

# TranscribeMe!

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- 00:48 And.
- 02:01 Hey are restaurant pros David Scott Peters here, creator of the restaurant Prosperity Formula and your coach man, I tell you what, I'm pretty excited to have you here today. We're going to dive into accounting. One of those things that most people don't want to talk about, because why we fear our numbers and truth be told, to be the leader your restaurant needs.
- 02:19 You need to understand your numbers. So we're going to take the time to literally dive into what the most successful restaurant owners know about their numbers. And I want you to be that that person as well. Now, you guys know who I am. David Scott Peters created the restaurant prosperity formula, and you've probably been on multiple webinars. So I'm not going to go through my whole bio. But I've got a guest today and Ganin, who's a CPA and principal of the Largo Group, a restaurant and hospitality accounting firm.
- 02:49 They handle golf courses. They handle all other businesses, rentals and so on. But what I love about Ann and her team is they are restaurant focused because what I've known over my years is by having the wrong expert on your team, man, it can really screw things up. So I'm going to bring you in on right now. Hey, man, how are you ? Thanks for having me. It's my pleasure. I'm so glad to have you kind of excited to dive in a little bit, but do me a favor before we get started.
- 03:20 Tell people just a little bit a snapshot of of your background and what the larger group does. Yes. So, like you mentioned, are we are, you know, accounting firm that specialize in restaurant. But above, our goal is to make accounting simplified for business owners, to understand that you have a lot on your plate. You have to run your business every day, but you need key information in order to make the best decisions. So our goal is to give you that information so that your decisions make sense and you know what is really happening in your operations.
- 03:50 Fantastic. Well, let's dive into what the most successful restaurant owners know about their numbers and and really dive into why that's so important. And during our discussion, we're going to cover four major points, what the most successful restaurant owners have in common. We're going to talk about the most successful operators, know about their accounting, where to start to get a better understanding of the numbers that matter. And finally, why cash flow is so important, how you start, you know, you get started to generate it.
- 04:19 And so as we go through all this, we're going to we're going to dive deep into each one of these topics and to start off with and talk about what the most successful restaurant owners have in common. And I'm going to take the lead on this one, because there's really one of the things if you read my book, Restaurant Prosperity Formula, what successful restaurateurs do, you can find it on Amazon. There's a

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shameless plug. It was following my at my old company, 22 of the most successful restaurant owners I've ever worked with, my elite group.

04:48

We met on a quarterly basis and we dive in to help each other. And I saw them change their lives. And in getting prepared to write the book, I literally dove deep and said, what makes you successful ? And took over a meeting, went around tables and had people in tears. It was just of joy of the change they made in their business. But there were two personality traits that each one of them had. And one is they have a passion for this industry. You must have a burning desire to be in this business because it will kick your ass.

05:17

Do I need to tell you about that after you've just survived a year and a half of covid and covid business restrictions ? And now we're I think we're worse off in the sense as an operator, you just spent a year and a half pulling back your management team, pulling back all your employees. We've got people who've left the industry and now you're approaching burnout because now the customers are coming back masse. Mandates are being lifted. Restaurant dining rooms are opening to seventy five percent to one hundred percent. And all of a sudden there's this rush of customers because our competition has gone to forty percent of restaurants are closed.

05:49

Whether they're closed for good will be an indication. We'll see very shortly. But the fact of the matter is you have no employees, so you're burning yourselves out. And I get it, this will pass. But this is where that passion is so important, there will always be an obstacle. And so the most successful people I've worked with really have a passion for the business. Nothing can stop them. Which adds the second piece that goes with that is the persistence. Nothing will stop them. Nothing will stop you from being the great restaurant operator you hope to be.

06:21

The question is how we get through the restaurant prosperity formula from leadership and systems and training, accountability and most of all, taking action. But we're going to focus on the numbers. And so no matter what, if we're focusing on numbers, you've got to focus on that. You still have a passion. Now, there are seven points that Ann and I are going to talk about, kind of a given a back and forth, but it starts with the first one and that's have systems in place to impose your will. Now, I'm going to spend a little time later as we talk about this, but I just what do you think about this ?

