Hey there restaurant pros. It's David Scott Peters and welcome to episode 68 of the restaurant prosperity formula. I've been coaching restaurant owners since 2003. And the restaurant prosperity formula is based on what the most successful restaurant owners I've worked with to on a daily basis to achieve their success. The basic premise of the formula centers around achieving prosperity freedom from your restaurant that financial freedom you deserve. To achieve prosperity, you have to follow a very specific formula made up of leadership systems training, accountability and taking action. Today I want to talk about one of the biggest challenges facing any restaurant today. And that's how to control your labor costs in a market where wages are high. restaurant owners fear losing people, and we're managers for decades have been mistakenly been told to bring more people in and send them home when you're slow. Plus, I'll go take a deeper dive into two systems that can immediately reduce your labor cost. Let's get started. But first, a word from our sponsor. We all know managing costs is one of the most important parts of running a profitable restaurant especially now, but between fluctuating vendor prices, waste labor, and the never ending list of tasks that demand your attention on a daily basis. It can be challenging for even the most experienced of us to manage costs well, that's where margin edge comes in. The margin edge is a complete restaurant management software that automatically uses data from your POS and invoices to show you food and labor costs in real time. Don't wait until it's too late. Margin edge gives you tools to make decisions in the moment, like a daily p&l price alerts on key ingredients and real time fleet costs without ever having to touch a spreadsheet. Take control of your costs work more efficiently and be more profitable. Go to www dot Marjan edge.com Ford slash DSP to learn more and schedule your demo today. labor costs are a real challenge for restaurants that want to make money restaurant owners have to battle with rising minimum wage. Do you remember when $15 minimum wage was Oh my gosh $15 Minimum Wage it's gonna it's gonna destroy the industry. Well, do you know that Los Angeles the city of Los Angeles in California is proposing a $22 minimum wage? Well, forget about that. I mean, just think about it. You've got to battle this high wage. restaurant owners have to battle what hourly wages are going up based on competition. Right? Forget about $15 minimum wage and that 22 doesn't sound that scary in your kitchen does it? Because most of us, well, you're probably 16 1718 $20 per hour in order to track and keep a cook today because the labor shortage is real. You have to battle wanting to have basically give the best service possible. And we've been trained, trained, decade after decade that if you want to have great service put more people on. Unfortunately, that's not the right answer. You have to battle fear. The fear of working your people too hard because you're gonna lose them again. There's a labor shortage What if I push people what if I ask them to do too much and I lose them I don't have people to replace them when you have to battle managers that don't pay attention. Sit in the office and don't look at your sales by half hour by half hour to see that the restaurant may be full, but you have only done $500 in sales in the last hour because people are on coffees and desserts. And they should have been putting people on the sidewalk by now. You have to battle labor laws. Again, let's use California as an example. You know you if you're going to schedule somebody or bring them in you have to bring them in for a minimum four hours. There are no two hour one hour shifts. You bring them in you want to send them home in an hour, you're going to cost you four hours. That's the law. So what is a restaurant owner to do? How can you give good service keep your team happy and make money? Well it starts with a budget. Why do I say that? If you've been following for any length of time I say the two most important systems any restaurant should ever budgets and recipe costing cards. Why? Because budgets and recipe cards are proactive tools. So to take that theme of proactive tools. We're going to throw something out the window and that's called an industry average. We're not going to run our labor to an industry average happens all too often we say hey, it's 32% 33% because you read in a magazine article, you saw it on a TV show. You had a consultant, a coach, somebody tell you oh well your labor costs should be 33%. It couldn't be any further from the truth. Because the truth of matter is based on your prime cost, total cost of goods sold plus total labor labor costs including taxes, benefits insurance, you may run higher labor and lower cost of goods sold and vice versa. Because we're trying to get that 55% prime cost or under depending on where your volumes are. Now with that said the other part with a budget is all too often even if we come up with it or let's say your number is supposed to