Hey there restaurant pros. It's David Scott Peters and welcome to episode 90 of the restaurant prosperity formula. I've been coaching restaurant owners since 2003. And the restaurant prompts really formulas based on what the most successful restaurant owners I've worked with you on a daily basis to achieve their success. The basic premise of the formula centers around achieving prosperity, freedom for your restaurant that financial freedom you deserve to achieve prosperity, you have to follow a very specific formula made up of leadership systems training, accountability and taking action. Today we're going to delve into a crucial aspect of restaurant management, understanding and leveraging your descending dollar report. This isn't just about saving a few dollars here and there. It's about a strategic purchasing waste control and maximizing your profits. Let's get started. But first, a word from our sponsor. We all know managing costs is one of the most important parts of running a proper restaurant especially now but between fluctuating vendor prices, waste labor, and the never ending list of tasks that demand your attention on a daily basis. It can be challenging for even the most experienced of us to manage costs well, that's where margin edge comes in. Margin edge is a complete restaurant management software that automatically uses data from your POS and invoices to show you food and labor costs in real time. Don't wait until it's too late. Margin edge gives you tools to make decisions in the moment, like a daily p&l price alerts on key ingredients and real time plate costs all without ever having to touch a spreadsheet. Take control of your costs. work more efficiently and be more profitable. Go to www dot Marjan edge.com forward slash DSP to learn more and schedule your demo today. There's a little known and underutilized tool that can reduce your food costs by potentially three or more points. But only if a restaurant were to simply gather some data and take a little action. How would you like to reduce your food costs by simply gathering data? Does this sound too good to be true? Well, it's not. By the end of this lesson, you'll be in a position to take action and put yourself down that path. I want to be straight with you. There is one group that will basically this isn't gonna work for that's a group of restaurants who already have a prime vendor agreement in place with one of the broad line distributors. So if this is you, this will not produce these kinds of savings. Why? Because you should have already negotiated these kinds of savings in your agreement. It will benefit you when it comes time to renegotiate your agreement. So you might as well just stay with me but for everyone else, I'm about to deliver to you a real game changer. Okay, enough already, right? What the heck are you talking about, David? I'm talking about using and creating a descending dollar report with all the products that you purchase. No matter who you order them from. From those who might well be familiar, a descending dollar report is provided by most food purveyors. It lists all the products you've purchased from them, sort them by total dollar amount spent over a given period of time. Usually the highest to the lowest. So what I spend the most money on at the top down to what I spend the least amount of money now this will work with a descending case report to see it's basically the same damn report. It's just sorted on your purchasing of purchase units cases. If you will. All you need to do is switch the sword if you will the column with dollars and flip it to what you spent the most money on to the weight. So we're going to follow a few steps to put this together. Step one, you're going to gather the data from your purveyors. This isn't just about looking at your invoices. It's about compiling comprehensive data on every item you purchase. This data is gold. It's the foundation of a strategy they can transform and your restaurant and help you manage your costs. What you're gonna do is you're gonna call each one of your sales reps from any broadline distributor, any small distributor, any food vendor that you work with, and you're going to ask them to provide you with a descending dollar report in a spreadsheet format. And this is important in a spreadsheet format, not not in a PDF. We need it in a spreadsheet to make make it work. But we also want to form a very specific date range. And we want to get it from the same date range from each one of our vendors so that we can put it all together and know that they all lined up perfectly. Now this report is often again given in the form of a descending case report and that's okay. Remember, you can you can change the sort. It has the same data, it's just in a different order. For each vendor, you're going to create an individual spreadsheet. Now for the most part, if you get it from your broadline distributor it should already be its own individual spreadsheet whether it's CSV file or not. You can make an Excel spreadsheet or a Google spreadsheet. It does not matter. We're just going to convert it from from just numbers into format. And on it, it's gonna have the vendor name the product names for each of the things you ordered the number of units you've ordered, again, purchase units and how much money you spent on each one of those during that date range for any items you purchase. From that restaurant supply, big box store grocery store distributors, you get the picture anybody, anybody you buy from even those vendors who well might be delivering st produce with a handwritten invoice. We've got to put all of it together. So you're going to get easily from your broadline distributors and those that are computerized. But if you go to say a Sam's Club or if you go to a restaurant depot, you still might be able to get that spreadsheet, depending on the management that's there. But when we get into these little things, read vendors or produce vendors that are handwriting, you're gonna have to type it all up. When you go to a grocery store all those paid out receipts, you're gonna need to type it up. We need to know every product, all of the data we're looking for. Now with that said, be aware that your broadline distributors when you ask for the descending case report or descending dollar report the way I want it, the truth of the matter is, they're probably going to slow roll you like they really don't want to give you the data. Now