

RESTAURANT
ROCKSTARS 
PRESENTS

ROCK YOUR RESTAURANT

A Game Changing Guide to **RESTAURANT FINANCES** that will **MAXIMIZE** your **PROFITS**



BY ROGER BEAUDOIN

**ROGER BEAUDOIN'S
ROCK YOUR RESTAURANT
PROGRAM**

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PREFACE

I don't need to tell you how difficult running restaurants can be. The failure rate is legendary, and even if we succeed, it comes at a huge price. The commitment, the stress, hours and thousands of details, not to mention the constant issues of staff... If somehow you manage to overcome these obstacles, you've got fortitude, but are you really making money or just surviving? My goal is to help you see, understand and become, not a restaurant owner or manager, but an entrepreneur. There is a difference, and it's all in the attitude and approach. Who do you want to be?

I started my first restaurant 20 years ago with no restaurant experience. The expression "school of hard knocks" doesn't come close to describing my two decade run in this most challenging of businesses. As you read on you will see I made lots of mistakes before learning how to make money. Ultimately my success surprised even me. I had some business experience and Bachelor and Master's degrees in Business. But I never imagined what was possible when I began.

As my career progressed, I developed multiple concepts, the most successful of which rang up \$1.2M each year in a four month season. That's right, \$1.2 million in 134 days. I was astounded to learn that this volume actually equals the average Burger King franchise on a yearly basis and exceeds the quarterly revenue of the average McDonald's franchise which rings \$2.6M per year.

As amazing as that fact is, our seasonal profit margin was way above industry averages—an incredible 27% or 27 cents profit for every dollar of sales. Statistics say you're doing well in this business if you earn ten to twelve cents on the dollar.

I wrote the *Rock Your Restaurant Program* to give you advantages that were hard-fought for me. My "Apps" section offers "school of hard knock tips" and takes you along as I learn the business and progress to a seasoned operator with several successful restaurants under my belt.

Existing restaurateurs and managers can still learn a thing or two and be entertained by my "APPS" section, but those readers may opt to jump straight to the "MEAT, SIDES & DESSERT" sections of the *Rock Your*

Restaurant Program. They focus on the critical financial controls, the numbers and spreadsheets that will simply and quickly increase profitability in your restaurant..

Best of success. Go out there and ROCK YOUR RESTAURANT!

Roger Beaudoin

Entrepreneur

IMPORTANT NOTE TO ALL READERS

Section II of this book includes spreadsheet examples, sometimes partial, within the text. Utilize all 14 of my fully functional spreadsheet templates to analyze your own restaurant numbers. Tutorials are also available.

I - APPS

FOR A SUCCESSFUL HOSPITALITY ENTERPRISE

SO, YOU WANT TO OWN A RESTAURANT?

THIS IS A TOUGH BUSINESS. People get into this business for a variety of reasons. Perhaps they're driven by the perceived glamour of owning a restaurant: "Wouldn't it be great to hold court in my very own restaurant, greeting and seating my friends and buying them drinks at the bar?"

Maybe they're a talented chef or foodie with a flair for cooking. But despite those attractions, there is so much more to running a restaurant than cooking or charismatic social skills.

Whatever your reasons or skill sets, passion got you here. Now you need to give yourself every advantage. Learn from my "hard knocks" tips, and also how to run your operation by the numbers...to know on a daily, weekly and monthly basis what your spreadsheet totals tell you. That's how the Rock Your Restaurant Program maximizes the time and money you've spent and kicks your R.O.I. through the roof.

After 20 years founding and operating three high-volume restaurants and selling my last two, I'll help you run a more profitable and efficient operation.

A little background on me:

I climb. Summiting mountains is a passion and I've topped some world-challenging peaks in Europe and the US. One of the first things I learned about mountain climbing is just how dangerous the terrain can be. Missteps can be more than costly. They're a matter of life and death, so in the climbing world, the real "rock stars" do something very smart. They find a savvy guide...an expert who knows the lay of the mountain, the routes, their dangers, the weather – all the tips and tools to increase the likelihood of summiting safely. Even seasoned climbers wouldn't think of going without a guide to steer them clear of mishaps and potential disaster.

When I started in the restaurant business twenty years ago, I didn't realize what I know now: that what I learned as a climber makes sense for a restaurateur. The new business terrain is slippery and mistakes are costly. I'd have done so much better if I'd had a street-smart guide to help me when the challenge became vertical.

I began with zero restaurant management experience. I didn't even have the passion for the hospitality business that I have today. I'd come back from the Swiss Alps after scaling the famous Matterhorn. I did it twice, on different trips, with the help of top guides. While nothing compared to the thrill of topping that great mountain, I thoroughly enjoyed a restaurant I'd eaten at on my trips to the Alps. I wanted to re-create my Alps restaurant experience at a ski resort in America. That's how it was that I came to open the Matterhorn at Sunday River, Maine.

If only I'd known then what I know now.

Although I was new to the hospitality industry, I had two business degrees and considerable general training, so I wrote a business plan in hopes of attracting capital. I asked several banks for a million dollars and outlined my dream to construct a restaurant in the middle of a ten acre pine forest. I provided the numbers documenting rural Maine's strong tourism and ski traffic and explained why my planned location was the ideal place to build. When I presented my plan, naturally the banker's first question was. "So, how many restaurants have you managed or owned?"

When I told them I had no experience they smiled and shook hands as they led me to the door.

Though no bank would loan me a million dollars, I impressed one enough with my business plan for them to agree to loan me \$150,000. I figured that was a start though clearly not enough to permit new construction, especially given the cost of finding and buying the expensive kitchen equipment we'd need, not to mention the cost of construction and installation. I had a business partner and we decided to look for existing restaurant space to fit out.

We came across a space in a new building next to a movie theatre. The building was located in a proposed new development which was to include a hotel, a pedestrian mall and well known anchor stores. The location would provide instant and constant customer traffic and seemed ideal. I was excited and my initial impulse was to go for it.

I became less enthusiastic when I ran the numbers and got deeper into them. The overhead we would take on made me increasingly uncomfortable. The space was raw and unfinished. It required plumbing, electric,

flooring and numerous other fit-ups in addition to the square foot lease cost. We had to add Common Area Maintenance (C.A.M.) on a per foot basis.

Despite my initial excitement, the numbers weren't adding up. I saw too much risk, and as difficult as it was to pass on what seemed like the perfect location, in the end we decided to turn it down.

It was the right choice. Making decisions based on the numbers saved us from a potentially disastrous situation – losing our investment, not to mention the stress and perils of trying to make a go of it. (It also turned out to be a lucky decision because the development never came to fruition. A new road to the ski resort bypassed the proposed development. Even the movie theatre eventually closed its doors.)

ROCK★TIP

Do the numbers. Study what they're telling you. Since things are not always as they appear, leaping with your heart impulsively is risky. You make your best decisions when you pay attention to your "gut instincts," but you've also done your financial homework.

There were almost no other options in the small town for our restaurant. The only other available space offered plenty of reasons to turn thumbs down. It wasn't very visible from the road. It had limited parking. It came with a difficult landlord and a sketchy past. The three prior restaurants that had leased the space, had failed - all three in a row - so the location's reputation had to be overcome. The building came with no curb appeal, a leaky roof, and was equally unattractive on the inside. On the plus side, it did come with several pieces of usable equipment that had been left behind: range hoods, a walk-in cooler and freezer and tables and chairs. Somehow, on our very limited budget, we would have to transform this space. We would have to squeeze every nickel from every dollar if we hoped to make a big enough splash where so many others had failed.

I ran the numbers and without using too much precious capital, I felt we had the dollars to transform this location without threatening profitability. I negotiated an acceptable lease, and we had a restaurant. Well,

we had a facility. Making it a viable restaurant was the next challenge.

Our biggest renovation expense was building a unique wood-burning brick oven to make our specialty pizzas. As I've always believed that "The Restaurant Biz is Showbiz," our oven was designed to be a showpiece, placed right in the middle of the dining room and was the focus of our ambiance. Our signature pizzas became our "calling card" and remained our most popular choices over all 20 years.

ROCK★TIP

Every restaurant needs catchy "Hooks" that capture the public's imagination and create "buzz." You can't have too many "hooks!"

When you don't know anything about the restaurant business, you assume your first hire should be a chef. That was our first mistake. Expensive trial and error taught us that staffing will be different for every restaurant, since hires need to fit each restaurant's unique concept. For example, not all restaurants automatically need a chef. In our case, a good kitchen manager supported by solid line cooks was a better fit with our comfort food menu featuring pizza, pasta, and steaks. That person would also cost us less than a seasoned, salaried chef.

But we didn't know that when we started out, so we began searching for a chef. In the interim, we hired a chef from another restaurant to consult, prepare recipes and set up our menu, while we looked for our own chef to execute it. The consultant worked out great, creating menu items we've used for 20 years. The chef we hired was another story.

We came across an ad in the Boston Globe from a chef working at a restaurant on Nantucket Island. He was looking for a new position and after several phone conversations, we were impressed enough to pay him a visit. He gave us a tour of the restaurant as if it was his own, and then presented us with an impressive series of delicious dishes. He convinced us that he was the guy to run our kitchen and that he would help our restaurant succeed. After spending several weekends with him in Maine, we hired him and together set to work planning and preparing for opening day.

HOW TO LOSE \$40,000 OVERNIGHT

I worked on a marketing campaign to open the new restaurant while my business partner worked to ready the physical plant. One day I got a call from her.

“The chef went to New York,” she said. “He just called from a restaurant auction and says he found all the equipment we need to outfit the kitchen. We can get good quality used at a really good price. He’s even offered to rent a U-Haul truck and drive everything he buys to Maine. But we need to act fast since the auction is in progress.”

I didn’t know he was going to New York. There hadn’t been any discussion, and it didn’t seem quite right. The guy was putting a lot of pressure on us, saying he had to bid on the equipment and that if we didn’t bid, we’d miss out on things we really needed. He could get them at a fraction of the cost of new equipment. Where else would we get everything for pennies on the dollar?

While trying to start a restaurant, I also had a full-time job and was juggling other deadline projects, trying to multitask and think this through at the same time. With some lingering trepidation, I agreed to seize the opportunity while it lasted. My partner went off to the bank and wired the money to him in New York. We wired him \$40,000 - nearly a third of our cash - excited to see our new kitchen arrive that weekend. It didn’t. In fact, it didn’t come at all. We never saw the chef again. He turned out to be a very accomplished con man.

We tried everything to track him down. The chef was originally from Rhode Island and we went to the police there. No luck finding him. We sought the FBI’s help to track him down as this was an interstate theft. They too hit a dead end. We even met the man’s parents and sat in their living room while they told us how our chef had conned every family member out of every dime they’d ever had; how he’d taken several restaurants for their full net worth. The man was a criminal with a serious gambling habit. Our 40 grand had disappeared into a Connecticut casino, lost forever.

My business partner and I weighed our options. We still had \$110,000.

Did we want to pay it back to the bank, fold up our tent and call it quits? Or should we do the best we could with what we had left, move forward and open the restaurant as planned? After sleeping on it, we decided no con man was going to ruin our dream and take us down. We'd already invested so much time and money. We would open and somehow make our restaurant work.

With creativity and all the design resourcefulness we could muster, we gave our space a European flair that followed a "Swiss Chalet" theme. We introduced the Matterhorn Wood-Fired Pizza & Pasta, opening with 80 seats, and later expanding it to 100. The marketing campaign I led with targeted traffic from the local ski resort. Marketing emphasized our competition's limited, lackluster food and their ordinary dining experience. We started with a private 'soft-opening' on our dime for area resort managers, local inn owners and community opinion leaders who, when impressed, would spread the word.

As newcomers to the business, we decided to keep our menu uncomplicated. The food was simple yet delicious. We set out to "cross-utilize" all food items – to make sure each ingredient was used in multiple menu items. That kept our inventory turning and spoilage and waste to a minimum. The dining room ambiance was warm and inviting, but most importantly from day one, we focused on offering "Extraordinary Service," that provided every guest with service they would talk about. I trained our servers to present our menu by educating, informing and entertaining our guests on what we knew they would enjoy. At dessert time, servers would approach tables with a small chalkboard and glowingly describe each of our homemade specialties, ending the presentation with "which may I bring you?" Servers learned to do more than simply take the order but to Educate, Entertain and Assume the Sale! This proved a powerful competitive advantage over the years.

Following the soft opening, The Matterhorn Ski Bar opened to the public. Lines of guests spread out the door on opening night...and on most every night thereafter.

In our opening winter season, from December through early April, we rang up \$225,000 in sales and were profitable right out of the gate.

We were off to a good start, but more challenges soon presented themselves. What we hadn't fully anticipated was how limited our post-season business would be; we'd overestimated our small town's potential. When the snow disappeared, so did the customers.

With business down 75 % compared to the ski season, we decided to close for the spring shoulder season. We would regroup and re-open for summer. To increase appeal, we added an outdoor ice cream window with café tables and umbrellas outside. We set about marketing to the year-round local population. The result? Within a month we were bleeding money, quickly losing the profit we'd earned during the winter. It was a costly lesson but we quickly discovered that the locals had far less discretionary income than the skiers, and the summer tourist trade was virtually non-existent.

We closed once again in September and preserved just enough cash to re-open that winter. So it was like starting over again. Our budget was tight. There was no room for error or for bad weather that would limit skier traffic. Fortunately the weather was with us, and it snowed a lot. We had a second banner season and created more loyal followers for the Matterhorn. We vowed never again to open for summer and lost less money closed than open. That resulted in what appeared to be a successful seasonal formula. But there were still plenty of potential pitfalls - risks in our current location. The restaurant was six miles away from the resort, our visibility was limited, the roof leaked and did I mention that our landlord was sure to raise our rent since our restaurant appeared busy all the time. We had one more year left on our lease, and we begin thinking about our next move.

ROCK★TIP

Know your market and your year-round customer traffic. Adjust and track your expenses closely month by month and seasonally.

For two years, I'd passed a large, 17 acre property for sale on the access road to the ski resort. The parcel included an old farmhouse and a barn that was highly visible from the road. It offered beautiful views of the ski trails behind it. Day after day driving by I pictured my original vision of

an authentic “Swiss Chalet” on that site. The price of the land had been repeatedly reduced and was now listed at \$210,000, lowered from an original asking price of \$400,000. I calculated that we could expand our capacity to 250 seats, and saw a potential to increase seasonal revenues by 110%, transitioning from a cozy 100 seat intimate restaurant to a rocking place that featured an expanded menu, full liquor, live music and longer hours of operation. I knew if we didn’t jump on this opportunity, someone would. My mantra from that moment forward became “Take the next step or it will be taken for you!” I believed the land value alone would significantly increase. This proved true years later when we developed the excess land, built homes and sold lots for a great profit, far beyond our original investment in the land.