06:53

There's a system, a process, a way to doing anything and everything in your business. There's whether it's counting out a bar, draw the same every single time, or it is dollars per hour worked. So anything that you do, I always talk about restaurant one on one first, and then it's checklists and cash controls, the foundation of all your systems, and then we can get into recipe cards and inventory and so on. But and talk a little bit about on the accounting side, what are some of the systems they need to have in place from bill pay to, you know, making sure they get the invoices to you and all that ?

07:26

What are some of the systems that maybe an operator doesn't think about ? Well, really, what it is, is, like you said, I think building a checklist for forgetting lack of time, forgetting all of the things on your plate, if time wasn't a factor, what are all the things that you as an owner would like to do every week is I think sometimes we build it up in our head. That's like, well, that would take 12 hours. But if we really write on paper, here's all of the things I need to do in my bank balance. I need to make sure that all my invoices are in.

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07:55

I need to make sure my sales are right. I need to check the comp discounts. And I want employees just giving away stuff like all of those minor things that add up to something very major. I think having a master wish list is a great place to start and then building that checklist for you as the owner, because there's certain things that only you can do in the accounting side because there is an element of control to make sure that your employees are doing the right thing and that cash isn't missing. And that's really the owners role.

08:24

But I think if we start with that wish list of all the things I want to do every week and then build out a way that we can do that because they're so important for our business. And this is where you and I, we complement each other and what we do, like I've got a system called the DSR Tracker where you're literally taking your daily sales report, putting the numbers in. So we have the right journal entry for bookkeeping. We know gross sales by category accounts payable discounts and we know how the money came in. And what's beautiful about that is, you know, five minutes of work that your managers will do at best.

08:56

And but now it gives accounting the right journal entry and a double check. That was you talked about, hey, what do you want to accomplish ? You want to be able to leave your business, but trust the money making it to the bank. We've got a post report that tells you what your number should be. You've got what your DSR tracker says you're actually taking the bank, but now accounting can double check and say, did that make it to the bank ? And you can double check that. The number they say is over short is truly close to what it's supposed to be because, you know, that whatever that over short is should be plus or minus your deposit tells you what your system says.

09:31

I mean, those little things truly matter, don't they ? Oh, definitely. And I think we can't always assume the point of sale knows everything. So really, like you said, building your own daily check. So, you know, the point of sale might show a thousand dollars, which the bank that you know, that it didn't because of tips or paid outs or whatever it is. So you don't need to make sure that we record all of those in the point of sale or like you said, have a separate checklist to say, OK, this is the number that you're accountable to because we really should hold our team accountable to make sure that that four hundred dollars actually went into the bank account and its own deposit slip with the data on it.

10:08

So that way everybody is there. That day is in the bank. And I think it's a little thing, but it's a big thing for accountability. And then we've got invoices. I'm going to accurate cost of goods sold. We've got labor numbers, payroll reports, post reports and so on. Like what is it that I should be think of as an operator working with my accountant or bookkeeper to make sure that I've got a system, that they get the right numbers, like to make sure every invoices in impact.

10:37

So I can tell you, my old software company, we developed something where you can scan invoices with your phone, upload it. Well, you and I both work with members that are in our three sixty five or margin edge more most often than not in a myriad of other software packages. But they've got those features to take a picture and upload. How important is it to do that so that you have the right information. But then how what are they supposed to do to double check ? Because that's the piece most operators forget.

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11:06

The successful people are double checking. Can you talk about that ? Yeah, so really what I think has evolved, especially with technology, is the idea of looking at your PNL on a weekly basis, so your profit and loss statement showing your revenues and expenses, that is critical to look at weekly. And the reason is you can clearly see if things are missing, if you go and pull a four week trend rate. So I love to look at it for region.

11:33

And even as I get a four week trend report showing that over the last four weeks and that's critical because I don't care about payroll enough or which is I'll see a biweekly payroll or maybe even a bi monthly payroll. But what I do care about is really seeing the cost of goods line because that tells me if I'm missing in a great example of someone asked me to pull up a sample report this morning, I just told one they're working on this week and it's like twenty six. Twenty six. Twenty six. Nine. Well, I'm pretty sure your customers are not right. That tells me that we're missing invoices.

12:02

And right away, it's like a gentle reminder. OK, let's make sure we have all the invoices so we're not waiting till the end of the month, because when your numbers get bigger and things come back, it's easy to miss a couple invoices and then fool yourself into thinking, oh, I'm running great asset when in reality we're missing invoices now. Now, the next point we have here, the most successful restaurant owners we work with have is an implementor, somebody who, as eloquently as I say, helps them get shit done, because what I found is restaurant operators.

