areas in order — dry storage first, then walk-in cooler, then walk-in freezer, then BIB rack. The list is organized to match this flow so you are never doubling back.
3. **Count and record:** For each item, count full cases and estimate partials (quarter, half, three-quarter). Record the count in the fast-check form. For prepped items like dough balls, count trays and estimate quantity per tray.
4. **Note deliveries received yesterday:** If a delivery arrived the previous day, note it so the system can calculate usage as: (yesterday's on-hand + deliveries received) – today's on-hand = usage.
5. **Flag anomalies:** If any item's usage looks abnormally high or low compared to yesterday's sales, flag it immediately. Don't wait for the weekly report. Investigate while the trail is fresh — talk to the closing manager, check waste logs, review comps.
6. **Submit:** The count is timestamped and logged. It takes effect immediately for dashboard calculations.

6.5 Usage Calculation

The system calculates daily usage for each fast-check item using a simple inventory equation:

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

Beginning on-hand is today's count. Ending on-hand is tomorrow's count. Deliveries received are pulled from invoices already in the vendor catalog database. The system then multiplies usage quantity by the most recent unit cost from the vendor catalog to estimate the dollar value of that item's consumption for the day.

6.6 Variance Alerts

The system should generate automatic alerts when any fast-check item's daily usage deviates more than 20% from its expected usage based on that day's sales mix. Expected usage is derived from theoretical recipe yields — for example, if you sold 50 large pepperoni pizzas, the system knows you should have used approximately X ounces of pepperoni. If actual usage is 20% or more above that theoretical number, an alert fires.

Variance alerts are informational, not punitive. They exist to prompt investigation. Common causes of legitimate variance include catering orders, large party bookings, new menu promotions, or delivery timing (a delivery that arrived after count but before sales started).

7. Component B — Monthly Full Inventory

7.1 Purpose

The monthly full inventory is the authoritative count. It covers every ingredient, beverage, paper product, and game room toy item in the restaurant — all 255+ SKUs in the vendor catalog. This count produces the actual cost of goods sold for the month, which flows into the P&L statement and provides the ground truth against which daily fast-check estimates are reconciled.

7.2 Timing and Preparation

- **When:** The full inventory is conducted on the last operating day of each month, after close. If the last day falls on a day the restaurant is closed, conduct it on the last open day.
- **Who:** Two managers count together. One counts, one records. This dual-count approach reduces errors and provides accountability.
- **Pre-count prep:** Organize storage areas the day before. Stack like items together, move partial cases to the front, and consolidate open containers. A messy walk-in adds 30+ minutes to inventory time and introduces counting errors.
- **No deliveries on count day:** Whenever possible, schedule deliveries so that none arrive on the day of the full count. A delivery arriving mid-count contaminates the numbers and forces a recount of affected items.

7.3 Count Procedure

1. Print or load the inventory count sheet, organized by storage location and category. The sheet lists every item in the vendor catalog with its expected unit of measure.
2. Walk each storage area systematically: dry storage, walk-in cooler, walk-in freezer, behind the line (make line, fry station, salad bar, buffet), front counter area, bar area, game room prize storage.
3. Count full cases first, then estimate partials. For catch-weight items (mozzarella, chicken), weigh partial cases on the prep scale. Record weights to the nearest half-pound.
4. Do not skip items that show zero on-hand. Recording a zero is data. Leaving a field blank is ambiguity. Every line must have a number.
5. After completing the count, both managers sign the count sheet. This creates a record of who counted and when.
6. Enter the count into the system within 24 hours. The system will apply the most recent vendor catalog pricing to each item and calculate total inventory value.

7.4 Cost of Goods Sold Calculation

Once beginning and ending inventory values are established, actual cost of goods sold for the month is calculated as:

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

- **Beginning Inventory** = last month's ending inventory (carried forward automatically)
- **Purchases** = total vendor invoices received during the month (already in the vendor catalog database)
- **Ending Inventory** = the physical count value from this month's full inventory

This produces the actual food, beverage, paper, and toy cost for the month. When combined with the month's factored labor from the Team Hot Sheet and divided by net sales from Toast POS, you get the actual monthly prime cost percentage.

8. Component C — Team Hot Sheet Dashboard (Existing)

The Team Hot Sheet is already operational and provides the labor half of prime cost in real time. This PRD does not modify the Hot Sheet but documents its role in the larger system for completeness.

