Inventory Demonstration Script

Overview

Digital Dining's Inventory Program assists the client in tracking inventory from the time it is either ordered or received until it is used or is no longer available for some other reason. The program monitors on-hand inventory and suggests an amount to order, reports any inventory variances, reports on any vendor cost changes, tracks waste, and reports accurate food costs by item, type, and so on. This allows the client to quickly identify problem areas such as portion control, shrinkage, and improper vendor pricing. While our competitors may offer compatibility with various third-party inventory management programs, Digital Dining Inventory is fully integrated with the Digital Dining Back Office and Setup programs. Furthermore, we include the Inventory program with our standard package, providing you with a robust, affordable, and easy-to-use solution to your client's inventory management needs.

Features

Digital Dining's Inventory supports all cycle counts and, when used effectively, reduces the required frequency of performing a complete physical inventory. It also monitors key items to help reduce or eliminate stock outages. Currently, the inventory on hand is as of the last day processed. A future enhancement will allow real-time inventory maintenance.

Digital Dining's Inventory program is feature rich, and it is scaleable. As with all areas of Digital Dining, there is wide flexibility in how and how many of the system features in the Inventory program to use.

Prelude

A key decision for any client planning to use Digital Dining Inventory is which ingredients to track. Quick service restaurants usually track all or most ingredients including paper cups, plates, and so on. While a few full service restaurants may

want to track everything in most situations, we do not recommend it. There are two problems with attempting a complete inventory-tracking scheme: first, it causes a tremendous volume of work; and second, the work level required often results in a decision to discontinue using the Inventory program completely.

Recommend what is commonly known as the 80-20 rule, that is, monitoring approximately 20 percent of items often accounts for approximately 80 percent of the value of inventory. Suggest that a good rule of thumb for the typical full service restaurant is to track meat, seafood, and liquor. Beyond that, the results are sometimes less of a return than the cost of the effort.

Introducing Menu Item Maintenance

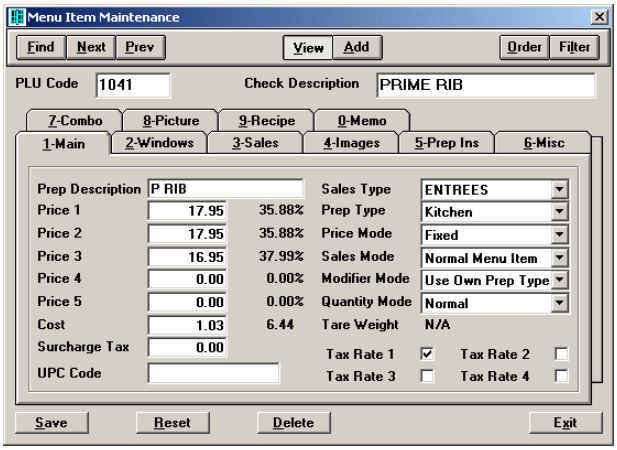
Begin by demonstrating the Menu Item Maintenance window in the Back Office program. Here is where the actual recipes are built, and the food and pour costs are calculated.

1 In the Back Office program, on the **Menu Item** menu, click **Menu Items**.

Display a menu item that includes a recipe; prime rib works well.

2 Click **Find**, type **pri**, and **prime rib** displays.

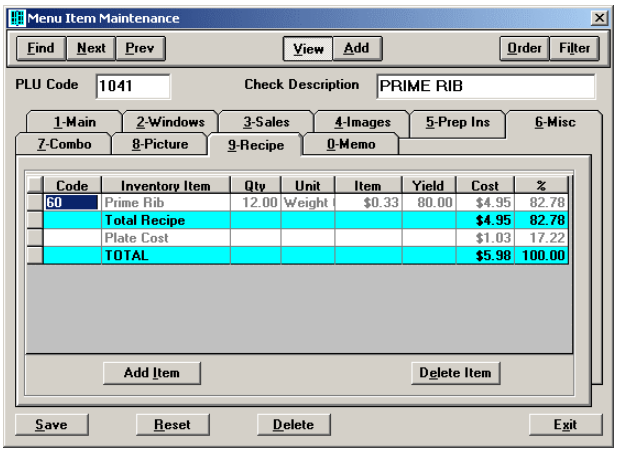
The Menu Item Maintenance window now displays all the information about prime rib.



There are two numbers in the **Cost** field. When Inventory is not used the theoretical cost can be entered in the **Cost** box. The same number will display in the second column. When Inventory is used enter any additional costs of ingredients included with the menu item that are not in the recipe in the **Cost** box, for example, salad,

starch, vegetable, and bread for an entrée; or the mix and condiments for a cocktail. The calculated food or pour cost percentage displays for each price level. This is "plate cost." Cost percentages are calculated from the total cost.

3 Click the **Recipe** tab.



Explain the boxes for each ingredient in the recipe: **Code** (ingredient number), **Inventory Item** (description), Quantity (**Qty**), **Unit** (unit of measure used in the recipe), **Item** (cost per unit), **Yield** of the ingredient, **Cost** (total cost of the ingredient), and **Percentage** (menu item's cost contained in the ingredient).

Explain yield, if necessary. Yield is the percentage of the ingredient received that is usable. For example, prime rib is bought on the bone and served boneless. After the bone and any excess fat are trimmed, the remainder is the usable portion. The yield is the usable weight divided by the purchased weight.