12:33

Owners should not be and and cannot be the person who implements a system to make sure it's getting done on a daily basis with really just such detail. You got to double check. You got to hold people accountable. We'll talk about that. But you need somebody on your team to make sure that people there along this journey with you doing the work for you, that you can oversee it, that you can be the leader of the business versus the doer of the business. Now, I know that that translates one hundred percent when it comes to implementing systems.

13:04

It's in fact a critical piece to anybody who joins by restaurant transformation intensive program. They have to have identified and implemented to bring along the journey or I know they will fail. Now, do you find the same thing on the accounting side ? Like do the same operators have a key person that kind of ensures you get the data you need versus counting on an owner which can delay the process ? So I think they should.

13:29

I think what you really need to make sure on the accounting side is that it's a non negotiable right that oh, I got busy so I couldn't take a picture of the invoice. That's not an excuse to not doing it right. And I think software has come a long way in that regard. But I definitely think it's making sure that your team buys into the importance of it. The other thing is, you know, on payroll and things like that, I think having a manager aware of the dollars behind payroll, making sure your team is aware that you order extra supplies, that's cash that's out of the business and you run extra shifts.

14:03

That's cash. That's that's I think it is important to have the team aware whether it's a bonus program or some sort of report that we can bring back to the team. But it can't just be like the owner saying, oh, well, don't buy order more because I'm saving. That's right. It has to be the team seeing as this is important for the business because we need to be efficient. So that drives right into the next point of accountability. I mean, it's one thing to have systems is one thing to have an implementer. It's one

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thing to have managers, which I hope we all get to a point where we've got we're fully staffed again and we've got a management team in place.

14:37

But if you don't hold someone accountable. Things go away, they don't get done, and then you're frustrated, you're frustrated with your accountant, hey, and why aren't my numbers right ? Well, your managers didn't upload every invoice. Your managers didn't go into the software and categorize a new product into food versus paper versus Janni. So it's floating out. There is an unknown you didn't do like. So we've got to make sure that we've got those steps, those systems in place.

15:05

But we ensure they're doing the step by step by step, ensuring the process is working. And ultimately, if I train somebody on what the job is, how to do it, how well it should be done, more importantly, by win and they demonstrate they got it, I can hold them accountable. Are now instead of a negative, it's answerable. How often and do you find the difference between somebody you work with that is just thriving and somebody who's got chaos when their business ? When it comes to holding people accountable, like you're getting your numbers on a routine basis versus chasing them down, is there a big difference in their success ?

15:38

Yeah, I really think I wouldn't even say old school, but I think traditional thought process was these were owner thoughts, right ? Well, I'm the owner. I deal with that. You're the manager. You deal with operations. You know, you make sure the is right. We're all good. And I think that that has transitioned a lot as there's more information available. I mean, 20 years ago, that was probably true. Right, because it would take you an hour to figure out your cost of goods. And we don't have an hour. We got to get to. Right. But now it's at your fingertips.

16:07

So I think the most successful I see are the teams that are open with their manager. They're over with their general manager, the good and the bad. Right. Like, hey, guys, we got to work on food because protein costs are going through the roof. And if we're not careful, it's going to be a bad month versus I think the old school manager was like, well, that's something I'm going to deal with with my sister. But you guys just, you know, you deal with what you do. And I think everybody has to be aware that money doesn't grow on trees and there are always costs benefit things.

16:38

And the team has to be aware of we have limited resources. We have to be as severe as we can. And we make the best decision as a team, as a perfect lead into the next thing, and that is proactively managing your business based on a budget. And we're going to we're going to talk deeply about budgets and a little bit. But budgets, you're proactive plan what I need to do to achieve these numbers and and why it's so important. You and I, we have several we've a lot of members that are both with me and clients of yours.

17:07

And often we'll get on a joint call with the members. And we just did this last week with one of our one of our favorite people, because they just really changing their lives and making it make incredible strides in their business, going from not understanding the restaurant business to really just saving the business through covid and growing and starting to thrive. But in that call, we literally started to look at numbers and talk about the story they tell. And we could easily see that this system wasn't being used, that system was being used.