With a two year track record that proved we could open and run a restaurant successfully, we went back to the banks to seek our million dollar loan. This time we had no trouble securing financing. We hired an architect to design our building and an interior space with a capacity for 250 patrons. Even with a million dollar loan secured, the facility we planned meant our precious capital would be tight. We had to make the best decisions to keep costs in line during planning and construction. Numerous bids were taken from builders, all with glowing references. It was tempting to go with the low bidder to preserve capital, lacking other points of reference, but in the end another choice was best. The builder we selected convinced us to go with a post and beam interior support structure instead of the typical and cheaper roof trusses the others proposed. The upside of post and beam was twofold. In addition to a rustic barn-like look and feel, the post and beam would later allow us to inexpensively build a second floor for future seating expansion, not possible with the truss solution.

ROCK★TIP

Keep the big picture in mind and don't allow short term savings to sacrifice your potential for a longer term gain.

Earlier, I mentioned the importance of an expert guide. Because the new facility was so much grander than our humble first restaurant and the challenges were daunting, I interviewed successful owners and managers of similarly-sized and themed establishments at other ski resorts. It quickly became apparent that bar business was the key to success. Selling drinks is more profitable than selling food on a per-person, per-item basis, so large bar sales are essential. I learned that it's critical to design the bar for efficiency of service (for maximum pours at peak periods), to think of traffic flow and to create an ambiance and amenities that increase the time patrons spend in your bar. Creative marketing had to go hand in hand with a well-designed bar. For example we introduced live entertainment and established a 700 member Beer Mug Club which became our core audience and grew stronger each year. Here were 700 ambassadors for the Matterhorn, spreading our message and paying us \$38 each per year for the privilege. These impactful efforts tripled our bar business. Thanks to the advice of one mentor, it was clear that our architect's planned design and placement of the bar would severely hinder service and limit our sales potential. We redid our plans. Although the architect had designed an aesthetically appealing horseshoe shaped bar, the design took up too much space in the middle of the room. My bar expert told me, "That's prime real estate to fit the maximum number of patrons. Make the bar straight and long with multiple service stations and push it flat against the end wall. Opening up all that space will triple your sales!" The design also served us well with the ultimate placement of our stage and dance floor for live music. We changed this location several times over the years, adding satellite bars and watching sales grow.

ROCK★TIP

Consult several experts in all relevant areas before you make vital decisions.

We opened the new second restaurant early in the winter of 1997 as the “Great Grizzly Bar & Steakhouse,” unveiling with another gala experience for community VIPs. This time we charged \$5 for Prime Rib dinners, donating the proceeds to a local family in need. Following that event, the next night traffic virtually came to a standstill. Despite our great location (remember the adage location, location...), I frustratingly watched fifteen or twenty cars drive by for every one that pulled into our parking lot. Consumers are creatures of habit and once they frequent one location, I found that it’s a long challenging process to get them to change. Through relentless efforts and resourcefulness, this would happen over time.

The new much larger facility nearly doubled our overhead. Capital was extremely tight. The first few weeks we filled only half our seats and most of our bar seats stood empty. We were barely breaking even. Then natural disaster struck. An ice storm hit, lasting three days. It knocked out the electricity in the entire town for three weeks. Skier traffic dwindled as television weathermen declared, “We’ll see you this summer on the coast for lobster!”

Business picked up beginning mid-February, but we’d lost precious weeks of revenues. The chef we initially hired for the Matterhorn theoretically managed both kitchens, but in fact he was focused on the Great Grizzly. As a result, our food quality and the costs for our third season at the Matterhorn Restaurant suffered, and to make matters worse, we had to fire the kitchen leader there for drug issues and non-performance.

At the end of the season, there was not enough cash left in either restaurant to get us through the summer and fall and re-open the following winter. We had an agreement with our chef to pay him a bonus based on our sales performance. Since the restaurant was unsuccessful and strapped for cash, we were unable, nor obligated, to pay, so the now disgruntled chef left. We were forced to cancel several wedding functions we had booked and set out to find a replacement to run our kitchen.

THE ICING ON THE CAKE

As bleak as our situation appeared, it actually was a blessing. We needed to go back to our banker for more capital. Generally this would have been a difficult conversation, but we had an angle. Since the lease was up at the Matterhorn, and it was still a viable restaurant, we decided not to renew the lease but instead move the restaurant to the site of the Great Grizzly. We planned to construct a second floor (recall our vital Post & Beam decision when selecting builders,) build a new, larger brick oven, and move the Matterhorn concept to the new, more visible location. We convinced the bank of our plan and to not only re-finance our existing loan with a capital injection, but to pay off our original Matterhorn loan held by another bank. For the next two seasons we attempted to run a pizzeria and a steakhouse as two different restaurants, each with separate entrances. We hoped that by separating the two, and not simply combining the menus, we could avoid cannibalizing more profitable steak sales and still increase our pizza volume. The plan didn't work. Customers were confused and didn't like that they could not combine orders from the two different menus at the same table. This prompted us to change the Great Grizzly name back to the original Matterhorn and adding the SKI BAR moniker. It was a stronger concept with more winter-season appeal for our skier market, and by finally combining the two menus we could offer a full range of steaks and entrées, pizzas, pastas and salads. The concept became very popular with our ever-growing clientele. The end result, which stayed consistent over the years, was that 70% of sales came from pizza, 15% from steaks and other entrées, with the remaining 15% of sales coming from burgers and sandwiches. Although pizza did in fact cannibalize entrée sales as feared, increased traffic volume year after year made up for the difference. The Matterhorn formula of food, service and ambiance captured and retained a dominant share of the market.

With tenacity and attention to the thousand details it takes to run a restaurant, our venture remained profitable and sales grew annually. Twenty years after its founding, the restaurant still dominates the competition in its popular resort area. As I write this, after my selling the

operation in 2014, the Matterhorn just completed its 3rd record season in a row, so the legacy and power of the concept continues.

ROCK★TIP

Don't be afraid to risk and test-drive new concepts. Expect some to fail but run hard with your winners.

NEW OPPORTUNITIES, MORE CHALLENGES

Not all our ventures were successful. When you encounter an entrepreneur who boasts of a string of unbroken successes it's time to be wary. (Facebook founder Mark Zuckerberg attributes part of his success to a willingness to try new things, to learn fast when they don't work, and to move on quickly by cutting his losses. In his own words, his advice to entrepreneurs is to, "move fast and break things.")

After founding and operating my first successful restaurant, I decided two restaurants would be all the more profitable. If one is good, two is better, right? If only it was that simple.

Planning for our next restaurant began with careful market research and a solid concept...or so I thought. Our theme sprang from my past life in Southern California and the many good Mexican restaurants I'd enjoyed. The magic formula seemed to be: find a hole in the wall in a good location, provide authentic home-cooked food, a funky decor and above all, tasty Margaritas. Mexican food seemed to be "on fire" everywhere I traveled.

There was a restaurant for sale within two miles of the Matterhorn Ski Bar. It was an established but under-performing operation, on the same access road to the ski resort. The place was struggling, the owners desperate to get out, and the property was cheap. That said, we still needed to make a significant investment of \$525,000 for the building and land and we needed an additional \$200,000 for the working capital to transform the space into our Mexican concept and to fit out the kitchen. Our strong track record with the Matterhorn had our bankers as convinced as we were that we could do no wrong. That is, until we failed.

We forecast that with its excellent locational visibility, the new restaurant's traffic potential was similar to that of the Matterhorn. I saw cross-promotional opportunities and had reason to believe my existing loyal, clientele would also embrace my Mexican concept.

With a new \$700,000 loan and another \$100K reserve on personal credit cards, we began. We spent heavily on curb appeal and interior ambiance to create a funky Mexican vibe. We named the place Cantina del Rio. The first challenge was to find quality cooks who could prepare authentic Mexican cuisine consistently. My favorite place in Los Angeles wanted to charge \$10,000 for their menu and template of recipe preparations. In hindsight, this would have been a solid decision that might have made the difference between success and failure. We did later hire two consultants, themselves owners of a successful Mexican restaurant on the coast of Maine. We were limited by the lack of available cooking talent in our area, and the cooks we hired couldn't consistently produce the recipes our consultants provided. Our food was marginal and inconsistent. On opening night, several guests actually got avocado pits in their homemade Guacamole.

My initial success at the Matterhorn was secured by extraordinary guest service, solid food quality and stringent cost controls. The Cantina excited me with the challenges of conceptualizing a new restaurant, getting it financed, planning the myriad of details for the renovations and getting ready for a Grand Opening. What I didn't want was to manage another operation. For that I hired a GM who would report to me and bring my vision to fruition. By this time, I thought I had a good handle on how to run a successful restaurant.

It soon became clear that several projections in my business plan were off. Our price points and the number of seats and table turns needed to cover overhead were not realized. Based on the volume of customers we were attracting, our profit per dish in the heart of ski season was inadequate, and off-season, our locals would not pay higher prices.

From the get go, weekly revenues were a fraction of what our first restaurant generated. Our bar business was flat. After several weeks of lackluster performance, it was clear we were quickly running out of time

to make a splash and reverse the trends. The winter season was drawing to a close, and when it did we'd lose the ski traffic we could tap. I knew instinctively that unless traffic and revenue increased and significantly, there was no way we would survive. We weren't covering costs, and the restaurant was eating money at an alarming rate.

Bar business is essential for most restaurants, but it's the foundation of a seasonal location. My first restaurant had solid bar revenues. We had strong lunchtime beer and alcohol sales, and during after skiing hours and on weekends, we'd learned to increase bar sales with solo musicians and rock bands. A busy bar creates profitability and equally important, it helps offset the labor and related costs required to put out food. The Mexican facility had a small bar with limited seating and standing room and our bar traffic wasn't adequate to achieve the above mentioned benefits. We offered margaritas, specialty cocktails, and beer to compensate for sluggish food sales, but bar sales weren't adequate to make up the difference.

The Cantina continued to eat money. Winter became spring and the high season ended. It would be nearly impossible to turn the venture around without a huge increase in customer traffic.

We looked for ways to expand traffic and tap new markets. The town's year-round population was limited, but we thought we could supplement seasonal customers and attract more locals. We decided to risk a considerable investment in a regional marketing campaign in a last ditch attempt to give our restaurant a fighting chance. We sold a piece of real estate that had been owned by the Matterhorn Ski Bar for \$90,000. We invested in outdoor picnic tables, horseshoe pits, attempted to start a dart league, created a kid-friendly playroom and looked to attract car clubs and other groups to hold weekly get-togethers. We watched in stunned awe as we burned through this latest investment with little impact on sales. The reason why became evident. The locals, lacking discretionary income, were extremely "deal conscious." We printed "Free Taco" coupons to get them in the door. They ate the free tacos but little else. Given our fixed costs and overhead, off season traffic had to be much higher than in winter just to break-even. By September it was clear that our efforts hadn't worked. The Cantina couldn't sustain itself and the business was not viable. It made no

sense to continue making huge debt service payments on a restaurant we all knew was failing, and sustaining those costs might prove a financial threat to our primary business, the Matterhorn SKI BAR.

We would have to have a frank discussion with our loan officer and raise the unpleasant options. But first, I traveled to Switzerland in August 2011 and climbed the Matterhorn for the second time to clear my head. When I returned, my course of action was clear to me. I closed the Cantina del Rio.

An auction seemed inevitable, yet restaurant auctions scream “desperation” and “fire sale.” The real estate, all the equipment, furniture and fixtures go for pennies on the dollar, and then you’re still on the hook to the bank for the balance. Before accepting that worst of all fates, I decided to call every restaurant owner I knew. I printed fliers, networked with our state restaurant association and did about everything I could to find a buyer or a better solution.

Funny thing about life...sometimes fate and extra effort pay off, and a little prayer certainly doesn’t hurt. My wife had a great relationship with some local entrepreneurs who’d been in the restaurant business. She planted the seed, and they decided they wanted to be in it again and saw potential in our property if run as a steakhouse.

We struck a deal. We’d lease them the property for two years, then sell them the restaurant and the real estate outright. We had to sell at a loss, but our buyer assumed 100% of our expenses including the mortgage, property tax, insurance, licenses and utilities. It was a far better alternative than what we would have faced, and it worked well for both parties. Their steakhouse is still in business today.

ROCK★TIP

You know what they say about hindsight and Monday-Morning-Quarterbacking. If you are a true entrepreneur, there will be failures along the way. What separates the successful is how quickly you recognize that your plan isn’t working, how thoroughly you consider your alternatives, how fast you take action and above all, what you learn from your failures.

The Rock Your Restaurant Program can help you make decisions and avoid financial icebergs. My priority from the start should not have been my facilities' aesthetics. Our poor numbers told me to shift gears, but precious time had been lost. Had I concentrated on food quality and the menu mix first, how easy it would have been to add American favorites and comfort foods, at higher price points, to compensate for the marginally profitable Mexican fare. I would have cut my costs too. Instead of table service, I'd have cut my server and bus labor by copying the Chipolte concept: using my cooks on an assembly line. Then I'd have been able to increase the size and seating capacity of our bar. What I've learned is that It's all about running by the numbers – relying on systems that continually point you in the right direction. That's the power the Rock Your Restaurant Program offers. You get a solid financial analysis system with the tools and spreadsheets included in the program. They'll show you the big picture and help you fine-tune your restaurant and see your opportunities. The Cantina had other issues too: our inventory turn-over was too slow and our spoilage too high. Without my critical tools, it's too easy to look at a long line of customers and become overly optimistic. You think you're doing fine, that your business is growing. The longer I'm in this business, the more restaurateurs I see who fall into this trap. I can't emphasize enough how easy it is to lose money in a restaurant. There is risk in any new venture, but many of them can be avoided if you understand which numbers are critical, what they are telling you, and you develop the habit of watching them constantly.

That's what the Rock Your Restaurant program is all about. You'll get the advantage you need - and more than just a fighting chance.

I've taken 20 years of in-the-trenches restaurant operating experience and put it together in the Rock Your Restaurant program. Seasoned restaurateurs know that to maximize profits you have to institute solid controls based on numbers not hunches. The systems I've created are yours so they won't cost you the dollars or the hours I spent learning in the school of hard knocks. They are your guide and with them, you can avoid the slippery terrain, boost your earnings, cut your costs, and maximize efficiencies across your restaurant(s).

ADDITIONAL TIPS

Start simple. Then keep it simple until you know your operation. Even when you think you know it inside and out, keep on top of the numbers to help you make decisions. Here's how a hunch proved wrong, but the numbers quickly highlighted our mistake.

