



The Complete Cost Control Guide For Restaurants & Bars™



WISK

Here at WISK,

We help restaurants in reducing food waste and losses.

After reading this guide, you'll be able to control the cost of your menu so you can increase your bottom line.



Angelo Esposito
CEO

You have to put money into something in order to get it back out again, right? What if you could spend less and earn the same or greater results? You've heard about it. You've read the tales. You've certainly experienced it yourself. So you're well aware of all the problems that face restaurants today:



Supply chain issues



Inflation worries



Shortage of employees

You also realize that you won't be able to solve any of them alone. Many of these are issues that span the country and the world, beyond our control. Spend your time working on what you can really impact — lowering your restaurant expenses & costs.

On average, full-service and quick-service restaurants have a food cost percentage of **28 to 32%**.

Restaurant ingredient costs are projected to rise 6% over 2021 and **another 3.5 - 4.5% through 2022**.

Researchers discovered that 4% to 10% of the food purchased by restaurant management never reaches the consumer, totaling **roughly \$1,000 per 3.3 lbs of food waste**.

The 5 parts of the complete cost control guide

- 1 Understand your costs.**
- 2 Regularly capture and update costs.**
- 3 Calculate your recipe costs and menu items.**
- 4 Create your restaurant's inventory process.**
- 5 Plan your objectives carefully.**

Need help with managing your inventory?

[Schedule a free demo with WISK](#)



Part 1

Understand your costs.

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If you don't know your costs, you won't be able to control them. As a result, let's begin there. Restaurants must deal with a number of expenditures. The two categories are frequently divided into:

Variable costs

Variable costs are more flexible. These are all of your operational expenses that are directly connected to delivering your meals and beverages to your consumers. Prime costs are most important to us within the variable cost category.

Fixed costs

Fixed costs don't change frequently. You have little to no influence over them (aside from initial agreement.) Leases/mortgages, utilities, property taxes, licenses, payment processing, and salaried employee compensation and benefits are all examples of recurring fixed costs.

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The total amount of labor and the total cost of items sold (COGS) over a given duration are known as restaurant prime costs.

$$\text{Total COGS} + \text{Total Labor} = \text{Prime Cost}$$

COGS stands for cost of goods sold. It is the cost of all ingredients and goods necessary to produce your restaurant's products. Food expenditures, beverages, packaging, cleaning materials are just a few examples of this category.

The sum of all personnel costs, including salaries and wages, taxes, benefits, food discounts, and insurance is called Total Labor. Recognize that \$10 per hour is roughly like \$12-13 per hour when you factor in all those expenses.

Prime costs are represented in dollars, such as the first formula, or as a percentage of sales:

$$\text{Prime Cost} / \text{Total Sales} = \text{Prime Cost Ratio}$$



Here's how the two formulas work in practice:

A restaurant owner is attempting to calculate the company's highest monthly cost.

The COGS for the month was \$30,000, implying that all of the food sold by the restaurant required **\$30,000 to produce.**

Labor costs for the restaurant team were \$4,000 in September, with taxes, comps, and other benefits bringing **total labor expenditures to \$5,000.** The restaurant's overall **sales for the month were \$60,000.**

$$\text{Prime Cost } \$30,000 + \$5,000 \text{ Prime Cost} = \$35,000$$

$$\text{Prime Cost Ratio } \$35,000 / \$60,000 \text{ Prime Cost Ratio} = 58\%$$

Boss Mode

In your WISK account, in the recipes section: All your ingredients have an associated cost. So if your ingredient costs go up, all your recipes adjust automatically.



Part 2

Regularly capture and update your costs.

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The goal of continuous costing is to get straight to the source, which is your supplier's invoices. But no one has time to go through each invoice line by line and compare it with prior years' records. What typically occurs is that a bare minimum analysis is performed. Invoices are coded at such a high level in your accounting software that any insights uncovered are of little use.

This is handled by [invoice processing automation](#).

Invoice processing automation solutions integrate machine learning and optical character recognition (machine vision) to capture each invoice element with a snap of a photo, scan, and upload, email, or EDI feed. These programs provide you with properly structured and classified purchase information for your accounting system without requiring you to do anything.

Boss Mode

[Open your WISK account](#), and scan your invoices. You can either choose automated invoice processing or our white glove service – where WISK employees review your invoices and correct errors for you.



Whether you're just getting started with a tiny cafe or have 20 franchises under your belt, you'll benefit from automated analysis like this. This is especially true given the challenges the industry faces.

You can't afford to wait until the end of the month to discover if you're losing money on your burgers or your drinks.