17:38

This needs to be changed, how we purchase and so on. I mean, that proactive plan, that budget is literally like the difference between a client you have that has zero budget and somebody has a budget. What is that like ? Like us, a CPA looking looking

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outward in. Is there a huge difference between those operators ? There's a huge difference. And I think as an accountant, it really helps us to know the target because otherwise I don't know everything about your business.

18:07

I don't know the quality of meat you put in your burger, even if you're a burger place. Right. Every place is different and every number tells the story. So for me, we have such better conversations. If it's geared towards the budget is, then I know what you're working on and I can say, hey, look, it isn't it's not working. Let's fix it. Versus if I never know, your target is to get cost of goods by five percent. You know, it is what it is. And I think having that target, having you tell me, hey, I need to grow my sales by five percent.

18:38

OK, well, let's track that. Let's see where that goes. And if you are going sales by five percent, going back to that same high, I mean, their sales were up twenty thousand dollars. So what was interesting to see is some of our targets were impacted by the sales increase. So knowing like, hey, guys, you killed it on your target. This is now what we need to tweak because maybe you need more labor, what we're sales. So, you know, it's a moving target.

19:04

I think having an open conversation and a budget to say, hey, this is our best estimate last month, but hey, now we see you beat your target by a lot. So let's go back and readjust and fix the budget to adjust to a higher sales going forward. But I think having that open conversation where without a budget, it's hard, you're always looking backward and you're saying, you know, it's a little high. I don't know. Do you feel like they're high ? You know, what do you think ? You don't have that target. And we're going to talk more, dive deeper into budgets.

19:34

But I want everybody to think about, as you listen to us, that the budget is critical if you follow me and any. For any length of time, you know, today, the two most important systems, any restaurant chain ever, budgets and recipe costing cards, and what are the two systems ? Most restaurants never have budgets from recipe cards. Why they're so hard bouffe frickin who, like you, are the leader your restaurant needs. And your job as an owner is to lead the team, work on budgets, marketing, develop your management team, hold people accountable.

20:05

That's what you're supposed to do, not flip the burger. So this whole topic about knowing your numbers and why it's important, it's critical. You are the leader of the business and if you don't know your numbers, you are flying blind. Now, I want to dive in the next piece and that's really being having consistency, like we both believe in consistency in the restaurant business and your systems. But for me, it's, you know, same product all the time. Great service all the time.

20:33

Clean, safe work environment, restaurant, one on one stuff and making sure we use these systems. But consistency bleeds over into accounting, doesn't it, knowing your numbers. Definitely, and I think what's hard is accounting isn't going to change your daily operations of your restaurant today, right. Like, it's very easy to say. I just don't have time to sit in front of my computer. So I'm just going to go out and work the floor and I'll deal with this later.

20:59

And I think what happens is later becomes, you know, six months later, three months later, and all of a sudden you had no idea how your restaurant was doing for three months and now you're frustrated. Right. So I think the consistency of forcing yourself to look at it every week, even when we don't want to and really make sure everything's in there, the little things like we said, the checklist can be as easy as

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checking your bank statement a couple of times a week just to make sure that everything's in there.

21:29

And, you know, your cash balance that so many times, especially with seasonal restaurants, you and I both have had that habit where it's like I am just too busy. There's no way I'm going to look at this July and August. And in reality, there are so many dollars on the table in your peak season that it doesn't do any good to look at it when you're not busy, because that five percent is a lot bigger number when you're slim than when you're not. So we really need to be the reverse and to see it as important as working in the restaurant.

21:59

And the truth of the matter is whether you're busy or slow, the same stuff has to happen every single month. So I know there's operators who right now are feeling the struggle. And you just found the hour to to to listen to this right now and and be a part of it and go, oh, man, I really need to get to this. And that was a big deal to find that time because you're getting crushed with business. You've got, you know, a skeleton crew. You can't find people for whatever reason. We're not going to dive into that. And so you're feeling this burnout and going, man, it's like being in season.

22:29

That's the greatest excuse that I that I guess I hate is, oh, worry we're going to be going into season. So nothing's going to happen. Well, like you said in when when your sales double, if you're truly seasonal, you're going to lose money twice as fast, which means it's your opportunity to put the acorns aside. So when that winter months come in, if you will, theoretically, and it gets barren and you're going to lose money on purpose to stay open, keep people employed, that you're burning off some of those profits, that at the end of that 12 months you still make the money you deserve.

