

30 RESTAURANT SURVIVAL STRATEGIES

By Kevin Moll, President, Restaurant Consulting Services, Inc.

Every hospitality business owner is trying to figure out how to survive the uncertain weeks and months ahead and the challenges are certainly formidable. Open communication and protecting your cash are critical to the survival of your business. You must be decisive, act fast, and cut to the bare basics in virtually every aspect of your operation, but during this difficult time, keep an eye open for new opportunities!

As restaurant consultants, we are optimistic realists and believe that for well-capitalized owners, now is the time to dig in with the resources you have, with the hope of coming out whole on the other side. Being proactive now will keep you ahead of the game when things get back to some semblance of normalcy. For some, this is an opportunity to build a great business. For other owners, in the interest of protecting their remaining capital or up against one or more insurmountable walls, now might be the time to temporarily exit the game. Whichever description fits you, now is the time for action.

NEW PROBLEMS CREATE NEW OPPORTUNITIES. HERE'S A LIST OF THINGS TO DO RIGHT NOW

1. **Don't do nothing.** As the business owner, it's your business to protect and you'll do it best by communicating with your employees, vendors, lenders, and landlord. Doing nothing and waiting for the inevitable to happen is a certain death knell for your business.
2. **Use your financials – they're your most valuable tool to see where money goes.** What's important is that your company works through this period and is viable at the end of it, so identify every possible way to stop unnecessary costs and preserve cash.
3. **Talk with your lenders.** Ask for help, deferrals, and suspension of payments. Those with SBA loans need to know the bank likely has authority to defer payments for three months if the loan has been sold. It's six months if the bank retained the loan. Call your lender if this applies to you.
4. **Don't count on financial relief coming your way.** Loans and grants take time to apply for and process. Yes, they may be available, but with many lenders operating at minimum capacity, everything will take longer or not be available at all, regardless of what you hear. Time is not your friend when it comes to loans of any type, so you better get started on this immediately.
5. **Stop all "auto withdrawals" and regular payments.** Call your bank now and eliminate any automatic payments and withdrawals of all types. This will put you in greater control of your cash.

6. **Request deferment or payment extensions for 941, and any/all State and Federal tax payments wherever possible.** Check with your payroll service or CPA.
7. **Request deferment or payment extensions on sales tax payments.** Call your CPA or State Department of Revenue to see if this is available and what your options are.
8. **Determine where you stand financially.** If you have credit cards or a line of credit, make a few quick calls to confirm your balances, available credit and what could be available for you now if you need it.
9. **Don't permanently close the doors unless it's absolutely necessary.** While your business is still open in any capacity, or even temporarily closed, you have something of value that's sellable. A closed restaurant is worth almost nothing besides the value of the assets, so if it's time to sell, act on it quickly (while you're still "open") before a lot of closed restaurants come on the market as they most certainly will in the near future.
10. **If you're a franchisee, ask for franchisor help.** Request royalty and advertising payment deferment or abatement. Good franchisors want their franchisees to make it through this time and some are going to extraordinary lengths to accommodate almost any reasonable request.
11. **Talk to your landlord to negotiate rent deferral** - essentially extending the lease a few months. If you have a mortgage, do the same thing or ask about other programs that allow you to save cash now.
12. **Ask vendors to extend payment terms** if you agree to consolidate your purchasing with them. Many vendors are offering other types of support so be sure to ask.
13. **Cut capital spending.** Perform only critical maintenance and repairs. Cancel expansion, acquisition or remodel projects. However, if you have extensive capital reserves, there's no time like the present to make long-overdue physical updates, menu changes, new carpeting and similar improvements.
14. **When and if you reopen, it won't be "as normal."** A vaccine is the only hard stop to the pandemic and who knows when it's coming. It's reasonable to expect reoccurrences of outbreaks and expanded quarantine periods just like in Hong Kong and other parts of the world. Almost every foodservice operator will almost certainly have new operating requirements, including social distancing for the foreseeable future. This will impact every full service, dine-in and fine-dine restaurant in America.
15. **Don't plan on being busy or profitable when/if you reopen.** A cautious public that's used to home delivery, reduced seating areas to force more space between patrons, wristbands to prove that guests are virus-free, landlords demanding full rent for half-used space, and who knows what else will be coming. New requirements, reduced capacity and a leery market will create a "perfect storm" making profit extremely elusive.

