



Restaurant Operations Weekly™

Newsletter Issue #2 Monday, March 12, 2018

Welcome to the second issue of Restaurant Operations Weekly!

A huge "thanks" to all of you who sent me notes expressing how much this newsletter has helped them with their businesses. As a result of this feedback, I have decided to make this newsletter free to all subscribers, including you. Every week we will continue on our mission to run smoother, more profitable businesses and I'm glad to have you along.

Last week I told you I would have a systems optimization checklist that you can

use in your business - see it [HERE](#). We've had good feedback on it and I hope you find it helpful. Also as promised, below are instructions on how to craft your own 12-month marketing calendar. Every restaurant of every size and type needs one of these in order to maximize your seasonal and national holiday promotions.

In this issue I've gone WAY down the road of how to make decisions that are 20% smarter and how to produce results you can be proud of. A little heavy duty for a Monday, but I know you're up to the challenge.

In the feature article this week, we'll cover exactly what it takes to earn and keep a dollar. For those of you aspiring to open your own place, just know that this is not a business of dollars, its pennies, nickels and dimes and you'll see why.

So, happy reading - let's get to it...

HUMAN RESOURCES

"How To Make Decisions That Are 75% Smarter"

Our society today is full of collective anxiety that makes it difficult to concentrate, resulting in less than great decisions for many of us. Wise decision making in every aspect of our businesses, including and especially related to human resources requires two things: Dedicated focus and using a proven process. Done together, you're bound to realize the best possible outcome will be realized. Here's the process to follow:

1. Write down all of the goals or priorities that will be impacted by the decision you're contemplating. Will it throw things off track in a major sort of way? Who will be impacted and can/should that impact be minimized or altered? How will others get hurt or helped?
2. Write down at least three, but ideally four or more, realistic alternative options for your decision - try to expand your thinking to consider every option.

3. Write down the most important information you are missing. If possible, get all of the needed/missing information/documentation you need first.
4. Write down the impact your decision will have one year in the future.
5. Involve a team of at least two other stakeholders for input and buy-in. Increased levels of input by others will increase the quality of your decision statistically by 75% with 20% better overall performance.
6. Write down what you decided and move forward with the decision.
7. Schedule a follow-up in a month to insure that the decision you made is going well or are corrections needed to insure things stay on track.

98% of managers fail to apply best practices when it comes to decision making. Following this checklist above will result in better decisions, made faster, with better long-term results. (Forbes, May 18, 2017)

SALES BUILDING

"The Essential 12-Month Marketing Calendar"

In order to have a smooth-running business, marketing events must be planned out well in advance because of several reasons. A 12-month marketing calendar allows you to maximize the promotion, it relieves stress - knowing it's a planned promotion, costs are accounted for in the budget, and the outcome for a well-planned promotion is better than the alternative. These are just a few of the reasons why this tool is indispensable!

Creating one for your business is very simple. Open Excel and format your columns to replicate the sample format below. Stretch out the columns to give yourself some room to write. Next, take your calendar and open it to next month - we'll start there. Now, page through the calendar and highlight every major holiday when a promotion at your business makes sense. For example, in the 30 days of April coming up, there's Easter on April 1. I filled this in as your sample below. Mary is the person responsible for the entire event, and as her manager, I'll check with her on 3/19 to insure that everything is rolling well and to jump in with any support she might need. I'll also insure that all of the other managers are aware of

promotion because we'll cover it in our weekly manager meeting every Wednesday afternoon.

SAMPLE 12-MONTH MARKETING CALENDAR FORMAT

<u>EVENT</u>	<u>PROMO PERIOD</u>	<u>DETAILS</u>	<u>WHO</u>	<u>DONE</u>	<u>COST</u>
Easter	1 day, Sun, 4/1	Brunch 10a - 4p	Mary	Check 3/19	\$1500
		Order Lillies			(\$500)
		Launch social media ads			(\$500)
		Print advertising in churches			(\$500)

Next event detailed just like the one above.

To get your 12-month plan under way right now (and you should), go through your entire calendar month by month, detailing the special holidays and events you wish to promote. Try to insure that the theme of the promotion is consistent with your brand, signature items and concept....you don't want to promote something that's a complete disconnect from your brand! Now, detail these on your Excel form. TIP: It's helpful if you put the check dates into your personal calendar to insure that you follow up with the person responsible for the function.

Make your calendar as detailed as you can. Assign every task, cost and completion date. Review the calendar at every manager meeting as this will keep everyone in the loop. Also, post the events in the manager log in the office. Make sure that the assigned person (Mary in this case) knows that he/she is 100% responsible for the success of the promotion. Then, let her do her thing! You'll enjoy less stress, better staff performance, and plenty of teachable moments as your team embraces these new tasks with your support!

FEATURE ARTICLE

"Where The Money Goes"

Selling a million dollars' worth of burritos that cost a million dollars to make equals a waste of time. Profitability is critical to a restaurant operator and essential to the growth of your business!

As an operator, you actually do three things with your money: You generate it, you spend it, and you save it. Let's concentrate on the spending and savings components for a moment, and you'll see how closely tied in they are to each other.

For ease of understanding, let's assume that an average operator makes an average of 10% net operating profit. This is no small feat and my compliments go out to those that can keep up these numbers month after month, as reality for many is that profit is frequently lower than this. In most independently owned restaurants, the breakdown of where the money from \$1.00 goes should break down somewhat like this:

\$1.00 from all sources of revenue

- .65 for prime costs: Food, alcohol, all labor and benefits
- .15 for operating expenses such as marketing, insurance, maintenance.
- .10 all occupancy costs. Rent, CAM (Common Area Maintenance), and real estate taxes.
- .10 for profit.

