

Secrets To Your **RESTAURANT'S** **SUCCESS**

Get Off The Hamster Wheel
And Enjoy Your Business Again



All Pro Restaurant Coaches

TOP SECRETS TO ... SUCCESSFUL RESTAURANT OPERATIONS

**Making Profitable Management Decisions As A
Restaurant Owner Operator Or Manager.**

"Come to me all whose stomachs cry out in anguish and I shall restore you.

Monsieur Boulanger, restaurant proprietor (1700-, France)

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Foreword, Introduction, Target audience, Rationale and Layout of the Book

The restaurant industry is truly HUGE, bursting with potential, promise, great growth, vast business success and even wealth (if planned, managed and executed well).

However, very few restaurant type businesses actually succeed. Most fail in their first year of operation. There are many opinions and reasons given as to why this is happening. Upward of 25-33% of restaurant type establishments close their doors or declare bankruptcy in under 12 months or their opening them! This leaves us wondering why this is in fact happening at all and what we can do to better understand the risks, challenges, causes, realities and intricacies of opening, running and having a successful restaurant. This is the reason and rationale behind this guide. Much has been written and researched on the topic. This serves informational and general purposes of helping restaurant interest groups and entrepreneurs get the most from their business endeavors. The guide will offer useful practical advice and tips on avoiding key mistakes, oversights and errors made, stacking the odds in the favor of restaurant and business success, with good results, being the optimal outcome.

There has also been increased growth in the restaurant sector. Understanding of the underlying philosophy and an appreciation for food and dining out in general are all essential for success.

Every aspect of the business and operation, customer satisfaction, profit and loss equation, control measures, standards and pride of ownership all have to show, as well as persistence, resilience and meticulous attention to detail and execution of even the smallest

items. Some of these aspects will include general business management, administration, organization, supervision, controls, accounting procedures, pricing, promotion, contracts and insurance protection, regulations taxation the community he is functioning in, contributing to and serving.

There is some general consensus, why restaurants typically fail. Here are but a few reasons:

- Inability to adapt to changes and optimizing opportunities, competition.
- Lack of exposure and experience
- Lack of knowledge on business, food and operations.
- Lack of understanding of self and others, working relationship difficulties and social , leadership or interpersonal skills that need work.

Restaurants are also very uniquely different. NO TWO ARE THE SAME! They are diverse, vary and there is no ONE-SIZE-FITS-ALL type solution for restaurant operations that could serve as a model. There are however lots of common ground and this is the departure point and perspective of this musing and discussion.

This book is written in easy-to-follow expression and style to cater to a wide and diverse audience and interest groups, key stakeholders in the restaurant business who want to be successful and have a roadmap of sorts to follow, pitfalls to look out for and some hope and light at the end of the tunnel , that might seem a little dark and scary during the first 12 months after opening!

Good luck on your journey of discovery. May these recommendations, insights and insider tips be of help and guidance to you. Comments

and shared experiences are always welcomed. Share the learning and pass on the wisdom! So, let us get right to it...

Section 1: THE CONTEXT

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The Restaurant Business is fickle, complex and can 'eat' and/or defeat many an unsuspecting, unprepared newcomer and business owner. Many restaurant establishments and such type start-up ventures fail in their first year.

Eating out, dining also has a proud history and legacy to draw on from ancient times, lots to offer, with a bright future. SO WHAT MAKES IT SO HARD TO SUCEED IN THIS SECTOR OF THE BUSINESS WORLD?

Preparing and selling food to each other is a very age-old tradition, well-rooted in ancient civilization. Here is an attempt at summarizing just some of the highlights down the development path and history of restaurants:

- 40 B.C. – selling food to ship-operators, who could not go home for lunch

- 153 B.C. - early inn-keepers, pay for food/service upfront, rather than as you finish your meal
- 512 B.C. - Egypt, inns, 1-dish offering no females allowed for sit down.
- 1125 Spain, story-tellers and musicians provide entertainment while patrons eat
- 1600s brought coffee-service and houses into being
- Until 1800 - inns and taverns table d'hote where everyone sat down to eat what was served. Private clubs, chocolate houses and tea houses Beer and rum often accompanies meals as did room and board – they were part of the same package.
- The first restaurant carried this inscription over the door:
- 1834 - Delmonico's in New York City - first bona fide restaurant in the United States.
- 1834-1904+ Employers started providing meals for their employees
- 1891 – first chain of restaurants opened

FAST FACT: Here are some businesses and restaurants that ran for more than 50 years:

- Fraunces Tavern in New York City
- Ye Old Dutch Tavern, Cavanaugh's
- Keen's, the Old Brew House,
- Luchow's.
- Boston Loch - Ober's
- New Orleans - Antoine's
- Chicago - Henrici's

- World War I and the 1930s brought the 'worker-class' restaurant concept into being. Diners, Fast-food and hamburger joints all started to open through the 1950s. Ice-cream parlors and drive-up road-houses or malt-shoppes were also quite popular too.
- At recent count as many as 195,128 eating establishments in the US to date. More in the urban centers of course where competition is at its most fierce.

There are lots of variety and choice when it comes to restaurants. What is served, when is it open and how much it costs all play into these as well. Going it alone or learning from and with someone in the business who has been round the mill at least once or a couple of times, getting a restaurant up and running, opening the doors and keeping them open, being successful all takes some doing!

Whether service or self-service or combinations of same, there are many different styles of restaurants. Drive-through, walk-up or drive-in, table-service, combination set-ups of service-counter, table, and buffet type service are also available.

What is on the menu or the signature dishes can also characterize and describe a restaurant well.

TYPES OF RESTAURANTS – CATEGORIZATION

- Table service with extensive, elaborately prepared items;
- Table service with limited menu, simple food items (specialty)
- Counter service, usually limited menus;
- (Snack bars, luncheonette, coffee shops)
- Drive-in with car attendants and often waitresses(Diners)

- Cafeteria with extensive menu
- Cafeteria with limited menu
- (School lunch rooms and most employee cafeterias)
- Drive-In or other restaurants without service
- Some restaurants offer counter service, table service, and even cafeteria service, all served from the same kitchen.

What you serve and ***how you serve it*** are the basic TWO WAYS TO DISTINGUISH , ORGANIZE AND OPERATE YOUR RESTAURANT YOURSELF! They are like the guiding principles of '*restaurant-ing*'

For example, there is a huge difference between a sandwich shop and a gold course dining room!

Passion, artistry, a palette, attitude, focus and goals all matter for toward restaurateurs and restaurant From very and relatively easy to operate to highly complex business models, there is something for every taste and budget to choose from. Standardized or signature-individual, restaurants are notoriously hard work. It asks for the utmost in perseverance.

Knowing how to operate the business and make a profit is also key and the main incentive for many to undertake and venture into restaurants and related business establishments!

Here is one industry guru's take, on what a successful business proposition and model should roughly look like:

Food costs	40-45% (includes 5% paper cost)
Labor	17-22%
Indirect overhead	6%
Rent	6%
Depreciation	2%
Miscellaneous	2%
Advertising	2%
Net Profit	20-25%

2. IT IS TRULY ALL ABOUT

LOCATION!LOCATION!LOCATION! (HOW TO MAKE IT HAPPEN, SUCCESSFULLY)

- Where Is The Establishment, Good, Bad And Ugly Truth About Locations, Importance, How To Choose
- Competitors, Area Influencers, Costs And Related Considerations
- Investments And Profits – A Delicate Balance
- THE GOAL INTO REALITY: Patience And Persistence, Determination To Succeed

How to tell and know, decide where the BEST or optimal place or location for a restaurant is/could or should be, is extremely difficult! Yet, it is one of the most ground-breaking choices that have to be made early on, in order to be successful, go and get ahead.

This one choice has to be nailed and in the bag, just right and in your ultimate favor to be successful. Where the restaurant ends up being, will affect everything about it.