23:02

It's it's having your plan for success and it is really critical. So being consistent is important next to you and I both have people we've talked to that they say they're afraid of their numbers. And the most successful restaurant operators where we work with aren't afraid of the numbers. I can think of one of my RTI members who at the beginning she was like, oh, I don't mind. I don't know my numbers. I know anything about them. You know, it scares me that literally outright.

23:30

And by the time we got done with the budget process and now moving forward, she loves her numbers, engages with her numbers and things are changing. What do you see with the most successful people versus the least successful when it comes to numbers ? I mean, what kind of traits are they showing in ? Yeah, so I think I think everybody in some degree has an element of fear with their numbers, and I think it has made that worse. I think regardless of how much money is in your bank account for a lot of people, it's more than they've ever had.

24:02

There is still that element of it's not enough. Right. And I think even the best owners that know their business know their margins. I think there's always that element of fear when it comes to cash flow. So what I think we have to do is own that right. As a business owner. Cash flow is terrifying. You don't want to make sure you make the next payroll, you make sure you make the next rent. You don't know if sales are coming to the door and then covid happens and oh, my God, there's a day where nobody comes in the door. Right. So there's a ton of fear here.

24:31

And I think we have to own the fact that it's never going to go away. It's not really fear tied to how much is in the bank. It's the fear of the responsibility you carry as an owner every day. And I think we just have to deal with it and find a way based on how

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you handle things to accept the fact that it's scary. But it's better to know than to not know, because the worst thing to do and I've had clients like this who bury your head in the sand and then you can't make payroll. But we need to know where the cash balance is.

- 25:00 We need to have a plan for cash and just own the fact that it might not be fun to look at it every day. And that basically covers the final piece of the most successful operators we work with, make decisions based off their cash flow, not profits, not their gut, not they truly have it mapped out. They know when they can if they need to do a bar renovation, when they're going to have the dollars to do so. If they need to run higher labor, they know they have the dollars to do so because in six months when sales are through the roof, they're going to run a much lower labor.
- 25:32 It's truly understanding your cash because ultimately and we'll talk about it again, cash paid your bills. Profits don't come next. Next section we're going to talk about is what the most successful operators know about accounting. Now, this is where a lot of people get tripped up and it really just comes down to it the most successful people we work with. They know their margins down to the penny, they've got recipe costs and carts and menu mix and their ideal food cost.
- 26:03 They have a budget target for, say, cost of goods sold. So if I have a budget target of food cost of twenty eight percent, let's just pick a number out of the air. Well, I know based on my menu that I need to have an ideal food cost of 26 and have all these systems in place to measure that. I don't have more than two points waste and most restaurants seven run seven and nine points up. And then I need a budget number which helps me make money. And it's all these things tie together and goes down to the nth degree.
- 26:32 Talk about when it you're the operators that you see the most success with. I mean, how much of their margins do they know ? Like, do they know their labor costs. They know their food costs. Do they know what their paper supplies are ? Do they know what their marketing is down to comps, you name it ? I mean, how detailed do they know their numbers ? I mean, I think it's very detailed and I think the key, like you said, is knowing your margin of error, especially in cost of goods.
- 26:59 So even if it's a bad ordering week, knowing went of a percentage or two, I looked into it. It was this. It was a chicken with whatever it is, but very aware, like, all right, it went up by two percent. I don't know what that is. We fix it or we didn't. And now we might need to kind of watch that. That is a consistent trend. Definitely on the labor side, they know their controllable labor. They know that my staff Labor can do more than 15 percent or 17 percent or my manager can't be below the schedule.
- 27:27 That's more than 18 percent managers, not so much rate. It's a fixed cost. That's a bigger decision that we make months at a time. But definitely your hourly labor, what your schedule costs you, because labor, it's so easy to be retroactive and just look backwards. You go back to well, everybody came in at the same time, so you tell them to show up at nine o'clock. It's not their fault that labor is right. So there's so much in hourly labor that has to be controlled.
- 27:58 And I think the best ones really know that. And this is where knowing your numbers really matters. You know, and we're going to talk about in a moment those pieces that you've got to have in place to be in a position to be like these successful operators. In tandem, the fact that that many of my members have known as their

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CPA and doing their monthly bookkeeping tax returns, all this wonderful stuff is we both cut from the same cloth because we understand all the systems go with it.