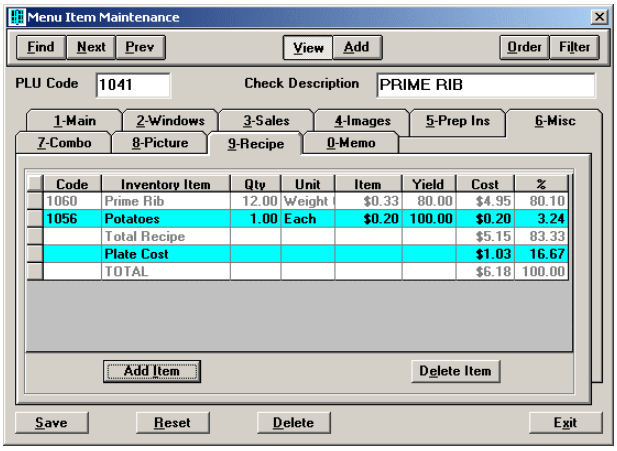
Another good example to explain yield is beer. Bottled beer yields 100 percent while draft beer typically yields 92-94 percent to account for the spillage, head, and so on. The lower the yield percentage the higher the cost of the usable portion.

Digital Dining Inventory calculates the cost as the pro-rated average cost of all inventory on hand (based on first-in/first-out, FIFO) adjusted by the yield. The demo data shows 80 percent (80.00) as the yield for prime rib. This means purchasing 15 ounces to yield 12 ounces. So, the cost of the 12-ounce cut actually reflects the cost of 15 ounces of prime rib from the vendor.

Note that the plate cost from the **Main** tab displays and adds into the total cost of the menu item.

Additional Features

Show the client how quick and easy it is to add ingredients to a recipe. Click **Add Item**. An alphabetical list of all ingredients from inventory displays. When using prime rib as a demo item, add a potato to the recipe. In the search window, enter **POT**. Potatoes are highlighted. Click **OK**, and one potato is added to the recipe. Because the unit measure is "Each," it is a baked potato. Mashed potatoes display in ounces.



The recipe for an entrée only includes a starch such as a baked potato if the potato automatically came with the entrée rather than the restaurant customer having a choice. When the customer has a choice, the recipe for the potato or any starch is entered in the menu item (PLU) for the potato. The cost of the starch and any other ingredients served with the meal is still entered as plate cost to have the complete food cost reflected in the total cost and the cost percentage.

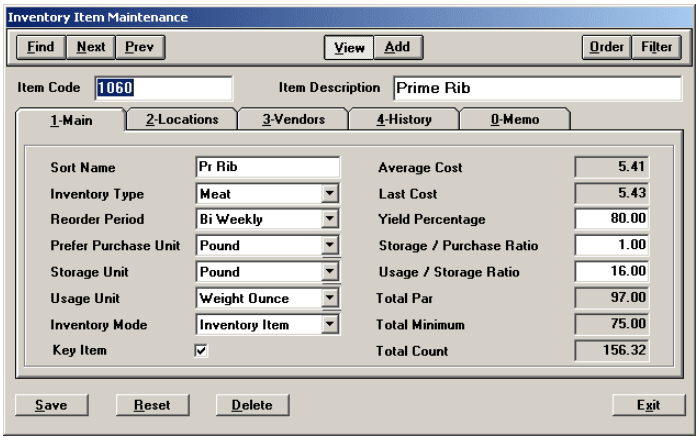
Using Inventory

For a full service restaurant, begin by showing a sample of inventory items (ingredients). If you used prime rib as the menu item to demonstrate the recipe, then use the prime rib ingredient as one of the items. For a restaurant serving alcohol, wine is a good choice for a second item.

Main Tab

1 In Digital Dining Inventory, on the **Inventory** menu, click **Inventory Items**.

2 Click **Find**, type **pri**, and **prime rib** displays. Click **OK**. The **Inventory Item Maintenance** window displays all the information about prime rib.



3 Describe the fields under the **Main** tab.

Inventory Type and **Reorder Period** are filters for reports and orders.

Preferred Purchase Unit is the pack size that the restaurant prefers to purchase. It is called "preferred" because an item may be purchased in multiple pack sizes, such as in pounds or kilograms. This is most often true when purchasing an item from more than one vendor.

Storage Unit is the container or pack size in which the item is stored, and is also how the item is counted for inventory.

Usage Unit is the measuring unit for the item in recipes.

There are three **Inventory Modes**. In some restaurants, everything is **Inventory Item**. **Batch Items** are items from scratch, such as all the ingredients needed to make sauces in an Italian restaurant. **Sub-Recipes** are used to combine multiple items into a single item. A good example to use is mixed vegetables. If one vegetable is substituted for another, only the mixed vegetables are changed, then all items that include the mixed vegetables affect inventory. In a quick-service restaurant, a "utensils" sub-recipe is used to include a plate, fork, knife, spoon, and napkin.

Key Item is used to flag closely monitored items, high cost items, or items that are critical to keep in stock, such as cheese in a pizza restaurant.

Average Cost is the average cost of the amount of inventory currently on hand, based on FIFO.

Last Cost is the cost from the most recent invoice.

Note By showing average and last cost, a quick glance indicates if the cost of the item is trending upward or downward.