The Matterhorn Ski Bar's signature menu item was authentic Italian brick oven, wood-fired pizza from day one. This item built our business and our brand. For the first two years, we offered only brick oven pizza, one pasta dish, one salad, beer and wine only. For entertainment we had soft jazz playing in the background. Our menu was limited yet focused and ingredients were cross-utilized. We knew we didn't yet know enough about our business to risk complications. So we kept it simple.

We quickly developed a reputation and a following for doing pizza really, really well. Even as we expanded our menu, 75 plus percent of what we sold remained pizza. Yet a portion of the clientele wanted more. Knowing that we'd been traditionally weak on entrées, we decided to hire a consultant to revitalize our menu. Our consultant came with a good reputation for creating some wonderful items including a European Antipasto platter, Cedar Plank Salmon, Lobster Alfredo, and more. As the food was delicious and his interview strong, we hired the consultant to be our next chef. We predicted that transforming our menu would attract additional volume, and it did. But while our new food was delicious, the new numbers weren't so attractive. We soon discovered that the new customers came at an excessively high cost. The chef had assured that his new menu would fall within our 26-28% overall food cost criteria. If that was the case, where were the profits?

My first step was to verify his food costing by recalculating his plate cost for each dish. It was immediately clear the chef's food was better than his math. He had added very expensive and in several cases unnecessary new ingredients which boosted our overall food costs to 38%; that's a 10 to 11 point increase. Of 15 items, the chef had incorrectly costed out 9 of them.

That was a red flag, waving to warn me that our chef didn't know how to cost out a menu. He could prepare delicious, amazing food, but

in doing so, he'd added unnecessary costs throughout the new menu. For example, he added 12 year aged cheddar to our burgers and each Caesar salad and seafood dish was garnished with half a lemon, not a wedge." It was clear that he wasn't capable of keeping food costs in line, and a little research into his background told us why. His previous employment had been working for a wealthy restaurant owner whose priority was not the restaurant's bottom line. This independently wealthy owner was in the restaurant business for the prestige alone. He could afford to lose money every night. He didn't hold his chef accountable for costs because, in his own words, his goal was to "put out pretty, delicious food. That's all I care about," he said. His chef did what he was good at, and he was a good fit in a facility where profitability was irrelevant. It wasn't irrelevant to us.

To make matters worse, the new chef, a prima donna, was hurting kitchen morale. He threw pots, yelled at the servers, and ruined the atmosphere we'd worked so hard to develop. Many on our team had been with us for a long time and mutual respect was our mantra.

Initially, I didn't fire the chef. It isn't my style to fire someone without first sitting them down to talk. We had a candid discussion during which I said, "Hey, we brought you in with certain expectations. We like you as a person, and we love your food. But you've got to understand that this restaurant runs on teamwork, respect, and following cost controls is incredibly important. We're a bottom-line oriented company with a short season for making money. We need you to make changes."

Following the conversation, I was home that night with a sick child when one of my employees called. The chef was out of control, throwing food against the wall and screaming at the servers. I left my child, drove to the restaurant and somehow got the chef and the staff calmed down. I jumped in to help expedite the food and got through that evening without having to reprimand anyone. All I wanted at that moment was to survive the night, stop the upheaval, and make it to closing time without offending too many of our customers. I was in damage control mode.

The next day, I called the chef into my office for a second heartfelt sit down. Candidly, I was also hesitant to fire him because my first thought was that the restaurant couldn't run without him, and our short season

didn't give us time to start hunting for a new chef. I explained that the relationship wasn't working. His performance was not in line with the expectations we outlined when he'd been hired. I urged him to change and to work with us. He got up and announced, "I'm done. I'm outta here."

I wish I could draw another conclusion, but over the twenty years I've been in the restaurant business, I have consistently found that owners need their staff more than their staff needs the job. Owners are at a disadvantageous position and employees can hold you hostage, especially in a seasonal business when there's little time to replace key people.

When you experience a similar drama, and in all likelihood you will someday, when a staff member forces your hand, you'll find that you can still get the job done. If you've built a good team, you can carry on with your existing staff. Rally your people. Have a candid conversation. In this instance I told our staff that clearly the chef had done some excellent things. His menu was creative. But he hurt our profits, and we couldn't live with a tyrant in the kitchen. The team vowed to pick up the slack and they rallied. They vowed to cook his dishes without him and later said that they were happier once free from his rule. We got through the season and put out the best food we could. We found that our amazing new menu sold just as well after we switched to affordable ingredients and after we re-costed every item to make sure all were profitable.

The experience taught me important lessons. Despite the most careful interview process and your research into resumes, some hires will never be the fit you hope for. You will try to correct them, to work with them, to redirect and motivate them. But a few aren't going to make it. We all want to be good bosses, but when you reach that conclusion, cut your losses quickly. Let the offending staff member go sooner rather than later. Let them go for your own sake, but also for the sake of your staff and morale, and even for the long term sake of the employee who is not a good fit.

ROCK★TIP

You need to know exactly what your food cost per menu item is and you need to know it before the first server ever hands the first customer a new dish.

The Menu Costing Spreadsheet was the start of the Rock Your Restaurant program. Hard-earned experiences led to the simple spreadsheets we've developed for critical operations areas. But before we introduce you to our spreadsheets, here's a few general tips.

ROCK★TIP

Keep your menu as fresh as your food

Since a well thought-out menu holds a huge potential for sales increases, one of the most strategic things a restaurateur can do is to eat out – elsewhere! You'll discover new menu items and inspire other improvements. You'll see new ways to promote your facility or get ideas from other staff at work.

One of our most popular appetizers, an item that became almost pure profit for us, was something we stumbled on while eating out one night. We were served delicious garlic knots. Since in our case, a majority of our sales come from pizza, and since we make our dough in-house, we were able to turn the dough trimmings into garlic knots. We tied the dough into pretzel-like knots, brushed them with olive oil, sprinkled them with Parmesan cheese and baked them in our wood-burning oven. We trained our servers to suggestively sell garlic knots and charged \$9.99 for an appetizer that costs us less than a dollar. They fly off the menu. A high volume item like garlic knots lowers your average food cost and contributes importantly to profitability. Every restaurant needs to find its own “garlic knots” – items that are cash cows for your operation.

ROCK★TIP

Good servers know and promote your high profit items. Once you find your own “garlic knots,” concentrate on server training to be sure your staff suggests them consistently. If your menu is designed well, it graphically highlights your most profitable items and makes them stand out. Educating, informing and entertaining your customer is profitable and converting server suggestions into sales is a win-win for the house, for the server and also for your guests. You increase your per check average while providing guests with a dining experience that keeps them returning.

ROCK★TIP

Cross utilize food inventory. Creating a new dish with specialty ingredients that aren't used in other dishes is inefficient and adds costs and waste. Use the same ingredients in as many dishes as you can. We use our pizza toppings in our pasta dishes and in numerous appetizers too. Cross-utilization accelerates inventory turnover and keeps food fresher. It also minimizes waste and cuts spoilage.

II - THE MEAT

STEPS TO ROCK YOUR RESTAURANT

IMPORTANT NOTE FOR EVERY READER

Section II includes spreadsheet examples, sometimes partial, within the text. Utilize all 14 of my fully functional spreadsheet templates to analyze your own restaurant numbers. Tutorials are also available.

STEPS TO HIGHER PROFITS – WITH SPREADSHEETS

ONE SIZE DOESN'T FIT ALL. The first rule in the restaurant industry is that there is no magic formula for success or a silver bullet rule to control all your profit centers. All restaurants face shifting challenges on almost a daily basis. Maybe today it's a staffing issue. Tomorrow it could be a provisioning hiccup, or the new competitor who opens down the street. After twenty years in the restaurant biz, no two days have been exactly the same for me. That keeps it exciting, but it also makes it all the more essential to approach your business systematically. You need to be on top

of every center that contributes or detracts from your bottom line. The key is to rely - not on the seat of your pants or on hunches alone - but on a series of scheduled, analytical reports – the tools that track and help control each activity that builds profits - or sucks them away.

The Rock Your Restaurant system provides the keys to profitability... and even a few locks to prevent theft and loss.

Think of these behind-the-scene controls as the nuts and bolts that hold a restaurant together. If the reports I've designed run like clockwork, if your financials are tightly organized, you'll know by the numbers what's happening in your business. You'll be as prepared as possible for a good night, a good month – and a profitable season or year.

SALES: ARE YOURS UP OR DOWN?

Track your sales nightly (or at least weekly), comparing them against sales from previous years. You're always trying to beat your last year's numbers. I make simple notes each day that help me explain obvious deviations. For example, I'll make a note if this week last year we'd hosted a large, group event; or if it rained heavily which reduced traffic.

COMPLETE YOUR FIRST SALES COMPARISON SPREADSHEET.

Compare this week's sales to the same week last year. (If your business is new you won't be able to enter last year's figures, of course. I have listed the basic tracking categories. You may wish to add other key categories such as Sales of Retail Merchandise, etc.)

<p style="text-align: center;">WEEKLY SALES COMPARISON SPREADSHEET #1</p> 						
WEEK OF	CAT. SOLD	SOLD 2014	SOLD 2015	Increase/Decrease	YTD TOTALS	NOTES
6/21	Food	\$21,679	\$22,400	+ 3%	\$255,418	Business Group 2015
	Liquor	\$30,002	\$29,270	-2%	\$301,128	Rainy week
					\$556,546	
WEEK OF						
6/27	Food	\$22,585	\$23,100	+2%	\$278,518	Rehearsal Dinners
	Liquor	\$32,101	\$33,489	+4%	\$334,617	
					\$613,135	
WEEK OF						
7/7	Food	\$23,009	\$22,705	-1%	\$301,223	
	Liquor	\$32,788	\$31,999	-2%	\$366,616	Heavy snow
					\$667,839	

Frequency: weekly

COSTS: KNOW YOUR REAL FOOD COSTS OR LEAVE MONEY ON THE TABLE

Knowing your food costs and profit per item by costing out your menu, item by item, is critical. Know the costs of all your menu items – the appetizers, salads and desserts in addition to your entrées. Each of them impacts profit margins.

ROCK★TIP

Every menu category (appetizer, entrée, desserts) should have items that are highly profitable. Let's face it. Your staff works just as hard preparing low profit items as high profit ones. It makes sense to try to balance your menu so that each item contributes similar profits. Plan this yourself or get the help of a key-supplier. (Did you know that many leading purveyors have test kitchens to develop menus and use top chefs who are equally adept at costing out a menu and preparing delicious food?)

ROCK★TIP

Consider menu themes too. Different food themes have different cost profiles. For example, Mexican foods and pastas have a lower cost profile, typically in the 25% range. A menu featuring steaks, chops and seafood has food cost percentages ranging in the 40s. A menu with a combination of lower and higher cost items might average between 25 – 38%, depending on your product mix volume – that is, depending on which items you sell more of. As you'll soon see, Point of Sale (P.O.S.) systems software provides Product Mix reports which make tracking item sales simple.

Once you have fully costed out your menu and have enough data to know your volume of sales for each item, you'll have a good idea of the food cost range you want to shoot for. (If your menu rarely changes, you probably already have a good idea of your target cost range.) This allows you to tweak item choices in favor of those contributing higher profits.

ROCK★TIP

When you have a new menu, take inventory for two weeks in succession and determine your food cost percentage. If the cost is higher than your target range, take several of three actions:

- Adjust your pricing if possible so that your percentage falls back into the desired profitability range
- Highlight your most profitable menu items on your menu, to increase sales of those items
- Be sure your staff consistently recommends your most profitable items.

Once you hit your target food cost range and it is stable for several weeks, you can return to taking inventory just once at the end of the month.

Expect your menu costs to change continually. They'll shift as market prices fluctuate and as you work with new vendors. You need to adjust your menu and occasionally pricing to stay in range.

ROCK★TIP

Work from your Order Guide. Your major food suppliers will provide an Order Guide (the list of items you purchase regularly and the most recent prices you paid for them). Cost a few items once with pencil and paper, to be sure you have the basics of costing down. Then use our MENU ITEM PLATE COST SPREADSHEET #2, which follows and do it for your full menu.

- Calculate the plate cost for every item on your menu. List each ingredient and the cost per ounce. That's right, down to the garnish (In most cases, you will need to do the simple math of converting the case or item price to the cost-per-ounce). Determine your plate cost by multiplying the amount of each ingredient used by its cost-per-ounce. Then add them up.
- Calculate the percentage of food cost for the item by dividing the plate cost by the menu price.

Here's an example using a New York Strip Steak Entrée. (Note: Costs per ounce used are for example purposes only and cannot be relied upon for accuracy)

MENU ITEM PLATE COST SPREADSHEET #2



ITEM	CATEGORY			
New York Strip Steak	Entree			
INGREDIENT		OUNCES	COST/ OUNCE	TOTAL
Steak		14	0.45	6.30
French Fries		6	0.08	0.48
Vegetable		4	0.12	0.48
Mushroom Demi Glace		0.5	0.24	0.12
Apple Slice Garnish		0.5	0.35	0.18
		PLATE COST TOTAL		\$7.56
		MENU PRICE		\$21.99
		FOOD COST %		\$0.34
		PROFIT PER PLATE		\$14.44

ROCK★TIP

You want the lowest possible overall food cost, naturally. **But don't make the mistake of confusing low cost with profitability.** Profit is what you deposit at the bank. It's not a percentage. You'd rather pay \$7.27 in plate costs for a steak you sell for \$22.00 (a 33% food cost) and make \$14.72 profit, than pay \$2.64 for pizza ingredients in a pie you sell for \$9.36 (a 22% food cost) and make \$6.72 profit. You may decide to drop an item or two from your menu if you determine it contributes significantly less profit in the same category, since this item will tend to take sales away from higher profit items.

When all items on the menu are costed, rank them from highest to

lowest by percent of profitability. Use this powerful information to adjust your menu mix and to train your servers so they know which items are your most profitable. (Generally waitstaff will make higher tips if consistently suggest and sell your most profitable menu items.)

MOST PROFITABLE ITEM COMPARISON SPREADSHEET #3				
				
CATEGORY	MENU PRICE	PLATE COST	FOOD COST %	PROFIT
APPETIZERS				
Garlic Knots	\$9.99	\$0.75	0.08	\$9.24
Chicken Nachos	\$10.99	\$3.31	0.30	\$7.68
Caesar Salad	\$6.99	\$2.10	0.30	\$4.89
ENTREES				
Lobster Tail	\$26.99	\$10.11	0.37	\$16.88
New York Strip	\$21.99	\$7.56	0.34	\$14.43
Vege Pasta	\$14.79	\$4.08	0.28	\$10.71
Meatloaf	\$13.99	\$3.97	0.28	\$10.02
DESSERTS:				
Bread pudding	\$5.99	\$1.20	0.20	\$4.79
Cheesecake	\$6.99	\$3.00	0.43	\$3.99
PARTIAL TABLE ONLY. DOWNLOAD THE FULL SPREADSHEET				

Notice from SPREADSHEET #3 that Caesar salad has a 30% food cost with only a \$4.89 profit. Also compare the costs and profit of Nachos vs. Garlic Knots. See why garlic knots was my cash cow and why I wanted this item suggested consistently. For desserts, what stands out about the Cheesecake?