28:27

So as we talked about and I often get on mutual calls with the same the same restaurant because I'm representing them as a coach. She's representing us as their their expert on the numbers is a CPA and the budget and the budget variance report tells the story. And all of a sudden you sit there and realize that the systems we have a budget allows you to proactiv manage your business, which gives us the targets we have to shoot for, for our managers, for food costs, bottle beer, draught beer, wine, liquor costs, merchandise, our labor costs by position from salaried managers to hourly managers to if I'm full service, you know, servers and bartenders, if I'm quick servers, you know, drivers and cashiers.

29:06

But you know it down to the penny based on the sales that are coming in. But now we can then use budgeting tools. I've got the restaurant checkbook guarding that tells them. Tells their managers how much money they can spend, cost of goods sold category, this much for food, bottled beer, drafty wine, liquor on your next order to stay within budget, giving them the ability to give up ordering without giving up control, the restaurant payroll guarding, telling your managers how many hours and dollars you have to spend on your next, but on your next week schedule that you go into the week on budget and then measuring tools from tracking to dollars per Labor Hour worked.

29:41

I mean, you can truly drill down, but without good numbers, without a good PNL, without the budget to know where you're shooting for, you don't know what you're measuring. Am I missing anything there in. No, and I think, like you said, it's just about making sure you have all those systems in place because it's great to have a scheduling app, but if you don't ever compare it against the dollars that you spend in payroll, it's not that helpful.

30:06

So we really need to make sure all the systems are speaking the same language and categorizing things together so we can have that accountability as well. And if you're listening, that's going, oh, my gosh, I don't even have any of this stuff. You just got to start. The fact of the matter is, you just got to start. How do you eat an elephant one bite at a time, so we pick the foundational systems first, you work to the next thing, the next thing and next thing and and sooner than then, you know, it's six months, a year later, you've got all the foundational systems in place.

30:39

And here's the sad reality both. And and I will tell you that there's no point in time you hit a high five and go, we're frickin done. There's always going to be more. Once you learn these numbers, you're going to find a way to drill down to another number. You're going to start looking at it and it's going to start telling a story like the exciting part for me with successful operators is when they understand this one piece, is that next step, the next step ? And they start drilling down to heck, not only dollars per labor. I worked for the day, but by 15 minute increments because they have the post system.

31:10

I mean, do you see the same thing ? Yeah, I mean, I think it's a never ending crisis. And part of that is just being actually general when you're really bored and you have it all in place, you know, at another location. So, again, kind of owning that, that's part of being an entrepreneur. But I think it can be frustrating that it takes a long time. But I think seeing incremental progress that even though we're not there, we're getting better and we have Carasso.

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31:37

So let's go on like a cost, you know, and I think that if you said that one at a time it's so cheap, it doesn't mean that it's going to be bad for six months. It just means that it's a process of getting better. And so, you know, if you're trying to figure out where the hell do you start, because you just rattled off all these things and some of this starts to feel like an elephant sitting on your chest, there's another elephant reference. Maybe I'm feeling a little heavy today. But the fact of the matter is this. You start with your tracking.

32:05

So the DSR track to make sure the money makes it to the bank and all your sales and accounts payable and and discounts are all tracked properly, then you get into your invoices making sure that that those are getting there and all your bills are getting to your bookkeeping. So you have a system to make sure you're verifying. It's all getting to your bookkeeper, to your accountant. I think those are the things from there. We're going to start in the next in the next area. I'm going to start talking about chart of accounts and how that is so critical to setting up all these systems.

32:35

So if it were me and if you would say, hey, where do I start ? Do you agree it's that foundational stuff of tracking and making sure it gets to you. Yes, so I definitely think it's the tracking element, it's consistently looking at it, at least in the first say, it's the first month look every week, because I guarantee every week you're going to think of something else that you didn't track before. So just, you know, you're not going to catch it all at one time. But if you look consistently over four weeks, I think you will. And the other thing is it can be to start as simple as your bank balance.

