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TECHNOLOGY MANAGEMENT CONCEPTS

Lawry's The Prime Rib

Microsoft Dynamics GP Serves up Prime Inventory Control at Lawry's



Business Situation

Lawrence L. Frank and Walter Van de Kamp co-founded the original Lawry's The Prime Rib on La Cienega Boulevard in Beverly Hills in 1938. Much of the splendor of the meal was in the way each part of the dinner was prepared and presented. Ever the showman, Lawrence designed the famous "silver" carts so the beef could be carved at tableside.

Through the years, the basic elements of Lawry's The Prime Rib have remained virtually unchanged. It is still a family business, with the second and third generations of Franks and Van de Kamps working side by side in the restaurants' operation. Modifications and improvements have been made to meet today's demands, but the meals served remain timeless-and still very much Lawry's.

Lawry's needed to update their financial and inventory control systems, to keep pace with the demands of a busy and successful restaurant group, in an environment of increased competition and rising costs. Their existing system did not allow for accurately tracking the performance of their restaurants and their primary vendors, to ensure that all of the contractual obligations were being met.

The restaurant industry thrives on accurate inventory control and inventory movement for freshness, and must have access to quick and easy financial reporting for provider payments and cash flow. Lawry's knew that they needed to invest in their systems to achieve their business and operational goals.

Business Solution

To meet their goals, Lawry's selected Microsoft Dynamics GP, knowing that they would have access to a highly reliable, scalable and flexible ERP system. Lawry's chose to implement General Ledger, Inventory Control, Accounts Payable, Purchase Order, Fixed Assets, FRx Financial Reporting, SmartList Builder, Extender, and Bank Reconciliation.

Benefits

Lawry's expected to see many benefits from their new Dynamics GP system, including:

- Better Inventory Control
- Faster Payments to Vendors
- Restaurant Shrinkage Control
- Better and Faster Financial Reporting at the Corporate and location levels.

Rationale

Four areas of Lawry's restaurants needed improvement and their existing system was not fulfilling their requirements:

- Increase Inventory Control at the Restaurants
- Add Financial Reporting and Accountability at the restaurant level.
- Improve Buying Decisions for Fresher Food offerings in the Restaurants.
- Inventory Shrinkage Control
- More efficient receiving process for inventory purchase and vendor contract control.

Results

By implementing Microsoft Dynamics GP, Lawry's efficiently and effectively controlled their inventories while costs were reduced 2-3 points and saving over \$100K per year. Margins in the restaurant business are typically modest, and a reduction of this level is very significant. The annual savings provided a very quick return on their investment. This also provided more accountability at the restaurant level for their individual operations.

Better Visibility of Operations

Prior to purchasing Dynamics GP, Lawry's legacy system had not been meeting their needs for their restaurant inventories and reporting. At that time, they inventoried over 400 products at the restaurant level which didn't allow for much oversight and the shrinkage rates became high. Due to tracking so many items the inventory counting and reporting soon became out of hand and the financial reporting was taking 4-5 weeks after each month end close.

In 2005, Lawry's corporate office in Pasadena, CA purchased Dynamics GP to improve store inventories and better reporting. At a training conference the store Administrative Assistants were introduced to Dynamics and a test environment set up for them to train and learn their respective positions in accounting and inventory control. Within 30 days, they went live.

Part of their implementation plan was to run parallel with their old system until the end of the year. Within three months, they found that everything was balancing in Dynamics.

Prior to implementing Dynamics GP, reporting was very slow, and to insure an adequate quantity of prime rib and other high-cost items, on-hand inventory, the inventories were kept very high at each location. They were tracking only 10-12 items per store and used the 80-20 rule in making the decision as to which items to track. Tracking more than a few items was simply impossible in their old system.

Within 3 months of implementing Dynamics GP, they found their inventory costs dropped 2-3 points saving over \$100K per year. With fewer inventories on hand, the store shrinkage rates were dramatically reduced, resulting in fresher food at all locations. Each store now does a weekly inventory of their 10-12 items which is keyed into GP directly at the restaurant, with the information being date stamped and then posted. This gives ownership to the restaurant for their profitability and inventory levels.

Lawry's faces a unique requirement within their inventory accounting system. For some of their food items, specifically their Prime Rib pieces and Lobster tails, they need to be able to track the items quantities in two distinct units of measure: pounds and pieces. Under the terms of their contracts, their prime rib vendors must provide pieces that weigh between 12 and 16 pounds each and during the Receiving process, the number of cuts or pieces must be captured. However, from that point forward, the required unit of measure needed for the prime rib, all the way to the table for serving, is in pounds.

With the capabilities of Microsoft Dynamics GP, utilizing the Extender product, Lawry's was able to create a secondary Unit of Measure for those selected items, capturing both the total pounds received, as well as the number of pieces received. Reporting and analyzing this information, as well as creating a reminder to identify any receipts in which the average weight per piece falls outside the contractual bounds, was accomplished using the SmartList Builder tool, as well as refreshable Excel Reports. FRx is then used to create financial reports that are completed in a week's time from the monthly close, rather than the 4-5 weeks after month end needed with the previous system.

The daily sales per location are recorded in their back-office system called POSI, and then uploaded to Dynamics GP. The paperwork is then mailed to the corporate office for auditing and accuracy. This new procedure enables Lawry's to pay vendors faster and better manage their cash flow and their vendor relationships.

Lawry's plans for further expansion, and the use of their Dynamics installation, with the implementation of Microsoft SharePoint, with the ultimate goal to utilize workflow for capital project approval, AP workflow and Excel Refreshable reports and Human Resources.

Improving Operational Efficiency

Using Dynamics GP, Lawry's is continually improving their restaurant operations for better food and service for their customers.



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