Once you've added your own most profitable menu items to this spreadsheet, analyze your results by asking these questions:

- What surprises did you find?
- What adjustments will increase your profitability?
- Should any menu items be eliminated?
- Should other menu items be added?

YOUR PRODUCT MIX...

...FINDING YOUR BIG SELLERS AND REDUCING STAFF THEFT

In a perfect world, all items on your menu would be equally profitable. That's unrealistic but something to strive for. So you need to be on top of which items are your winners, and which drain profits. That's one reason the Product Mix Spreadsheet is so important. The second reason is that it helps you discover theft.

I suggest running a product mix report every two weeks or so. Plug a set date range into your point of sale computer, and it prints off a list of every single item, the price charged for each item (at full price, discount or comp), what the customer paid, and how many units of each you sold. The report tells, for example, how many steaks you sold vs. chicken cacciatore. It gives an accurate picture, by actual numbers, of what your guests are eating and drinking (and possibly your staff as well.)

What the product mix does best is to help you compare how much of something you sold vs. how much you originally purchased. It underlines usage vs. purchases from your invoices, and that highlights something especially important in the food business. It exposes the underbelly side of restaurant life: theft in your kitchen.

Employee theft is common. To be honest, I remember sneaking shrimp cocktail from the walk-in when I was a bartender myself. Left

unchecked, employees can literally eat away at your profits, a lesson I know from experience. At the Matterhorn Ski Bar, we started to offer a really popular clam chowder. It was absolutely delicious and by all appearances it seemed to be flying out of our steam table. But later when I ran a product mix report, I was startled to see very low sales for our chowder. When I looked at my supplier invoices, the amount of chowder we'd purchased far surpassed what we'd sold. We weren't selling it. We weren't throwing it away. So where was our clam chowder going? It turned out that the servers loved it so much they were eating it by the bowlful - at a noticeable cost to our bottom line.

The same report helped us identify what was happening to an apparently popular dessert- a chocolate peanut butter pie that was ridiculously delicious. Try a bite and you'd have to have three slices. The pie cost us \$25 for eight slices, yet the report showed we were only selling three slices per pie. You can guess why. The staff was eating the other five.

Pilfered clam chowder or peanut butter pie slices are one thing. But when our food costs skyrocketed to 40% long ago, we had a serious problem. The Product Mix Spreadsheet identified what was happening. Cases of steak went unaccounted for, which we ultimately traced back to one cook. He was stealing the meat and flipping it on the black market to feed a cocaine addiction! The Product Mix Report is your best tool to flag four critical pieces of information: 1) It flags when you're losing product to staff theft; 2) It points to excessive waste and spoilage; 3) It determines how much of what you buy is actually getting sold and, 4) It shows you what items are most popular and which are slow sellers.

CALCULATING YOUR PRODUCT MIX

All modern point of sale systems have a Product Mix Function. It shows every product sold in a specified date range. These reports are numerous pages long depending on the size and volume of your restaurant, as they literally print out every item of food and every cocktail known to man that you've sold.

To streamline this overwhelming report, it's good practice to use our Product Mix Template. It helps you create a one-sheet Product Mix

Spreadsheet of your own menu items. It should list your entire menu on one page, then show the volume of each item sold by category compared with the prior year. This makes it easy to identify your most popular sellers and any sizable variances by item from year to year, and to tweak your menu as necessary. Now armed with this information, you can compare sales of any item vs. purchases from your invoices for a particular date range to uncover potential theft or loss of product.

Your product mix spreadsheet should also calculate your percentage of main meal sales by category, such as pizzas, sandwiches, and entrées. In the example below, adding 11,218 pizzas, 3,592 Burgers/Sandwiches and 2,408 Entrées total 17,218 meals served. Pizza sales is 65% of that total, with burgers and sandwiches 21% and entrées 14% of the total.

Here's four steps that will give you a solid picture of your menu's profitability:

[1.] Create your ideal Product Mix - a one page spreadsheet using our template and inserting your unique menu items by category.

[2.] Next, run a Product Mix report for your target date range. Your last fiscal quarter is usually a good place to start, and then you can run these weekly, twice a week or twice a month based on your need and comfort zone with overall profits, your food cost percentage and menu profitability.

[3.] Determine which items are your biggest sellers. Do you like what you see or does this information surprise you?

[4.] Lastly, compare gross profit for each menu item by category. Are the items with the highest sales your most profitable? IF NOT, give your menu a strategic makeover by exploring price increases on your most popular items or consider adding more profitable items, highlighting these on your menu and training staff to SUGGEST these, while dropping some of the lesser profitable items. Menu design and product offerings are a delicate balance of course, but the ideal scenario is selling more of your most profitable items to sustain your business and build your bottom line.

PRODUCT MIX SPREADSHEET #4



PIZZA	2012/13 - 2013/14		CHANGE
Create Yours	6757	6471	-286
Weisshorn	1276	1261	-15
Monte Rosa	1214	1209	-5
Zermatt	1189	1171	-18
Cheese	1134	1106	-28
TOTAL	11570	11218	-352
BURGER/SANDWICH			
Burger	2634	1589	-772
Bison	1010	811	-199
Black Blue	n/a	447	447
Caribbean	n/a	170	170
Zermatt Chx	n/a	150	150
Chix Sand.	720	200	-520
Teriyaki chx	n/a	225	225
TOTAL	4364	4818	454
ENTREES			
NY Strip steak	248	310	310
Sirloin Tips	690	525	-165
Wknd Special	348	336	-12
Chix Piccata	311	265	-46
Risotto	268	248	-20
Lobster Alfredo	226	170	-56
Babyback Rib	216	235	19
Meatloaf	357	261	-96
Chix. Alfredo	80	58	-22
Prime Rib	6	n/a	
TOTAL	2750	2408	-342
% TOTALS			
PIZZA	64%	65%	1%
BURGER	20%	21%	1%
ENTREE	16%	14%	2%
PARTIAL TABLE. DOWNLOAD THE FULL SPREADSHEET			

COMPARISON SHOPPING

When I began buying food for our restaurant, I quickly learned there are three big food service companies in America: Sysco, US Foods, and Performance Food Group (PFG). They're the General Motors, Ford and Chrysler of the food industry. Each company dominates their individual marketplace, and is particularly strong in certain sections of the country. Their reps are knowledgeable in the multitude of products and items their companies sell, but obviously one of their main priorities is to increase the market share of their geographic area's available business.

Some reps are incredibly helpful. Others know every trick in the book. I've seen padded invoices; food promised at one price yet delivered at a higher price – changed if they think you're not paying attention. I've been offered a kickback on my bill. A food service representative might say, "Give us a majority of your business, we'll give you an across-the-board 5% discount on everything you buy every month." When I was still green, that 5% savings looked great. It wasn't until I did some careful comparison shopping that I realized the promised "savings" had been built into the price I was paying.

Some helpful food reps may become good friends with you or your chefs and kitchen managers. It's tempting to let that happen, but it can also become a trap. Purchase decisions need to be business decisions. If you give your business to someone who has become a friend regardless of their prices, it's going to hurt your bottom line.

Guard against this by steering clear of exclusivity with any one provider, despite a promised deal, unless your main supplier adds significant added-value to your account through special services or resources that are of clear benefit to your business. Otherwise, comparison shop continually. I strongly suggest creating a list of your "Top 20" highest volume purchase and most expensive food items. Describe each item in the quality/size or grade to your specifications and inform each of your suppliers that you will email them this list for their price once per week. Let them know that you will compare their pricing on comparable quality goods before placing your orders. This exercise will take 10 minutes a week and is time well spent for your restaurant's bottom line. By doing this, I saved tens

of thousands of dollars season after season on my food costs.

KEY ITEM PRICING SPREADSHEET #5				
				
ITEM	SIZE/QTY	VENDOR 1	VENDOR 2	VENDOR 3
Pizza Cheese Mozz Prov Shrd	6 /5lb			
Beef Ribeye CH Bnls L/on	14# Av.			
Bacon Layflat Rndm Slicd	1 /15lb			
Farmland Pork Back 1.75 DN F	30# Av.			
Hormel Pepperoni Sliced 16 ct	1 cs 2 /12.5lb			
Beef Patty StkBrg Thick 85/15	32 /8oz			
Tuna Loin R-F	Price per lb			
Sushi Grade 8oz Tuna	Price per lb			
Shrimp 16/20 RTO	Price per lb			
Chicken CVP Breast RDM 10 oz	4 /10lb			
Chicken CVP Wing 1 & 2ND JNT	4 /10lb			
Chicken Tenderloin RTC Breaded	2 /5lb			
Potato Fry Cross Trax Redstone	6 /4.5lb			
Flour Full strength ENR Bleach	1 /50lb			
Shortening Fry Liq Clear ZTF	1 /35lb			
Mushroom Sliced Fresh	1 /10lb			
Onion Yellow Jumbo Fresh	1 /50lb			
Lettuce Green Leaf Crowns	1 /10lb			
Lettuce Romaine Hearts	12 /3ct.			
Basil Pesto	6 /30oz			
Fresh Asparagus bunch	Case			
Limes	Case			
Avocados	Case			

THE INVENTORY PROCESS

Begin by requesting an order guide to include all the items you purchase from each of your vendors. Use your order guide(s) to create your Master Inventory Spreadsheet which is the master list of every kitchen item you stock including Frozen Foods, Cooler Items such as: Meats, Seafoods, Dairy, Produce, Sauces, Condiments, Breads, etc. Be sure to count dry goods, canned items and spices. This spreadsheet is organized by category (and set in an order that matches the way food is arranged in your walk-in.) It includes columns for item descriptions where your food is entered into the spreadsheet in the proper category (Frozen, Meats, Seafoods, Dry Goods, etc.). Next, enter the weight, size or number of units per case and finally the price per unit or case until you have a complete list of all the items on your Master Inventory Spreadsheet.

MASTER FOOD INVENTORY SPREADSHEET #6



IN STOCK	CATEGORY	WEIGHT/SIZE/ NUMBER	UNIT	PRICE PER UNIT	TOTAL \$
	FREEZER				
6	FRENCH FRIES	6 X 4.5 LB BAGS	CASE	\$24.58	\$147.48
4	CHICKEN WINGS	40 LB BAGS	CASE	\$63.09	\$252.36
1.2	CRAB STIX	5 LB	CASE	\$14.75	\$17.70
1.25	VANILLA ICE CREAM	1 X 3 GAL	TUB	\$15.66	\$19.58
0.5	PIZZA CRUST - GLUTEN FREE 10"	24 CRUSTS	CASE	\$45.23	\$22.62
	COOLER				
	PRODUCE				
8	SPINACH - FRESH BABY	2 X 2 LB	CASE	\$13.75	\$110.00
4	BROCCOLI FLORET	3 LBS	CASE	\$6.82	\$27.28
0.5	MUSHROOMS	3 LBS	CASE	\$7.54	\$3.77
3	ROMAINE LETTUCE	12 PKT OF 3 HEADS	CASE	\$21.99	\$65.97
0.5	GARLIC (PEELED)	4 X 5LB	CASE	\$49.43	\$24.72
	SAUCES, CONDI- MENTS, SPICES				
1	RANCH DRESSING	4 X 1 GAL	CASE	\$41.70	\$41.70

PARTIAL TABLE ONLY. DOWNLOAD THE FULL SPREADSHEET

Frequency: Monthly if costs are in line. Weekly if a problem is discovered until it's resolved.

To familiarize yourself with our template, notice the following headers across the top:

Amount in Stock/ The Item by Category/ The weight, size or number in the package/ the price per unit or case/ and finally the Total \$ Value.

At the end of your inventory period, have two employees take the actual counts and record them in pencil. Have a scale nearby to accurately record weighted items.

Your bookkeeper or office manager enters the handwritten counts into the spreadsheet to calculate ending inventory total, captured in the total column on the last page.

As the quantities in stock are entered, the spreadsheet automatically calculates quantity times price per unit/case to give you the total dollar value of that particular item line by line and then finally a grand total of all inventory in stock at the very bottom of the spreadsheet.

Note: It is an acceptable practice to take inventory up to several days past the end of your monthly period, especially after a busy weekend. Doing so lets you run down the amount of product before you count which simplifies the process and ensures greater accuracy. If you follow this practice, make sure your date ranges are correct and that you count the sales for those several extra days before you take your inventory.

ONCE THE PURCHASED FOOD IS ON YOUR SHELVES

Having a smart strategy for working with food service companies is important. Just as important is to know what happens to your food after it arrives. Taking a monthly inventory is basic. Your kitchen manager or chef or even a line cook can count how many pounds of potatoes, bags of cheese and boxes of lemons are in the walk-in. Take a complete inventory, all the way down to dressings and garnishes, so you can determine what you've sold and what remains on your shelves.

ROCK★TIP

Take inventory in teams. Ideally, you the reader, and your chef/kitchen manager should do this together the first time, to get a feel for the process and to establish the importance of an accurate, honest count. Then let two trustworthy people tackle the process together. Using two staff, sometimes different members, who count together acts as a check and balance, so neither one can overcount or misrepresent the numbers. One person accurately counts goods on hand while the second writes the counts next to each item on your **MASTER INVENTORY SPREADSHEET**. For speed and accuracy when writing down the physical counts, match the weight/count of each item as it appears on the item's packaging and order guide. You may need to do some simple math conversions later, but keep note of this to ensure the accuracy of the dollar values you count per item.

Unfortunately, I've worked with chefs who purposely overcounted expensive items. Doing so made them look good by lowering their food costs. If I see an unrealistically low food cost after I take inventory at the end of the month, that's a signal something fishy is happening. For example, I had a chef who claimed a 22% food cost one month – a feat only possible had we sold nothing but \$20 plates of spaghetti for every meal. I sent two different people to take the inventory and quickly found the disparity. He'd misreported to cover up his high food costs...another word to the wise.

UNDERSTANDING INVENTORY

At the very least, savvy operators take food & beverage inventory at the end of the month, provided their costs stay in line for their menu and product mix. If costs fall out of line, take inventory weekly until the problem is identified, the situation rectified, and costs are back in line.