Traffic, neighborhoods, trends and areas all change over time and you either shift, adapt, change or die. It is that simple. The correlation, and thin line between survive, thrive or not very gray and overlapping sometimes.

Factors figuring into this equation and choice, are individually and collectively powerful. Close consideration should be paid to

- Owner expectation and desires, goals and focus
- Operation, restaurant business type
- Market and viability
- Available infrastructure, local suppliers and more

- The state, county, city and community the restaurant will be in
- Family considerations (can we live and work here? What about my family? (if applicable)
- Weather and seasonal business cycles or locations
- Region and demographics
- Best-fit neighborhood – most choice location, selection
- Sustained demand for products and services with patrons willing and able to pay for it.
- Determine who the customers and clientele would be
- Take the pulse of the community to ascertain barometers of potential opportunity and success down the line.
- Your skill-set, abilities and strengths/weaknesses
- Does the restaurant fit the location and community and visa versa?
- Fit and viability of your type/style and restaurant offering, viability, sustainability
- Potential profit and value proposition – does it make sense, HERE.. in/at this location?
- Who is the customer(s) and how to best cater to them, their needs
- Characteristics of the site
- Costs of the site
- Competition and surrounding markets
- ENSURE THAT THERE ARE NOT TOO MANY OF THE SAME TYPES OF RESTAURANTS (RE) around in the same area or near vicinity.
- Determine who you are sharing your market with – which segment are you catering to most and where is your focus.
- Try to ascertain how much customers and prospective clientele spend on meals, dining and food outside the home
- What are the demographics, population , income and patterns of the target market in this area?

- How many eateries are there, what do they look like, serve, charge, profits, clientele, managed and are there any chain restaurants close by?
- Cost, dimensions, parking, access, zoning, Real estate values (price and trends), traffic and development (for at least 2 miles out from your location or site in question)
- Desirability and patience, persistence and due diligence are all required when selecting a location for your restaurant.
- Restrictions and regulations that might affect your restaurant
- Other considerations might include:
 - Architect and design engineers, technical experts and consultants
 - Building codes and permits
 - Cost estimates and budgets
 - Structural design and construction
 - Contracts, lawyers and titles, leases, liens, lawsuits and more
 - Property appraisals
 - Taxes
 - Government sources for plumbing, heating, sanitation, wiring, fire and more.

It can take a very long time to pick the optimal and right location. This is not a hasty decision that should be made on a whim. It is the one sure-fire way to know that you are off to a good start, if you pick the right location for your restaurant.

Best advice would be to choose extremely carefully, do lots of research and background work, PRIOR to making your selection and decision. Analyze and weight each and every factor and the whole BIG PICTURE details as well BEFORE you pick your LOCATION!

3. THE BEST ROUTE TO TAKE – SOMETHING OLD, SOMETHING NEW...? (WHERE, WHAT AND HOW MUCH?)

- The Debate About Starting From Scratch, Renovation Or Revamp Of Existing Restaurant Properties
- Pros And Cons
- Key Things To Consider Before Commencing Or Pursuing Either
- Financial Matters And Considerations

Now the question and debate turns to whether to start from scratch or utilize an existing establishment. This choice is another HUGE one, with great implications, also financially, now and down the line.

While weighing all your facts on location, these informational facts and considerations will also feed into buying or building a property at that location. There are many things to consider, including costs.

We will be considering them MORE CLOSELY by looking at the **pros and cons** of what each option has to offer. Under certain circumstances one might be better than the other in the short, medium and long-term.

PRO –BUILDING

- The size, type and volume of your restaurant – building to fit to your specifications are slightly easier than re-fitting a concept into an existing design.
- Architectural design and personal expression, provides opportunity for some influence and say in facades, ceilings, windows and more.
- Themed and promotional elements can be added and designed right in, with minimum effort.
- You can influence materials, quality, furnishing and equipment.

- Taking advantage of technology, product development and advanced products are at your disposal, which you otherwise will not necessarily have. Making access, quality and maintenance a priority from the start.

ANTI –BUILDING

- Initial set-up and fitting costs building and equipping your restaurant might be really costly
- Working capital requirements will be higher and more planning, spreading thin and cutting costs will be priority before you know it!
- Strikes, lack of skilled labor, delays and escalating costs
- No history or track record of performance of the restaurant

PRO –BUY

- Benefit from existing resources and input
- Business volume is in place already
- Financing and cost, capital easier to find and secure
- Good deals might be floating around out there
- Not a lot of competition
- Lots of information on present and future sales
- Reliable financial data, estimates and budgets (accurate and complete) can be inferred and calculate using this information
- Assess risks better

ANTI-BUYING

- Stigma, reputation, bad service in past, lost customers
- Over-investment or old equipment (replacement)
- Overhead costs too high
- No tapping into newer technologies, materials, systems, with lots of looming and/or costly upgrades

- Hard to repackage and sell to customers
- The loyalty of prior customers are not captured, with no good-will transfer with the transfer of ownership necessarily!
- Only options for existing businesses are: purchase, lease or trade.

Regardless of choice or course of action – buy or build, new or existing, renovate, re-fit etc. always bear the ROI (return on investment) in mind. Business valuations are important and necessary to help you make informed and the best decisions you possibly can.

Also, consider the tax implications of your decision to buy or build. Make reducing your taxable income a priority – especially in that crucial FIRST YEAR OF OPERATION! *typically the toughest!

When you consider tax perspectives here are some general guidelines that might help you make up your mind as to the best-suited choice and application for your project and restaurant:

- Bonds rather than stock should be your financing options (interest (deductable) versus dividend (taxable)).
- Building and land purchased – more value placed on the building and less on the land (buildings depreciate, land not)
- Construction and all technical expertise can be deducted, not necessarily true with an existing business purchase.
- If your profits go up, consider at the \$25,000+ mark, to run TWO organizations or corporations instead of one. The main business then renting the fixed assets to the other business.
- Lease rather than purchase – this is deductible (buying is not)
- Leasing can help you claim depreciation and conserve valuable capital.

4. GOING IT ALONE, BUSINESS PARTNERS, RELATED MATTERS REGARDING MANAGEMENT AND ORGANIZATION

- The Market And Competitiveness, Feasibility Of The Restaurant
- Size Of The Restaurant (Seating, Capacity, Staffing)
- Competitors, Market Share And Potential Sales Of Other Surrounding Restaurants
- Types Of Ownership
- Profit Decisions

The restaurant industry is a highly competitive environment to try and start-up and be successful in. There are also different ways you can structure and operate your business to capitalize on what the market does have to offer.

- individual proprietorships
- partnerships
- corporations/organizations

Partnerships and corporations tend to do better. You need to pick the one that is best suited to your model and circumstance, after careful research and consideration, weigh all aspects of your decision.

(i) INDIVIDUAL PROPRIETORSHIP

Definition, Pros and Cons

- One-person control, sole ownership and say about the assets of the business.
- Empowered decision-making and management model
- Unlimited liability

- No contracts and simple legal procedures and structures to organize and get started.
- Owner financing, registration of trade name, licensing and permits are issued and you are in business!
- Managing with no interference
- No excess profit tax, capital stock tax, transfer tax, tax on retained earnings or double-taxing on assets and profits.
- No formal structure or permission required
- No profit-sharing
- Owner controls the business and has the ultimate authority
- Remains a private business.
- Dissolved or sold easily

On the other hand, some things to watch out for are:

- Management and operation of the business will be time and all-consuming
- No support, division of skill or someone to fall back on within the business (like a partner)
- sole responsibility and liability (unlimited) for all aspects of the operation, debt and related issues that pertain to the business (even personal assets)
- Start-up capital demands are typically high (the highest of the three types) and funding/credit is more problematic to find
- Wearing different hats and playing all roles.

(ii) PARTNERSHIPS

- Legal contract between parties to be co-owners of a business for profit.
- Agreement of contract should preferably be in writing, stipulating all areas and aspects of the partnership. An attorney and accountant

are party and privy to drawing these up and getting them executed properly.