why is this process why do they want to slow walk this process? Well, odds are what they're gonna do is they're gonna delay delay delay, and then you're gonna get a phone call and it's going to be what's going on what's wrong? Why are they going it is because they think you're gathering the data to shock them with another distributor. Because of you the same process of gathering all your tonnage, if you will, in spreadsheet format allows you to put all of your data together that you can shop them and get a prime vendor agreement with somebody else. So be prepared to let them know what you're doing. All you're doing is a descending dollar report. You want to see what you spend the most up to the least. Now step two is sorting and analyzing your top 10 items, maybe even 12 C once you have all this data, we're gonna need to put it all in one spreadsheet. So we're gonna combine we're just gonna copy and paste copy paste, copy, paste, copy, paste, till every every one you byproduct from every product you buy is on one spreadsheet now, special note here. You may have to take some time to well delete some items and combine them with other. For instance to make this work if you bought chicken from two different vendors. They're the same six out chicken breast. We're not really looking for who you bought more from you know who you're probably going to get it from the most. Take all the purchase units and the dollars from one vendor, add it to the other. Otherwise you're gonna have chicken in two different places. We've got to make sure we marry any like items that we buy from multiple vendors so that we know it's one single product we can see that it moves up the list or down the list for that matter. Now, again, we're going to then sort all of this we have everything copy paste, copy, paste, copy, paste, we sort the column of money spent to what we spend the most. What we down to what we spend the least pay close attention. If you were to take in a spreadsheet if you highlight the first cell and drag down to 10 or 12 items, you're basically creating a subtotal. If you look in the bottom right hand corner of Excel, or Google Sheets, you're gonna see a little number you can click on it, it'll pop it up to give you averages, counts all these things. But what it will also do is total whatever the hell you have highlighted, in this case, what you're going to find is that your top 10 to 12 items. Right at the top of that list, would you spend the most of the least out of 350 items you purchase? There's 10 to 12 that will represent about 50% or more of your purchasing power. That's right. Just a handful items make up half of your spending. This is where you need to focus right where should your focus be these 1012 items, because why we can make a huge difference if we could buy differently. Step three. Now leverage your spending power. Because you're spending a significant amount on these top items. You have leverage leverage to negotiate what you're going to do is you're going to ask your purveyors, if they can offer you a better price. If you promise to buy all of that product from them.

See, they're looking for tonnage. The more you buy, the more willing they are to lower price. In the old days distributors would have food shows you remember the food shows I don't see them very often anymore. They're too expensive and don't really get them the results they want. But we used to every quarter or at least once a year have a food show. And when you go to wine, you might stop by say a manufacturer's booth maybe Heinz ketchup and you'd be like, hey, what's what's your deal and they say if you promise to buy at least 50 cases, 150 cases, 350 cases, whatever the number is, you promised to buy that and the next year, we're going to give you a better price. So what you would do you go around with your car do you say I'm going to contract to buy this I'm gonna contract to buy that we're going to contract it by this to get better pricing. The truth of the matter is, that could have been done anytime all year long. He didn't have to go to a food show. See, the more you promise the buy, the more they know you're going to do, the more they're willing to work on price. Step four is uncovering hidden opportunities. Next, ask yourself a sales rep. If they have a light or better quality product for a cheaper price. Not a cheaper price. You should never buy shitty food and go against your core values to save money. I would never have you do that. This would cheapen your brand and actually end up hurting your restaurant. Again, to be clear. You're asking for a product similar in quality or better quality. It's cheaper. See what you don't know. And your sales rep isn't going to tell you is there's another product that could potentially be in their warehouse and another restaurant or chain restaurant with high volumes brought in into the distributor they got a slot. And what that means is they bypass something called marketing money. marketing money is the broad line distributors all of them. It's not it's not name one. It's all of them. There's a game where they say hey, give me your manufacturer. Give me your best price. Fantastic. Now I'd $5 a case and every time we sell you're gonna kick us back $5 It's kind of backdoor money. It's marketing money. And what is that for? It's they're gonna say we're going to really market and push your product to sell more. So they're building in a commission if you will. This is not sleazy. It's not under the table. It's not anything wrong is the way the rest of the food distribution business is set up. They've got to make money too. Let's keep that in mind. So when you say do you have a light quality product, or better quality at a cheaper price? And they look in their in their book or their? Their? their computer and they see this item that a chain brought in bypassing marketing money if that product isn't a trade secret product means to that that chain restaurant like it's a secret sauce it's a very specific whatever made just for them. If it's something say like a Heinz ketchup well, you can have a to that means another restaurant got the product a product brought in bypass the inflation of the inflation of the price due to marketing money. And because neither of your sales rep or your distributor want to make it available to you. Because they're not going to make so much better margins on it. They're smaller. Even though it's in the warehouse, you ask