



# Restaurant Operations Weekly™

Newsletter Issue #8    Tuesday, April 24, 2018

## Welcome to the eighth issue of Restaurant Operations Weekly

Dear Friends,

Every week we continue on our mission to run smoother, more profitable businesses and I'm glad to have you along! Want to get caught up on previous issues? Just go [here](#) and scroll to the bottom of the page for complimentary PDF versions.

Last Tuesday, we discussed the critical value of having and sharing your business vision - and when done properly, your staff will be focused and inspired to helping you achieve massive goals! We also covered the strategies for achieving sales growth and the importance of having a business plan.

Are you ready for the big day? If you're staying on top of things by using your 12-month promotional calendar (detailed in the March 12 issue), this upcoming Mother's Day could be your biggest day of 2018. According to two decades of research from the National Restaurant Association, Mother's Day remains the top holiday for dining out followed by Valentine's Day, Father's Day, New Year's Eve, and Easter. This year, **Mother's day is Sunday, May 13<sup>th</sup>**, so now is the time to get your plan in place if you don't have one already!

This week, we'll be covering a sensitive topic regarding management salaries and the best way for owner's to allocate their payroll dollars. We will also get

into one of the common bonds we all share...the menu – and why it's your most powerful sales tool.

If you're in the market for project funding, you have probably considered SBA loans, but are they for everyone, and how does a business plan play into that application process? This is the subject of this week's feature article and it's sure to be a timely subject for some of you.

Let's get started...

## **HUMAN RESOURCES**

### ***"Do You Really Need All Of That Management Salary?"***

Having well-trained management is critical to the running of a business, but how much should an owner pay for a talented and capable management team....without overpaying unnecessarily?

Another way of saying this is might be; instead of paying a lot of money for one position at the top, why not distribute these funds more widely to hourly staff instead? Would this not provide ownership with the "biggest bang for the buck?"

We have a client who feels that instead of paying for a conventional management team structure that might consist of a GM, Assistant Managers and Executive Chef, she wishes to instead allocate her payroll to: Manager, key leaders and kitchen manager. Notice the differences in job titles? Also, and probably most notable, the assistant management position has been eliminated and replaced with a new position called, "key leaders." These are hourly positions with management responsibilities tied in.

This paradigm shift in the structure of a management team and the accompanying pay rates requires that an owner really examine:

1. What responsibilities in the current management job descriptions are really necessary? Can the descriptions be "lightened up" so there's less responsibility that might result in a lower salary?
2. Are fancy job titles really necessary? For many restaurants, the title of Executive Chef and Kitchen Manager might be easily replaced, resulting in a significant savings in salary. At the end of the day, do you need the creative talent, experience and skills that an Executive Chef may have, or do you just need management in your kitchen via a Kitchen Manager? If so, based on the salary information provided by Glassdoor below, you'll save \$10,000 a year, just by changing the position title.
3. As we discussed in the March 5 issue, a ladder system of career development for your hourly employees is necessary in order to reduce

attrition and fuel your pipeline for future management talent. This would be a perfect time to create this ladder!

4. By reallocating some management responsibilities into the hourly positions, can you pay your hourly team members more? If so, they will feel valued as they are contributing more! At the same time, you as the owner may have enjoyed the savings you did not have to pay out to upper level management...to accomplish the same job. Is this not a better allocation of your financial resources, with a better outcome?

Let's take a look at some average management salaries for U.S. restaurants. *Salary information provided by Glassdoor.*

The average [General Manager Salary](#) in the U.S. is \$51,379

The average [Assistant Manager Salary](#) in the U.S. is \$43,410

The average [Executive Chef Salary](#) in the U.S. is \$59,195

The average [Chef Salary](#) in the U.S. is \$54,443

The average [Kitchen Manager Salary](#) in the U.S. is \$49,088

Maybe now is a good time to reevaluate the "career ladder" in your restaurant and perhaps remove a few of the top rungs, while adding more rungs in the middle. The savings could be significant, you'll have more career-orientated staff playing on the same team with the same vision.