33:07

If you take your beginning bank balance for the last month and you're ending bank balance for last month by getting government programs and subtracting out whatever Yahtzee or DVD checks we might have. What was your operating cash flow ? And I could say we have one client. So we just started with who did that. He actually went back four months and it was great. All of a sudden you're like, well, you have this amount that came in your bank every month. And that's a really good check to start to make sure we have all the information.

33:36

And then from there, like you said, the budget is critical. Awesome. All right. Next section, we're going to talk about where to start to get a better understanding of the numbers that matter. So this kind of ties into what we just talked about. But now we're diving into the financials and there are four areas that, again, the most successful people we work with eventually get a handle on. Now, I do want to let everybody know most everyone I've ever worked with, these are learned behaviors. They were learned behaviors. For me.

34:06

We're not all numbers people like in and went to school on purpose to do accounting like I was an operator. Who the hell wants to do this ? And I'm so glad there's people like you because it's the last thing I want to be doing on a routine basis. But here we go. We're going to talk about the four pieces you need. And it's a chart of accounts, a budget, cash flow management and then a budget variance report. So let's touch a little bit. And on chart of accounts, you and I have a little bit of a similar belief.

34:35

And that is, number one, your chart of accounts. Is not wrong. There is no such thing as a wrong chart of accounts. They all pay taxes. But the difference is you being a restaurant specialist along with me is that we want it to be a report card. So you have to set it up properly. And in fact, I think we both believe that it's not your CPA or bookkeeper's job to give you the chart of accounts and you say, OK, that's what I'm going to do.

# Transcribe Me!

- 35:02 It's your job to take that suggestion what you have and make sure it tells you a story that you know what it's telling you like. For instance, how often do we come across, I send people your way and their books are horrible, they've got food sales and beverage, yet they have a bar, bottle, beer, wine, liquor costs get sold is food, beverage and in food is janitorial paper. All these extra things ?
- 35:32 Labor is hourly and salary ? Well, hell, I don't know where that problem is. And all of a sudden you read down this this pencil and the chart of accounts is very pithy, very short. And it and the moment I ask anybody, what is that number, they go, I don't know, I could call my bookkeeper. That is a worthless report, but it's not wrong. It's gap. It's generally accepted accounting principles, little pay taxes write. Definitely, and I think over the course of the last two years with technology, it's even more into the forefront.
- 36:05 So a lot of these software is, like you said, a margin edge or a restaurant, 65 five. I mean, it asks you to have different accounts and how do you want those set up. But the key is, I think you want to make sure that it's the same language you're using in your business. So if your manager goes for cleaning supplies and we call it restaurant supplies, doesn't do any good. So we have to make sure we're all using the exact same language for everything. And so some of those ins and outs, you've got to have all your sales broken up by category.
- 36:34 Can't be food and beverage. Food, BARTLEBY crappy wine, liquor, merchandise, cover, charge, catering, deposit's, whatever it may be, everything line item. That means there's a cost of goods sold for those and then it needs to be used divided by sales. Quick books, which is kind of the gold standard, is going to take your food cost divided by total sales. Well you've got to actually take do the math and go food cost to food sales to know your true food cost. And in some I know in some clients you actually create a whole brand new report, if that's how they want to see it.
- 37:05 Now, we start going a bit into labor. You need to break it up. Salaried managers, hourly managers. And if you want front of House Backhouse hourly and salaried, and then each position line by line by line from prep cooks, cooks, dishwashers, Firebacks bartenders, servers, buzzer's hosts, cashiers, drivers, lobby people, whatever it is, I don't want front of House Backhouse because as you go through in the budgeting process, how do I know where my numbers should be ?
- 37:33 Where am I bleeding if it's in cost of goods sold, if all the bars in one number, if all the labors in one number, how do I know that my kitchen's bleeding me dry and then literally putting things in an order that matter to you down below that, you know where everything's going in place. And I always look at it as a chart of accounts, as the springboard to all the systems, because that chart of accounts, if you change it to be more accurate, it may cause you to update your payroll system, update your point of sale system, update all your reporting like it's it bleeds into every report, doesn't it ?
- 38:09 Yes, definitely, and I think so many times, especially on the labor side, you know, it's you people my updated on the budget, but then it says, oh, well, then I just take my labor and I manually do it. But they don't realize with technology you can actually set those categories in your payroll. So every time your manager runs payroll, they can see what they spent per category. So I think what we want to do is make sure one set of accounts is set up and it's being looked at by our team.
- 38:38 Even on the point of sale system, our sales breakdown should be a report we follow from the point of sale system every day. So like you said, your DSR should have those

# Transcribe Me!

same categories and that's what the manager is putting in. So it isn't just living in the owner said somewhere. And then we don't have that reporting to our team. And this is where I said, where would I start ? I talked about those foundational systems, but really I said, this chart of accounts is going to jump in front of it, because if you set up your foundational systems and you've got food and beverage, well, now you're redoing all your stuff.