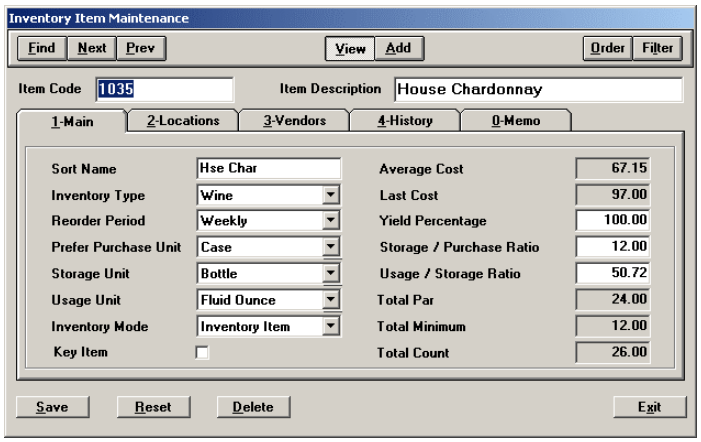
Yield Percentage represents the amount of an item that is usable.

Storage/Purchase Ratio is the number of storage units contained in the purchase unit.

Usage/Storage Ratio is the number of usage units in the storage unit.

To demonstrate the Unit Conversion feature

1 Change the item from prime rib to house chardonnay.



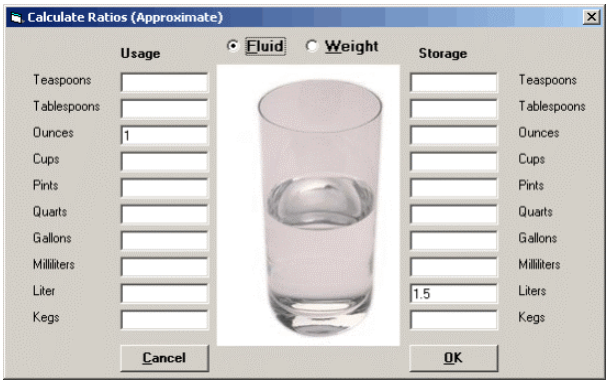
Note that the wine is purchased by the case, stored by the bottle, and used by the fluid ounce.

2 Select the number in the **Usage/Storage Ratio** box, and then delete it.

3 Right-click the **Usage/Storage Ratio** box. A fluid and weight calculation window opens.

4 Click **Weight** to show the chart, and then click **Fluid**. Enter **1** in the **Ounces** field in the Usage column.

5 In the Storage column, enter 1.5 in the **Liters** box, or 1500 in the **Milliliters** box (bottles are measured as 1.5 liters, or 1500 milliliters).



6 Click **OK**. The correct number of ounces in the bottle is automatically entered in the **Usage/Storage Ratio** box.

Note Always demonstrate this "wow" feature.

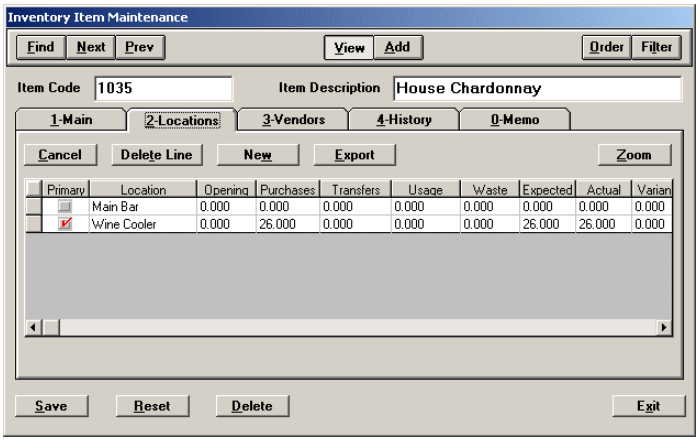
Total Par is the sum of the par levels for each storage location.

Total Minimum is the sum of the minimum levels for each storage location.

Total Count is the sum of the on-hand quantities for each storage location.

Locations Tab

While you are in the Inventory Item Maintenance window, describe the fields under the **Locations** tab.



The **Primary** location is the restaurant or headquarters location that receives all incoming inventory.

Location lists the different areas of the restaurant where the item is stored.

Opening inventory is the stock-on-hand at the beginning of the period. This reflects the actual count from the last full physical inventory. Resetting the inventory makes the actual count the new opening amount.

Purchases reflect the total amount of the item purchased from the beginning of the inventory period.

Transfers reflect the movement of items among the inventory locations. Typically, the primary location has a negative amount and the other locations have a positive amount. The total should be zero.

Usage reflects the amount of the item used at the POS. The actual amount is based on the individual recipes containing the item. Usage is current as of the last processing.

Waste reflects the amount of the inventory item that is unusable for any reason.

Expected is based on the opening inventory, plus purchases, plus transfers in, minus transfers out, minus usage, minus waste.

Actual reflects an actual count entered as Stock Take.