## **SALES BUILDING**

### ***"The Menu - Your Most Powerful Sales Tool"***

Everything revolves around the menu, from what you serve and what equipment you need, to your signage design and concept name. It highlights who you are and what you offer. It is the only piece of "advertising" that every guest looks at.

The menu in your business will drive everything including: your position in the market, the type of interior design, style of service, the required labor to produce the items, how you market your business and most importantly, it determines how profitable your business will be. In short, your menu is *your restaurant* and *your brand*.

Most of us would agree that the menu connects your guests to your restaurant. As such, the menu is your first opportunity to sell your brand to your guests. So, let's go down this road a bit more to examine what a good menu is and does.

### **THE ROLE OF THE MENU:**

Your menu serves many important functions, including:

- Exciting your guest.
- Ensuring profitability through good design.
- Accurately reflecting your restaurant image.
- Locking the brand name in your guests' minds.
- Enhancing your market niche by offering unique and trademarked items.
- Setting your restaurant apart from the competition.
- Providing flexibility in what you serve and what you charge for menu items.
- Providing opportunities for additional sales.

### **STRATEGIC MENU DESIGN:**

Creating a well-designed menu will be one of the most important things you can do to ensure profit, please guests, solidify your niche, and maximize your potential. Never skimp on any aspect of menu design. One of the biggest mistakes for many new operators is waiting until just before opening to type up a menu and insert it into plastic sheet protectors. Very few concepts can correctly pull this off. What message does this send to your guests? A well-crafted and wisely engineered menu is one of the very first things to accomplish in starting a new restaurant.

### **A WELL-DESIGNED MENU:**

- Defines the essence and identity of your restaurant.
- Visually carries out the theme of the restaurant.
- Sets expectations for the guest experience.
- Is visually stimulating and easy to read.
- Ensures profit for your operation.
- Provides selling structure to the dining experience. Appetizer, salad, entrée, dessert, coffee—it structures the ordering process for guests.
- Is not just about food. It advertises *everything* you sell.

### **YOUR MENU SHOULD CONTAIN:**

- General restaurant information such as address, phone number, website URL, and hours of operation.
- Payment and credit card information.
- Appetizers, soups, desserts, beverages, and *a la carte* sales as appropriate.
- Options for seniors, kids, and other special groups.
- Liquor, beer, wine options.
- Retail sales, if appropriate.

- To go, catering and banquet information, if appropriate to your operation.



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**FEATURE ARTICLE**

***"Business Plans and SBA Loans"***

If you're starting a new place or looking to open a second location, one of the most common issues faced by entrepreneurs is, "where will I get the money?" and learning about how to acquire it early in the game makes it easier to manage the steps in your particular project. This week we'll touch on the SBA, business planning and how they come together.

The SBA doesn't make *direct* loans to entrepreneurs to start or grow a business. Instead, it provides a guarantee to banks and lenders for the money that they lend to small businesses owners. This guarantee protects the lenders interests by promising to pay a portion of the loan back if the business owner defaults on the loan. So when a business applies for an SBA loan, it is actually applying for a commercial loan through a bank or other authorized SBA lender, following the checklists and procedures required by both the bank and the SBA. For more information on the SBA and various loan programs and checklists, click [here](#).

Your bank (and for that matter, any investor) will require a business plan, and when it comes to writing this highly detailed document, you have to decide who will write it for you. Whoever does it needs to know the details about the concept, have a good working knowledge of accepted industry standards and benchmarks and most importantly, who is the plan being written for? An investor? The bank? The ownership group? Maybe it's yours as the stakeholder. Regardless of who will be reading the plan, the bottom line is that a poorly written restaurant business plan will not get you funded nor will it result in a good project.

Poorly written means that the financial projections don't match the narrative which results in disconnects for the reader, or that the plan was lacking in relevant industry standards, industry terminology, or lacked the ability to convey this information.