There are TWELVE articles of partnership that needs to be adhered to, namely:

- The business and parties involved - partnership name, names of the partners, and a description of their special duties, roles and responsibilities as it pertains to that business
- Disputes and arbitration guidelines
- Contingencies in case one partner dies.
- Dissolving and withdrawing from the business, exit strategy.
- Effective and termination dates
- The scope, location, nature and place of business.
- Capital contributions by each partner.
- Recordkeeping
- When books are closed and profits decided – date and details
- Amount and distribution of salaries or profits stipulations and requirements.
- Withdrawals and interest
- Business losses and how that will be handled

Pros and Cons:

- Support and depth, bench-strength and lots of combines experience, expertise and contacts, abilities and talents. Easy access to more credit and available capital (more-so than the sole-proprietorship)
- No excess profit tax, capital stock tax, transfer tax, tax on accumulated earnings and no double taxation on income from the business and dividend.
- Shared workload
- Liability and claims for each and both, responsibility for all debt of the business and partnership

- Each partner has executive rights and discretion that can affect the whole partnership, the business and each other
- Divided control and management, disagreements and different opinion can lead to conflict or tension.
- Divided and shared profits
- Death ends the partnership effectively immediately
- Difficult to dissolve unless stipulated in the written agreement
- Trade, division and dissolution are all more difficult with and through a partnership. Hard to sell partnership interests.

(iii) CORPORATION

Structuring and organization of both human and physical assets legal entity upon itself, For special purposes under the law, incorporated to function as a specific business

Organizational STATE OF INCORPORATION IS VERY IMPORTANT

Home state or where business is located (if different) all have implications for taxes, legal restrictions, and regulations in general.

Applying and getting the certificate of incorporation and the charter for operation are critical steps in this process and format.

Elements present on that certificate of incorporation, may include

- Name
- Principal Office
- Purpose Or Purposes
- Description Of Total And Classes Of Capital Stock
- Names Of Incorporators And Directors
- Amount Of Paid-In Capital
- Other Charter Provisions Of The Corporation

Next step has the original shareholders adopting the bylaws, electing directors and officers. For all intents and purposes a legal business.

Finance, law and of business management all make this seem easy or hard, depending on your level of knowledge and master of the above.

Pros and cons

- Owners have limited liability when legal claims are filed.
- Stability and longevity, duration of the business is much more certain and forever, open for renewal.
- Transfer and mobility of ownership more effective
- Hassle-free obtaining of capital and credit.
- Benefit from professional management and control by organizational structure. Board of directors who appoint professional officers to
- do the actual managing of the corporation ease the operations and ensures effective business transactions.
- There are definite tax advantages to partnerships
 - Profit sharing by employees
 - Dividend payments are controlled by directors, avoid double taxation this way
 - Working capital can be built up.

On the counter-balancing side:

- Expensive and hard to get off the ground
- Lots of taxations for business, like incorporation tax, a franchise tax annually, an accumulated earnings tax, a surtax on excess profits, a transfer tax, and a double tax on an income distribution to its stockholders and double taxation.
- State and Federal regulations and need to be taken into serious consideration by corporations

Knowledge and suitability of the format to your best business interest and operation.

The long and short of this message is, structure and organize your business around **your** requirements and best interest in the short, medium and long-term:

- Financial resources
- Liabilities
- Operational control and management
- Profit-sharing
- Time and energy commitment and expenditure
- Training
- Transferability of business interests

5. THE INTRICACIES AND COMPLEXITIES OF FINANCING, CAPITAL AND CREDIT

- Financial Partners: Sources And Types Of Capital
- Banking Services And Documentation
- Loans And Collateral – Considerations, Implications And Consequences

You need to take a long, hard and close look at capital, funding and particularly credit and credit instruments in your business.

Ability and proof of repayment drive all credit extension decision-making and of course your standing. Ask yourself what is your ability to pay, nature and scope of the investment, income (now and future), current claims and obligations, reputation and prompt payment of past obligations. There are all underlying factors that can help of hinder your credit.

Ask yourself how long you will need the credit, how much, what for, secured or unsecured debt, financing for asset, consumption of production.

- Is the credit you are looking for on demand, short, intermediate or longer term type debt and financing ?
- Are the credit instruments promissory notes, bills of exchange (signed checks, sight or demand drafts), lease or mortgage?
- Are they negotiable or non-negotiable?
- Are they endorsed or assigned?

Promissory notes, bills of exchange and other credit instruments

These are typically executed with great care in writing, bearing signature of maker or drawer, unconditional promise or order to pay X amount of money, on demand at fixed and determined future date with named certainty

Promissory notes for example have to do with date of maturity, security, interest and the amount of money involved.

Bills of exchange, notes, bank notes, bonds, bank deposits, credit instruments that promise to pay, checks, trade drafts, acceptances and money orders. An order to pay! NEVER EVER SIGN AN UNCOMPLETED CREDIT INSTRUMENT!!

The undersigned on the instrument are responsible and liable for the debt. Guard against fraud and do not accept post dated checks, or bad checks.

LEASES

Stipulations of possession and use , not ownership, you are in effect renting. Lease agreements are structured to help you. There are different types of lease agreements (terms of lease, duration, property and rental payments will all be stipulated in these). Contractual conveying of property rights to you by contract and undersigned written agreement. There are also building and equipment leases (often more complicated) as well as percentage and reappraisal leases, to consider as well.

Ask and answer yourself about the following lease requirements:

- Who is entering into the contract?
- Basis for rental payments
- Sub-letting permitted or not
- Term of lease
- Trade fixtures and removable items upon termination or expiration of lease
- Improvements and enhancements (become the property of the landlord, not the tenant)
- What happens if the party leasing dies or the government steps in?
- Option to purchase clause
- Option to renew
- Written restrictions and other legal use of premises
- Security
- Deposits, fees, schedules
- Check provisions for repairs, taxes and other stipulations
- Termination clauses (unlawful use, non-payment of rents, taxes, insurance insufficient, bankruptcy, expiration or lease)
- Terms and conditions of termination should be spelled out.

MORTGAGES

Property ownership rights and interests held in land, building and growing, erected or annexed to the land. **Personal property and fixtures.**

There are THREE major types of estate (inheritance, life and absolute) There are also, courtesy, fee upon condition, fee determinable and remainders that have to be dealt with. Consult with your lawyer and accountant on how best to deal with these.

Deeds and loans, interest, rate, repayment plans, these all have to do with the funding, capital and money that you will need to get things rolling.

Here are some types of mortgages for restaurant owners to consider:

- Purchase money mortgage
- Package mortgage
- Open-ended mortgage
- Construction mortgage

ELEVEN TIPS FOR RESTAURANT OWNERS WHEN CONSIDERING LEASES AND/OR MORTGAGES:

1. Know what not-negotiable credit instruments are and how they affect and effect your business! (Lease-transfer; Mortgage-assign)
2. Use protective clauses in your documents to guard your best interest.
3. ALWAYS READ THE FINE-PRINT!

4. Restrictive covenants and clauses that do not serve your best interest can either be removed or eliminated, negotiated and discussed PRIOR to signing anything.
5. Sleeper clauses and dates should always be checked
6. Essence clause, dates and times should be stipulated (for taking possession)
7. Detail in writing all contingencies
8. Avoid prohibit sale stipulations
9. Study the receiver clause
10. Foreclosures
11. Personal property clauses

Ensure NO misunderstanding, misrepresentation, or unnecessary financial burden or difficulty, oversight or pain that you have to pay the price for later down the line. GET HELP! PROFESSIONAL ADVICE IS WORTH ITS WEIGHT IN GOLD! YOU WILL NOT REGRET IT!

You can either opt to invest or loan the money to get up and running.

Closely consider the source and terms of these agreements and their impact, implications and consequences will resonate throughout your business.

Is it short, medium or long term and where is the money coming from, at what rates? These questions will help you clarify and bring the capital side of the equation front of mind for you.