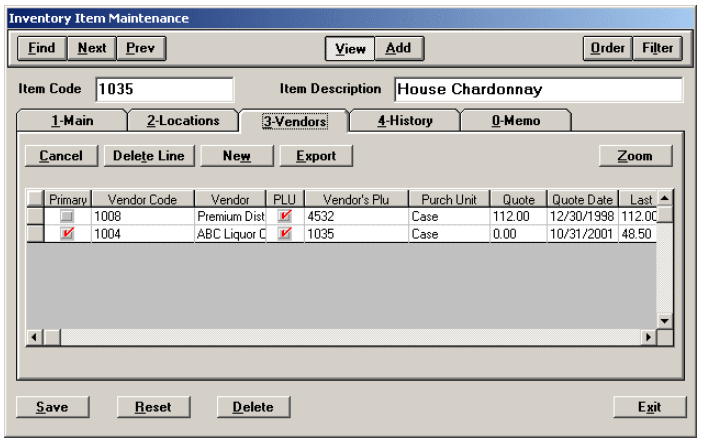
Variance is the difference between the expected amount and the actual amount on hand. A positive amount indicates there is less on hand than expected, while a negative amount indicates there is more on hand than expected. Offsetting positive and negative amounts among locations likely indicates that one or more transfers have not been posted.

Par is the stocking level for the location. This is the maximum amount of stock. The primary purpose for par level is to use the suggested reordering feature.

Minimum is the stock level that triggers a reorder of the item.

Vendors Tab

While in the **Inventory Item Maintenance** window, describe the boxes under the **Vendors** tab.



Primary designates the main vendor for this item.

Vendor Code is the numerical designation for the vendor

Vendor is the name of the vendor(s) for the item.

Vendor's **PLU** is used for the vendor's stock number.

Purchase Unit reflects the container or pack of the item from that vendor.

Quote is a price from a price list, or other type of quote provided by the vendor.

Quote Date is the date the quote was received.

Last Cost represents the cost of the item on the most recent invoice from the vendor.

Last Cost Date is the date of the most recent invoice from the vendor.

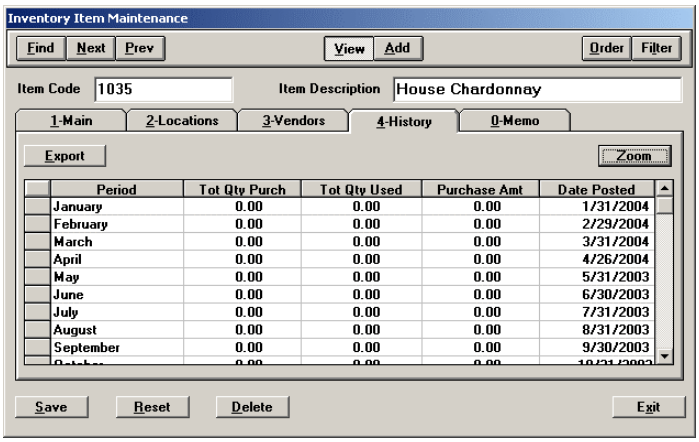
Ratio reflects the quantity of the preferred purchase unit to the purchase unit from this vendor. For example, the preferred method of purchasing a meat item is by the pound. The primary vendor sells the item by the pound, while a second vendor sells the item by the kilogram. The ratio for the primary vendor is 1, while the ratio for the second vendor is 2.2 (there are 2.2 pounds in 1 kilogram).

Vendor's Item Description reflects the name of the item used by the vendor.

Compare shows the ratio to convert the cost (or quote) of each vendor stated as the Cost Per Preferred Purchase Unit. This allows an easy comparison of costs among vendors when the Purchase Units are different.

History Tab

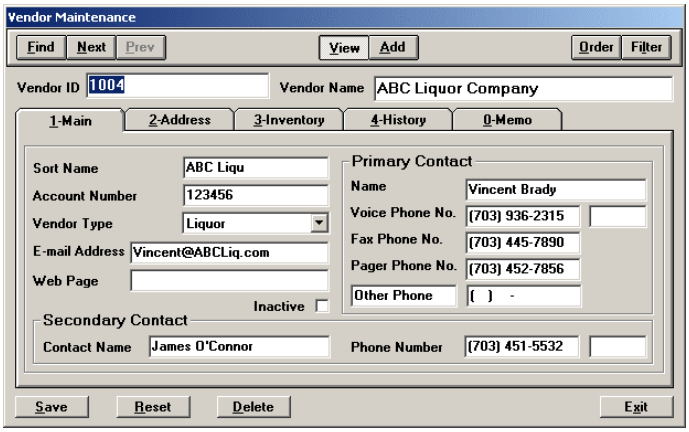
This section displays the total quantity purchased, the total quantity used, and the total cost of the purchases for each of the 23 or 24 periods used in the restaurant.



Click **Zoom** to expand the display. **Restore** reverts to the standard display.

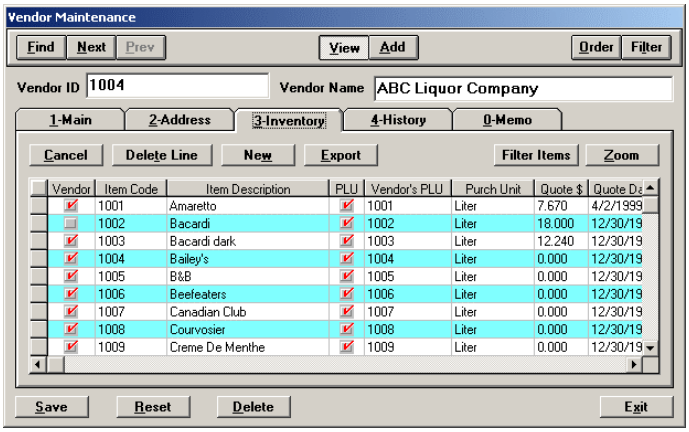
Using Vendors

In Digital Dining Inventory, on the **Vendors** menu, click **Vendors.** The **Vendor Maintenance** window appears. Find and display either Metro Meats or ABC Liquor Company. The **Main** and **Address** tabs are self-explanatory.