and you say is it there? Is there something there? Again, as long as it's not trade sick secret. That's a product you can have. That means you can piggyback on the savings that other chain Brian right because they have the tonnage They promised to buy X number of cases whatever it may be, they're contracted to get a better price. And it's sitting there and you can have it too. I simply asking these two questions, can I get a better price? And do you have like or better quality products at a cheaper price for all the top 10 to 12 items? Just those specific items. We're not going down to the bottom and toothpicks. We're going 10 to 12 items. We're focusing all our efforts just on 10 or 12 items. You'll be in a position to reduce your food cost by three or more points. That's huge. Buying the same groceries you're buying today. Remember your business is valuable to them. And they're often willing to work with you to maintain a good relationship. Before you run off though, and start gathering this data please know that if you have a prime vendor agreement I mentioned in the beginning if you have a prime vendor agreement or and or you're already working with a GPO, which is a group purchasing organization, you've already found your significant savings and this process will not have much of an impact on your bottom line. It will however help you keep your distributors on it. Step five. goes to the next piece and that's controlling waste and theft. Knowing your top 10 items 12 sometimes is just the beginning. The next step is controlling waste and preventing them implementing portion controls and keeping a close eye on these products. Every ounce wasted the stolen is money out of your pocket. This is where you type you know you were tight inventory management becomes crucial to reducing your food costs. Step six is using software for ideal versus actual product usage. So finally, let's let's talk about technology. Using food and beverage software to compare ideal versus actual product usage is a game changer. Software can highlight discrepancies show you where you're losing money and where you can tighten up processes. It's about having the right controls to ensure you're controlling the product that you use. It's critical to use your product effectively. And what is an ideal for sexual product usage. It requires some work. It means you're taking inventories on a weekly basis. It means you're uploading your invoices on a daily basis. It means that between taking inventories, uploading your your invoices, and tying your sales mix to your POS system and your recipe from your POS system to your recipe cards. It can report to you that hey man you used based on inventories and purchases 350 pounds of chicken you should have used 300 Now when you talk to your kitchen manager or chef and go Why is your food cost sign and they go I'm not sure you can literally sit there and highlight four line items and say fix these items. We have a problem theft portion waste, something's going on. But you can fix it. Now, by the way, with software, you've already gathered the data. Everyone has said you had to call all these vendors. You don't have to do that because you uploaded all the invoices. It's data it's already in your system. Because you're going to be taking a picture of that invoice every single day uploading in the cloud. And like magic gets automatically to be put into your software, whether that's through OCR software and human beings are just human beings but every one of these software companies are going to be allowing you to take a picture uploaded and get your invoice already for you to to examine to make sure it's accurate. This means all you have to do is run a descending dollar report in your software and pick up your phone and start making the calls. Hey, can I get a better price? Do you have a light quality product that have light quality, a better quality and a cheaper price? Now I'm gonna tell you the software that I recommend to my members is margin edge. And if you want to learn more about margin edge, I want you to please write this very specifically down once you go to margin edge.com forward slash DSP for David Scott Peters margin edge.com forward slash DSP. This will put you in contact with my guy Bruce Earl. Bruce is a true restaurant Pro and is the only person I let my members work with. And don't get me wrong. There's lots of good people and margin edge, but I know that he is a restaurant pro. He takes care of my people. He's been an area guy, you know 30 plus years in the restaurant business. He's taken inventory his run million dollars, multi million dollar locations multiple just like he's He's a good dude. I don't want you to get the 20 year old reading a script. I want you somebody who understands restaurants. And that's Bruce. Now I want to be clear I don't get a condition or any referral fee for this recommendation where I get his knowledge you'll be taken care of. Finally, managing a restaurant finances isn't just about cutting costs. It's about smart management right about smart management of your resources by focusing on your descending dollar report negotiating better prices, uncovering hidden product opportunities, controlling waste and theft and leveraging technology. You're not just saving money. You're setting your restaurant up for long term prosperity. Hey, that was an awesome episode. I want to thank you for taking the time to take action on building a better more prosperous restaurant. Before you go. I want to give you these three thoughts. One by combining leadership and taking action with systems and training and being checked by accountability. You are on your way to creating prosperity for you and your restaurant, too. I something I need from you. Please leave a review on Apple podcasts Spotify or wherever you happen to listen to podcast by leaving us a review other restaurant pros seeking out this information are able to find it. I read the reviews and hearing how this information has benefited you. does wonders for me and three. If you find any discussions helpful share them, the more restaurant pros who have access to them, the better we become as an industry. For more restaurant resources or to get in contact with me. Connect with me at David Scott peters.com Be passionate about what you're doing be persistent, but more importantly become better and help everyone around you become better and your restaurant is going to kick some ass.