Sources for funding may include: self, family, friends, business associates, equipment dealers or manufacturers, business organizations, Different types of loans are available , federal government, SMA, FRS, FHA and even veteran loans cater to a wide audience and needs. The incorporated form and structure of the restaurant business will make it easier to secure capital. Limited

partnerships, additional services or extensions of credit lending institutions or commercial banks.

Good relationships (personal and professional) with your banking and funding partners are critical. They enable and execute your business. Repayments and good will all come together.

Here are FIVE questions bankers ask when considering an application for funding – see if you can use them to your advantage when you present your case:

- What sort of person are you, the prospective borrower?
- What are you going to do with the money?
- When and how do you plan to pay it back?
- Does the amount requested make suitable allowance for unexpected developments?
- What is the outlook for you, the borrower, for your line of business, and for business in general?

How you can help your banking or financial partners, funding sources make up their minds more easily:

- balance sheets and profit-and-loss statements (CPA) Showing integrity and objectivity, outsider authentication and endorsement.
- All financial data requested in a timely fashion
- Frequent interval reports as required and stipulated

What does your financial statements say about your financial situation and what types of collateral will they consider for funding and what is available. Those are the questions you should be asking.

Ensure that you have both a good balance sheet (solvent) and the profit-and-loss (profits) statement to submit to enable this process. You are working together in a partnership as borrower and banker.

Together these indicate growth in your business. Help them assess the risk involved, mitigate it and opt for collateral route if all else fails.

Examples of these could be

- stocks and bonds or
- the cash surrender value of a life insurance policy.

** NOTE: There are rules and regulations to adhere to, some state specific. Bank policies, type of collateral only applies in certain situations and contexts.

- Securities of Closely Owned Companies
- Commodities or Merchandise
- Machinery and Equipment
- Real Estate and Buildings
- Government Contracts

Securing capital will also hinge on aspects like

- future of the borrower
- line of business
- level of business in general
- risks, growth, development and more

How do you pick the bank that is right for you. Try to use these criteria:

- attitude toward your business
- choice of a banker
- circumstance
- confidence and security
- credit services offered
- management policies
- progressiveness
- size of bank
- Specialization
- Set-up (unit, branch or central) various localities.
- Is the bank interested in the growth and prosperity of your local community, local and permanent.
- speed and flexibility with which decisions can be made in your local area.

More tips for good relations with your bank: invite your banker to your business. Regularly exchange information pertaining and relevant to your business, growth, development, even difficulty or challenges – YOU ARE IN THIS TOGETHER!

Other funding sources include: Federal Government, Small Business Administration, the Federal Reserve System, the Federal Housing Administration, and Loans to Veterans. Types of loans will vary and application details can be found online. (Bank participation loans Direct loans and Disaster loans are all available).

Section II: THE CHALLENGE

15. SELECTING FOOD SERVICE EQUIPMENT (WHAT TO USE IN YOUR RESTAURANT?)

- Why Wrong Equipment Choices And Decisions Can Ruin You!
- Features And Considerations When It Comes To Equipment Every Restaurant Owner/Operator, Manager Much Know!
- Equipment Needs Assessment And Evaluation Strategy

Looking to better understand what to expect from your restaurant operations, it is critical that you pay close attention to NOT ONLY THE LEGAL AND FINANCIAL, but also the PRACTICAL and FUNCTIONAL elements of your business.

Part of this challenge of getting up and running, keeping the doors open and having a profitable , growing and blossoming, well-managed business, will require some attention to:

Food service equipment, restaurant layout, insurance coverage and promotional considerations, like marketing and advertising.

When it comes to equipment, consider the following:

These practical issues all have to do with what makes restaurant successful or a failure: inability to respond to change, anticipate shifts in trends and adapt. Labor will increasingly become more expensive, also for restaurants.

Proper tools, storage and layout all matter and contribute to this success.

Type of equipment has a lot to do with the menu planning and food that will be served, style etc. List the menu items first, then the equipment required to make and serve it.

List both heavy and light equipment

Specifics and detail like number and size are important

Pay close attention to things like peak volume demand, portion sizes, total load on equipment, food production and purchasing practices, and future expectations, (scalability and expansion).

You need to effectively determine the type, size, and number of pieces of equipment that will specifically fit the requirements of your restaurant.

Too much, too little, wrong or under-capacity are all common errors when it comes to equipment.

Plan, have foresight and analyze what it is that you require specifically.

What else to consider for equipment purchases:

- Automatic controls.
- Cost and availability of fuel or power.
- Cost of installation.
- Durability.
- Ease of Maintenance.
- Economy of labor and food
- Freedom from and availability of repairs.
- Gender, labor and operating training to use the machine.
- Improvements
- Initial cost.
- Length of Lease.
- Multi-function and uses
- Reliability of the company selling the equipment.

- Safety factors.
- Sanitation.
- The ability of the equipment to do the job.

MORE QUESTIONS TO ASK WHEN LOOKING TO LEASE OR PURCHASE TOOLS, EQUIPMENT OR MACHINERY

- For how long is the machine guaranteed?
- Can you obtain contract services and repairs?

**** NOTE:** Always consider the production capacities of equipment.

- Broilers
- Carbonators
- Coffee Makers, Other Types
- Cory Coffee Maker and Similar Models
- Dishwashing Machines
- Food Choppers, Cutters
- Griddles
- Kettles, Steam
- Mixers, Food
- Ranges, Microwaves, electric, gas, propane etc.
- Refrigeration (gas, electric)
- Silver Washer and Drier
- Steam Chests and Cookers
- Vegetable Peelers

MISCELLANEOUS LIGHT EQUIPMENT, UTENSILS AND WARE

- China, Silverware and Glassware
- Toasters

7. RESTAURANT LAYOUT

- Sensible, Functional, Scalable And Profitable Design Options
- Seating Capacity, Room To Move And Space To Spare!
- Helpful Tools And Guidelines Of The Trade: Menus And Templates
- Walk-Through, Flow And Other Traffic Solutions For Both The Kitchen And Dining Room
- Other Requirements To Consider When Designing, Equipping And Laying Out Your Restaurant

Making your layout actually making you money, NOT costing you money, should be the target at the outset.

Why it is necessary to plan the layout of your restaurant carefully:
It pays off in the long-run! Preparation and planning, good design enable and streamline your organization, cuts costs and saves you money... and oh, yes, appearance is everything and customer satisfaction is improved too! What a great way to optimize these strategies to count in your favor.

By laying out your restaurant carefully, you can effectively

- Save on floor space – make the most with and of what you have got. Increased production
- Compact and logical arrangements
- Ensuring the right equipment in the right place
- Efficiencies, saving money and labor costs

Where will the dining room be and where the kitchen? That is your first question. 20-40% kitchen, rest = dining room capacity.

What is your total space available?

How are you going to distribute and allocate the space?

What are the legal regulations and union demands

Do a detailed study of blueprints

Consider the location of the restaurant and the type of food

Here is ONE suggested method to follow for restaurant layouts:

- Determine a basic menu pattern.
- Estimate sales on menu items.
- Consider food purchasing policies regarding frozen, pre-cooked, pre-fabricated, or prepared food item, reliability and location of food supply sources, frequency of deliveries, and perishability of food items.
- Ascertain the size, number and type of equipment needed to process the menu items. (See preceding chapter)
- Compute from specifications of equipment the amount of space required to house the equipment.
- Determine layout equipment departmentally according to food flow analysis and frequency of use.
- Calculate daily and peak food purchasing requirements based on 2 and 3 above.
- Determine allocation of floor space to dry and refrigerated storage.
- Estimate the dining room space by analysis of peak patron loads and average seat turnover during those periods.
- Allocate service area space by considering menu, peak load requirements, patron needs, and type of service offered.
- Determine the number of employees needed and their distribution in the various departments from study of hours of operation and peak production and serving requirements.
- Calculate the amount of floor space needed for work and traffic aisles by studying equipment layout and employee duties.

