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# Restaurant Operations Weekly™

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Welcome to the third issue of Restaurant Operations Weekly!

Every week we continue on our mission to run smoother, more profitable businesses and I'm glad to have you along. Last week we got into the topics of how to make decisions that are 75% smarter and how to craft your own 12-month marketing calendar – a powerful tool to use in maximizing your seasonal and national holiday promotions. (If your business was not packed on St. Patrick's Day last Saturday, now might be a good time to take a second look at getting your 12-month marketing calendar rolling).

If you'd like to get caught up with previous issues, just click [HERE](#) and scroll to the bottom of the page for PDF copies of Restaurant Operations Weekly.

In this issue we're going to discuss work/life balance, why you should never run just one promotion, and how consultants use prime cost when working with clients.

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

## **HUMAN RESOURCES**

### ***"Work/Life Balance vs. Passion/Hobby"***

The U.S. is ranked 13<sup>th</sup> in a world-wide ranking of the number of hours worked per year, with an average of 34 hours per week. Our neighbor to the south, Mexico, ranks #1 in the list of hard-working countries with an average of 43 hours per week. If you'd like to dig into this ranking a bit further, look [HERE](#).

There's no doubt that the hospitality industry requires some heavy time commitments of us all - kind of the nature of our chosen line of work. Fortunately, many of us are able to find fulfillment in what we do. We find enjoyment because we give a lot, and as such, we receive a lot as well. There's an old saying, "You won't get unless you give" and I believe this to be true.

In today's busy 24/7 society, there's a lot of discussion around the topic of work/life balance, and as restaurateurs, we can quickly get caught up with the demands of the business. Work never seems to end does it?

So exactly what is this thing called work/life balance? Well, it's not about the equal distribution of available hours between work and personal life. It's actually the way of making sure that both work/career priorities and personal priorities are being met. Sometimes, this means you have to put in a few more hours and at other times less...it's a weekly juggling act keeping both in perspective.

Most of us have observed that once a person makes enough money, after that, they work for gratification. So, what actually is "work?" The term "Work" is defined by Merriam Webster as, "to do something that involves physical or mental effort especially for money or because of a need instead of for pleasure." Conversely, the term, "Passion" is defined as, "a strong feeling of enthusiasm or excitement for something or about doing something."

So, knowing all this, how do we keep this "life/work" or "passion/hobby" thing in balance? Here's eight tips:

1. **Understand the difference between work and passion.** You only live once, so if you "work" for a living, unless it's your "passion", why keep working? Maybe now is a good time to follow your passion instead. Life filled with passion is much more enjoyable than the alternative. Yes, it may be risky, but rarely does one regret making the switch from spending time at "work" to following their "passion."

2. Set boundaries and priorities. **If you don't take care of yourself first, you can't take care of others.** Yes, this means a good night's sleep, go to the gym, and eat better – food is fuel.

3. **Use quality systems in your restaurant that will give you more freedom.** Check out the "World's Greatest Restaurant Systems Checklist" link at the bottom to help improve your operation. Don't underestimate the value of quality systems!

4. **Consider your environment and where you live.** Warren Buffett told a group of MBA students a few years ago that the reason he chose to live in Omaha, NE, rather than in New York or other cities closer to the financial scene, was because Omaha helped him maintain a more balanced lifestyle.

5. **Get a firm grip on time management.** Many who feel out of control or "overworked" are frequently those that don't have a handle on scheduling their time. Here's a short "[Restaurant Management 101](#)" article that may be useful.

6. **Get everything that matters on your calendar.** Putting it in writing makes it "official." I confess that I've taken this to an extreme...even my own birthday and anniversary dates are on my calendar. For me, no matter what it is, if it's not scheduled, it won't happen.

7. Have a hobby you enjoy. If you don't really have one, it's rewarding to find something that you are personally passionate about, so seek it out! **If it means giving to others, all the better. You'll get it all back and more. This is the #1 fastest way to make yourself feel better.**

8. Lastly, it's not really about "work/life" balance at all. It's bigger than that...it's about **"having a balanced life" overall.** This includes: work (or passion), physical, spiritual, family, goals.