be 33% What is supposed to be 22 Doesn't matter. But let's say it's 33% What we use is 33% number all the way through 12 months a year. You know with a budget you're going to find that you have months where you have well minimum staffing levels, your labor percentage is going to be higher, it might be 40% Because you're keeping people working. Your salaried managers are chewing up all your money and you have minimum staffing, one cook one server, you get to get the picture and it's going to be a higher labor cost percentage. But when you get into season your labor targets are gonna be so low because we pay our managers the same amount of money. So their percentage of sales becomes lower, and we reach what we call maximum efficiency. I couldn't add another cook I have money but I don't have a station for them. couldn't add another server. I could have the money for it, but I don't have enough tables. And so all of a sudden your customers start to manage your efficiency. And your labor cost drops like a rock because everybody comes in at the same time everybody leaves at the same time because you're busy the whole time. So you've got to have a budget in order to combat higher labor costs. Now I'm going to tell you during that budgeting process, I do something called a down and dirty dollars per labor hour work efficiencies. So what it is, is I may look at your your budget and look at the dollar amount that you're going to spend say next month, the first month of your budget let's just call it that doesn't matter when you start the budget. You can start out in July, August, September, January doesn't matter. So the first month of our template, we look at the dollar amount that we're going to spend in a position let's call it cooks. And then I'm going to divide that by what the the average hourly wage for cooks that's going to tell me how many hours I have it take those hours divide that into food sales only because that's all they touch. They don't produce bottle beer, draught beer, wine or liquor. And I come up with a dollars per labor hour worked. And let's say we come up with $150 per man hour worked. So if there's a cook on the line, just one we're gonna do $150 In an hour. If there's two cooks on the line, we do $300 You get the picture. So it's per party per hour, what we're going to generate, let's call it $150 per labor hour worked and then we're going to look at your average ticket per person. And how much of that is just food based on your sales percentage. If you 80% food, we take 80% of that average ticket from your point of sale system. And let's say we come up with $25 is the average ticket per person food only. Well, if I divide that into 150 What is that? That's six six items an hour. Now, there's some flexibility there, you know, items entrees I don't know. Like it's not a perfect science, but it's pretty close because only 25% of your customers actually order a secondary item and appetizer or dessert. So the fact that matter is it kind of translates pretty well. And all of a sudden you look at say six items an hour. That doesn't sell busy. No, when you're crushing it, you're doing 2025 items an hour. You are really humping and getting things out there. And oh by the way, this does include opening the restaurant side work No, no. No sales, closing the restaurant side work, no sales, because they're small hours when you look at a full day. And so our goal is to look at it and go man, we have opportunity to reduce our labor costs in the budgeting process. Because we're being inefficient we go position by position by position. You want to control your labor costs. You need to be using scheduling software. Yes, you can write a schedule and put it up on the board. But you need scheduling software so you can see your sales, your hours and the dollar amount you're about to spend before you schedule. And as we track to control your labor costs. You've got to basically do this go into next week on budget. So what I mean by that, well I teach a system called the restaurant payroll guardian. It used to call it the labor allotment system. It is labor allotment is where we are literally saying how much money we can spend next week to be on budget. But I go one step further and tell you how many hours you have to spend by position. So this is important why we want to go into the week on budget. We want to look at those efficiencies and say how can I make it that I schedule that I put my pinky toe in the weeds. I'm not in the weeds, but I put my pinky toe in the weeds because that's when my my guests get the best service possible because instead of the servers and bartenders and everybody playing grab ass with each other, paying attention to each other, they're busy enough that they can only Priebus tables take orders take care of the guests deliver clear they're focused on the guests their guest centric when I have too many people what do they do they play grab ass. So that efficiencies by bringing putting my pinky toe in that water right just right on the edge of the weeds I can get better service and save money.