You need to be proactive in taking action so that you can stay ahead of expenses and maintain your profitability — that's exactly what invoice processing automation is all about.

Invoice processing automation delivers unrivaled costing insights and evaluation, which are conveniently packaged with time savings and labor costs savings.



It's more interesting than you think. Invoice processing automation provides a detailed look into:

- Every ingredient you order
- Ingredient quantities per order
- Ingredient costs per order
- Order purchase dates
- Ingredient supplier(s)
- Notes, alterations, and credits

Boss Mode

In your WISK account, costs are automatically calculated and reports are generated once you submit your invoices. However, if you take manage your costs using a spreadsheet, it's hard to get a complete picture of your business and it often gets messy after a few weeks.

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Part 3

Calculate your recipe costs and menu items

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Let's expand on our invoice processing automation framework by categorizing ingredients into recipes and menu items. You're not serving individual components; you're providing meals comprised of a combination of recipes.

You want ingredient prices to be updated and then absorbed into your dish/plate costs, just as the recipe costs were. That is why it's critical that your invoice processing software connects with recipe costing software (or has a solid recipe costing feature).



Let's assume, for example, that butter cost \$0.52 more per serving this week. You have a natural sense that every meal containing butter is now \$0.52 less profitable — but what are the dishes? What's the broader impact on the restaurant's profits?

For some dishes, a \$0.52 hit may be meaningless because of how profitable the dish is. On the other hand, there may be certain dishes where a \$0.52 hit makes them unprofitable. Recipe costing software give you this data as soon as possible, often in real time. They allow you to play by your own rules instead of playing catch up with costs.

Boss Mode

In your WISK account, consumption is automatically calculated and reports are generated once you submit inventory. However, if you take inventory using a spreadsheet, you must sum the totals for each area to get a complete picture of your business.

Here are a few more ways to increase recipe profitability and get the most out of your ingredients:



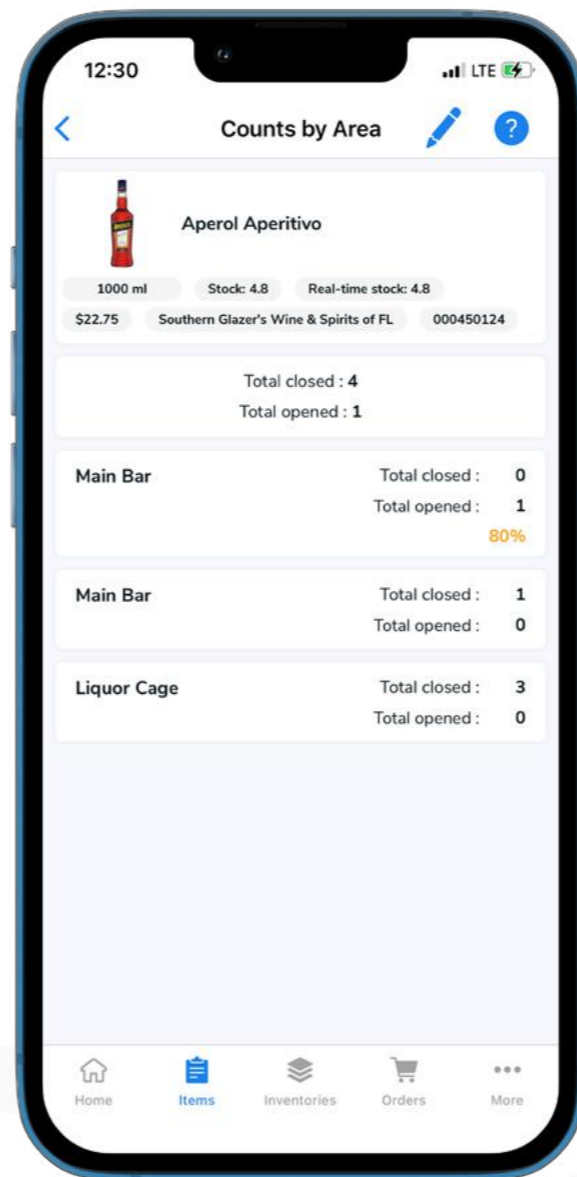
Recycle any scraps and waste you have. For stocks, use bones and vegetable trimmings instead of expensive ingredients. Make croutons out of old bread.



Purchase smarter: If whole carrots are less expensive than peeled: Buy them and peel them to save money.



Check your portion sizes: You aren't required to provide leftovers to your consumers.