Once you've got this sorted out, you can then coach your employees to do the same. Why not turn "work/life" into "passion/hobby?" This could be a fun, team-focused activity in your restaurant! Your people will love the fact that you actually care about their personal lives and by giving them the tools to live a life filled with passion may be the greatest thing you will ever leave behind.

## **SALES BUILDING**

### **"Never Run One Single Promotion – Part 1"**

Tomorrow, March 20 is the last day of winter. Spring is now upon us, so there's no time like the present to figure out exactly what we're doing to get sales cranked up. I'm going to walk you step by step through a superior system of getting people into your business.

This is part one of a series that we'll be covering over the next few weeks. Stay with me on this and in less than 120 days, you should have a full restaurant. You'll have a little work assignment each week, but by the time we are done, you'll find it most rewarding.

Before we begin, a little background: We've all seen restaurant "one-off" promotions that look like... "Sirloin Steak Dinner for Only \$10.99" or maybe, "Seafood Fest for \$29.95." These types of promotions only appeal to ONE group of people...those that like steak or those that like seafood. What happened to the 26 year old female that enjoys a cocktail at the bar in the late afternoon? She is left out of these promotions. What happened to the couple celebrating their anniversary? They're left out of these promotions. I simply can't figure out why restaurants so commonly run only run ONE promotion, when they could have a supercharged, classy, efficient promotional program for almost everyone!

As an example, if you run a breakfast, lunch, dinner restaurant with a bar/lounge, why not run:

1. Breakfast entrée promo from 7-9AM (Free coffee with pancake breakfast)
2. Late lunch promo from 1-3PM (Complimentary dessert with every entrée after 1PM )
3. Early bird special from 3-5PM (Special menu with special pricing)
4. Happy hour from 4-6PM (\$2.00 martini's for all women)
5. Entrée promotion from 5 – 9PM (Special "combo meal" with a great value)
6. Late evening happy hour from 11PM – 1AM (Half-off wells, drafts, wines)
7. Anniversary promotion for everyone married on this date
8. Birthday promotion for everyone born on this date

If you openly advertised these eight promotions, it would seem a bit overwhelming but don't worry, you won't be doing that. You will be sending a subtle, customized, targeted, e-mail invitation to patrons within 10 miles of your restaurant – who qualify for the promotion.

Next week, we'll talk about the next steps. For now, I would encourage you to put together at least five or six highly specific promotions that you could run in your own business. Do NOT create promotions that require coupons or handouts of any kind. Create some similar to the examples above that are "Promotional or Incentive" in nature, not "discounts."

## **FEATURE ARTICLE**

### ***"How Consultants Use Prime Cost When Working With Clients"***

The new client was sitting in front of my desk. He had previously called me to discuss his interest in opening a new restaurant and wanted to talk about a business plan.

He opened his briefcase, pulled out a property lease and set it in front of me. After listening to his situation and desire to get into a specific site, I asked him how much the monthly lease payment was and he responded, "\$6,000.00 a month." I then asked him if he had any idea how much he needed to generate in sales to keep rent in line and he said, "I have no idea."

Knowing that rent (and all occupancy costs) should not exceed 10% of gross sales, I said to him, "You'll need to generate at least \$60,000 a month in order to make any profit." With this knowledge, we worked together to craft a business plan that he was proud to have, and most importantly, he knew he could run a profitable business, knowing his occupancy costs were in line.

There's a lot more to the story of course, but the point is that \$6,000 in rent required at least \$60,000 in sales. This is a prime cost basic. Let's discuss what prime cost is first, then how consultants can use this tool when working with clients.

Prime cost is one of the most important numbers of any restaurant. Prime Cost is the total of food + alcohol + salaries/wages + payroll taxes and benefits. These total costs, divided by total sales = prime cost %.