8.1 What It Provides

- Real-time factored labor cost, updated every 6 minutes based on 7shifts clock-in/clock-out data
- Real-time net sales from Toast POS

- Labor cost as a percentage of net sales (the labor half of prime cost)
- Average factored hourly wage (currently approximately \$18.50)
- Employee clock-in status and shift-level cost visibility

8.2 Access

Managers access the Team Hot Sheet via the Manager Portal at shakeyselmonte.com, authenticated through mod.shakeyselmonte@gmail.com. Monthly Cloudflare email verification is required.

9. Component D — Weekly Prime Cost Composite

9.1 Purpose

The weekly composite brings both halves of prime cost together into a single number. It is produced every Monday for the prior Monday-through-Sunday period. This is the number the management team is held accountable to on a weekly basis.

9.2 How It's Calculated

Component	Source
Net Sales (Mon–Sun)	Toast POS daily sales summaries (food + bev + game deposits, net of tax)
Estimated Cost of Goods	Sum of daily fast-check usage values + proportional estimate for non-fast-check items based on historical ratio
Factored Labor	Team Hot Sheet weekly labor total (already factored at 1.13×)
Weekly Prime Cost %	$(\text{Estimated COGS} + \text{Factored Labor}) \div \text{Net Sales} \times 100$

Important: The weekly composite uses estimated COGS, not actual. The fast-check items provide direct measurement. Non-fast-check items are estimated by applying the historical ratio of fast-check-item cost to total food cost. For example, if fast-check items have historically represented 65% of total food cost, and this week's fast-check usage totals \$3,250, then estimated total food cost is $\$3,250 \div 0.65 = \$5,000$. This ratio is recalibrated monthly when the full inventory provides actual numbers.

9.3 Weekly Review Meeting

Every Monday, the management team reviews the prior week's composite. The review should cover:

1. What was the prime cost percentage? Above or below 52%?
2. Which half drove the result? Was it food/bev/paper, labor, or both?
3. Were there any fast-check variance alerts during the week? What was the root cause?

4. What is the 6-week trailing average? Trending up, flat, or down?
5. What specific actions will be taken this week to improve or maintain?

10. Component E — Monthly Reconciliation Report

10.1 Purpose

The monthly reconciliation is where estimates meet reality. It compares the sum of weekly composite COGS estimates against the actual COGS calculated from the full inventory. The gap between the two tells you how accurate the fast-check system is and whether the estimation ratio needs recalibration.

10.2 Key Outputs

- **Actual monthly prime cost percentage** — the authoritative number for the month
- **Estimation accuracy** — how close were the weekly estimates to actual? Target: within 2%
- **Actual vs. theoretical food cost** — what should food cost have been based on product mix sold (from Toast POS) vs. what it actually was? The gap represents waste, theft, over-portioning, and untracked consumption combined.
- **Vendor credit reconciliation** — were all documented shortages and damages credited? Cross-reference the shortage log against vendor statements.
- **Fast-check ratio recalibration** — update the ratio of fast-check item cost to total food cost based on this month's actuals for use in next month's weekly estimates.

11. Roles & Responsibilities

Role	Responsibilities	Cadence
Opening Manager	Execute daily fast-check inventory pre-open. Flag anomalies immediately. Ensure count is submitted before first delivery.	Every operating day
Closing Manager	Log all waste, comps, and employee meals. Verify all transactions were rung up. Document any delivery shortages from the day.	Every operating day
Shift Manager (all)	Monitor Team Hot Sheet labor percentage during shift. Make cut decisions based on sales pace. Enforce portioning standards.	Every shift
General Manager	Review weekly composite every Monday. Lead the weekly review meeting. Conduct monthly full inventory with one other manager. Produce and review monthly	Weekly + Monthly

	reconciliation report. Adjust fast-check list quarterly.	
All Managers	Check every delivery against invoice while driver is present. Document shortages and request credits same-day. Follow up on credits.	Every delivery

12. Technical Architecture & Requirements

12.1 Data Infrastructure

All prime cost data lives in the existing Cloudflare ecosystem. The vendor catalog database (D1) already contains 255 ingredients across 9 categories from five vendors with price tracking. The following additions are required:

