STEP-BY- STEP
GUIDE
TO TAKING YOUR FIRST *real* INVENTORY

5 Simple Steps to Getting it Right

ORDERLY

No one *likes* taking inventory.

You sure don't. Maybe that's why you don't take it…

Or if you do, you only *kinda* take it. You leave old prices in that spreadsheet – no one's gonna notice, right?

And what you're left with is a guesstimate, not a measurement. You just went through a really painful process and the result is shaky at best.

This scenario plays out every week in restaurants all over the US. Nobody really wants to update the prices on 293 ingredients every month. At Orderly we talk to these people every day. And we feel their pain.

Did you know that 60% of restaurants don't take a full inventory? But the ones that do? Well, they run a better business and have greater financial success.

In fact, taking a [regular inventory increases profits by 24% per year](). So there's good reason to take it.

And beyond that? Taking an inventory can help:
- Get an accurate Cost of Goods Sold
- Monitor theft and waste
- Understand stock and shelf value
- Show what you need to order each week
- Manage the bar (even though the bar is its own animal)

At Orderly, we're experts in restaurant inventory. We've helped hundreds of restaurants create a better process and manage inventory with the least amount of pain.

And we help them do it the right way.

With all this experience under our belt, we're here to share a guide with some tips and tricks that will allow you to take the best and simplest inventory possible.

It highlights five simple steps to taking your first REAL inventory… and getting it perfect.

STEP 1: ORGANIZE

Why You Do It

Before you even pull out the clipboard, you need to organize your store room and ingredients.

Solid organization makes all the difference when you dive into inventory. It will assure you don't undercount, double count, or miss items altogether.

How You Do It

- Move ingredients to the correct location. That massive sleeve of cups you tossed on top of the ice machine? Yeah, put it in the paper closet where it's *supposed* to be. Put today's delivery away *before* you start.
  - Once items are in the right place, re-arrange them so they're organized by category, e.g. dry goods on one shelving unit, paper goods on another.
- Apply a first in first out methodology. Move older items to the front of the shelf, freezer, etc. so they get used before new items (FIFO is your friend)
- Save space - combine the contents of open boxes and other containers
- Decide how you're going to count already prepared items (name, pack size, location, etc.)
- Throw away anything that is empty, old, or expired
- We think you get it… organize before you mobilize.

Pro Tips
- Keep an eye on the empty and tight spaces. Are you hitting par on items? No, don't play golf in the freezer – par is the ideal amount of something you have in stock. If the shelf is bare, you're under. If it's busting loose, you're over. If you're under par, you might need to incease your order. Over par, and you're throwing stuff out, wasting both money and food. Neither is good.
- Floaters. Don't let your mind wander, we're talking about something different. Are there items that may have snuck out of storage but still need to be counted? This could be an extra batch of that special sauce left on the counter or a ketchup bottle that somehow ended up under the bar.
- Always do this step before your weekly deliveries arrive. It'll make putting away new ingredients so much easier.

STEP 2: COUNT

Why You Do It

Counting: The bane of your existence, but the most important piece of inventory…

How You Do It

- Customize your Count Sheet (need one? check out The Genius Guide to Inventory for a good example of this).
  - Get rid of those old count sheets. Those sloppy stacks of cobbled together price sheets, scribbles on notebook paper and faded spreadsheets – they've got no business being in your kitchen. Shred them, toss them – better yet burn 'em.
- Make your count sheet shelf-to-sheet. Align your count sheet to look exactly like the way your ingredients are stacked on your shelf. Look down at your sheet, then up at the shelf… It should all be the exact same.
  - Need a good inventory count sheet? Use ours (there's one for pizza restaurants, too).
- Size matters. Trust us on this. Count each item by pack size number, e.g. pounds of chicken, cases of tomato sauce, sleeves of napkins.
- Count each storage area in its entirety. Don't skip around, even if your attention span is shorter than…
- Once finished, transfer your count information to a spreadsheet.

Pro Tips
- Make sure your count is ACCURATE. We want to shake you and yell this in your face, it's THAT important. Making escuses and fudging count numbers will only waste your time. The numbers you calculate in the next steps won't be accurate, and you won't be able to make any decisions based off them.
- The better you have your inventory organized (hey, that's step 1!), the faster taking inventory will go
- Use the same staff to take the count every time. That way, you're not constantly training. The more often people take it, the faster and more accurate they'll get.

To make it easier, ditch the paper and use an inventory app.