Inventory Tab

All the inventory items purchased from this vendor are displayed here.

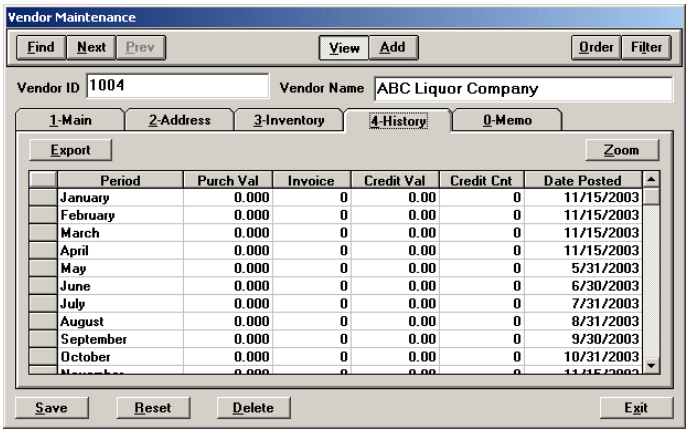


The boxes are the same as described on the **Vendors** tab in the **Inventory Item Maintenance** window (see page 9).

Explain that associating a menu item with a vendor is done in either the **Inventory Item Maintenance** window or the **Vendor Maintenance** window. This association is also accomplished when entering a purchase order or posting an invoice.

History Tab

This window displays the value and quantity of invoices from this vendor by period. It also shows the value and quantity of credits from the vendor.



Using Inventory Transactions

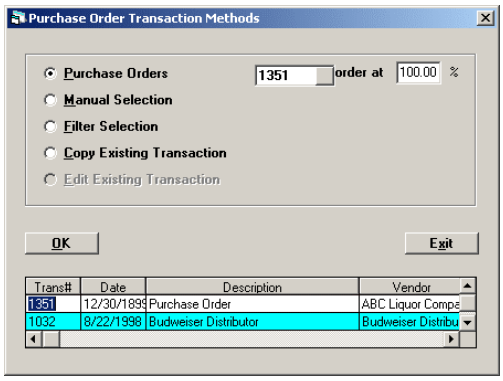
A transaction is a process by which you record or adjust inventory levels. First, you record the actual inventory when you input the values of your physical inventory count. Then, you can adjust the inventory, for example, by logging item waste, by transferring inventory to or from another store or location, or by recording an incoming invoice. When you record or adjust the current inventory, Digital Dining Inventory also automatically adjusts the expected values.

Purchase Orders

Choose the purchase order method from the **Purchase Order Transaction Methods** window.

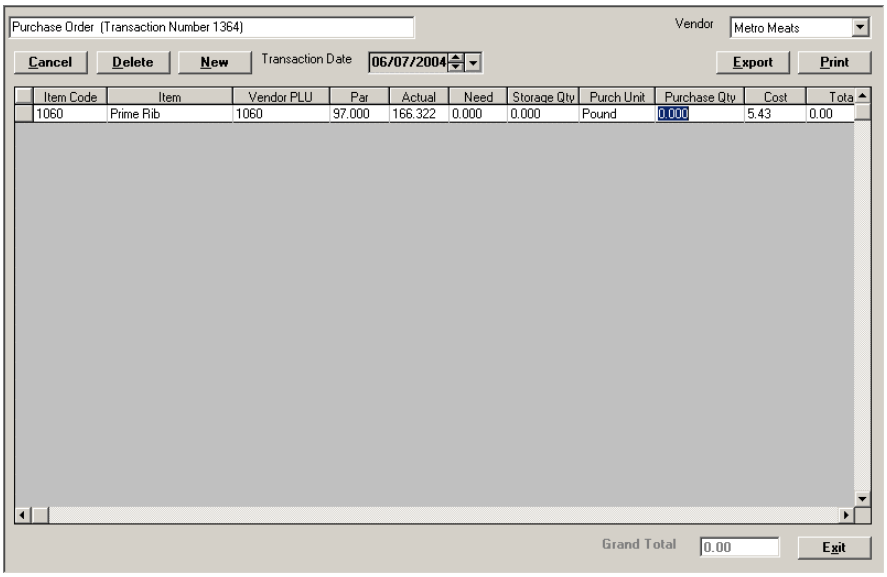
Note The use of purchase orders is optional; some clients skip this step and post invoices manually.

1 In Digital Dining Inventory, select **Inventory**, then **Inventory Transactions**, then **Purchase Orders**. The **Purchase Order Transaction Methods** window displays.