What you need to consider for flow and layout:

- How Often Are Things Needed, Accessed And Used
- Which Fire Health And Safety Factors Need To Be Considered?
- Accessibility For Repairs, Maintenance, And Sanitation.
- Existing Plumbing, Heating, And Electrical Connections.
- Structural Features.
- Handling, Transportation And Serving Of Food Made Easy
- Work Stations Within Departments
- Eliminate Cross-Traffic And Create Workspace For All Food Service Operations.
- Minimize Employee Traffic Through The Dining Room
- Realize That There Is A Relationship Of Function To Location

Use workflow and departmental templates to help you visualize how the restaurant will operate, function and flow. Allow the set-up itself to work its magic for you.

8. PROTECTING YOUR INTEREST AND INVESTMENTS:

RESTAURANTS AND INSURANCE COVERAGE

- Types Of Insurance Protection (Selective And Mandatory)
- Categories Of Insurance Protections
- Labor Laws And Worker's Compensation
- Accidents And Health Insurance
- Co-Insurance
- Other Considerations

Why is it of the utmost importance to have the necessary insurance coverage?

To protect you, your business, investment, employees and financial interests of course! There are many ways you can do so.

OPTIMIZE YOUR COVERAGE! There is no question that you will require comprehensive and affordable, reliable INSURANCE COVERAGE for your restaurant.

Types of protection you should be seeking:

- Against large losses (like a fire breaking out and destroying the restaurant, an earthquake, flood etc.)
- exposure with less risk of loss,
- or frequent smaller losses.

- Not all restaurants will need the same protection and policies in place.
- Consider the seriousness of the loss
- Consider the possibility or frequency of occurrence
- Look for complete mandatory protection for some and selective protection on others.

Mandatory coverage:

- Comprehensive general liability against dealing with people
- Comprehensive fire— fire, lightning, smoke and water damage, appraisal and replacement.
- Life insurance—this coverage protects against losses caused by
- death of owner or business partner.

Selective coverage (group 1):

- Theft or larceny, burglary and robbery
- Fidelity bond or 3-D insurance—this coverage provides protection from losses caused by dishonesty, disappearance, and destruction of property.
- Building insurance.
- Contents insurance
- Fine arts insurance
- Automobile insurance.

Selective coverage (Group 2):

- Rent and rental value insurance
- Boiler insurance
- Business interruption or use and occupancy insurance and
- extra expense insurance
- Engine breakage and electrical machinery
- Floater insurance.
- Sprinkler leakage.
- Windstorm, hail, tornado, hurricane.
- Water damage—protects against losses caused by bursting
- water and steam pipes, leaky roofs.
- Aircraft and vehicle damage.
- Destruction by vandals.
- Bad debts.
- Glass insurance
- Explosions.
- Earthquake.
- Riot.

OTHER: workmen's compensation, accident, and death

WORKMEN'S COMPENSATION INSURANCE

- protection for employees, against loss resulting from job-connected and/or occupational illness
- Covered by an insurance policy purchased by the employer.
- Required by state law and mandatory.

General rules of thumb for Worker's compensation:

- Rates can be adjusted (3 years)
- Officers of corporations are to be included in or excluded from workmen's compensation coverage, according to the rules and regulations of the particular state.

ACCIDENT AND HEALTH INSURANCE

- Available on both an individual and a group basis.
- It can effectively cover both occupational and non-occupational disabilities.
- Go for broad coverage

Types of Accident and Health Insurance

- "Loss of Time" income insurance
- Hospitalization
- Surgical insurance
- Medical insurance
- Coverage for dependents
- Accidental death and dismemberment insurance
- Other coverage

Other tips and advice for restaurant insurance and coverage:

- Read the whole policy, including the fine print and keep your costs and expenditures in check.

- Co-insurance clauses need to be understood as well. The intent of this clause is to require the owner of property to insure for a realistic amount. In the event that the owner does not insure to the full value of his property, he becomes in effect a co-insurer depending on the percentage requirements of the co-insurance clause. You can reduce your costs with some measure – speak to an expert on how best to capitalize on this depending on your situation.
- Do not buy insurance you do not need.
- Plan for contingencies.
- Does the policy meet your state requirements?
Check the fine print for assessment clauses.

9. SPREADING THE WORD, MARKETING AND ADVERTISING

- Creating The Character And Atmosphere Of Your Restaurant
- Trademarks And Themes, Menus And Special Touches
- Making The Most Of Publicity

What are you doing to increase your sales? Yes, this is spreading the word. Anything and everything that can form part of your campaign of letting the world know you are open for business, catering to their every need, with quality, efficiency, low cost and that special touch is what matters!

Word of mouth referral and reputation is still very much a part of this wonderful industry.

There are myriads of ways you can put your promotion and advertising dollar to good work and use – again optimization is the key! Consider:

- public relations practices
- paid T.V., radio and newspaper advertising,
- highway and entrance signs,
- direct mail to customers
- Other publicity
- printed menu on the window is also part of your promotion
- Any literature to induce the customer to buy.
- Operational practices
- Service and cleanliness
- emphasis placed on sanitation.
- The over-all effect a restaurant has on the public and its customers
- You will be judged on more than your looks and food, price and all of the above!
- everything about the restaurant matters!

ASK AND ANSWER YOURSELF THIS: What is your identity or 'brand'? What makes you recognizable and stand out in a crowd?

Here are some more winning strategies that you can try:

- Atmosphere, ambience and special theme, signature dish or quality service – there has to be something special about your establishment that you want to emphasize.
- The place, the people, the food and the identity or character/style of the restaurant is what gives it its BUZZ!
- The name must say it all! Gather around a theme, special offerings and make it all an event or sorts that stands out, gets noticed and talked about.

- Consistency and repetition in everything helps to get noticed.
- Tie in the menu and service in a total approach types package. Specialties and specials! Keep it simple.
- Have something for the kids and make the evening out a time to enjoy and remember.
- Contests and personal treats, direct interaction can all add that individual touch that makes customers want to come back. Introduce new menu items enthusiastically and have limited time promotions optimizing special deals on food produce and strengths in your kitchen and serving staff!
- Customer loyalty and recognition initiative are great motivators for getting customers for life. Appeal to emotion and senses in promotional items and advertising. Have goal and budget and stick to it BEFORE doing anything!
- Make the most of publicity, word of mouth. Know who your customers are and let them be your walking advocates and endorsers. Make the most of motivational sciences and put them into and to good use in your campaigns.
- Increase your metabolism, eat healthier – good options, different methods, low-fat etc.
- Know your clientele and local market – have that picture and target market clearly defined.

MAKE YOUR ESTABLISHMENT STAND OUT, WHICHEVER WAY THAT YOU POSSIBLY CAN!

Section III: THE ROADMAP

10. WHO GETS TO DO WHAT, WHEN AND WHERE AROUND HERE

- Resources And Staffing
- Management And Organization Structure, Departments And MORE!
- Chains, Jobs And Titles
- Compensation Costs
- Recruitment, Hiring And Staff Selection – What To Look Out For And Hiring The Best
- The Details And Dynamics Of Employee Training
- Managing Others In The Restaurant Environment

Be exceptionally SMART when hiring staff, skill and talent, promise, potential, individuals, work-groups and teams. This will form the heartbeat and delivery system of everything that you have worked so hard to put together to this point. This is not the time to skimp or spoil things with the wrong dynamics, personalities or hiring errors. They are costly and will hurt you in the long run.

On the other hand, what wonderful opportunity to put individual and collective talents to work. Keep it preferably, small, well-staffed, not under-staffed, personal, presentable and professional!

Roles and responsibilities, tradition and legacy (like the chef's hat!) are such a wonderful part of this dynamic environment. MAKE IT COUNT WITH SOME TOP TALENT AND RECRUITING, TRAINING, RETENTION and RECONOGNITION EFFORTS!

Job titles and kitchen, dining and serving staff all have a role to play in this restaurant orchestra.

Here are just some examples of the ...