A quality plan is an all-encompassing document that details everything about your planned venture. At a minimum, we recommend that your plan contains the following sections:

1. Executive Summary.
2. Background of the project.
3. Highly detailed business overview.
4. Ownership and Management bios.
5. Restaurant systems and operations plan.
6. High-level menu / illustrations.
7. Project assumptions which support the financial projections.
8. Full set of financial projections including year one (by month) to year five, year one P&L by month, break even, and much more.
9. Appendix and supporting documentation

If you are planning on using the SBA for funding purposes, they almost always require a feasibility study, so you can build that into your business plan or treat it as a separate document. Just know that when it comes to working with banks and the SBA, unless they can check off all of the boxes on the SBA checklist, your application will not proceed forward.

Other factors that come into play when it comes to working with banks and SBA lenders is your personal credit, experience in the industry, collateral, personal guarantees and more.

Relative to your startup or expansion project, everything starts with the business plan. Done properly, it will aid in securing your funding and it will give you direction and a structured path to predictable results - with an outcome that you can be proud of.

## **LEADERSHIP & MANAGEMENT**

### ***"What Gets Measured Gets Improved"***

Some time ago, we took on a consulting project with the mission of conducting a gap analysis. Our client wanted to rapidly expand his concept, but there were matters that stood in the way of him proceeding. We were tasked with identifying those issues and then implementing an action plan to get those issues handled and out of the way so he could add additional units.

The distance (gap) from where he was at operationally to where he wanted to be was measured. Matters that stood in his way were eliminated and he expanded.

One of the interesting things that popped up during this gap analysis project was that the management team's bonus structure was so heavily oriented towards financial results, that none of the managers had any interest in doing anything that was not directly related to their bonus pay. So, we removed that barrier by reworking the management bonus structure and once everyone was on the same playing field, results were fast and lasting.

For restaurant owners and operators, this means if you don't track (measure) your food cost, you can't improve it. Same with beverage and labor costs as well. Start tracking them, address the issues that stand in your way of better costs, and you'll start making more money.

***"Good organizations have good measurement systems that are regularly and frequently used"***

When you measure (food, labor, beverage, expenses and sales) your numbers often and act on them, process improvement takes place faster, resulting in better financial and operational performance – and enhanced shareholder value. The more you know by measuring, the more you can control the outcome.

### **RECAP**

*Every operation needs a qualified and well-trained management team, but with today's high labor costs, what is the best use of your payroll budget? People leave their jobs because of a lack of appreciation, a lack of career steps, and a lack of financial incentive. By re-calibrating where your payroll dollars are spent, perhaps you can save money, run a tighter ship, and provide incentive to new and upcoming managers!*

*The menu in your operation is the most important piece of "real estate" you have. It's your business and your brand and almost everything revolves around it. If you've not given your menu the time and attention it requires, there's no time like the present. Why work hard to get new guests in your front door...only to present them with a menu that has long outlived its usefulness to you?*

*Getting financing for a project requires a lot of hard work and substantial documentation. In some cases, the SBA is the path of least resistance, but how will you know? A good place to start is with your business plan – the singular*



tool that will hopefully help you achieve funding, real estate and a business you can be proud of.

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Thanks for reading! Until next Tuesday...



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## Development

[Ready to open your own restaurant? Learn how here](#)

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

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

[The Manager's Daily Checklist Sample Format](#)

[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](#)

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

## Resources

[May 13th is Mother's Day - are you ready? Here's 16 great promotional ideas](#)

[To Subscribe or Catch up on back issues of Restaurant Operations Weekly](#)

[The Giant List of 101 Culinary Terms \(from our friends at Toast\)](#)

[50 Restaurant Industry Statistics \(by Toast\)](#)

[Key Pillars of Luxury Hospitality](#)

[Food holidays in April - Great Promotional Calendar](#)

[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](#)