16. **This could start all over again in the fall.** It's likely that restrictions and illness will subside over the summer, but without a vaccine, future outbreaks will likely start all over again when the weather cools off - we could be in this for a long time. As such, if you're running a limited to-go, delivery or carryout format and not making any money, consider this advance warning that your business is going to eat all of your capital just to survive, thereby putting everything in jeopardy.
17. **If you're able to operate in some capacity, reduce the number of menu items.** Run a product mix report to identify your most popular items and then focus on selling the easiest to execute, highest margin items. This also allows you to minimize the number of ingredients you need to keep on hand in order to execute the menu.
18. **Reduce the number of supply deliveries.** This will save you money and time taking inventory, placing orders and product handling. Request that any delivery fees be waived and work hard to only place larger orders.
19. **Run your inventory down by running daily featured items.** Keep the minimum amounts on hand.
20. **Specialize in family-sized meals.** Why waste your time with low dollar one-offs when you can sell an easy-to-prepare family meal for two, four or six people. Be sure to promote alcohol (where legal), appetizers, desserts and drinks in order to generate the maximum amount of revenue. In the delivery bag, be sure to include a (pick-up and/or delivery) menu, appropriate utensils, a sincere note of thanks and an incentive to order again. They trusted you the first time they ordered, so now is the time to "over deliver" and get them used to relying on your business to take care of their needs.
21. **Reduce labor schedules and cross-train to the maximum possible extent.** Implement creative scheduling to retain key employees whenever possible. Watch for dual employment and exempt employee requirements.
22. **Maximize your operating hours** to only the higher-revenue parts of the day. Don't be open when people aren't buying. For most, this means very limited hours of operation.
23. **Eliminate subscriptions if possible.** Now is a good time to rethink expensive television/audio subscriptions if nobody is inside your business. Look for ways to minimize these costs.
24. **Stagger equipment turn-on times to avoid power spikes which result in higher-than normal utility bills.** Turn off unused grills, hoods and any other unused equipment and unplug everything you don't need.
25. **Reduce regular cleaning/trash and other services.** Decrease the frequency of trash pickup, power washing, linen deliveries and similar services. If you have an outside company coming in to clean your business, now is a good time to bring that service inside and reduce those costs.
26. **Pay bills with a cash-back credit card.** If you pay COD when paying vendors, be sure to request a discount which may be available for making cash/EFT payments.

27. **Reduce utilities.** Turn off the HVAC to the dining, lobby, meeting room and other unused areas.
28. **Eliminate irrelevant marketing.** Evaluate all marketing that you've committed to and don't spend any money on promoting anything other than delivery and carry-out (or any other services that you are permitted to offer). If possible, put a banner up in front of your business promoting what you're offering.
29. **Turn supplies into cash.** Monetize any food, beverage, chemical and supply products you don't need by returning them to the vendor or selling them to employees or customers. While you're at it, eliminate all unused cash drawers and put the money in the bank.
30. **Choose your route carefully.** In closing, know in advance that if you decide to "tough it out" and can't make it, you'll likely get very bruised up emotionally and financially. Unpaid or deferred rent, taxes, several months of low to zero sales, lack of profitability, lack of employees and most pronounced, the glut of closed restaurants on the market will make it close to impossible to sell your business. This is why it's critical to carefully determine your course of action soon. Those that wait to decide will be hurt, so don't let this be you.

Want to talk through a few things? Wish to maximize your opportunities now? Thinking about retooling your menu, concept or service model? Have concerns that you might not make it?

We understand and invite your phone call anytime.

720-363-0164



Restaurant Consulting Services, Inc.

501 S. Cherry St. Suite 1100, Denver, Colorado 80246

www.restaurantconsultingservices.com

kevin@restaurantconsultingservices.com