STEP 3: PRICE LOOKUPS
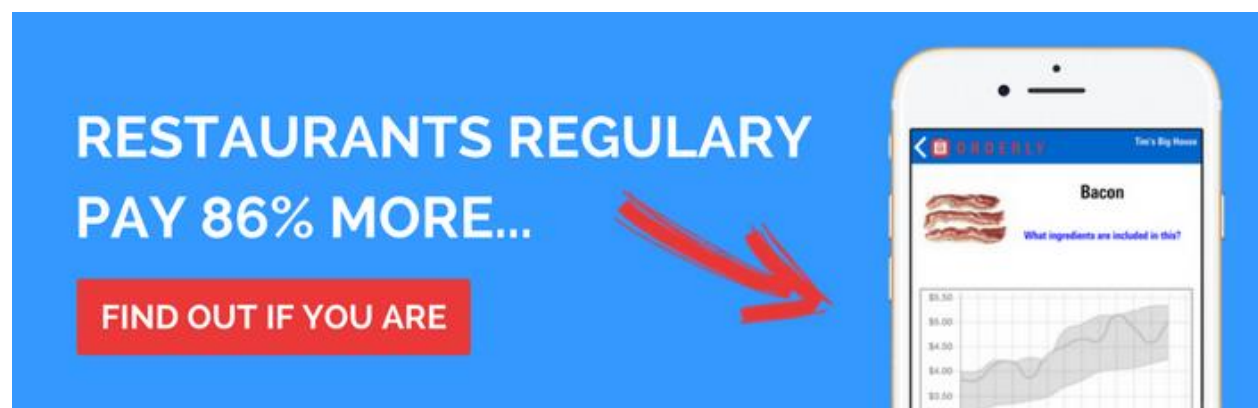
Why You Do It

Now that you have a count, you need to have an accurate value. Because if you use old prices, this entire process will be a waste of time. And you don't want to go through the torture of inventory just to end up with mistaken numbers. Save the fake news for the bar TV.

How You Do It

- Check your latest invoices to find the correct, most recent price you paid for every single item you just counted. This is particularly important for produce and other items you order on a weekly basis.
    - FYI: For items with a longer shelf life, you may have to dig farther back to find the most recent invoices.
- In your spreadsheet, input the prices until you fully complete your data entry.

Pro Tips
- Consistently keeping your invoices organized will make life easier. Have a process in place from the moment the supplier delivery person hands you the invoice through when it's fully processed. Not even the craziest of dinner rushes should deter you from keeping this order in place.
- Store your invoices by date so they're easily located when you need price lookups. Or better yet, store them online for easy access and reference.

STEP 4: CALCULATE COST OF GOODS SOLD & PRIME COST

Why You Do It
Math may be hard, but man, is it important. COGS, when compared to revenue, gives you an incredible look into your profit margins. This can help you save money. You can also use it to calculate Prime Cost, which indicates the financial health of your restaurant.

How You Do It
- To calculate your COGS:
    - Beginning inventory costs + purchases - ending inventory costs = Cost of Goods Sold
- To calculate your Prime Cost
   - (Cost of Goods Sold + Labor Costs) / Total sales = Prime Cost

Pro Tips

- You can break COGS down even further into different categories to see where your money is going. A good rule of thumb to follow is ensuring that your on-hand inventory isn't more than 1.5 X your COGS.
- The prime cost of a thriving restaurant should be approximately 60% (or less) of its total food and beverage revenue. This data can then be used to drive how to schedule servers and how to shape a menu in order to meet budget goals.
- Keep an eye out for waste, theft and price increases – this is where taking inventory can make a practical difference to your business. Saving money in any of these areas means a big increase to your bottom line. And remember the golden rule: More money is a *good* thing.
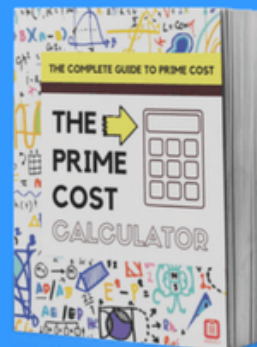
STEP 5: TRAIN YOUR STAFF

Why You Do It

One of the reasons inventory is avoided is that managers don't delegate. Training your staff to help you out can be a key way make inventory less of a hassle.

How You Do It
- Stress the importance of inventory to your staff. Explain that you take inventory to find your COGS, to check for waste, to see if anyone is stealing, and ensure you're only ordering what's necessary.
- Choose 1-2 staff members to organize and count every week. Their schedule should have them working on the day and time inventory needs to be taken every week. Walk them through the best practices for organizing and counting.
- Once finished, your staff should hand the count sheet off to a manager. Show this manager how to do price lookups, calculate COGS, and find your Prime Cost. She should send you these numbers at the end of each inventory.

Pro Tips

- Inventory taking is part of the job description for any restaurant worker. But incentivizing always sweetens the deal. You can give preferred work hours, weekly bonuses, or even comped meals in exchange for accurate inventory. No one's gonna turn down a comped meal.
- Include inventory in your shift scheduling software to make it impossible to ignore.
- Don't delegate spot checks between inventories. You and *only you* should perform spot checks on your most expensive items, or items you see being used up, between inventories. This is a proactive way to prevent theft with your staff.

FINAL THOUGHTS

This step-by-step guide is here to help you take a REAL inventory… One that is both solid and useful.

And now that you know its accurate, you'll be able to:

- Check your restaurant's financial health
- Track expected food usage
- Decrease food waste significantly
- Stop theft from happening
- Prevent over-ordering

Simply put, you'll be able to make more money. Remember, restaurants that take regular inventory can increase profits by up to 24% a year. Don't miss out on a piece of that pie.

And hey – if it STILL seems like a painful and tedious process, we've got good news...

There's an app that can do all of this for you: The Orderly app for inventory.

It's inventory with no spreadsheets, no data entry, and no price lookup. You'll get an accurate Cost of Goods Sold in half the time.

It's the tool that makes inventory easy. And it makes your restaurant more profitable. Download the app... Then, schedule a demo so we can show you how it works.