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This approach to down-to-the-penny analysis shows you how each menu item impacts your bottom line, making it simple to decide whether/when:

- Your menu prices need to be raised
- Ingredients of excellent quality must be replaced with less-quality ones.
- Dishes must be removed from the menu.
- Ingredients must be purchased from several vendors.

WISK store the line-item data from your invoices into a product catalog, which contains every product produced from all your invoices. To generate recipes, you can utilize the catalog to create recipes with the most up-to-date average costs for each ingredient or use the most recent cost per ingredient.

Part 4

Create your restaurant's inventory process.

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Because there's just too much complexity in your restaurant's requirements for you to handle inventory manually — especially as you look to expand your business. This is why the industry emphasizes on inventory management software. It's a must-have for today's top restaurants.

However, it's critical you realize that simply adopting an inventory management platform is not a fix-all for your restaurant. You need to know exactly what you want to get out of implementing an inventory management system. Here are a few questions to ask yourself:



How are you keeping track of purchase orders?



Do you require assistance with inventory analytics?



Is it difficult for you to maintain accurate on-hand inventory counts?

The screenshot shows the WISK software interface. The main content area displays a table of inventory items. The table has columns for Distributor, Wisk ID, Cost per unit, Cost per case, Case size, Order Quantity, Description, and Other. The items listed are 'Absolute Orient Apple' with a distributor of 'SAQ', Wisk ID of '57815', and a cost of '\$20.00 / unit' and '\$265.08' per case. The case size is '12 units' and the order quantity is 'cases 100'. The description is 'Text'. The table is filtered to show 13 items under the 'Vodka' category.

	Distributor	Wisk ID	Cost per unit	Cost per case	Case size	Order Quantity	Description	Other
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--
<input type="checkbox"/>	SAQ	57815	\$20.00 / unit	\$265.08	12 units	cases 100	Text	--

These questions will prepare you for how you'll use and gain from your inventory system. Regardless of your circumstances, you must start with solid data and that's done when entering is easy.

Boss Mode

If your inventory count is on Monday, your inventory period may not match up with your accounting period (from the first to the last day of each month). Be mindful of this when comparing consumption to your order reports.

Here are a few suggestions for how to build a solid inventory data foundation and better manage your restaurant costs:

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Your solid data foundation is backed by invoice automation. It guarantees that you have real-time pricing information streaming into your extra platform components.

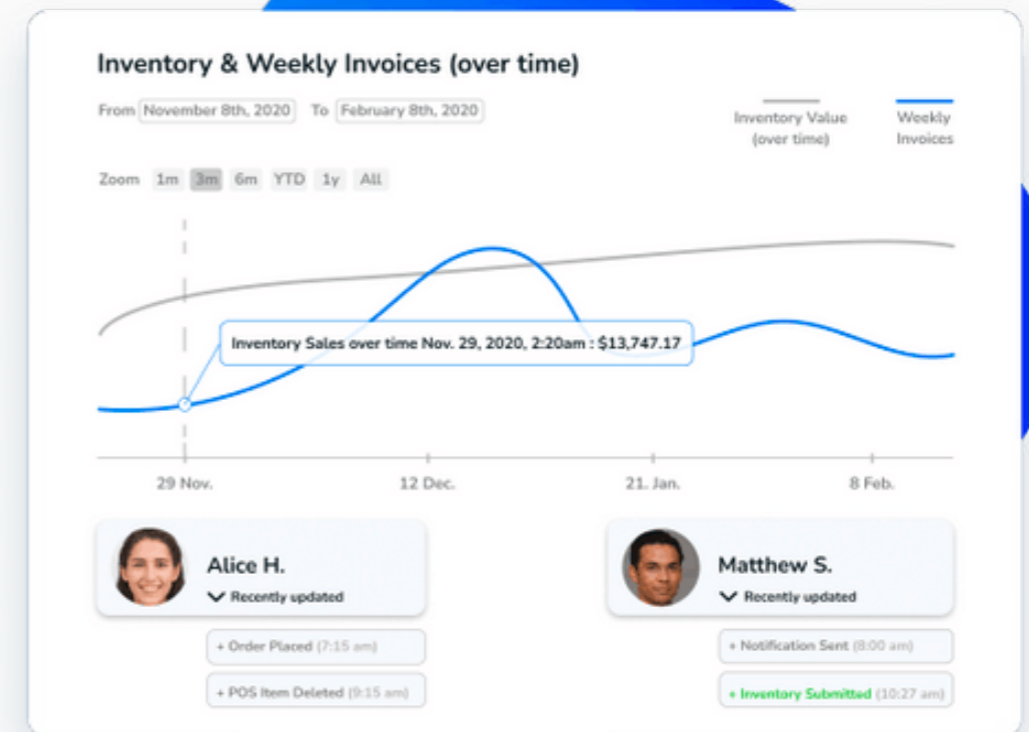
When it comes to calculating COGS, having precise inventory data is essential. WISK calculates the exact value of your inventory by using the most recent purchase prices or an average of the last three, six, or nine purchase prices for your ingredients.