To be as accurate as possible, your inventory should reflect the most recent price paid for each item. At the end of the process, once all the food on the shelves and in the walk-in is accounted for, you'll have the dollar amount for your ending inventory – the food not yet sold.

ROCK★TIP

Ideally, arrange your items methodically on your Master Inventory Spreadsheet. List them as they appear when you enter your walk-in. This will save time, make the counting process less daunting and prevent you from missing anything.

FOOD COST SPREADSHEET #7					
					
BEG. INVENTORY					\$5,721.97
PURCHASES					
DATE	VENDOR 1	VENDOR 2	VENDOR 3	VENDOR 4	TOTALS
Jan 2	\$890.65	\$2,608.48			
Jan 6				\$2,023.00	
Jan 10		\$2496.00			
Jan 13	\$814.29				
Jan 14	\$897.76	\$2971.48			
SUBTOTALS	\$2602.70	\$8,057.96		\$2,023.00	\$12,701.66
TOTAL					\$18,423.63
END INV.					\$10,203.78
USAGE					\$8,219.95
SALES: 1/1/2014-1/30/2014					\$28,455.15
FOOD COST %					28.89%

We'll take you through the entire process in a moment, but this is the basic inventory formula:

Beginning Inventory + Monthly purchases – Ending Inventory = USAGE NUMBER

Usage number / Sales for the Date Range = Food Cost Percentage

HOW TO USE THIS SPREADSHEET:

Begin with your last Ending Inventory total. If this is your first ever inventory, the amount will equal zero (0), assuming you had no product in house last month.. Otherwise, the total dollar amount at your last Ending Inventory becomes the Beginning Inventory for this period.

In our example the total is \$5,721.97

By date for this Inventory Period (weekly, monthly, etc.) insert your Purchase Totals from each vendor. Do this for food goods only, not for non-food items like paper products, beverages, cleaning supplies, etc.)

The spreadsheet formulas will automatically calculate each column total, giving us in this example, \$12,701.66 for total food only purchases for the period.

Next, add the Beginning Inventory total plus all food purchases.

The result, \$18,423.63, represents the amount of food we had in our coolers on day one, plus any food that came in the door for the period.

Now, subtract the Ending Inventory total remaining, \$10,203.78, that you just counted. Note: the total comes from the last line of your Master Inventory Spreadsheet - #6.

The result, \$8,219.85, represents your Usage for the period, that is - all food sold to and consumed by guests or staff, or spoiled, wasted, given away, stolen or otherwise unaccounted for.

Finally, divide Usage by your Total Food Sales for the period in your date range. The result is your True Food Cost as a percentage of sales.

IMPORTANT NOTE: Total your Food Sales from the first day of the inventory period until and including the last night of sales for the period. Do not count any new purchases that came in the door the morning of your inventory count, or this will skew your percentage, and it will be inaccurate.

THE BAR

NO SUCH THING AS A FREE DRINK

Our bar manager was with us for years. We called him our intrapreneur. He didn't start the business, but he had a vested interest in it and treated it like a founder. He worked morning, noon, and night and did everything he could to make it succeed. He built up the bar business by making new friends with his cordial, warm personality. At the end of every season, we gave him a baseline performance bonus of \$1,000 based on how successfully he achieved specified expected goals, such as keeping pour costs low. We wanted to reward his new ideas too and his efforts to build the business which added thousands more to the baseline bonus. This list provides our bar manager's baseline goals followed by specific bonuses in several categories for going above and beyond our basic expectations:

Baseline Goals (\$1,000):

- Ensure superior guest service...“Treat every guest like your only guest”
- Train Staff in Company Culture and “SALES STARS”* Service Expectations
- Hire for Attitude, Approach and Demeanor vs. prior experience
- Disciplinary actions and firing when necessary

- Purchasing and Ordering for efficiency, expected sales volume and No outages
- Monthly Bar Inventory
- Maintain Target Pour Cost Range of 20 – 22%
- Efficient Scheduling and monitoring daily staffing needs to achieve Target Bar Labor Cost of 5 – 6%
- Train and Manage Security Team
- Preventative maintenance of bar equipment
- Ensure cleanliness of bar at all times
- Monitor for theft of product
- Assume Working Bar Manager shifts

Mug Club Goal (\$1,500):

- Grow the Mug Club affinity program from 500 Mugs to 650 Mugs
- Develop new Club Benefits for marketing and bottom line impact
- Train bar staff in club member recognition and special service

Concert Series Goal (\$1,500):

- Seek out, audition and hire new Acoustic and Rock Band performers striking a balance between cost and profit potential (cover charge R.O.I., etc..) to stay within Entertainment budget guidelines
- Create the Master Entertainment Strategy and schedule to maximize profit of holidays, busy event weekends and slower periods
- Manage performer set-up, sound check, meal policy and tear down when in-house

Bar Promotions Goal (\$1,500):

- Brainstorm and strategize new bar promotion ideas and new “Big Events” to engage crowd and create “buzz” for the establishment
- Develop sponsorships and assemble “Prize War Chest” for customer giveaways
- Work with suppliers to execute bar promos “On Brand”

NOTE: *SALES STARS is a turn-key front of house Training System that increases sales and elevates guest service levels in restaurants. This powerful system is available at www.restaurantrockstars.com

Our bar rocked pretty much all the time. Drink orders were entered into the computer by servers waiting on guests in the bar and dining room. The bartender prepared these drinks at the service bar, and they were then served to customers who never saw their drinks poured. One bar manager took advantage of this to substitute premium brands with basic well alcohol. Vodka in particular is an alcohol that does not have a distinct taste or odor, especially when mixed with juices and other flavors. So unless the drink was vodka neat, it was almost impossible for a customer to tell the difference. The bar manager’s pour cost appeared to improve every time he poured pennies worth of well vodka instead of the far more expensive premium and ultra-premium brands such as Kettle One or Grey Goose actually ordered by guests. Since the low pour cost was reflected in his annual bonus, the manager pocketed the difference. Bar staff can be very dishonest and sometimes, we can actually create bad behavior through seemingly innocent incentives and rewards. Another word to the wise.

When we discovered what was going on, we immediately put an end to it. Cheating is bad for business not to mention bad karma. Yet watch out. It happens every day in restaurants and that’s why it’s important to know your bar operation inside and out and run a tight ship.

UNDERSTANDING BEVERAGE COST

I would never open a restaurant that didn't have potential for a busy, profitable bar to help carry overhead. The bar can be your restaurant's biggest profit center. One reason bars are so profitable is that bar labor and the cost of goods are low compared to kitchen expenses. In most states, bartenders are paid less than minimum wage, work for tips, and produce solid profits. On a busy Saturday night, we would ring over \$20,000 in alcohol sales alone. By comparison, food sales were about half that figure with far greater labor expense. Don't get me wrong, food is profitable too, but unless you are filling your seats and turning them over at least twice every night, it's usually not profitable enough to sustain all your costs, especially in seasonal businesses. Strong bar sales can tide you over during slow or closed periods and keep the business viable.

MAKING MONEY IN YOUR BAR

ROCK★TIP

Your beverage cost is the sum of your average cost for liquor, beer, wine, and soft drinks. As a rule of thumb, target beverage costs at 20–23% of bar sales. Actual bar costs will vary, of course, impacted by volume, pricing, and your geographic location. In a major metropolitan city, resort, or tourist attraction area, you can charge higher prices than, for example, on Main Street in a small, remote town. Pricing drinks is half science, half common sense. You'll want to look at what your competitors charge for comparable brands and pours. Then formulate your own strategy based on your target customer's demographics and psychographics.

Liquor or spirit sales are more profitable than beer or wine. With steady volume, a restaurant's liquor costs can be as low as 17%, based on the price charged and other variables. Beer and wine consistently approach 21–23 % cost of goods.

With this in mind, we created giant "Signature" goblet drinks that we called "Glacier Bowls". Libby Glass Company produces a 60 oz. fishbowl with a short stem perfect for marketing these exciting drinks. We came up with several concoctions of rums & fruit juices, vodka lemonades, and

others, all with colorful names like “Avalanche”, “IcePick” and “Tumble of Death”. Each drink had grenadine or blue curacao and a glow stick inside which made them glow and really jump off the server’s tray in our dining room. We charged \$18 per drink and each season, we sold thousands of Glacier Bowls. Our restaurant and bar also did quite well marketing a specialty “Cocktail & Martini” list, again with inventive names and “Wow Factor,” served with eye-catching glassware and presented with flair. This is “SHOW BIZ.” Impressive glassware adds perceived value and provides an opportunity to charge more for “specialty” drinks.

We also created a 700 member plus beer Mug Club which formed our core audience. Although pouring 20 ounce mugs vs. the standard 16 oz. pint at discounted prices raised our beer cost percentage, this was more than offset by the power of 700 loyal followers promoting our establishment. And did I mention, each member paid us \$38 per season to belong to the club?

High profit specialty drinks, mug clubs, or unique affinity programs should all be highlighted on your menus, table tents, chalkboards, etc. These are all effective marketing tools for any bar.

ROCK★TIP

Beat your Competition by Executing Powerful Marketing Strategies that Build your “CORE” Audience, “Buzz” in the marketplace and solid profits for your bar and restaurant.

Create your Master Inventory Spreadsheet from my template that lists all the beverages in your restaurant. Organize it by category (liquor, beer, wine, soda, dry goods, supplies, deposits, etc.) as well as by how it’s arranged in your liquor cabinets, stand up coolers, and keg cooler to help make it simple for your staff to perform the inventory. Your spreadsheet should include an item description by product and size, your cost per unit (bottle, can, box, or keg including deposits). Totals by columns will calculate the math automatically, once you have entered the unit cost for all products and then the quantities counted after taking inventory.

At the end of your inventory period, the bar manager and a bartender take the actual counts. As I advised in the food section, perform this

procedure yourself once or twice to get a feel for it. It will help you know your bar inside out and it provides a check and balance on the inventory your staff has taken. If the staff know you're on top of things, they're more likely to think twice about theft or other potential abuses.

Based on experience, calculating the volumes of liquor bottles and kegs is an imprecise process. All liquor bottle shapes differ, but make estimates based on the remaining percentage of a full or partially empty bottle (.9, .75, .6, etc.). In this technological age, automated systems are available that precisely monitor volume of liquor poured per shot, etc. from each bottle and based on usage automatically calculate your Ending Inventory. These may be more accurate and help your costs, but they are expensive to purchase, not to mention the loss of bartender skills and aesthetics when a machine meters out the drinks. In my experience running a busy bar, I would much rather have the guest see a reasonable pour by the bartender than liquor bottles with electronics coming out of the pourers.

Kegs must be lifted to estimate their remaining weight compared to a full, untapped keg. With experience, estimating the volume remaining in each keg can be done with reasonable accuracy. Bottles and cans of beer are counted individually. Once the counts are completed manually, your bookkeeper or office manager enters the inventory in the spreadsheet which calculates the Ending Inventory Total shown in the totals column on the last page. You will use this number later on your Beverage Cost Spreadsheet #9 to calculate your beverage cost percentage for the period.

MASTER BEVERAGE INVENTORY SPREADSHEET #8



LIQUOR SIZE	COST	COUNT	EXT. COST
Absolute 1.75	\$34.99	4.5	\$157.45
Jack Daniels 1.75L	\$43.99	5.3	\$233.25
Sailor Jerry 750ML	\$23.99	2	\$47.98
SW. Vermouth 750ML	\$34.99	0.9	\$31.49
Tanqueray 1.75L	\$39.99	0.5	\$20.00
Triple Sec 1.0L	\$4.49	1.8	\$8.08
Well Vodka 1.0L	\$7.99	11.8	\$94.28
		Total Liquor Worth:	\$592.43
BEER			
Heineken	\$2.16	49	\$105.84
Bud Light	\$0.90	279	\$251.10
		Total Beer Worth	\$356.94
KEGS			
Bud	\$104.50	1.1	\$114.95
Miller Lite	\$104.50	1.5	\$156.75
		Total Keg Worth	\$271.70
WINES			
Sebastiani Cabernet	\$11.69	15.3	\$178.86
KDL. Jackson Chard.	\$9.89	11.8	\$116.70
		Total Wine Worth	\$295.56
PARTIAL TABLE ONLY. DOWNLOAD THE FULL SPREADSHEET			

BEVERAGE COST SPREADSHEET #9



BEGINNING INVENTORY					\$5,792.92
PURCHASES	VENDOR 1	VENDOR 2	VENDOR 3	VENDOR 4	
DATE:					
1/3/2015		\$10,250.24		\$145.68	
1/7/2015		\$54.77			
1/11/2015	\$29.94		\$153.00		
1/16/2015	\$105.74	\$201.19	\$62.35	\$8,948.40	
1/20/2015	\$17.24	\$44.02		\$720.50	
1/24/2015	\$47.57	\$9,200.00	\$154.39	\$1,839.84	
1/27/2015	\$76.42	\$13.08			
1/31/2015		\$90.77	\$3.76		
SUBTOTAL	\$276.91	\$19,854.07	\$373.50	\$11,654.42	\$32,158.90
TOTAL					\$37,951.82
ENDING INVENTORY		Keg Deposits			\$2,520.00
		Beer Gas			\$128
		Juices/Fruit/Supplies			\$2,244.52
		Liquor			\$7,332.15
		Wine			\$1,195.58
		Beer			\$6,129.11
TOTAL ENDING INVENTORY					\$19,549.36
USAGE					\$18,402.46
SALES (1/1/2015 - 1/31/2015)					\$81,112.09
BEVERAGE COST %					\$0.23

CALCULATING BEVERAGE COSTS

As with your food, recall that your Ending Inventory from the prior month becomes your Beginning Inventory for the current month. Next, add beverage purchases by date for the period for each vendor. Accuracy is especially important – if you miss a purchase or enter a date outside the given range, your cost will be inaccurate.

On our example spreadsheet, total purchases come to \$32,158.90. Take the figure from your beginning inventory (\$5,792.92), add that to the purchases you made for the month (\$32,158.90), and then subtract the Total Ending Inventory for the current month (\$19,549.36). This gives you a Usage Number - what you actually sold (18,402.46). Keep in mind usage includes drinks the staff may have served themselves, free drinks for regular customers, and any theft or waste. To find your beverage cost percentage, take that Usage number and divide it by Sales over that same date range. Again, be careful to record sales from the 1st day of the new period up to and including the night before you take inventory.

If your beverage cost climbs beyond 24 or 25%, you may have a theft problem, your bartenders are possibly overpouring, giving away lots of free drinks to earn bigger tips or perhaps pouring drinks without ringing them in the register, pocketing your money when the customer pays. (I recommend that all liquor, beer and wine be under lock and key when your bar is not open for business with check and balance access to locked cabinets.)

