

How to avoid

Pitfalls & Perils in the restaurant industry

We all know the obvious reasons why restaurants go broke – bad food, bad service. But, there are many other recognized dangers that can put restaurants out of business even if they have consistently achieved good food and good service.

What are those dangers? Are you exposing yourself to them?

High food and beverage costs, high labor costs, theft, excessive waste and decreased sales are dangerous pitfalls of not establishing and implementing the proper systems and controls in your restaurant. These dangers will destroy any business if not exposed and acted upon in a timely manner.

Knowledge is the key ingredient to avoiding these pitfalls and perils. Learning is an essential fuel for a leader. Those who do not learn do not survive long as leaders.

There is no secret as to what makes one restaurant more successful than another, but there is a recipe that when consistently applied, will heighten your chances of becoming one of the rare restaurant institutions. Without applying this recipe there is no chance of long-term survival.

RESTAURANT SURVIVAL RECIPE

- You must review your monthly profit and loss statement – no later than ten to 12 days after the month-end or period-end. The profit and loss statement is your restaurant's report card and exposes all controllable operating expenses. This provides you with enough time to react to any unusual problems; giving you a fighting chance at keeping the same problems from re-occurring. A restaurant's primary directive is to make a reasonable profit.
- Utilize your POS (point of sale) system to its fullest potential. Not only should you review your reports everyday, but understand and analyze each one. The main reports that you should review each day from your POS are sales, labor cost, menu mix, comp/coupon, voids, and for full-service operations, server-productivity reports.
- Update and understand the actual plate cost of each of your menu items monthly. Inexpensive software programs like ChefTec, are essential in keeping your food and beverage costs in line and take just minutes a day to maintain.

Pitfall: A hidden or not easily recognized danger or difficulty.

Peril: Exposure to the risk of being destroyed.

- Take a food and beverage physical inventory a minimum of once a month and calculate your current on-hand inventory value. Many operators make the common mistake of just dividing their purchases into their sales. This skews the actual food/beverage cost and does not give you an accurate picture.
- Track and record your waste on a daily basis. By doing this you will have the necessary information to understand the variances between your actual costs and your ideal costs.
- Institute a zero tolerance on end of day cash shortages.



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- Consistently search for the best quality, wherever quality matters.
- Refresh your menu and atmosphere periodically; keep your signature items. An out-of-date menu or atmosphere can quietly decrease your sales. The largest expense of any restaurant is an empty seat.
- Continually teach and inspect your employees' hospitality towards the guest – as Sam Walton said, "There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else." The only competition you have is yourself!
- Institute a "mystery shopper's report." A mystery shopper's report gives you and your employees a "guests point of view" of your restaurant. Shopper's

reports not only disclose what your restaurant is doing wrong, but more importantly, what it is doing right.

The restaurant industry doesn't have to be one of the toughest industries around. Knowing where the problems are, is the greatest step to avoiding the many hidden pitfalls and perils. There are many successful restaurants and their success comes from knowing how to expose, address and solve the hidden pitfalls and perils.



*Barry Brown
Profit Strategies and
Solutions Inc.
13070 Princeton
Court, Lake Oswego,
Oregon 97035
(503) 699-0359
(503) 675-2854-fax
profitstrategies@aol.com*

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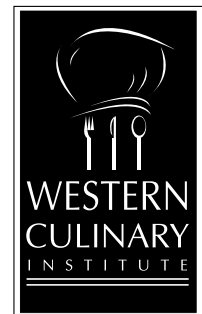
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