Typical Roles and Responsibilities for Kitchen Personnel:

- Chef: Plans meals, orders the food and supervises its cooking, supervises kitchen personnel.
- Sous Chef: Directly assists the chef and takes responsibility for the kitchen personnel and the preparation of the food when the chef is not present, or when delegated to do so.
- Night Chef: Has responsibilities for the chefs duties at night.
- Garde Manger: Prepares cold food dishes, such as cold meat, sandwiches, and leftovers.
- Pastry Cook: Makes pies, cakes, cookies and other pastry desserts.
- Roast Cook: Prepares and cooks meats and soups and may supervise personnel when necessary.

Be careful when using typical or restrictive titles Be flexible and open, recognizing natural talents, gifts and abilities and making them work best for everyone involved, including employees and customers.

Pay attention to how you organize the groups and teams together. Departments work well functionally, but there will be overlap and cross-coverage, versatility and agility in every good kitchen and stellar restaurant. Develop skills and train hands-on for best results. Multi-task and challenge your staff, use rotational leadership, value accountability and lead by example for the optimal functioning.

Whichever way you look at it, labor costs are NOT going to be going down any time soon.

Controlling this cost is paramount and critical to success as a business. Payroll and how many people are employed, in the context of levels of business. Combine these methods dynamically to come up with a solution that works for you.

Monitor and track your labor costs. YOU ARE NOT HIRING PEOPLE, ONLY POTENTIAL TO DO THE WORK!

What task is at hand (workload) and who is going/getting to do it? (optimize your resource planning, staffing and ensuing labor costs. WE do not always hire the best people there is or that we can find. Organize and plan expenditure and provision of consistent, quality service.

- What has to get done and how best to do it?
- Assign roles and tasks and break-down who gets to do what

Restaurant departments might include:

- Receiving, Storing, and Issuing Receiving clerk Other receiving help
- Preparation
- Vegetable cleaners Salad preparation workers Butchers, etc.
- Processing Cooks Bakers
- Service
- Counter girls Waitresses Bus boys Head waiters
- Junior Administrative Bookkeeper Office help Cashiers Food checkers
- Administrative Manager Day assistant manager Night manager Food Production Supervisor and more

Full time and part time, supervision, talent and skills, experience and potential, screening and hiring criteria also help you make better decisions. Guidelines and performance standards of what is expected and not acceptable helps set parameters and manage expectations. Job analysis and specification is a great way to cut to the chase and core of what the job is about and how to do it well.

Hire talent and promise!

Schedules, rotations and hours need to be posted and clearly communicated. Wages and part-time workers find these helpful too. Forecasting sales and then staffing accordingly is one way of doing it. Decrease labor costs and increase profitability. Eliminate high payroll costs. Every business decision you make, will affect your staffing and resource planning as well.

Hire talent that can be an asset to you. Connecting with customers and doing the job/task well are great criteria, rapport and even age can have an effect on the hiring process and outcome.

There are many ways to pick the candidate or prospective employee and not all of them are necessarily scientific! Hire the best fit with a great sense of pride in their work, a fit with your organization and team, that adds value and will contribute meaningfully.

Application forms, screening tools and even diagnostic tests, interviews are all utilized in order to hire the right talent into your business. DO NOT COMPROMISE!

Stable, motivated and unimpaired

Schedule work, ensure variety and a collegial workplace and you are half-way there.

Enhance it with training opportunities that make a difference for them in their lives and workplace and you have a winning combination.

Learning in this industry happens through the apprenticeship system. On-the-job training is typical. Staying current and honing those skills are key too. Emphasize training and give recognition where it is merited. Give each person new skills and information, making jobs easier, empowering our staff and motivating them to greater heights of performance, which in turn is great for the business!

Other types of training might include: Induction or Orientation Training, Job Instruction, and Refresher Training.

Coaching and instruction is on-going in the restaurant business – you will find yourself learning and teaching every day!

- Patience
- No critique
- Step into the learner's shoes
- Praise and encourage
- Raise the bar
- Set them up to succeed and set realistic and attainable goals to motivate
- Be aware and appreciative of differences and learning styles that vary greatly
- Break things down into small steps or pieces that are easier to manage.
- Take time to reflect and absorb the content and material
- Positive and supportive
- Be specific, concise and to the point. Give examples and let them practice and refine their skills
- Demonstrate and teach someone else
- Show and tell and make it about MORE than just the job!

Some key secrets to ensure you are doing all you can to make your people COUNT!!

- Be a life-long learner yourself
- Be familiar with every task in the restaurant yourself as well
- Encourage and interest, engage and interact, invite to learn
- Goals
- Lead by example, stand back and let them show you what they have mastered.
- Set realistic expectations from the start when hiring new employees
- Systematically and gradually teach one step at a time

When you do manage others in a dynamic environment such as this always realize that you will be dealing with individuals within different groups, who in turn interact with one another and co-exist, function and work together. See and treat the person, not the role! Recognize and respect differences, use them to your advantage to strengthen the team and performance. Business are about people in the end! Success or failure in the restaurant business is reliant on PEOPLE!

Create desire to be all and the best they can be in every situation, meaningfully contributing to successful process and outcome. Job satisfaction and reward are huge incentives. Personal interest and encouragement will go a long way to build up performance. Confidence, security and teamwork, supportive and collaborative working environments are key. To err or fail is OK! TO not try, is not! Follow through and follow up, keep in touch and realize all of us want security, belonging and contribute. Tap into this amazing resource often! Think about the repercussions of your own actions and see things start to change around you too! If it is a particularly charged situation, here are some things you can do: STOP! Get emotions and situations under control, collect all facts, ONLY THEN ACT!

11. WHAT IS ON THE MENU AND HOW TO MAKE IT HAPPEN

- Menu-Planning, Purchases And Successful Profitable Execution
- The Relationship Between Purchasing, Sales, Costs And More

Food costs can easily escalate in the restaurant business. You need to be able to control it and stop it from happening.

Areas to pay special attention to are:

- Purchasing
- Receiving
- Storing
- Preparing
- Processing
- Serving
- Selling

In addition, consider:

- Planning your menu well (knowledge and expertise), looking at sales, desires of guest, favorites, prices etc. menu-rotation becomes simple and possible, day and specialty, balance the menu, regulars and new items, special offerings
- Get produce and goods at good prices (economical)
- Receive and store well
- Account for sales, measure and track

Read and research, buy SMART! Consider quality and effectiveness of product, value and price. Think about pre-packaged and pre-portioned items, feasibility, wholesale cuts, frozen veggies – practical and affordable are good golden rules to ascribe to.

Quantities and buying in bulk to save (when appropriate)

Leftovers, itemize what needs to be purchased for the next day.

Pay your bills regularly and keep the relationships and channels open and in good standing.

Categorize and streamline your purchases:

1. Staples and Groceries - Condiments and seasonings, general provisions and staples (such items as baking soda, cocoa, crackers and gelatin), canned fruits, vegetables, juices, canned fish and sea foods.
2. Perishables - fresh fruits, fresh vegetables, frozen fruits, frozen vegetables, beef, pork, poultry, fish, lamb, veal, and dairy products.
3. Standard Contract Purchasing Items

Other useful tools to help you make the right, quick decisions and execute your orders with precision and clarity, avoiding errors, delays and other difficulties:

- Written contracts for large purchases
- Templates and general Purchasing Forms to speed up the process are great investments
- quotation sheets
- Purchase Order forms and itemization also helps the process and outcome along – IT GETS YOU RESULTS AND SAVES TIME AND MONEY! All these factors are intertwined and individually and

collectively they contribute to the success or failure of your operation.

12. DEALING SAFELY WITH FOOD

- What To Do With Food That Arrives At The Restaurant (Receiving, Storage)
- Store-Room Fundamentals
- Industry Guidelines

Quality is at the order of the day here in this category. Managers of store-room keepers have this responsibility depending on the size or the operation.