***Note:** Once again, it is an acceptable practice to take inventory up to several days past the end of your monthly period in order to run down the amount of product to count, thus simplifying the process and ensuring greater accuracy. This happens frequently during holiday periods or following busy Saturday nights. If you follow this practice, make sure your date ranges are correct.

UNDERSTANDING PAYROLL BY DEPARTMENTS...STAYING IN THE SWEET SPOT

Although diligently monitoring punch-ins and let-go's is prudent for all restaurant staff, in the dining room servers in particular are paid half the minimum wage (in many states), while your bus or backwait staff make minimum wage plus tips. Good hosts make a bit more, but these positions generally are paid a good deal less than seasoned kitchen staff who make upwards of \$13 - \$20 per hour, depending on position and experience. Thus there is a greater need for diligent analysis and tracking of your kitchen labor. Since server labor is cheap labor and the main interface with the guest, I have never focused heavily on cutting servers and tracking front-of-house labor cost. Again, diligent best practices like staggering punch-ins and allowing strong seasoned staff to open and close up shop have been sufficient in my operations.

Every kitchen has an ideal sweet spot – the point at which labor and food sales are in perfect sync. Your staff is efficient but there is no excess labor. You have only the staff you need to prepare and serve food in accord with your customer traffic at the time. Hitting and maintaining the sweet spot keeps labor costs in line and feeds profits to your bottom line.

From day to day and week to week, most restaurants with operating history can usually predict their busy and slow times. That consistency allows managers to predict staffing needs with reasonable accuracy. (Your on-call policy is your safety net for those unusual times when customer traffic is much greater than expected.)

You want to bring in and cut staff as needed, of course. You might also try rotating kitchen staff for station set up and clean up. Perhaps one night it's the job for your grill cook and fry person; another night it falls to the sauté cook and expediter to set up and clean all the stations.

UNDERSTANDING KITCHEN LABOR

One of your kitchen manager's priorities is to find that "Sweet Spot" for the night and religiously monitor labor to keep in the zone. Fall outside of it, and either you have too many people scheduled (losing precious dollars), or you have too few – which compromises the guest experience

and creates a stressful work environment. Your year-over-year sales reports with daily notes on your history help you stagger clock-in times. Why have a full line ready to go at 5 p.m. if the dinner rush typically hits at 6:30?

To get your total kitchen labor cost, add total wages and hours worked per person (including overtime) for each kitchen position or department. Your restaurant's total labor percentage will vary, but averaging 27–29% of total sales is a good solid target to maintain with consistency. Total kitchen labor should fall in the 20–24% range from week to week. You'll have slower weeks with higher percentages. Compare current weeks with the same week from the prior year. Sales ought to be fairly comparable, but notice variances and pay close attention to increases in wage dollars and hours worked. The notes you made on last year's sales records will help you evaluate what you're seeing. (For example: you made a note last year that the week's sales were high because you hosted a large business group. Perhaps another week's low sales were explained in a note that the weather was bad. If sales are comparable to the prior year, you can now investigate any big increases in hours worked and wages paid.

LABOR ANALYSIS SPREADSHEET # 10



WEEK		SALES	LABOR	%
12/20-12/26	TOTAL	54,202	14,605	0.27
	KITCHEN	22,014	7,087	0.23
12/27-1/2	TOTAL	92,000	18,109	0.20
	KITCHEN	41,234	9,023	0.22
1/3-1/9	TOTAL	48,289	12,114	0.25
	KITCHEN	20,890	5,989	0.29
1/10-1/16	TOTAL	51,235	13,876	0.27
	KITCHEN	19,674	5,602	0.28
1/17-1/23	TOTAL	56,782	15,673	0.28
	KITCHEN	24,987	8,211	0.33
1/24-1/30	TOTAL	47,889	12,983	0.27
	KITCHEN	20,002	5,879	0.29

KITCHEN LABOR COST SPREADSHEET # 11



		CURRENT YEAR		PRIOR YEAR		
		Week of: 12/9 - 12/15/2013		Week of: 12/10 - 12/16/2012		
VARIANCE	STATION	HOURS	WAGE \$	STATION	HOURS	WAGE \$
Hours & \$						
	LINE COOKS			LINE COOKS		
	Jamie	23	\$229	Jamie	14	\$127
Up 15 Hrs	Theresa	37	\$556	Ryan	33	\$426
Up \$237	James	16	\$161	James	14	\$156
	Totals	76	\$946	Totals	61	\$709
	PREP COOKS			PREP COOKS		
Up 37 Hrs	Mary	20	\$112	Carol	4	\$44
Up \$391	Lisa	32	\$345	Lisa	11	\$81
	Totals	52	\$516	Totals	15	\$125
	PIZZA			PIZZA		
Down 3 Hrs	John	11	\$102	John	9	\$65
Up \$53	Chad	17	\$205	Chad	24	\$228
	Susan	19	\$169	Rick	18	\$159
	Paul	22	\$219	Steve	38	\$496
	Ellen	35	\$469	Ellen	18	\$163
	Totals	104	\$1,164	Totals	107	\$1,111

PARTIAL TABLE ONLY. DOWNLOAD THE FULL SPREADSHEET

After payroll is complete and calculated each week, using Spreadsheet #10, enter your total restaurant sales, total kitchen sales, total labor cost and total kitchen labor cost for the respective period and note the percentages for each. At the end of each quarter, take an average of your labor costs for the preceding 12 weeks. To do this, add up Total Sales for each of the 12 weeks and Total payroll for each of the 12 weeks from Spreadsheet #10 and then divide your payroll total by your sales total. Do the same for Kitchen sales and Kitchen payroll for the 12 weeks. Are you comfortable with your average labor percentages for the quarter and do these % numbers fit your acceptable labor cost range? If your average is high, Spreadsheet #11 can help you get things back in line.

WHEN IT GOES WRONG

Occasionally, you'll miss your sweet spot. Perhaps the kitchen didn't fire on all cylinders on Thursday or you had a rough night on Saturday. In the middle of a hectic, difficult night, it's harder to fine tune staffing. You're tired. You forgot to cut the extra dishwasher and line cook, and now you've got people standing around. That's going to show up in the next payroll. By doing a Kitchen Labor Cost Analysis, you'll immediately identify where you fell short and it will help you staff better for the weeks ahead.

When you compare kitchen labor costs against the same period last year, ask the key questions. Are your labor costs up? Are sales flat or down? If the year-to-year variance is significant, take an extra step and dig even deeper. List all kitchen positions and the names of each position by station; list their hours and wage \$ paid (found in your weekly payroll report summary). Either your bookkeeper prepares this or you may have an independent payroll processor. Then compare the numbers. This helps identify why labor costs spiked so you can take corrective action. It's important to do this immediately. Each day the problem continues it's costing you money that could go to profits.

Refer to the full example for Spreadsheet #11 and note that the total Kitchen Labor was \$864 MORE than the prior year, with 77 more hours worked to achieve ONLY \$2,010 MORE in food sales. The Kitchen Labor % here was UP 2 points from 22% the prior year to 24% currently.

Note: annual hourly wage increases have to be offset with a raise in menu prices to maintain margins as well as your food to labor cost ratios.

OVERTIME

Avoid overtime by cross-training staff and scheduling efficiently. No restaurant can afford to pay kitchen help time-and-a-half on a regular basis.

***Note:** Most P.O.S. systems perform a daily grind in the middle of the night when your restaurant is closed. If an employee forgets to clock out during a scheduled shift, the system will automatically clock them out at 4:00 or 5:00 in the morning. If you are not careful and miss this during the payroll process, you will pay that person many extra hours that they did not actually work. Make sure you catch and edit these extra hours.

SCHEDULE CHANGE AUTHORIZATION... CONTROL TIME SHEET ABUSES

Three ladies worked for us in the kitchen to help prep salads and soups during the morning shift. The ladies became friendly and pretty tight. One day, one of the ladies had an important appointment and couldn't come in on time. She asked the other two if they could cover her work for an hour, which they were happy to do. One of the ladies went so far as to clock-in her coworker at the start of the shift, so that she would still receive full pay despite missing an hour.

Suddenly, this became a habit. Whenever one of the ladies had an obligation or was late reporting to work, the other two would clock them in or out at the scheduled time. Their deception cost the restaurant over \$1,000 before we discovered what was going on and all three were replaced.

Their story is an exception. Abuses generally are not that blatant. But it's a good practice to compare clock-ins with schedules for all your staff. Doing so reveals minor abuses and helps keep a lid on labor cost. Often someone scheduled to start at 4, clocks in at 3:45, and then stands around chatting for 15 minutes before they actually go to their station to work. If a number of staff all clock-in 10, 15, or 20 minutes early, every single shift, 7 days a week, that represents a lot of expense in unauthorized,

unproductive time. To prevent this, our general manager or payroll person reviewed the time sheet reports and, retroactively, edited early clock-ins. There is a Time/Edit function on P.O.S. systems that re-calculates actual hours worked once the edits are entered into the system. This may add 15 – 20 minutes extra for the person doing the payroll, but it will pay for itself many times over in saved wages.

DO YOU HAVE A SCHEDULE AUTHORIZATION POLICY? IF NOT, CREATE ONE.

SCHEDULE CHANGE AUTHORIZATION SPREADSHEET # 12					
					
DATE	NAME	SCHEDULED	TIME IN	REASON	INITIAL
JAN 3	SAM H	10:30	9:30	Lots of prep	S.T.
JAN 4	JOE B	3:00	2:30	Busy day	J.P.
JAN 5	TED R	1:30	12:30	Bus Grp	H.A.
JAN 10	SALLY M	11:30	11:00	Fold T shirts	P.S.

Often chefs or managers need early coverage, certainly a legitimate reason for an early clock-in. For those exceptions, we post a Schedule Change Authorization Sheet in each department. When someone is called in early, it’s their responsibility to add their name to the sheet and get a manager to sign off on the extra time and to note the reason for the change. It’s required so the staff member gets paid for the extra time. If the person’s name does not appear on the Schedule Change Authorization, their time is edited for any early punch-ins. A manager should set the policy and make it clear that staff must punch-out immediately upon completing their shift. They can then perform a routine P.O.S. check at the end of the night to see which staff are still punched-in but are no longer working. Other than that level of diligence, I know of no other accurate way to ensure that staff punch-out when they finish their shift.

BREAK-EVEN ANALYSIS

It is imperative to determine your restaurant's Daily Break-Even Sales number. With this information, you may learn that not every day in your restaurant is profitable, especially during slow seasons. In this case, you may decide it is necessary to close on one or more of your slowest days, if your costs consistently exceed your sales on this day(s).

First, make a list of all your Fixed and Variable costs. To be accurate, review your P & L line items for this list so you don't forget anything. Fixed Costs are items you have to pay for whether your restaurant is open or closed. These *do not vary* with changes in sales volume. Examples of Fixed Costs include:

- Your rent or mortgage payment including monthly interest,
- All insurances
- Telephone/Internet/cable, etc...

Variable Costs do vary with changes in sales volume. A few examples of Variable Costs are:

- propane or fuel oil
- electricity
- credit card processing fees, etc...

Refer to our BREAK-EVEN ANALYSIS SPREADSHEET #14 for a list of both types of costs. Take each Fixed and Variable Cost by month, divide by 30 days, and the total equals your approximate Break-Even Sales Volume per day. That's the amount you need to reach to make it worthwhile to stay open on a given day.

Once again, unless each day consistently rings more in sales than your daily break-even, I strongly suggest that you either get creative and offer special "deal or promotion" nights to drive additional traffic on this day(s), or close your business on this day(s). You will lose less money closed than open.

Download my BREAK-EVEN ANALYSIS SPREADSHEET TEMPLATE #14 and fill in your own Fixed and Variable Cost numbers by

Cost/Month. The spreadsheet will automatically calculate your daily cost for each line item. Your Daily Break-Even reference point will be the daily total of both Fixed and Variable Costs.

DAILY BREAK-EVEN ANALYSIS SPREADSHEET #13



FIXED COSTS	COST MONTH	COST DAY
Mortgage/Interest (P&I)	333	11.10
Property Tax	410	13.67
Or, Rent		
Insurance - Workers Comp	325	10.83
Insurance - Health	1200	40.00
Insurance - General Liability	521	17.37
Insurance - Liquor Liability	600	20.00
Employee Benefits	475	15.83
Advertising Contracts	167	5.57
Telephone/Cable/Internet	525	17.50
Music Licensing Fees	125	4.17
Licenses - Operating	183	6.10
Repairs & Maint. - Equipment or Building	525	17.50
Trash Removal/Snowplowing	500	16.67
Trade Association Dues	54	1.80
VARIABLE COSTS		
Payroll & Processing Fee	12500	416.67
Cost of Goods Sold (food, liquor, bev.)	16833	561.10
Credit Card Fees	1750	58.33
Propane/ Fuel Oil/ Firewood	1200	40.00
Operating Supplies	525	17.50
Janitorial Services	808	26.93
Water/Sewer	250	8.33
Electricity	783	26.10
TOTAL FIXED & VARIABLE COSTS	40592	1353.07
BREAK EVEN = TOTAL FIXED + VARIABLE COSTS		

FOR SEASONAL RESTAURANTS

The restaurant business is challenging enough when you have a year-round operation, but if your open days are weather dependent and seasonal, either summer or winter, your challenges more than double and to earn a profit you can afford to make very few mistakes (if any).

It's critical when you close your business for the season to monitor your cash/working capital and estimate your expenses and cash needs each and every month until you re-open the following season. Using this budget, you need to also establish and set aside a reasonable Cash Reserve for the first few weeks of business to allow for start-up expenses such as food purchases, liquor which is delivered C.O.D. in most states, payroll, insurance policy renewals and other re-curring payments until your business begins to regenerate positive cash-flow.

NOTE: YOU DON'T ASK, YOU DON'T GET

If you run a seasonal business, your cash flow is tight and you need some breathing room each time you re-open for business until your profits start generating cash. In my experience, suppliers will work with you and negotiate favorable credit terms for your opening orders payable in installments.... For example, my opening orders used to be around \$13,000, so I was able to negotiate 4 equal payments (due every 2 weeks) beginning 30 days after delivery for these invoices with 14 day terms for my next orders. This allowed me to save cash for all other overhead and necessary expenses until my regular season traffic picked up once again.

Using the Off-Season Budget Spreadsheet template #13, first enter all your bank account balances as of the first of the month following your business closing date. You may choose to keep small amounts of cash in typical bank checking accounts which pay very little (if any) interest, but it is good practice to explore a 3 or 6 month Certificate of Deposit for a larger percentage of cash and/or a money-market fund. Both are non-volatile accounts which maintain the integrity of your principal and provide slightly better returns than checking accounts. If you choose to invest in CD's, allow for short term cash needs as you will be tying up a

portion of your funds until the CD matures. Money Market accounts are liquid like cash and can be cashed in at will.