Combine labor costs to bring them down and you've got to hold your managers accountable to that budget. Remember those labor hours? Remember the scheduling software if I've scheduling software, I basically can use templates and what have you and and write my schedule simply drag and drop people in there. Because I can have templates for a $60,000 week $100,000 week, whatever it may be. But then I have my budget, the restaurant payroll guardian and I put them side by side and I find that I had scheduled 364 hours in the kitchen. But my budget only allows 350 Now it's my kitchen managers or chef job to trim those 14 hours without giving up guest satisfaction without cutting cutting service levels. And it can be done because it can be for cooks 15 minutes later in the daytime for cooks 15 minutes later in the evening. That's one hour a day or one hour, a morning one hour an evening, seven days a week 14 hours how quickly we can start to see that stagger starting and bringing people in when I need them instead of the whole day can have a huge impact. You want to combat labor you have to look at your labor costs by day and dollars per labor hour worked. That means what it means when I write that schedule, I start to look at each day and I see my efficiencies. Now this can be misleading because there are days that I may have bad efficiencies. I've got all this prep work that's being done. On Monday had my ass handed me over the weekend. I've got all this prep to do on Monday. So my labor costs are going to be higher my dollars flavor week is going to predict your person is going to be low. But again, I look at the whole week. There'll be days that make up for it. But it can help me identify when I schedule the same people the same shifts week after week that has nothing to do with sales. I promise people hours, and I go hey, I was gonna do $7,000 In sales food sales one day 10,000 The other and each day only needs 40 hours, whatever the number is. Why is that I need the same amount for a busier day versus a slower day. Means a slower day. I'm probably inefficient. You need to track labor on a daily basis. This is huge. Not just labor and dollars to give you a labor percentage. But you got to track hours and I'll talk about that. Control your labor costs you need to analyze your labor after it happens. So now we're measuring. We're looking at our labor costs and tracking it on a daily basis. Tracking labor is so important. And in the same respect we start to track by doing the dollars per labor or work to see did we hit our efficiencies? So let's assume for a moment, you're a restaurant owner who understands that you need to control your labor costs. You have a budget in place, which means you know your labor cost targets by month and you buy into the need to go into next week on budget that we did schedule on budget. What steps should you follow to make sure you go into next week on schedule, right? On budget? Well, number one, you need to create scheduling templates inside your scheduling software. Again, the old days I'm an old timer. I've been doing this for 30 plus years I've been coaching for 20 We used to do something called staffing guides where you'd say I need three servers in the am six in the PM. I need two cooks in the am I need four in the PM. And we look at each day and put a staffing guide. But the truth is was software it makes it so much better. You create your 10,000 hours a week or 15,000 hours a week, your $40,000 week, your $100,000 week and you build the perfect schedule for every position. This allows you to not only make sure you have enough people on your leaving breadcrumbs for your managers to schedule on budget because any stagger starting has been built in who what positions you need stations everything's built in use drag and drop your employees and that's huge. If you're active where it means that the old school way of doing things the way I was taught with staff and guides is out of date we need software. Number two you need to grab your labor targets for next week scheduled from your budget. So your budget is going to give you a line item if you're using my my budget builder MBP a line item called the labor allotment which is just your labor not including taxes, benefits insurance, not including owner salary your admins, your managers and your hourly people. And it gives you the percentage you're supposed to shoot for. That's going to be important because again, based on our budget, we may have a higher or lower labor costs by month based on seasonality. This again is our labor allotment target. Step three is we're going to grab last week's numbers from your POS systems 7am And the numbers from your scheduling software and we're going to calculate so much. We're going to sit there we're going to grab last week sales from POS system. We're going to grab all of our positions how many hours regular hours, overtime hours regular pay, overtime hours totaled and we're going to be able to calculate average hourly wage by physician. We're going to be able to calculate percentages that that cooks represent 43% of all hours worked. We're going to have our average hourly wage for up positions. And we're going to have our labor costs for each one of those positions based on the sales got all this data. And now we've got that budget target. What it allows me to do is plug it into what I call my restaurant, payroll, Guardian labor allotment system. And with all that data, we can say based on next week, we know we're