Prime Cost is a key indicator of a restaurant's profit potential and how well management is managing the restaurant's biggest and most volatile costs. Generally accepted industry rules of thumb tell us that in full service restaurants the goal should be to keep Prime Cost at or below 65% of sales. QSR or non-table service operations should aim for a Prime Cost of 55% of sales or less. Many chains run prime costs that are below industry standards because of their buying power and negotiating strength with vendors. It's important to note that when Prime Cost

exceeds these percentages by more than a few points it usually becomes a real challenge for any restaurant to make a sufficient bottom line profit regardless of the other expenses on their P&L.

Last week, we talked about prime cost in this format:

\$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.

This week, let's discuss how prime cost determines how much money you make using this chart as a reference:

### **PRIME COST ALLOCATION AND IMPACT MATRIX**

<b>P. COST %</b>	<b>EXPENSES%</b>	<b>OCCUPANCY%</b>	<b>PROFIT%</b>	<b>ISSUE</b>
80	10	10	0	<u>FAILURE IMMINENT</u>
75	15	10	0	<u>FAILURE APPROACHING</u>
70	15	10	5	<u>WORKING TO PAY RENT</u>
65	15	10	10	<u>FULL SERVICE</u>
60	15	10	15	<u>GOAL FOR FULL SERVE</u>
55	15	10	20	<u>GOAL FOR QSRS</u>
50	15	10	25	<u>AMAZING FOR ANYONE</u>

If an operator has a 70% prime cost, life exists only to pay rent. At this point, life is pretty frustrating with little to no profit. At 75% prime cost, the demise of the business is near. Continued on, failure will result. On the opposite end of the scale, life for a full-service operator at 60% prime cost is quite good. 15% profit with rent and all bills paid. As you can see, prime cost calculations drive the business in almost every regard.

Our work and that of many consultants is based around driving profit through closely controlled prime costs. The more you understand about prime cost and its variables, the more focused you can be on driving profit – the lifeblood of any good restaurant business.

## **LEADERSHIP & MANAGEMENT**

### **"Just Make It Happen"**

I've been amazed at the number of Peter Drucker fans out there. Over the last couple of weeks, I've referred to his writings in "The Effective Executive" and have received many positive comments. Interesting that a book published in 1966, 52 years ago still has such a following. This proves that management styles and trends may change, but leadership basics never go out of style. Bottom line is that management is paid to generate results.

Many years ago with Steak & Ale Restaurants, I worked with an extraordinary man named Marvin Adams. He had a saying that has stuck with me to this very day. "Just make it happen" came from his mouth no less than 10 times daily. By saying just these four words, he encouraged and enabled his people to get things accomplished. Fast, effective, inspirational.

Marvin's, "Just make it happen" and Drucker's perspective that an executive is paid for being effective has almost the same meaning - it's all about results. The American Management Association has a nice write-up on the "Top Ten Traits of Great Leaders" - you can see it [HERE](#).

In summary, make great decisions (we covered this process last week), engage and enable your people, and just make it happen.

## **RECAP**

- 1. Get the "Work/Life Balance vs. Passion/Hobby" thing figured out for you. It's only then can you REALLY start taking care of others. Remember, if you don't give, you won't get.*
- 2. If you are running a single promotion in your operation, start thinking about all of the other people that are being left out if they don't want what you're offering. Start working on 5-6 promotions that are applicable to your business and we'll continue with our business building series next week. You'll want to have these promos figured out by then.*
- 3. Never underestimate the powerful knowledge that comes with understanding prime cost. For consultants, operators and managers alike, it's a tool that you must use to maximize the profit potential. Knowing where the money is supposed to go is only the beginning.*

4. "Just make it happen" is a great theme to start using with your team. Try it this week and see what happens! When anyone approaches you with a question, the simple reply, "Just make it happen" suddenly gives that person the authority and responsibility to create results. Four little words can make you a much more effective, high-performance leader!

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Thanks for reading! Until next Monday...



Kevin Moll

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

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

***- Winston Churchill***

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