Receiving and Storing Food is a BIG priority. The system has to work, the process reliable and stable, from start to finish. Mistakes, delays, safety are all aspects that need attention

Invoices and COD charges also need to be monitored.

Delivery slips and errors are dealt with then and there. Duplicates, shorts and other details have to meticulously be handled to ensure accuracy and proper procedure. Storage of meat for example is done with great care.

Temperature control is essential too.

Inventory control and re-ordering key to keep the machines running!

FUN FACT: Ever wonder how to store eggs? in an upright position, on the pointed end of the shell, never on the large end or on the sides. The pointed end is the hardest part of the shell; the round end contains the air cell which should be undisturbed.

Here are some more guidelines pertaining to the safe storage of foodstuffs for your restaurant:

Keep butter wrapped to prevent absorption of odors.

Frozen Foods: 0° or less

Dried Fruits: Refrigerate during summer at 32°-45° F.

Adjustable Shelves For Canned Goods

Perishables and dates should be sorted and visible.

Old products in front always – they need to get used first.

Store-keepers and managers need to stay on top of details and big picture. Their priorities include:

- Accuracy
- Spoil
- Inaccurate – incorrect or incomplete order
- Freeze
- Store
- Check and verify
- Prompt and efficient, safe storage and refrigeration.

Effective ranges of refrigerating temperatures for various food groups are:

meat and poultry 31°-35°F.

fish below 32°F.

vegetables 36°-40°F.

dairy products 33°-37° F.

Restricted access and preferably locked storage rooms are best.

Controlling food costs are essential too. Standard recipes and portion sizes help keep food costs down too.

Section IV: THE VERDICT!

12. HOW TO TELL WHETHER YOUR RESTAURANT IS SUCCESSFUL – USEFUL METRICS AND GUIDELINES

- Value, Format And Use Of Financial Statements
- Productivity And Gross Profits
- DEFINING EFFECTIVENESS: Metrics And Performance Standards In Your Business (Standards And Food Costs)

Measuring performance, growth and progress is extremely important. Utilizing some standards, measurements and statistics in your business can be encouraging to self and others, to show where you were, where you are going and how to get there, how far still to go... and MORE!

Set some operational standards and be flexible, consultative and encouraging when implementing them. They are meant as guidelines of good practice and what is acceptable or GREAT! IT makes it measurable and tangible, easy for most to relate to, understand and DO! Getting you consistency and quality.

Here are some quoted examples of suggested restaurant standards:

Food Standards

Example: Buy hamburger ground from U. S. commercial grade chuck. Use eighteen percent cod fat.

Purchasing Standards

Example: The re-order point for catsup is two cases of #10 cans. Do not order more than five cases.

Receiving Standards

Example: Weigh all fish and chicken with the ice removed.

Storage Standards

Example: Store all new items behind old items and use the old items first.

Operational Standards

- Standard operating procedures saves time, money and waste!
- Production and preparation standards seem to be the most important in terms of optimal results.
- These metrics help track and inspire.
- Leading by example in this area will reap great results for you.
- Standards are applied to things done by employees in a restaurant. Policies and standards help streamline and make the working environment stable and predictable, giving us all some of that security we so need.
- Hard to implement and stick to at times.
- Some are less flexible than others, like sanitation and hand-washing for food-preparers, servers, cooks etc.
- You can focus on wanting to improve your standards. These are putting both leadership and goals to task and in motion.
- Standards should make life a lot easier, not harder if done right the first time!

13. FINANCIAL STATEMENTS AND OTHER FISCAL REALITIES OF THE RESTAURANT BUSINESS: DEALING WITH AND SPEAKING CANDIDLY ABOUT PROFITS AND LOSSES

- Defining Profits And Losses
- Boundaries And Guidelines
- Break-Even
- Dealing With Increased Costs
- Planned Expenses And Budgets
- Other

The Profit and Loss Statement

Analysis of business changes and tracking progress – a very useful measure.

Financial comparisons and data analysis can be done to give you and idea on how the business if really doing, in terms of profitability.

detailed summary of sales and costs
trends of business volume and
comprehensive report of managerial efficiency and responsibility
accurate measure of the various revenue producing departments'
productivity
a break even point
closing point of operations
aids to use for increased over all effectiveness.

Focus on controlled and scheduled expenses.
Departmental classifications should be kept separate
Provide space and add columns to compare
You will know at quick glance exactly what is happening where in the business, being able to act quickly and intervene if necessary. This is the beauty of utilizing these financial tools to take the pulse of your business.

Where did revenue go up and where did it go down?
What is the departmental productivity like when compared in this fashion, where is attention needed, urgently required.

To Labor costs is correlated and compared with sales (relative comparison), can be quite and eye-opener.

You can now enforce and monitor, Departmental Performance Standards.

This statements helps you see where the money is going and why, so you can determine the best course of action or recourse, whichever is most appropriate.

It can help you immensely also with forecasting and budgeting future labor expenses.

Operating costs and overhead are and will be clear as well using this statement.

Through this financial instrument and document, metric and performance measurement tool...

- Comprehensive and detailed at the same time
- Lots of important facts, information and data effectively summarized
- sales and costs have been pinpointed
- Useful to the operator, owner, manager to act and respond accordingly
- Spotting abnormal fluctuations in sales, food, labor, and other controllable costs
- Increase efficiency
- assure the success of the food service operation.

Get a planned expense program in place to help you streamline your business better. Here is how it can help your business:

- Analyze the expenses of the past period
- Determine the reasons for the cost's existence
- Institute cost control systems that are designed to reduce or eliminate those costs.

These tools help you discover when you are falling behind, tracking well, on target and/or above estimate or projected sales.

It acts like a barometer, measuring the pulse of your business ever so often. Variable costs and labor costs are hard to control if you do not know what they are, why they are happening and what to do about them remains elusive and impossible.

This can help you discover when you are actually making some serious money, where your break-even point will be and how you are doing on the profitability scale and front in general.

14. FINANCIAL DISCIPLINE, ACCOUNTING PRACTICES, RECORD-KEEPING AND TAXES

- Systems And Documentation
- The Importance Of Having All Of The Above Work To Your Advantage
- Journals And Ledgers
- Financial Intricacies And How Best To Deal With Them In The Restaurant Business:
- Debits And Credits
- Depreciation
- Trial Balances
- Profit And Loss Statements
- Balance Sheet
- Other

Without getting into too much detail, let us just say that these crucial business building blocks cannot be ignored or underestimated. They are so much more than systems and documents. They are like the veins carrying the life-blood of your business.

Dynamics and accounting principles, accuracy and documentation will many a restaurant owner attest, have helped out immensely in sorting out how the business was doing, keeping them on track and even saving a few close calls upon occasion. Investment in all of these financial processes and instruments, protocol and procedures are great ways to keep your finger on the pulse of your business.

Without having to define them here, consider how these statements, systems, accounting practices and principles, reporting, documentation, accuracy, discipline, fiscal management can all work together and become your personal arsenal of tools to execute,

monitor and track your business and progress, across your organization, outside in and inside out!

Accounting cycles, journals and ledgers all document and track business transactions and decisions, their impact, sales and effects on the business.

Accounting systems can help you answer many questions as to worth, profit or loss for a particular time period, costs, pricing relative to cost, Future planning and budgets, estimates and forecasts, enough detail to really understand the interconnectedness of all factors of your restaurant business.

Accurately record all your business - putting it on the books so to speak. Accounts are then analyzed and summarized in the ledger and the income statement and balance sheet produced based on that information.

The journal is the daily record of business transactions that will get recorded and consolidated into these other channels and instruments. Posted and coded accordingly to make sense of money in, money out!

The ledger contains all the accounts of the business and it comes together based on the information contained in the financial journal. Classifying and summarizing these transactions, give you a quick overview of what is happening in and around your business in all the accounts.

Debit and credit entries capture the dynamics and events of your business in a documented summary of the transactions that had occurred. It shows the value added or subtracted, the source or the value and what you did with the value. (left hand and right hand column – to keep things simple!)