Digitized inventory systems make counts easier by organizing around your unique kitchen setup and assigning specific team members to complete counts.

Because we're not going back to 2019, restaurants must start functioning in 2035. WISK allows your staff to perform physical inventory counts by scanning your product barcodes, using lists that are made from your scanned invoices without manually entering data.

Supplier purchasing and par level purchasing ensure that you have the goods you need on hand for each recipe.

WISK gives you the tools to make a purchase order based on what's in-stock and what's required to maintain par, all you have to do is take inventory once. And your invoice-powered product catalog makes one-off orders easier. WISK also creates automated purchase orders based on your sales and consumption so your purchase orders are 10x more accurate with little to no deadstock.



Part 5

Plan your objectives carefully.

The last few years have undoubtedly caused operators to think about their restaurant company objectives more deeply than ever before — we're talking long-term growth ambitions and even endgames.

Obviously, circumstances change, and life serves us curveballs. But establishing objectives allows you to be deliberate with your planning.



Let's say you're a single-unit business and want to open another location in a year. That goal allows you to create a timeline of achievements needed to achieve it.

You might think of the string of if/then statements as a sort of backwards journey, starting with the ultimate objective and working backward to figure out how you'll get there.

Here's how you could break down costs:

Let's pretend that to open a new store, it may cost \$100,000. If you have \$40,000 saved up, you'll need at least \$60,000 to open the next one.

If you need to earn \$60,000 in a year, you must produce \$5,000 in monthly profits on average.

If you need to make \$5,000 per month but only net \$3,200 right now, you'll have to increase sales and prices or decrease costs to reach the additional \$1,800.

Boss Mode

Using **WISK**, you can save a lot of time and eliminate all the math above. Using our POS integration, WISK calculates consumption at item level and even matches it to your sales so you get even more insights after completing two inventories (than taking the manual spreadsheet route).

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Breaking down your objective in this manner offers bite-size goals that are more readily achievable, allowing you to gain momentum and see the results. All of the previously mentioned cost control measures provide strategies and instruments for reaching your goal:



Automated invoice processing reveals where all of your money is going.



Recipe costing lets you to control profitability across all of your menu.

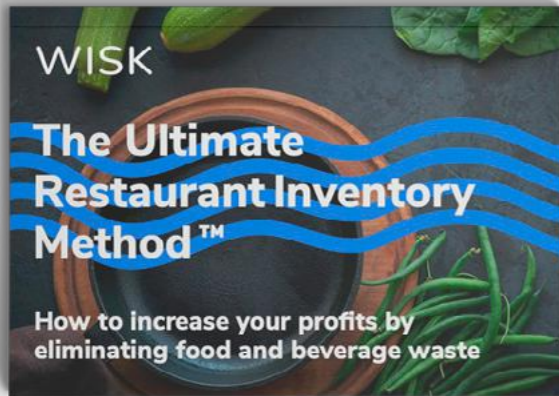


Inventory management helps you get the most out of your ingredients.

While this is the final step in our restaurant cost control guide, your journey will begin. You'll want to make sure you have these goals and objectives clearly defined so that you stay on track.

Where do you go from here?

Hopefully, after reading these steps, you are prepared to take charge of your restaurant expenses. Here are a few calculators, templates, and other free resources to get you started:



[The Ultimate Restaurant Inventory Method™](#)



[Top 4 things to look for when investing in a new restaurant inventory software](#)



[The best way to set up a par inventory sheet](#)



Next Steps

Ready to turn your restaurant into a profit machine?

Congratulations for taking the time to use this resource and evaluate your own inventory process. You should now know exactly where and how food waste occurs & know how to fix it!

We're excited for you!

That said, this guide is just the first push to dialing in your restaurant processes and unlocking your true restaurant growth potential. will only take you so far before you **reach your next growth ceiling.**

If you're ready to take it to the next level:

We will show you how **WISK** can **help you manage your whole restaurant** from ordering, invoice management, receiving, recipe management, and more!

We will also give you an action plan that will get you results to increase your bottom line **ASAP. And to help grow your venue**

[Talk to a WISK product specialist](#)