Make a list of your off-season expenses from monthly invoices and future need projections for the number of months your business will be closed. The time period of your budget can be eight months or less depending on your location and customer traffic.

When you enter expenses, typically, you will have your salary and any wages you pay for part-time help (in house bookkeeper, etc.), benefits such as health and life insurance premiums, cell phone, company cars and related expenses, etc.. and any other owner incidentals. If you own the real estate you will have property tax in addition to your monthly mortgage payment, possibly capital improvement expense(s) for necessary building repairs and routine maintenance such as lawn cutting, landscaping, cleaning grease traps, pest control, etc.. Otherwise enter your monthly lease payment including any common area charges, etc..

Seasonal businesses have General Liability and Liquor Liability premiums that renew once a year when a down payment is due. You may have Legal fees and/or CPA fees for tax return preparation. If you have financed any big purchases on credit cards, you have a monthly minimum payment. Utility expenses decrease when your business is closed but still must be paid each month.

Make it a point to update your budget for accuracy on the first day of each month and enter any forgotten or unexpected expenses that occur. The spreadsheet automatically calculates addition of column totals, line expenses times number of months closed and subtracts Total Expenses from Total Cash leaving your Cash Reserves balance.

OFF-SEASON BUDGET SPREADSHEET #14



1-Jun-2015		
AVAILABLE CASH		
Checking account		\$4,500
Petty cash		\$2,000
Investment Acct.		\$130,000
TOTAL		\$136,500
EXPENSES		MONTHLY
Owner Salary	\$4,800	\$33,600
Owner Health Insurance	\$1200	\$8400
Owner Cell Phone	\$1000	\$7000
Lease/Mortgage	\$3,200	\$22,400
Property Tax		\$6,200
Building Repairs (projected)		\$10,000
Property Maintenance	\$800	\$5600
Septic Pumping/Grease Traps		\$2500
Pest Control	\$80	\$560
Liability Insurance Renew		\$3600
Tax Prep/CPA		\$1500
Legal		\$1000
Credit Card Payments.	\$225	\$1575
Utilities	\$75	\$525
Phone - land lines	\$125	\$875

PARTIAL TABLE ONLY. DOWNLOAD THE FULL SPREADSHEET

III - SIDES

YOUR BOTTOM LINE

UNDERSTANDING BASIC FINANCIAL STATEMENTS

One of the major benefits of owning and operating a restaurant is that it's a cash business. Service and payment are provided at the same time, which generates immediate cash flow. While restaurants are extremely challenging to run and costs and profits vary widely, their finances can be relatively straightforward compared to other industries.

Much like a family on a strict budget, the restaurateur also needs to know where every penny is spent. Owners and managers need a solid understanding of their restaurant's financial health.

THE BALANCE SHEET

Why is this important? Your restaurant's balance sheet measures the financial net worth and strength of your business, which should grow over time if your restaurant is consistently generating positive cash flow and yearly profits (see "financial reference" terms at the end of this course for a definition of cash flow). It shows what you own and what you owe at a specific point in time. If you lease or rent your space, your balance sheet will be simpler than if you own your property and equipment.

In its simplest form, the basic equation for a balance sheet is:

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

Your assets (what the business owns) have to equal your liabilities (loans and other short and long term obligations) plus your equity (the value of your investments in the business and annual profit or loss from your business). At the end of your fiscal year, profit gets added to equity, or subtracted in the event of a loss.

Financial events, for example buying a new piece of equipment, increase both the left and right side of the equation by the same amount. Your assets increase by the price paid for the equipment, and your liabilities to pay for this equipment similarly increase by the same amount. Even if you pay in cash, the equation is the same and it balances because assets encompass everything you own (both cash and equipment), so your equipment increases and cash decreases. Although most fixed assets, like equipment, depreciate and lose value over time, you receive an offset credit on your tax returns for this depreciation for many years into the future, when it is assumed that the equipment must be or has been replaced. Note that land does not depreciate as it is assumed to have an unlimited useful life.

When you spend money for your business, your costs are either expensed or capitalized. They end up on either an income statement (expensed) or a balance sheet (when capitalized). How do you decide where to list the costs? Usually that decision is based on the amount spent. Anything over \$600 is usually capitalized as depreciable and recorded on the asset side of your balance sheet. Amounts under \$600 are usually expensed on your profit & loss or income statement and either reduce operating profits or increase net losses (more on this in a moment).

ANALYZE YOUR BALANCE SHEET

Print your restaurant's balance sheet for a recent date. Look at the numbers and all line items, understand their relationship to each other, and analyze them. What does your balance sheet reveal about the financial health of your restaurant?

THE PROFIT & LOSS OR INCOME STATEMENT

This statement is essential. It's the profit and loss statement that tells you if you are making or losing money. Unlike the balance sheet, like a snapshot which instantly reflects one moment in time as of one date, the P & L shows you the big picture over a range of time... either a week, month, quarter or year. If you have a new business, you should monitor your P&L at least monthly; for established businesses, periodic reviews for spot checking and comparing individual accounts should be sufficient.

At the Cantina, we monitored our P&L statements and bank balances weekly and saw our suspicions confirmed week after week in discouraging numbers. Think of your P&L as an objective, analytical tool. No matter how delicious the food is - are you making a profit from your sales?

Expenses should remain fairly stable year to year without significant spikes, but remember to periodically raise your prices to compensate for the rising costs of doing business. Periodic spot checks of the accounts in your P&L, comparing the same dates from prior periods, are also a good way to identify large variances reflecting possible abuses or problem areas that might need closer attention.

The basic formula to calculate a Profit & Loss is simple:

Revenue – Cost of Goods = Gross Profit

Gross Profit – Expenses = Net Profit or Net Loss

The Bottom Line is your net income or net loss.

The top section of a P&L report shows revenue (income) and cost of goods, which together make up your gross profit. Income or revenue includes food and beverage sales, retail merchandise sales, and any additional income streams your restaurant may have (for example, a cover charge for live music). Your cost of goods encompasses purchases of food, beer, wine, liquor, and beverages, etc. Subtracting the cost of goods from revenue gives your gross profit. Gross profit is what you've earned prior to factoring in all your operating expenses and overhead including payroll, mortgage or rent and utility payments, credit card fees, trash removal, etc.

ANALYZE INCOME STATEMENTS YEAR TO YEAR

Print your restaurant's income statement for the most recent fiscal or calendar year and for the year prior. Most accounting software programs such as Quickbooks (highly recommended) have a "prior period" function which displays the data side by side with that of the prior period for easy comparison. Analyze each account, line by line.

Are there any large variances in revenue or expense on the accounts?

If so, do they correlate with any major events: like good or bad weather, a national news event that influenced sales, etc.? For example, if you pay for snow removal, a mild winter will reflect a lower cost for the service than a major snowfall year.

Take a look at my sample P & L statement. Total Bar Sales = \$562,907 (sum of product sales, cover charges and sponsorships), while Food Sales = \$531,952, a greater difference of approx. \$30,955. While these sales figures are close, bar labor cost was \$12,215 vs. \$94,700 for the kitchen. Even more telling is Cost of Goods... purchases of liquor totaled \$41,511 vs. \$150,897 for food. Now you can see just how much more profitable running a busy bar can be and the advantages it adds to your bottom line over food sales alone.

Here's another example: On the last page of my P & L for Rockin Restaurant, LLC, notice "Sales Discounts" under Other Expense. When we ran the Cantina, one promotion attempting to build business was a free Taco giveaway with no purchase required. I quickly noticed that my "Sales Discounts" number went through the roof with no recognizable increase in food sales. A simple P & L comparison from a prior period, looking at sales discounts in relation to sales, pointed out this substantial loss.

FINANCIAL REFERENCE TERMS

CURRENT ASSETS

Current assets are liquid and can be converted to cash within one year, (e.g. cash, investment accounts, and short term accounts receivable.

Current assets are listed as an item in your balance sheet.

FIXED ASSETS

Fixed assets are not easily converted to cash within one year, (e.g. real estate, improvements to your building, land, furniture, equipment, signs, vehicles, computer systems, etc. Fixed assets are also listed as an item in the balance sheet.)

CURRENT LIABILITIES

Current Liabilities are the obligations you've accrued. They include purchases on credit that are due within one year (e.g. inventory or supplies), although more often payment is due within 15-30 days. Another term for current liabilities is your accounts payable.

LONG TERM LIABILITIES

Long Term Liabilities are your larger obligations, often payable over periods for as long as many years, (e.g. loans such as mortgages, equipment loans, car loans, credit card balances, etc.)

OWNER'S EQUITY

Owner equity covers investments that you or other owners make to purchase assets or to provide working capital to the business. Owner equity can take the form of capital stock, retained earnings, or net income. Net income is automatically added to your balance sheet by your accountant or CPA when you close out your books at year end and is then known as retained earnings.

RETAINED EARNINGS

Retained earnings are operating profits at year end after shareholder distributions have been paid to owners (This applies only to incorporated businesses or a LLC).

WORKING CAPITAL

Working capital are the funds used to conduct your restaurant's day to day operation. It's calculated by subtracting current liabilities (e.g. payables, short term loans) from current assets (e.g. cash, inventory, receivables, and short term investments).

The formula is:

$$\text{Current Assets} - \text{Current Liabilities} = \text{Working Capital}$$

CASH FLOW

The net effect of a business' cash inflows and outflows over a set period of time is its cash flow. Inflows come from financing (loans), operations (sales), and/or investing (equity, dividends, etc.). Outflows occur from paying expenses, shareholders in corporations or LLCs or from making investments. Positive cash flow means that a company has achieved a constant revenue stream of sales that exceed business expenses and other liabilities or obligations and can sustain itself over time.

GROSS PROFIT MARGIN

Your restaurant's gross profit is calculated by subtracting the cost of goods (food, liquor, beverage, retail) from the sales revenue produced by each of these. Gross profit measures the strength of your overall food and beverage operation, prior to overhead and ancillary expenses.

NET PROFIT MARGIN

Net Profit Margin is the **BOTTOM LINE**. It is calculated by subtracting the total cost of goods and all expenses from your total revenues.

IV - DESSERT

MORE ROCKSTAR TIPS

TIPS - NO TASKS REQUIRED!

I hope my stories and lessons steer you clear of some of the obstacles of running restaurants, and that the practical exercises maximize profits in your operation. I believe you'll be more successful if you use the Rock Your Restaurant spreadsheets and steer your facility by the numbers.

Here's some additional, general tips I have learned throughout my career - and, no tasks required!

HIRE A PROFESSIONAL MENU DESIGNER

Professional menu design is so much more than pretty graphics, although that's important too. Professional designers specialize in restaurant menus and will analyze your menu items and the profit each contributes. They are experts at consumer behavior, and know exactly where to place each item to specifically highlight those most profitable. This tip alone can contribute thousands of dollars to your bottom line. Recommend: www.HotOperator.com

COMPS & VOIDS

Comps and voids occur daily and can be a source of staff theft. Even if the function is under management control, because the two parties

have something to gain, collaboration can occur. To protect against theft, utilize the point-of-sale system to print out individual slips every time a product is comped or a sale is voided. Ensure that each and every slip is turned in with cash outs at the end of the shift, and that an explanation appears for the comp or void. Each server's comp and void total from their cash out slip should be backed up by a corresponding comp/void slip. Your system will let you pull detailed comp & void reports by server and by department for any given day or time period. Routinely analyze and spot check these reports for abuses or anything out of the ordinary.

YOUR CASH DOESN'T MATCH THE SALES REPORT

Sometimes after counting all your cash from each drawer and department (that evening or next day), a sizeable shortage occurs. Often the missing amount is explained by an owner or manager who ordered food/drinks, but forgot to Comp or Void their check from the system. So the system recognizes a cash amount owed for these products, but there is no cash for the order. P.O.S. systems have a "Cash Owed" function that reflects all closed and cashed out staff, as well as those still open in the system. This may seem obvious, but alternately be sure to look inside under the register where the cash drawer goes.

DAILY DEPOSITS

Unless you handle all cash yourself, make sure that your bank cash deposit from your daily sales report matches the cash actually deposited to your bank. Spot check this in your online monthly bank statement. A variance could be a legitimate paid out from the cash drawer, such as for food from a local market, or a miscellaneous, unexpected cost. All paid out slips should be turned in with each department's cash out report. Investigate any amounts that don't match.

COMPARE SAME DAY CASH FROM PRIOR PERIOD

To watch my profits grow, I made it a regular process to compare my cash in bank today with the same day last year. This is done simply by looking at the "daily balance" section of my bank account statements from the prior year and comparing them to today's bank balances viewed

online. Don't forget to add an extra day of sales to allow for the difference of calendar dates from one year to the next. It's comforting to see a larger growing amount of current cash. If the amount is significantly less than same day last year, you have a new issue to investigate and solve.

PETTY CASH

Routinely count petty cash in all denominations. Compare the amount to your petty cash account balance in your accounting software. Don't forget to add the cash in your host and bar drawers as well as ATM's and change machines to your total. The only time these amounts should vary is on a night with greater credit card sales and little cash, when during the cash out process, your servers need to be paid their tips in cash. Remember to replace these tips back to Petty Cash from your bank account after the credit card batch has been deposited to your bank.

BAR RINGS

Sometimes, bartenders like to pour one or more drinks for a regular customer without ringing in the sale. They keep a tally in their head and then cash out the customer at the end. The customer feels special and trusted, but over time the house is likely to lose. The bartender may be completely honest and trustworthy, but the busier he/she gets, the less likely they are to remember every single drink, especially if this practice is done with several customers at a time.

There are also many unscrupulous bartenders seeking opportunities for personal profit wherever they can find them. It's easy to charge a customer for all the drinks later, ringing in fewer drinks than poured and pocketing the difference. The bar is one of the most vulnerable areas in your restaurant, and although we all like to trust people, be careful. It's your money. Modern P.O.S. systems allow the bartender to keep many open tabs at any given time before the check is closed out. Every single drink should be accounted for and rung in at the time of the sale. Make a habit of routine spot check by spending time seated at your bar or watching your bar operations from close range.

SMALLWARES WILL WALK

Keep a close eye on your silver, glassware, plates, condiments, paper supplies, etc.. Dishonest staff need and take these things from restaurants on a regular basis. I suggest you make this petty theft a punishable offense, make it known when new staff are hired, and print it in your employee manual.

