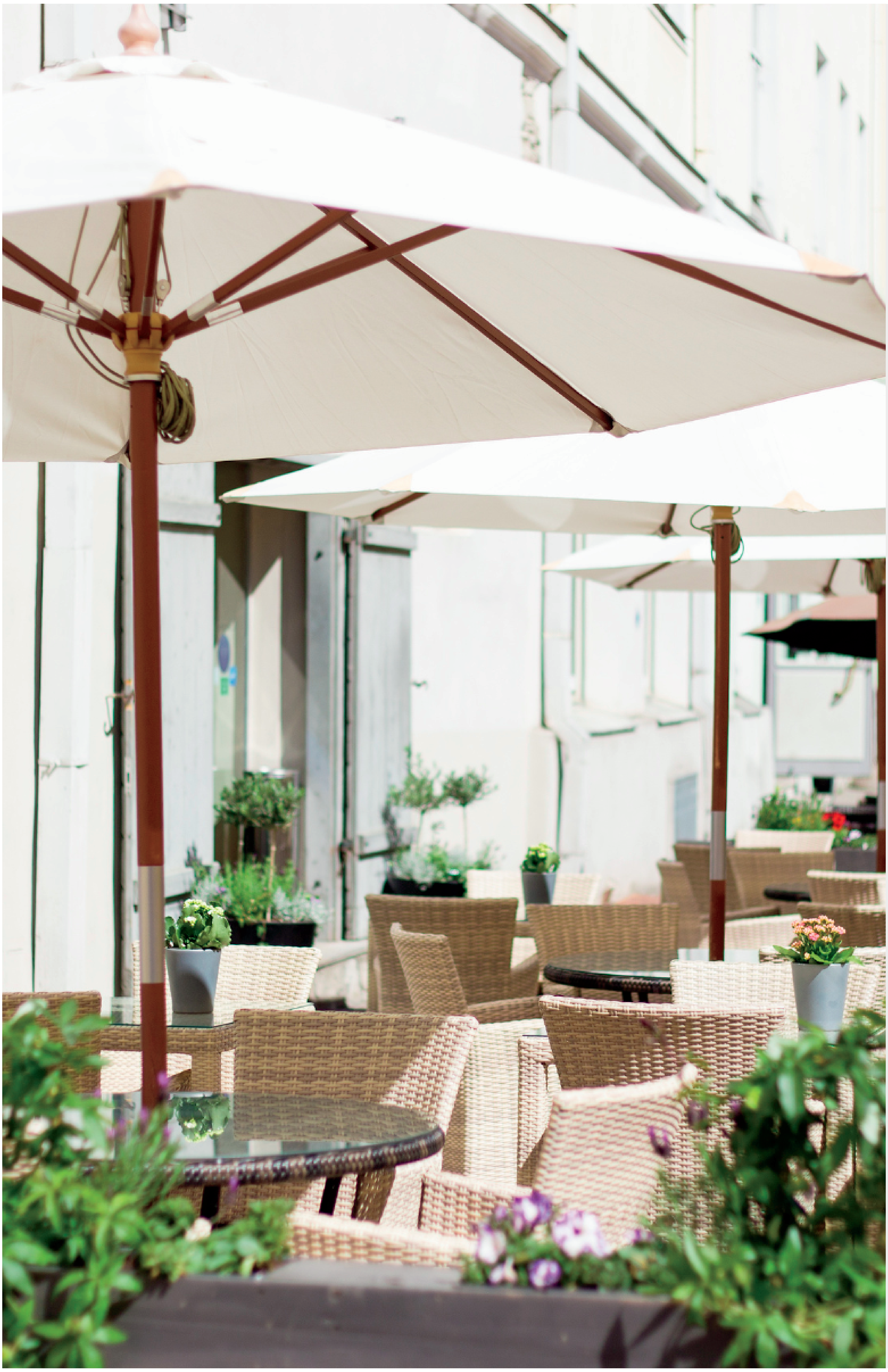
3 WAYS YOU ARE KILLING YOUR *Restaurants Profits*



How Many Are You Making?

1

Not Analyzing Your Product Mix Report Against Cost of Goods Item by Item.

I so often work with restaurants and find that their “Least Profitable” items are their biggest sellers. Face it, you and your staff are working just as hard preparing every item, so they all should be making your restaurant as much money as possible, am I right? Do you know what your most profitable items are and which are your biggest sellers?

Here’s how to find out.

Calculate your Plate Cost for each and every menu item category by category (appetizers, lunch items, entrees, salads, desserts, etc.).

Once you have defined your food cost % and profit for each dish, run a Product Mix report from your Point of Sale system.

Plug in a date range that gives you extensive data… I recommend at least 3 months or the past quarter… 6 months is better yet.

Next, write down the Number of Items sold, category by category next to each item and compare profits for each. Remember count only “Full Price” items sold and not any employee discounts, comps, etc..which will skew the accuracy of your calculations.

If you’re like many restaurants, you just might see that lower profit items are “stealing” sales from more profitable items.

2

Not Taking Regular Inventory.

Inventory takes time, but it's absolutely critical for every restaurant's standard operating procedure and so few restaurants take it regularly.

Think of Inventory as Cold Hard Cash that many people have access to. Would you just leave cash lying around for all to touch – of course not! So why not think of everything you buy and shelve as the valuable Cash it is until it's sold?

Face it, the restaurant business is a transient business, and theft and spoilage are a common problem.

Employees need everything your restaurant stocks… food, beverages, silverware, paper goods, condiments, and the list goes on. Whether you believe it or not, chances are high that many of these items are walking away weekly in your operation.

I can't emphasize enough the importance of taking a "Weekly" Inventory until your Food and Beverage Costs are consistently in your "sweet spot" for at least 3 weeks in a row.

Let's say your target food cost is 30% and your overall beverage cost is 23%, if your restaurant serves alcohol.

If the consistency is there with your Food and Beverage Cost Percentages week after week, you can be confident then moving to a once-a-month inventory.

3

Not Knowing Your Restaurant's "Daily Break-Even" Sales

Not every restaurant is busy night after night all week.

Many restaurants have a slow day or two.

Many operators are also unaware that they may actually save profits by closing a day or two.

This is true because that restaurant's expenses are likely greater by being open than actually closing the doors on a slow day.

The only way to know for sure is to calculate your fixed and variable costs and then divide by 30.

Once you know the number of sales your restaurant needs to ring daily to neither "make" nor "lose" money, you can either decide to create special events to draw traffic on the slower days or give yourself and staff a much-needed break by closing that day!

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Let me know if you have any questions.
Best of success with your restaurant!
Roger