going to do X $1,000 in sales and our labor target from our budget and all the information we just plugged in, it's going to be able to tell me how many dollars and how many hours I have to schedule next week to be on budget. I can also refer to a dollars per labor hour work calculation what I call my restaurant labor efficiency finder to find out, hey, when should I be using those hours? When should I not? And then we schedule next week on budget. Which is amazing. Because now we're proactively going into the week on budget. We're not worrying about bringing people in and sending them home when it's too late. Step four. Now that we have our scheduling templates, and now that we have a budget, each one can tell me how many hours and dollars I have, that I'm spending or have to spend the actual against budgeted. This is before you post it for your employees. We compare the two I call this my labor discrepancy finder. And when I find that I'm 14 hours over in my kitchen, I start to stagger start. When I find that I'm five hours over in my servers, I start to stagger start. When I find that I'm 10 hours under my hosts, I start thinking about am I short staffed and do I need to take some of those server hours and move them down? Meaning a server down so they can handle it? It gives me the ability to adjust my schedule. Even though I use the template, the templates not going to be perfect. It's a generality of what we build it for. If it's $10,000 off, $3,000 off whatever it may be. Every dollar counts. And so again, being able to adjust before you post is huge. Step five. If you're over budget, now we negotiate with other departments. We strategize a plan to get back on budget. What do I mean? Well, let's say that I'm 14 hours over in the kitchen, I've done everything I can. But what I do is I've got all this prep to do for a party. That's Monday. The sales for that Catering is next week, but I need the labor today. I can simply go to the front house manager hey, I need 10 hours would you mind if I steal 10 hours from you? If it's no impact, I can make that trade. Or I can start to come to you as the owner or general manager and go hey, I'm going to be 14 hours over. This is what I did. I would have been 25 hours over and over the next two weeks. I've got a plan I'm going to strategize give you a plan of what's going to bring me back on budget, and that's huge. Instead of looking backwards and accepting the lost money and forgetting about it, we say hey, I know that I'm about to be over budget, and I've got a plan to get myself back on budget. That's huge. And six finally you gotta get the owners approval or the general manager if they've been given budgetary responsibility to post the schedule, when it is on budget when it has been approved. If there's a plan if it's over budget, the following these steps automatically below your labor costs, because you're going to do two things out of the gate. One, you're scheduling for the needs of the business rather than bringing in too many people and praying you're busy and sending them home before and then it's too late. And too you're holding your managers accountable to a budget. Oh, by the way, I teach the exact system in my book restaurant prosperity formula, what successful restaurant tours do if you want to control your labor costs, scheduling on budget is only half the battle. And before you start jumping into more advanced controls, like dollars per labor hour work. The second half of the battle is tracking your labor costs on a daily basis. Because the phrase that what you measure improves is 100% Correct.

Now, most restaurant managers what they've been taught again to track labor on a daily basis, but how many of them have been taught to track on a daily basis just the dollars that came in and sales and the dollars you spent to come up with a labor percentage, right? So and some of them even been taught to do the running total. So Monday my labor cost is 18% Tuesday's my my labor cost is 22 and our running total is 20. Let's just make it easy math. And the days go on. And as I do this, I start to see where my labor cost is going to be. And I can still work towards the right target. But the truth is, it's not there. See the Google sheet that I share with my members. The restaurant labor tracker is literally going to track a lot of details, probably more details than I can describe right now. From expected sales, forecasted sales to sales needed to hit your labor target to originally scheduled hours versus actually worked hours. Originally skeleton scheduled dollars to what was actually used and running totals and so on. It's a little bit complex but easy to use. It's just data entry. What I want to share with you is one thing that you can do today to track and control your labor cost. That is just kind of pulled from that spreadsheet that you can do right now because again, you can track your sales and you can track your labor costs by percentage and dollars. And you can do a running total but it doesn't tell the whole picture. What I want you to do one more thing. I want you to look and start to track your originally scheduled hours with those hours that were actually worked. So when you look at it, you say hey, we originally scheduled call it at five hours on Monday but Tuesday morning, I walk in and we work 90 hours. Well, let's say I forecasted $7,000 in sales. But I worked more hours. What would your expectation be that my sales should be higher than $7,000? But when I find