DRAFT LINE CLEANING

Beer distributors love to clean your draft beer lines. They want to maintain product quality and integrity, but there is also a downside. The process involves pouring a good amount of fresh beer down the drain. This is wasteful and means you'll buy more. A busy bar does need its lines cleaned, but the process should be completed no more than once every three weeks.

AFFINITY PROGRAMS AND A MARKETING DATABASE:

Building loyalty and repeat guests should be a primary goal. Numerous ideas abound, but the simplest is to use your P.O.S. system to install an Affinity Program that tracks customer visits and allow the sale of programmable Gift Cards. Companies such as Stored Value Solutions (www.storedvalue.com) interface with most P.O.S. software and offer the programmable cards with customized logos and graphics for your restaurant. You can create a loyalty program by first collecting free SWAG or prizes from your suppliers (t-shirts, hats, etc...) as well as adding your own retail merchandise, Gift Cards, inexpensive food items that have perceived value, etc.. Pass out your logo plastic (mag stripe) cards to your frequent visitors or to those who request a card. Whenever these customers visit your restaurant and make a purchase, their server or bartender swipes the card into your pre-programmed P.O.S. system, and based on frequency of awards, they may win a prize. Make sure to capture the email address of each customer card holder for future marketing communications.

MUG CLUBS

Mug Clubs are incredibly popular and highly profitable in bars serving

draft beer. A well-run mug club motivates your core audience, those who frequent your establishment several times a week, to promote your restaurant. We grew our mug club to over 750 members, and each paid \$38 a season for a mug which stays on premise. The member received discounted beer pricing in the 20 ounce mugs vs. the standard pint, a club T-shirt, discounts on food and retail merchandise and an Affinity card which provided free admission to our live concert shows, saving members \$10 plus each show. This Value-Added was an advertising and marketing hook that drove new business and created huge “buzz”. Again, don’t forget the email addresses for data base capture.

EMAIL NEWSLETTER BLASTS

With your growing eMail database, communicate with your loyal customers informing them of new menu items, upcoming promotions or featured entertainment. Consider having a fun trivia question with a quick-response prize offer. I frequently awarded a free food item or T-shirt to the first two or three correct responders and recognized them in the next newsletter to gain participation. Remember to keep the newsletter brief, entertaining and graphically appealing. Create a newsletter template with your restaurant colors and logo and use an email software program such as “Constant Contact” (www.constantcontact.com) to craft the newsletters and send them out to your fans. Such eMail programs will also help you keep your email list up to date while providing statistics on how many of your “blasts” get opened.

FIND MORE PROFIT CENTERS:

A restaurant cannot have too many profit centers or additional sources of revenue. You have loyal customers, so think of your restaurant as a BRAND. Create a simple line of T-shirts or hats with your restaurant’s logo and display these prominently in your entrance way or near your host counter. Many silk-screeners and larger merchandise companies have talented in-house designers which can do wonders with your theme/logo. You don’t need to invest a lot in inventory to start, but test the waters with a few of each size for men and women. If you have an appealing design which sells out quickly, save money by ordering a gross of shirts or

hats (144 of each) where the prices will be lowest. As your merchandise sales take off, you can expand your variety of offerings. Also, don't forget packaged foods to go. If your restaurant has great homemade items such as breads, pasta sauces, etc...they can be merchandised in your retail area and on your menu. Create logo stickers to brand your items. With a little effort, you can capture the impulse purchases of diner's on their way out the door. Your restaurant not only makes additional profits from merchandise sales, but when your customers wear your T-shirts or logo apparel, you are getting free marketing. Don't forget to highlight these items on your menu and train your staff to suggest them.

VIDEO GAMES, POOL TABLES, PINBALL:

Many companies provide games for your restaurant and maintain them in exchange for one half the revenue they generate. If you have any extra space in your restaurant, games provide great appeal for adults and kids alike and can generate \$1,000 or more per week in extra cash without the hassles of owning or maintaining the equipment. Crane games for toys or candy are irresistible to kids, and parents are more than happy to provide their kids with change to keep them occupied while the parents enjoy their meal and socialize.

BE KID FRIENDLY

It's a fact: Kids often decide where the family goes out to eat. They want to go to the "Fun Place" and parents want the kids to be entertained so they can enjoy their meal. So be the Fun Place. Beyond the standard crayons and coloring sheets, why not have a weekly "Coloring Contest" with \$5 Gift Cards as prizes. Kids fill out their phone and address on the back of their entry and then you select several winners and tell their parents their gift card is waiting at the restaurant... this way, the family comes back again to spend more money and the winner sees his art displayed in the restaurant. Create a reach-in "Prize Box" out of a cardboard box and lid (Banker's boxes work well), decorate it like a pirate's treasure chest then fill it with candy and inexpensive toy prizes... every kid gets to reach in on their way out the door... Hire a balloon-tying clown to make balloon animals or at the least have a helium tank and balloons behind your host

counter so every kid gets a balloon on the way out... Fill a fish bowl with “Dum Dum” brand lollipops at the host counter. If your restaurant serves pizza, pass out dough balls for kids to play with and last, if you have the room, Arcade games are super popular for kids and profitable for your restaurant. Novelty/Game companies will provide the games, a change machine and free maintenance in exchange for ½ the take in quarters... At the very least have a Candy/Toy Crane and watch the dollars roll in.

STICK TO WHAT YOU KNOW

We once worked with a chef who encouraged us to expand our offerings. He suggested we begin hosting rehearsal dinners, weddings, and other large events. Our expertise was in restaurant management, not special events and functions, but he talked us into it and assured us his expertise and skills were more than sufficient to get the job done. Before long, several couples had booked their weddings at our restaurant, and this secondary income stream looked promising. Unfortunately, between the time of the wedding bookings and the wedding dates, the relationship with our chef deteriorated to the point that we could no longer work together. We realized we wouldn't be able to deliver the event by ourselves, and had to discontinue this part of our business. Growth and improvement is a vital part of restaurant survival, but ensure that any new directions you plan are sustainable and, ideally, that they are not completely dependent on only one member of your staff. If that person leaves, your business – and reputation - should be able to carry on and not miss a beat. Note also that while group functions can provide incremental, profitable sales, they can be difficult to host if you're simultaneously running a kitchen and serving your regular dining public. Groups require that all their food be prepared and served simultaneously, and, depending on your facility and staff, this may slow down if not paralyze service to your restaurant diners.

PORTION CONTROLS

One of the easiest ways to lose money is to be careless with portion sizes. The more staff you have handling food, the more inconsistent your portion sizes will be. Restaurants are high turnover businesses and in the

heat of battle, newcomers often don't get adequately trained. That can lead to careless, inconsistent portioning. Proper controls need to apply not only to entrée items (how much lobster goes into the sauté), but also to expensive meats (especially if you cut your own), to pizza cheese as everyone's hand is a different size and to dessert items. Some restaurants allow servers to prepare salads and desserts for their tables to save time. The problem with that, with tips at stake, servers have an added incentive to bring overly generous portions. Every item on your menu needs to have a standardized portion size or weight, costed out to the penny based on that portion size. Any staff that comes in contact with a dish must be trained in exact portioning, and this function should also be scrutinized by the owner or manager on a regular basis. Time and time again, I've seen pizzas overflowing with toppings and double scoops of ice cream on desserts.

FREE REFILLS

Chain restaurants have conditioned customers to expect Free Refills on Coffee & Soda. That may seem inexpensive per drink, but it's surprisingly costly to your bottom line... Why? You may only pay pennies for that soft drink syrup mixed with water, but if you charge \$1.75 or more per soda, think of the value and lost revenue dollars of all the free refills given away. My restaurants have always charged a reasonable amount for soda and coffee, but have never given free refills. I once calculated the number of beverages sold and took an average of how many of those would have been free refills. I figured that I had \$10,000 more cash at the end of my season than I would have had I given the drinks away. Can you use thousands of more \$\$?

EXPENSIVE CREDIT CARDS

Aside from Visa/Mastercard & Discover, customers carry certain "prestige" cards that charge you a higher percentage of your sale. In my seasonal business, I could never afford to lose an extra 1.5 – 2% in higher processing fees by taking those cards. Can you afford to take them?

MAINTAIN YOUR EQUIPMENT

Preventative maintenance extends the service life of expensive restaurant equipment. It's easy to overlook maintenance, so it needs to be on a schedule. Create a monthly checklist and duty roster that organizes the big jobs and insures they get done.

- Vacuum all refrigeration vent screens so they can breathe
- Clean cooking equipment after every shift
- Maintain blue flames on propane burners for efficiency
- Change fryer oil at regular intervals
- Have furnaces tuned up annually
- Clean or replace kitchen grease filters
- Change hoses annually on your ice maker
- Have your dish machine inspected and serviced at least twice a year
- Lubricate all moving machine parts with food-safe lubricants, etc.
- Keep freezer and ice maker doors shut after ever use, especially in hot kitchens
- Inspect all fire extinguishers and the ANSUL suppression system annually
- Inspect the Fire Sprinkler system annually

WASTE AND SPOILAGE

Every item in your restaurant has a shelf life and is perishable. Unless you have a diligent chef or kitchen manager with a program in place to date-label arriving goods, you're looking for trouble. Your restaurant is vulnerable to food borne illness from spoiled product at the worst. You'll have higher food costs and lose money at best. Ensure that all kitchen staff are ServSafe trained in proper food handling and safety. Make it more than

one person's job to routinely monitor date labels. Turn unsold product into soups and other profitable by-products at or before the use-by date.

SHOPPING SUPPLIERS

Restaurants spend the most on food products, and we've discussed the importance of comparison shopping your key vendors and following a simple system to do so. Do the same for your non-food vendors. At set intervals, comparison shop your credit card processors, payroll providers, trash removal services, snowplowing, or any other service you buy for price on comparable quality and service. The savings will be worth your diligence.

RAISE PRICES

Don't be afraid to routinely adjust menu prices with rising costs to maintain your profit margins. Providing value-added and superior service to every guest will give customers a reason to return and they will tell their friends about your restaurant. For most customers, the service and overall quality of their dining experience are more important than price.

RECYCLE BOTTLES

A busy bar/restaurant discards hundreds of bottles each week. Many states charge a bottle deposit for beer and liquor. Rather than throw bottles in the dumpster, make sure you recoup the pennies per bottle with a recycler who picks up the bottles and pays your deposit back. Why not – it's your money! Alternately, work with a local charity who picks them up and keeps the refunds. You'll build your reputation as a good community-minded business, support a green effort, and your accountant may say it's tax deductible.

TRAIN, TRAIN AND TRAIN

Train your entire service team to not only serve, but to SELL! Selling is as important to the overall guest experience as service. Many guests are first time visitors who know nothing about what makes your restaurant special. As experts, your staff can improve the guest experience by enhancing their meal each step of the way. Suggestive selling is an art form

that comes from educating, informing and entertaining your customers, letting them know all there is to enjoy at your restaurant at each stage of the meal. If your staff aren't making suggestions they know your guests will enjoy, they're actually doing your guests a disservice.

You can take Staff Training to the next level and maximize service and sales opportunities with my online "SALES STARS" front of house system . SALES STARS will be your Secret Weapon. Learn more at www.restaurantrockstars.com

V - ANOTHER DRINK

MORE ROCKSTAR RESOURCES

NOWAIT

A simple hosting and table seating management App that creates convenience for diners and efficiencies for restaurants www.nowaitapp.com

OPEN MENU

A powerful platform for managing, sharing and using your restaurant's menu. OpenMenu can power a restaurant's entire online presence from website to facebook, twitter and everything in between. One menu, one location shared everywhere. www.openmenu.com

RESTAURANT AUCTIONS

Online and live auctions for used restaurant equipment, blogs & restaurant related tips www.restaurantauctionslist.com

HOT OPERATOR

Professional menu analysis and design for profit, impact and driving the power of your brand www.hotoperator.com

GRATRACK

A gratuity tracking App that interfaces with Aloha, Digital Dining and

other P.O.S. systems. Simplifies gratuities and tip share and keeps your restaurant in compliance with the IRS. www.gratrack.com

LONG RANGE SYSTEMS

Providers of innovative and guest-friendly table/diner and kitchen/server paging systems www.lrsus.com

ALOHA P.O.S.

In my book the best, most user-friendly and comprehensive point of sale restaurant system available. www.ncr.com/hospitality/restaurant-solutions

WEBSITES/PODCASTS:

www.runningrestaurants.com - A great site with lots of ideas, resources and content to run a better restaurant

www.RestaurantUnstoppable.com - Powerful and insightful interviews with today's leading chefs, restaurateurs and industry professionals

A FINAL WORD



The restaurant business is one of a thousand details. Owners and managers have so much to be on top of, and, as we all know, just surviving night to night and putting out daily fires is challenging enough. As you've seen, I've learned from hard-earned experience that you have a critical choice to make: you can run a business by the-seat-of-your-pants or you can run it by following a well-organized, systematic process that covers the myriad of details upon which your success depends.

The problem with a seat-of-the-pants or a run-on-a-hunch operation is that instincts are often wrong, and as far as the details are concerned, it's too easy to forget them in the heat of day to day operations. Getting them done can make or break your restaurant. Did you remember to cost out the menu? Did the new bartender get trained on your "free drinks" policy? Did anyone check the use-by dates in the cooler? Did the bottles get recycled? Did your office manager cut the early clock-ins from the payroll timesheet? The list goes on, and it never ends. Carving out time to analyze your business is difficult, and until it becomes a habit, the effort may seem intimidating. Following a solid system like Rock Your Restaurant is key to maximizing your profit and efficiencies.

Our mission is to help you focus on the key areas so you run a stronger business.

One thing is absolutely certain. Restaurateurs who run their business in an organized fashion will be tomorrow's Restaurant Rock Stars, and they'll be loving it all the way to the bank. The systems I share with you here led me to ultimately sell my restaurant at a very strong price to an operator who saw its value and who continues to use these super-successful systems to achieve record sales and profits for his new operation.

Whether you seek to someday “exit” your restaurant or simply to run the most efficient and profitable operation possible, it is my sincere hope that this program helps you to achieve your goals.

Please visit www.restaurantrockstars.com regularly for new blogs, podcasts, training tips and new products to help you Rock Your Restaurant.

I wish you the best of success.

Roger



MORE TOOLS FOR HIGHER PROFITS

Congratulations on taking the next step to Rock Your Restaurant. Check Out our other “Game Changing” restaurant systems at: www.restaurantrockstars.com

CHECK OUT: SALES STARS: total front-of-house Service & Salesmanship training program. It conditions your staff to educate, inform and entertain your guests at every table, every time.

CHECK OUT: ROCK STAR COACHING: personal expert analysis and solutions to dial in your critical numbers, strategize marketing, raise hospitality and service to new heights and maximize efficiencies across your operation.

Learn more at www.restaurantrockstars.com