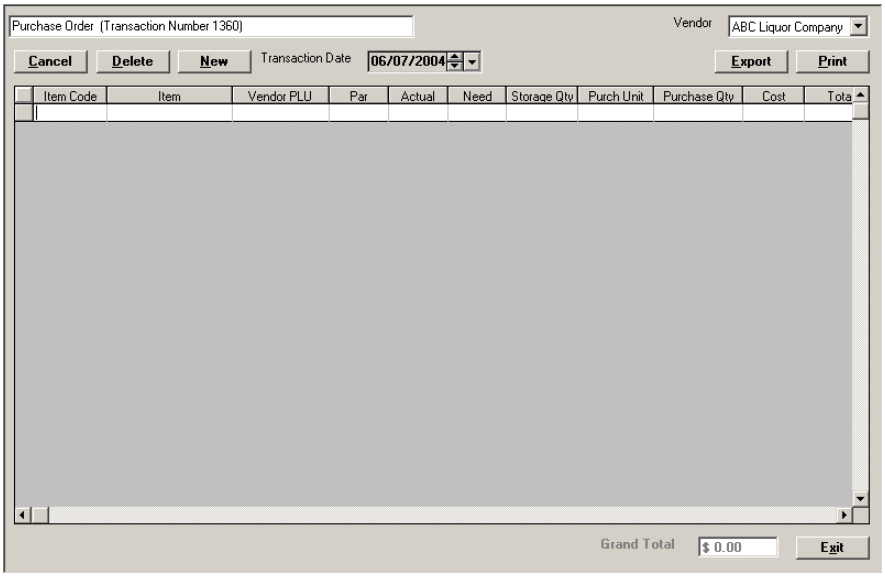
Note The field to enter the percentage for calculating the reorder only applies when par and minimum levels are used. Seasonal needs, special events, and other factors cause the required stock levels to greatly fluctuate throughout the year. The percentage reorder easily accomplishes this. For example, when ordering beer prior to New Year's Eve, the restaurant may want to have double the normal quantity on hand. However, during the first week of January, only half the normal stock might be needed. In effect, this allows for "rolling par levels." Without this feature, suggested reordering is of little use.

2 Select **Purchase Orders**, and then click **OK**. A list of all Purchase Orders displays.

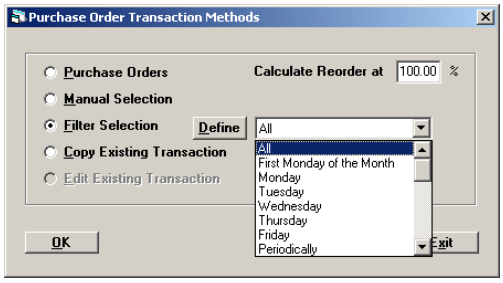


If par and minimum levels are used, the purchase quantity flashes with either the quantity needed to replenish the item to the par level, or "zero" if none are needed. Edit any reorder quantities at this time. Once the quantities are correct, click **Exit** and the purchase order is complete.

Manual method is used to open a blank Purchase Order. All items are manually entered. Click **New** then click the **Item** box. The **Find** list appears. Make a selection from the list and all the information for that item appears.

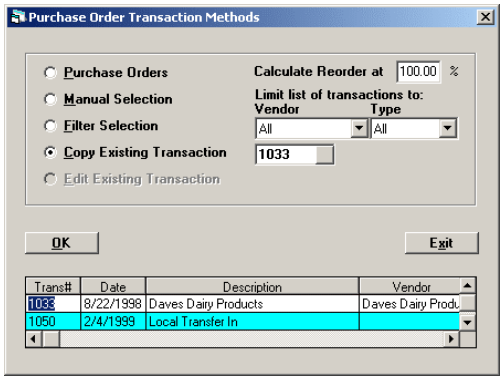


Filter method is used to choose any Reorder Reports defined for specific vendors, reordering periods, and so on.



For example, if the Budweiser Distributor delivers every Tuesday, a Reorder Report for all items purchased from the vendor is defined and saved, and a purchase order is generated for the vendor based on current stock levels. By changing the reorder percentage, the order reflects the suggested amounts needed for that particular time. The order is sent to the vendor prior to Tuesday or printed and hand delivered.

Copy Existing Transaction method is used to choose any previous transaction, including previous purchase orders, incoming invoices, usage, stock take, waste, and so on.



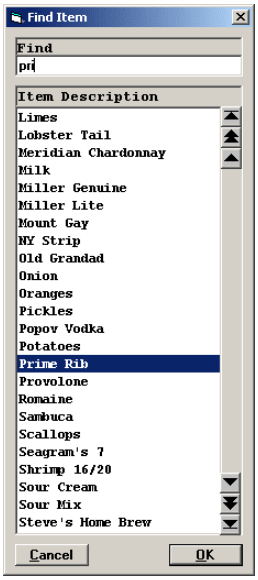
Demonstrating the Manual Method

Demonstrate the **Manual** method to show how easily a Purchase Order is created from "scratch."

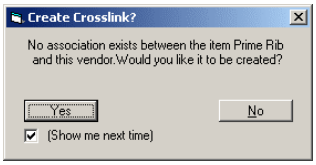
Note In a demonstration it is difficult to show a suggested reorder.

1 Click **New**. If known, enter the item code. If not, show how easy it is to search for the desired item.

2 Click the blank box in the **Item** column. The **Find Item** window opens. Enter the first few letters of the desired item. Click **OK**.



If you have chosen an item not from the listed vendor, a message window states that there is no cross link between the item and vendor. It also asks if a link should be created.