New Table / Resource	Purpose	Key Fields
fast_check_counts	Store daily fast-check count entries	date, item_id, on_hand_qty, manager_id, timestamp
fast_check_usage	Calculated daily usage per item (derived)	date, item_id, usage_qty, usage_value, delivery_qty
full_inventory_counts	Store monthly full inventory entries	month, item_id, on_hand_qty, unit_cost, extended_value
weekly_composites	Weekly prime cost rollup	week_start, net_sales, est_cogs, factored_labor, prime_cost_pct
waste_log	Track daily waste, comps, and employee meals	date, item_id, qty, reason, manager_id
variance_alerts	Log triggered alerts and resolution notes	date, item_id, expected_usage, actual_usage, pct_variance, resolved, notes

12.2 Integrations

1. **Toast POS → Net Sales:** Daily net sales by revenue stream (food, beverage, game room) are already available through the Team Hot Sheet integration. The weekly composite will query these same daily summaries.
2. **7shifts → Factored Labor:** Clock data is already flowing into the Team Hot Sheet and will be summarized weekly for the composite.
3. **Vendor Catalog DB → Pricing:** The vendor catalog (D1) already contains 398 price records across 255 ingredients. Fast-check usage values and full inventory extensions will use the most recent price per item.

4. **Toast POS → Theoretical Food Cost:** Product mix data from Toast (what was sold, in what quantities) is needed to build theoretical food cost. This requires recipe costing to be established for each menu item.

12.3 Dashboard Views (Future)

The following dashboard views should be added to the Manager Portal as the system matures:

- **Daily Fast-Check Summary** — today's count, yesterday's usage, any variance alerts
- **Weekly Prime Cost Scorecard** — this week's composite, both halves broken out, 6-week trailing average, trend arrow
- **Monthly Reconciliation View** — actual vs. estimated, actual vs. theoretical, vendor credit status
- **Item-Level Trend Charts** — per-item usage over time for each fast-check item, overlaid with sales volume

13. Implementation Phases

Phase	Deliverables	Timeline	Owner
Phase 1	Finalize fast-check item list. Create paper-based fast-check form. Train all managers on count procedure. Begin daily fast-checks using paper forms.	Weeks 1–2	GM
Phase 2	Build D1 tables for fast-check and full inventory. Create digital fast-check entry form (web). Migrate from paper to digital entry.	Weeks 3–4	Dev + GM
Phase 3	Conduct first monthly full inventory. Calculate first actual COGS and monthly prime cost. Calibrate fast-check ratio.	End of Month 1	GM + Mgrs
Phase 4	Build weekly composite report (automated). Build variance alert logic. Implement Monday review meeting cadence.	Weeks 5–6	Dev + GM
Phase 5	Build dashboard views on Manager Portal. Integrate theoretical food cost from Toast product mix. Full system operational.	Weeks 7–8	Dev + GM

14. Risks & Mitigations

Risk	Likelihood	Mitigation
Managers skip the daily fast-check due to time pressure	High	Keep the count under 20 items. Optimize the walk path. Make it a non-negotiable opening checklist item. Track completion rate as a KPI.

Inaccurate counts lead to false variance alerts	Medium	Train managers on counting technique. Use 20% threshold (not 5%) to avoid noise. Allow managers to annotate and dismiss false alerts with a reason.
Monthly full inventory takes too long and gets rushed	Medium	Pre-count organization the day prior. Two-person team. Schedule no deliveries on count day. Target 90 minutes max for a trained pair.
Fast-check ratio drifts between calibration points	Low	Monitor weekly estimate vs. invoice totals as a sanity check. Recalibrate monthly. Flag if weekly estimates diverge more than 5% from invoice data.
Resistance to accountability culture	Medium	Frame variance alerts as investigative tools, not blame mechanisms. Celebrate weeks at or below 52%. Share the why: every point above 52% costs the restaurant approximately \$10,000/year.

15. Appendix

15.1 Quick Reference — Key Formulas

Formula	Definition
Prime Cost	Cost of Goods (food + bev + paper + toys) + Factored Labor
Prime Cost %	Prime Cost ÷ Net Sales × 100 Target: ≤ 52%
Factored Labor	Gross Payroll × 1.13
COGS (monthly)	Beginning Inventory + Purchases – Ending Inventory
Daily Usage	Yesterday's On-Hand + Deliveries – Today's On-Hand
Sales per Labor Hour	Avg Hourly Wage (factored) ÷ Labor Target % Currently ≈ \$64
Game Room Rule	Game room deposits ≈ 11% of (food + beverage) sales

15.2 Document History

Date	Version	Author	Changes
Feb 2026	1.0	John McNulty	Initial draft

— End of Document —