Trail balance summaries help you get a better handle of what is happening in each and every account (for example, when compared against a budget), at a certain close of date or period (like end of quarter or year).

Balance sheets are tools that help you in your business ascertain things like assets, liabilities and ownership interest. What you have and what you owe. IT is a single snapshot picture of the state of your business at the close of a particular business day or date. P & L or profit and loss statements (see previous header) and the balance sheet are the last two documents in the accounting cycle. The profit and loss statement shows you a summary of the revenue or monies and all costs or expenses, so you can determine profitability! IN OTHER WORDS – HOW THE BUSINESS IS REALLY DOING! IF YOU ARE SUCCESSFUL, IF YOU ARE MAKING ANY MONEY (yet!)??

For some business financials overwhelm and they would rather have someone else take care of it. As the business owner it is a great idea to familiarize yourself more with how each of these intricate documents and dynamic tools can help you run and understand your business BETTER!

YOU NEED TO MASTER THE BASIC FUNDAMENTALS OF ACCOUNTING TO OPERATE YOUR BUSINESS IN A HANDS-ON FASHION, MAKING SENSE OF THE NUMBERS AND HAPPENINGS IN AND AROUND YOUR OWN BUSINESS!

16. AN EYE ON THE FUTURE – ALWAYS LOOKING FORWARD

- Future Trends And Markets
- Convenience And Types Of Operation
- Nature And Scope Of Things To Come
- Basic Requirements To Survive And THRIVE!
- What It Will Take To Be A Successful Restaurant Business In Years To Come

The only constant is change and as restaurant owners and businesses we need to remain agile, adapt and change with the tides. Being proactive, hands-on, engaged and personally vested in our endeavors will assist us with this undertaking and task.

Trends are harder to pin down these days. What was the standard of excellence yesterday, soon becomes the minimum today! People will continue to go out and we all need to eat – that is one reality! How we address it or capitalize on it might be totally different, but there are rooms a plenty for many MORE!

Fast-paced lives and convenience will continue to dictate our dining out habits and choices, as will price, selection, ambience, service, consistency and satisfaction.

Luxury has become a necessity – even for restaurants and dining. IT IS AN EXPERIENCE!

Restaurant trends and upcoming challenges that restaurant owners might face, include:

- Growth of fast, minimum service – saving time and money is paramount.
- Combination motel-restaurant chains Airport restaurants and open-kitchens

- Atmosphere and ambience-type restaurants will grow in popularity and more specialty and signature, even themed restaurants will dominate the landscape
- As to where these restaurants will still most probably be... areas of heavy traffic, near cities, but also in neighborhoods and suburbs.
- Shopping centers and downtown locations will still be very popular.
- Less and bigger chains will dominate
- More Pre-prepared, Portioned, Convenience Foods
- Customer-branded food-choices
- Healthier cooking methods
- Centralized pre-preparation of foods by chains and institutional food service is almost certain to grow.
- More use of dehydrated foods
- Special meals and preparations for combat conditions, high altitude and space travel.
- Frozen meals sold at supermarkets will be improved in quality and variety.
- Faster, Better Equipment (food cleaning, preparation, washing, sterilizing etc.)
- Automation and mechanically operated
- Mass and centralized purchasing
- Increased labor costs
- It will become and be the field of experts, where dreams are made reality by expertise and hard work!

CONCLUSION

So, after taking this introductory journey into the world and dynamics of restaurants and eating establishments, it is very easy to see that it is not so simple to run and make a success of one and you might think looking in from the outside.

As a business owner, operator or manager, it is a great start to review and view your restaurant and operations as if with a new set of eyes. You can easily utilize the contents of this guide as a checklist of sorts, to help you figure out and learn more about your own business.

You too can optimize, hone and harness your and your business' potential, promise, great growth, vast business success and even wealth by understanding the context, accepting the challenge, following the roadmap and enabling the positive verdict! You can plan, manage and execute well in your business, regardless of the stage, cycle, size or condition it is in. There is no time like the present to embrace your destiny!

We trust that these couple of pages have provided you with insights, secrets, tips, tactics, techniques and useful practical advice on avoiding key mistakes, oversights and errors made, stacking the odds in the favor of restaurant and business success, with good results, being the optimal outcome, your passionate pursuit and ongoing quest.

The restaurant sector will continue to grow, expand, change and morph in its vibrant dynamic character. Understanding of the underlying philosophy and an appreciation for food and dining out, combined with the fundamentals you have unearthed here, will all contribute to results and success down the road.

MASTER every aspect of the business and operation, customer satisfaction, TURN THE TIDE IN YOUR FAOVR – MAKE THE MOST OF

- Your knowledge and expertise, adaptability, agility, in-house talents and strengths, Get to know your customers, competitions, employees, finances, banker, partners and YOURSELF!
- Build on your industry exposure and experience, hone and harness your skills, building and expanding your own knowledge on business, food and operations.
- Showcase your deepened understanding of self and others, turning your working relationship difficulties and social , leadership or interpersonal skills into power-tools that drive your business success.

GOOD LUCK!

APPENDIX 1

Listed below are seventy-five basic causes of high food costs from a leading industry source.

Major Area Causes of High Food Cost

Menu Planning

Monotonous menu

No balance between high and low cost items for higher average check

No consideration of food supplies available on the market

No consideration of the time of day, day of week, holidays, weather, temperature

No thought to the appearance and conjunction of the food on the plate
or dramatic

Poor format—the menu is not clean, understandable,

Poor promotion of low cost items

Too many or too few items on the menu

Poor pricing of menu items

No consideration of type and amount of equipment needed to process the menu items

No consideration of type and amount of labor required for various menu items

Purchasing

Graft between purchasing agent and purveyors

No audit of invoices and payments

No centralization of purchasing power and responsibility

No competitive purchasing policy

No cost budget for purchasing

No detailed set of specifications governing quality, weights, types, etc.

Poor relationship with purveyors

Purchasing for too high a cost

Purchasing too much

Speculative purchasing

Theft by receiving man

Use of fixed instead of flexible standing orders

Receiving

goods not received
Lack of facilities such as scales
No check on prices, quality, or quantity
No checks on receiving methods and procedures
No record and subsequent check on goods received
No system of obtaining credit for damaged goods or
Perishable foods left out too long before storing
Poor receiving equipment

Storing

Food placed improperly in storage areas (e.g., fats, eggs, and milk near strong cheese and fish)
No daily inspection of foods stored
No periodic report of dead stock or record of inventory turnover
No physical or perpetual inventory
No policy of one man's responsibility for food storage and issues
Poor sanitation in dry and refrigerated storage areas
Stored at wrong temperatures and humidity
Theft in storeroom

Issuing

Careless pricing of issues
No authority or responsibility for requisitions an issues
No control or record of foods issued from storeroom
No forced issues

Preparing

Excessive trim of vegetables and meats
No check on raw yields
No use of end products for production of low cost meals
Poor or no mechanical equipment for boning, slicing, cutting, carving, trimming, and peeling

Processing

Cooking at wrong temperature
Cooking too long
Over production
Using wrong methods of cooking

Service Sales Controls

Carelessness (spillage, waste, etc.)
Carelessness with "walk-outs"
Cashier theft
control purposes
Delay in bringing food to the customer
Faulty and/or dirty equipment
Faulty scheduling of food to be processed (too early—too late)
inventory consumption
No accounting for employee and officer meals
No audit of daily sales (register readings, waiters checks, food checker reports)
No care of leftovers
No checks on authority and responsibility of personnel
No control of facts
No control through the use of forms
No food popularity index or comparison of sales and
No forecast of sales or cost budget
No record of food served or leaving the kitchen
No record of price trends (best times to buy)
No sales records to detect trends
No standard portion sizes
No standard size utensils for serving
No use of standard recipes
No use of systematic procedures and policies for
Not cooking in small batches when possible
Poor promotion and advertising (internal and external)
Unattractive food, poorly served in a dirty atmosphere
Waitress theft