When your prime costs are high (70% for example), the costs eat into profit (which would now be down to \$05). When prime costs exceed 72-75%, the opportunity for long term success is unlikely unless prime costs are quickly reduced.

Based on the above assumption of 10%, for every dollar you keep, you have to make \$10.00. Where does the other \$9.00 go? I'll list a few places, and I'm sure you can add a few of your own: Labor, benefits, taxes, cost of products (food, liquor, supplies), equipment, uniforms, repairs & upkeep, cleaning supplies, phone, bank and credit card fees, utilities, advertising, rent, and occupancy (mortgage

or lease) payments.

As consultants, we frequently hear clients say, "I want to make more money", and we challenge them by responding, "How much money did you save today?" To illustrate this point further, if you can save \$5.00 on a laundry invoice, at 10% net operating profit, that \$5.00 translates into \$50.00 of income that did not have to be earned... just to pay for that laundry.

Then why is it so hard to generate new additional profits on the monthly profit and loss statement? It's because as operators, we become conditioned to running our restaurants in the same way, day after day. We become familiar with the same vendors, with them charging what appears to be a reasonable cost for the product or service they have supplied.

Have you ever thought about a complete overhaul of your financial thinking? What would happen if you evaluated each vendor and their pricing structure one by one? What would happen if you looked at your operation with a critical eye towards expenses and revamped the way you actually do business? Could you really save \$50.00 or \$100.00 a day or more? Remember that \$50.00 translates into \$500.00 and \$100.00 translates into \$1,000.00.

If you could save \$100.00 a day in operating expenses combined, in a seven-day period that becomes \$7,000.00 in sales. Over the course of 365 days, that becomes \$365,000.00 in sales you don't have to earn, simply by saving \$100.00 a day.

Remember, it's not what you make, it's what you keep that matters. By concentrating on keeping more money in your pocket, you'll increase the profitability and value of your business.

LEADERSHIP & MANAGEMENT

"How To Produce Results That You Can Be Proud Of"

For most of us, problems (such as a lack of sales or a failed banquet function or product management issues) or similar urgent matters force us to produce results, and so we do, not really having a tried and true method of getting GREAT results.

There's actually a process that you should know about in order to produce quality results with an outcome you can be proud of. First of all, it's important to be aware of your position within the organization because it's what determines your perspective, the resources available to you and ultimately, your results.

Let's look at a "problem" from two different perspectives:

President - Owner - Corp. Executive - General Manager

Perspective: There are few or very limited boundaries (defined by the brand) and few organizational restraints. Commonly this person can see the entire organization from the outside, especially if this is an independent operation.

Dealing with problems: These are frequently seen as personal. "I must deal with this or otherwise get hurt." Sometimes, a lack of objectivity (sometimes due to many years in one organization) may result in a less consequential decision or result.

Results: Reasonably predictable within the realm of responsibilities and brand limitations, if any. Results will be tempered by the level and years of previous experience and quality of the decision-making process.

Hourly or Key Employee

Perspective: Extreme boundaries due to job descriptions, organizational structure, and position within that structure.

Dealing with problems: Viewed as, "This is a really big problem!" as it usually directly affects that employee. Commonly viewed as a personal hurdle to overcome

before taking on additional responsibility within the organization. "Can't solve that problem = not promotable" is the common perspective.

Results: Very predictable and non-threatening to most due to the limited level of resources and the limiting nature of an organization. Distinct possibility that the result will not be enough to solve the problem.

So now, how can you produce a result you can be proud of? More importantly, how can you CONSISTENTLY produce these types of results? There are five highly developed skills that, done correctly and repeatedly, become the hallmarks of effective people:

1. They understand their position within an organization and can summon or manage the resources associated with that position.
2. They are time management experts.
3. They gear their efforts towards results...the ultimate outcomes, rather than work. For most, it's not the process, rather, it's the outcome that matters.
4. They build in the strength of others, of colleagues, of subordinates, and of themselves. They do not build on weakness – with things they don't have.
5. They concentrate on the few major areas where superior performance will produce outstanding results. This is done by firmly setting priorities.
6. They make effective decisions by using the right strategy. They know that making many decisions quickly means they'll likely make wrong decisions.

These six factors come together to lead you into producing results you can be proud of. For most of us, it takes years of experience, tempered by the desire to excel at each factor in order to produce consistently great results. This is why many experts recommend mentoring or personal coaching as a way of turbocharging your own personal skill set.

Credit for some excerpts: "The Effective Executive" by Peter Drucker.

RECAP

- *When it's time to make major decisions for your business, it's worth it to make GOOD decisions. **Getting input from those that are qualified to have an opinion will help you make a decision that's 20% better** - when compared to making the decision on your own.*
- The number one responsibility for every business owner is the **promotion of the business**. This is why having a 12-month marketing calendar makes sense. It's an indispensable tool that replaces the "hunt and fetch" system of pulling a promotion out of your hat.
- Every day, we all have to produce results, and by using **the five-step technique** above, your personal results will be exemplary!

A couple more Drucker insights to contemplate this week:

"All that one can measure is performance against specific performance expectations."

"Effective executives know that to get strength one has to put up with weaknesses."

Thanks for reading! Until next Monday...



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Development

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[Six ways to combat sexual harassment in restaurants](#)

[How to be a competent & capable manager](#)

[How to find meaning at work even when your job feels miserable](#)

[Think practice makes perfect? Think again. This article will change how you train everyone from now on](#)

Resources

[Food Holidays in March](#)

[Days and Weeks of the Year - Calendar](#)

[Minimum Wage Laws in the U.S. \(US Dept. of Labor\)](#)

[The World's Greatest Restaurant Systems Checklist](#)

[Predictive scheduling - How to adjust to local labor law changes](#)

"It is not enough that we do our best; sometimes we must do what is required."

- Winston Churchill

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