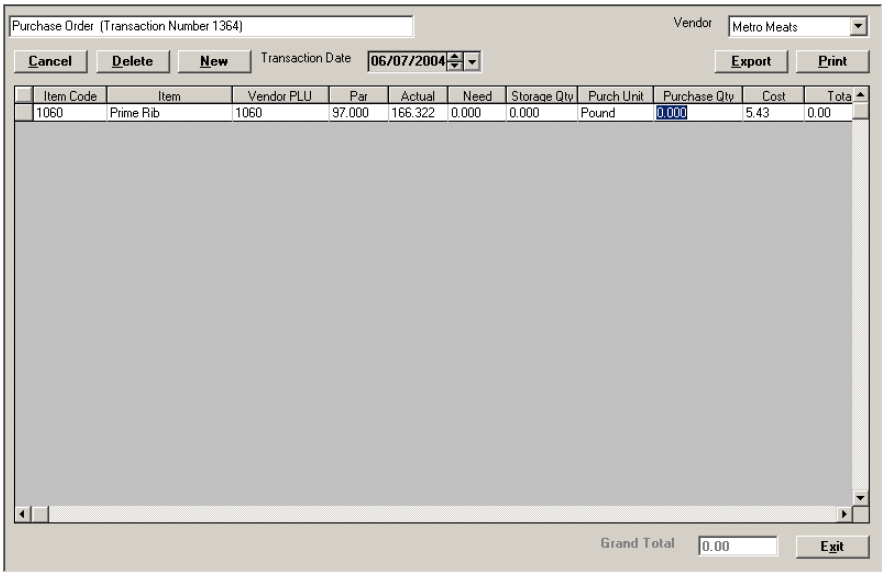
Explain to your client that this is a level of sophistication in Digital Dining Inventory prevents most inadvertent errors and does not exist in competitive systems.

Note When purchasing an item for the first time from a vendor this feature allows the order to be entered. Once it is entered, the new association between the item and vendor is automatically created.

3 Click **No**. In the **Vendor** list, select the correct vendor.

4 Click **New** again. Select the correct item.

All boxes are filled with the item information.



Note that there are boxes for **Par**, **Actual**, and **Need**. If the **Actual** is less than **Par**, the amount needed to purchase is calculated and entered in the **Purchase Quantity** box.

5 Enter a **Purchase Quantity** such as 10 pounds.

Note that the **Cost** box defaults to the last cost for the item. Explain to your client that if a different cost is known, they should enter it now by clicking in the box. (Do not change the cost now.) If not, the cost of the ordered item is calculated and extended. In the interest of brevity, order only the one item during your demonstration.

6 Once all desired items are entered, click **Exit**. A **Save** and **Exit** window displays. Click **Yes**. The purchase order is complete.

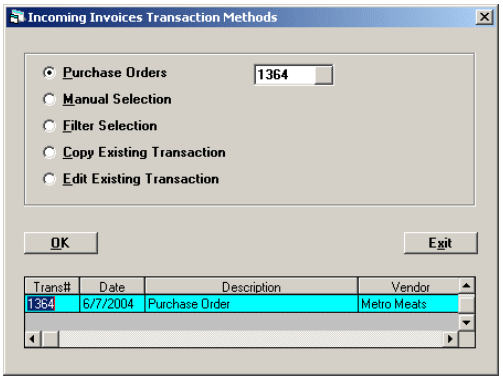
Incoming Invoices

Explain to your client that the procedures used to enter an invoice are the same as those used to enter purchase orders. There is an additional transaction method for editing an existing transaction (invoice).

1 Go to **Inventory**, **Inventory Transactions**, and **Incoming Invoices**. The **Incoming Invoices Transaction Methods** window appears.

The transaction methods for invoices are similar to those of purchase orders.

2 Select **Purchase Orders** as the method. A window with all outstanding purchase orders appears. Scroll to the bottom for the purchase order you just entered in *Demonstrating the Manual Method*, or enter the Purchase Order number in the box. Click the **Transaction Number** to highlight and click **OK**.



3 Enter any number as an invoice number and click **OK**. The number appears in the box in the upper left of the window. The exact items from the purchase order appear and the cursor is at the **Quantity** box of the first item, defaulted to the quantity ordered. Explain that the only entries required now are any changes or exceptions.

4 If the quantities received match the ordered quantities and there are no cost changes, click **Exit** to accept the invoice.

In the demo, leave the quantity the same and change the cost. (Changing the cost highlights some key features discussed later.) Change the cost by an amount equivalent to between 3 percent and 5 percent. For prime rib, this is from approximately 15 to 25 cents per pound. To keep the costs reasonable, it is important to alternate raising and lowering the cost.

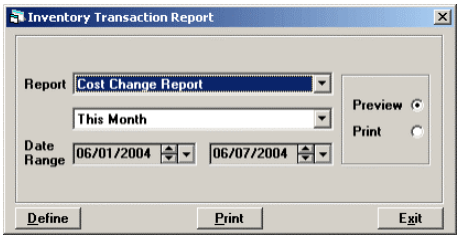
To change the cost, click the **Cost** box. Enter the new cost and click **Tab**. The new extended cost is calculated and displayed. The **Old Cost** displays and the **Cost Difference** is calculated and displayed as a percentage.

Click **Exit** and **Save**. The received amount is added to the inventory of the primary location. Also, the average cost may change, depending on if the quantity and/or cost difference was enough to affect it. When the average cost does change, all menu items with the ingredient included in the recipe will have the associated food cost and food cost percentage updated automatically.