that $7,000 or less, it means I've got managers who are falling asleep at the wheel not cutting properly, not paying attention to the POS system and the needs of the business. So you've got to train your managers to look at their sales every half hour to identify time to cut the teacher managers to look at well, who closed the shift last night if my hours are higher, my sales are lower. What kind of coaching does that manager need in order to start to interpret the numbers on a daily basis and keep us on budget when you track you're going to help your managers come up with a plan to get back on track. See, I can see that we screwed up our labor costs on Monday but that gives me six more days to fix it without cutting service levels. See the last thing we want to do is get to Friday and go Cut cut cut like a chicken with your head cut off when we're coming up on the two busy sales days a week but that we finally looked at our labor costs and we're way over and we've got to track we've got to we've got to bring it back. My Case in point here. One of my mastery plus members recently reached out to me because he wanted to get the whole labor suite of my systems back in place in his restaurant. See, he was frustrated because he really wasn't holding his managers accountable the systems and his labor costs. Well, they were over budget. So he knew it was time to get back in the trenches. Refocus and that's not unusual. No matter how good a restaurant owner you are. We take our eye off the ball from time to time and we just have to refocus. So we got on a zoom. And I first told them to rewatch I've got this this in my training library, a two hour video that walks through all the labor systems from A to Z, step by step by step how they connect where the numbers come from a deep dive on all the labor systems that I teach to truly control the labor costs. Because you've kind of got to understand how all the pieces fit together. The puzzle pieces fit. Then we looked at the systems he was already using my systems, numbers, his numbers, and two things popped to my attention. Like wow, I can see this right away. He wasn't holding his managers accountable to the scheduled budget. I can see that in the schedule variance. He was approving a schedule that was over budget week after week after week. Only a few hours but only a few hours is money whose money your money and to while they filling out my labor tracker the actual sheet that I just talked about. They weren't mining it for the right information to make changes in their business. They were just typing in the numbers and looking backwards going oh my. Ultimately we got on a second zoom a couple weeks later and I walked them step by step through the labor tracker he understood that basically this what I shared with him was that I taught him, his managers needed to start basically to be held accountable to the numbers. They needed to be held accountable to the numbers. Basically those scheduled hours and sales. So what we did is we walked through and I said hey, look at this day, sale, expected sales versus actual sales, expected hours or originally scheduled hours. What was actually worked, and we could see on a consistent basis certain days were controlled and certain days were out of budget, but nobody ever tried to get it back on budget. We just kind of track and I said I can tell you that's probably the same manager closing that see manager needs some coaching. So he had a great understanding of the tracker went back to his management team and taught them. Now a couple of weeks later, I received a text message from it. And literally on my phone a text message and it read like this. Since our chat, we've been hitting our labor numbers had a weaker sales week just finished up. Still hit our targets. The labor tracker is working great. That is what it's all about. If you want to control your labor, it starts with a budget. It goes into proactive scheduling, but if you don't track you're never going to control it. If you'd like to learn more about controlling your labor costs, and ask me questions directly. Be sure to join me live every Friday at 8am pacific time on YouTube travel schedule permitting, where I'll get you pumped about the upcoming week and get you excited about crushing your goals and finding the motivation to be the best you possible. Plus, I'll answer your burning questions live. He that was an awesome episode. I want to thank you for taking the time to take action on building a better more prosperous restaurant. Before you go. I want to give you these three thoughts. One by combining leadership and taking action with systems and training being checked by accountability. You are on your way to creating prosperity for you and your restaurant to pay something I need from you. Please leave a review on Apple podcast Spotify or wherever you happen to listen to podcast. By leaving us a review other restaurant pros seeking out this information are able to find it. I read the reviews and hearing how this information has benefited you. does wonders for me. And three. If you find any of the discussions helpful share them, the more restaurant pros who have access to them, the better we become as an industry. For more restaurant resources or to get in contact with me. Connect with me at David Scott peters.com Be passionate about what you're doing. Be persistent, but more importantly become better and help everyone around you become better. And your restaurant is going to kick some ass.