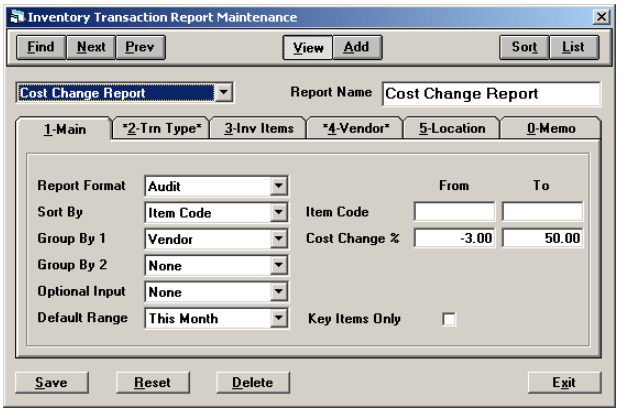
Item Transactions Reports

Explain to your client that these reports can monitor all types of transactions and find significant variances or anything unusual. You can refer to them as a transaction exception report.

1 Go to **Inventory**, **Inventory Reports**, then **Item Transactions Report**. In the **Report** list, select **Cost Change Report**.

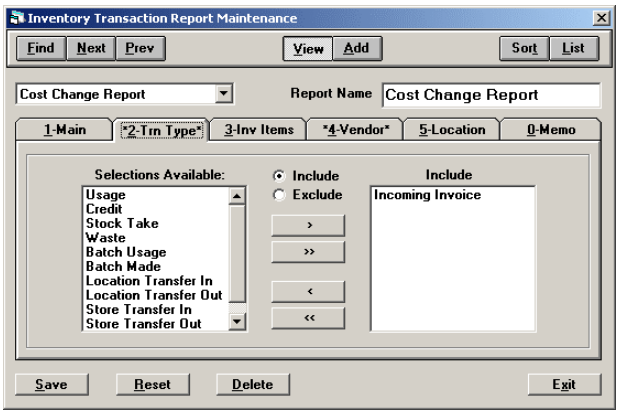


2 Click **Define**. The **Inventory Transaction Report Maintenance** window appears.



Briefly describe some of the fields. In the demo, run a report showing the cost change for the invoice just posted. The demo data is set to show any transaction with a change in cost of at least 3 percent. If the change in the invoice is less than 3 percent, adjust the report downward so your invoice is included. For example, if your cost changed 2.2 percent, adjust the report filter to 2 percent from 3 percent.

3 Click the **Trn Type** tab.



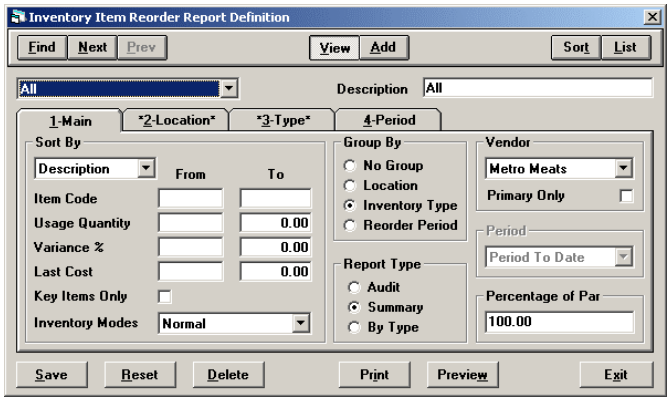
Note the many types of transactions monitored in the **Selections Available** box. Exclude all but **Incoming Invoices**. Be sure the correct vendor and location is included (go to **Vendor** tab). The easiest way is to do this is to include all.

4 Click **Exit**. The **Inventory Transaction Report** window appears. Be sure the date range includes the current date. Click **Print**. The Cost Change Report appears, ready for printing.

Note This is an extremely valuable report that allows the restaurant to keep all vendors "honest." It is not uncommon for invoices to include "surprise" cost increases that are often not discovered. This report displays any significant changes. The restaurant might also choose to have the report show every cost change no matter how small as well.

Reorder Report

Demonstrate the many other features of Digital Dining Inventory if there is time and interest on the part of the client. The Reorder Report is a good choice. Go to **Inventory**, **Inventory Reports**, then **Reorder Report**. The **Inventory Item Reorder Report Definition** window appears.



Use only one vendor in the report when demonstrating a Reorder Report if time is short. Items flagged for reordering are displayed in this report.

Summary

The key with the Inventory program, as with all areas of Digital Dining, is to prepare, prepare, prepare. Spend time going through each area of the Inventory program. Use online Help. Get familiar with the program. Be ready to answer questions and explain features.

To summarize, Digital Dining's Inventory program helps the client significantly reduce food/pour costs even if only a minimal number of its features are used. It does take time and effort, particularly to setup; however, the return is exceptional. Most, if not all restaurants become more profitable. It is not uncommon for a restaurant using Digital Dining Inventory to experience an increase in net profit of between 1% and 3% of annual sales. Many clients do not understand the benefits and think that the required effort is too intensive. Explain that the greatest success is realized when the program is gradually implemented, beginning with just a few items, then adding more items as they get more comfortable.

Remember that clients who use the Inventory program, as well as the other non-POS features of Digital Dining, such as Frequent Dining, Table Management, Marketing, and so on, are great references and provide ongoing revenue to your dealership, making it almost impossible for your competition to steal them away.