39:09

Like you get that chart of accounts that will get your DSR track or your labor systems cost of goods sold. It all bleeds from here. This is truly the foundation of all those systems. Nexus the budget. I'm not going to dive deep into a budget except for a budget is not what you did when you first opened your business. You put this floury blue sky kind of thing. You went to a bank and asked for money and then you didn't look at it for another year. The budget truly is based on how you've run in the past.

39:36

And if we duplicate it going forward and then what systems were going to put in place, what changes we're going to make, how quickly are we going to change our bottom line ? It's your plan for success. And I can only tell you that if you're operating just on profit loss statements, get them 15 days the next period. Well, that means 45 days have gone by, you've made the same dumb ass mistakes and now you're looking backwards, it is too late. So when I look at a budget, it's the front windshield instead of rearview mirror.

40:05

It's the windshield of your business and you plot your course of where you're going and you drive there as fast or slow as necessary. But you know where you're going. And what are you seeing with the members who have a budget versus those who don't ? So I would say it goes back to the consistency. I mean, I think, you know, when I first started to attend some of your elite membership meetings, I was always amazed at how frequently that came up, you know, even in terms of decision like, oh, and I really thinking about this big marketing campaign, but I'm going to throw it in the budget and see what happens first.

40:39

I really want to hire a GM, but throw it in the budget and then see how that works. And it was just part of the process that there was not going to be a big decision made until we put it in the budget. You see, OK, I'm good with that at lower dividend income, but it's a big decision. It's going to give me quality of life, whatever it is. It was just part of that process. And I think without that, it's very easy to make a decision that you're not thinking about everything that's involved. Hiring a GM sounds great. And so we see that, well, it's going to cost me. That caused me to lose money three months of the year.

41:09

Am I okay with that ? If I'm seasonal, maybe I am, but I just need to see it. And it's impossible to expect that all of that is going to live in your head. Right. So the budget just gives us a way to make better decisions when we're looking ahead. And that's that's what you make. We're always going to use our gut. And often I've got members who make decisions like they want to do something big, hire a high end marketing firm and spend a lot of money. And they'll often call me.

41:39

So, well, let's plug into the budget. But ultimately, what they want me to do is just bless their decision. You've already made the decision right. But the nice part is we can plug it in the budget and you can add some logic behind your emotion and you still can decide, says entrepreneurs. We can say, you know what, I'm going to take the risk. It's going to if it doesn't work. It's a negative on my bottom line. But I think the

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upside is higher. You're an entrepreneur, you're risk taker, but you get to make the decision that that's what you're going to do with your money.

42:07

And that's huge versus getting to tax time, getting the report for man your your and go. That's all I made or that's what I lost. Wow. Wow. We're four months after the last year and now you're looking and going, look what I made or lost. When this looks every single month, we can then make changes to the plan. If we didn't make our numbers, what changes will we make the rest of the year ? And that's a critical part. A budget is ongoing and breathing. Now, the next piece is cash flow management.

42:37

I'm going to hold this one for detail because we're going to cover that next. But cash flow is critical. All I can tell you is we're going to dive deep into cash flow. I want you to remember one mantra. Cash pays your bills, profits don't profits pay taxes, and so if you are not managing your cash, knowing the ups and downs, because quite honestly, if you look at your piano, you may have amortization, depreciation, interest expense showing up and showing you a much lower number, but you actually have money in the bank, vice versa.

43:10

You could have already had those wonderful things reduce some of your costs. And now all of a sudden you show a profit, but you don't have any money in the bank because you bought too much inventory. It's on the balance sheet hiding from you that you're not managing your money. Right. And what is it before ? Because we're going to go in detail on this. What am I missing or what should they know to kind of feed them, say, stick around for that next piece ?

43:35

I mean, like we said about the fear, if you can tackle your cash flow and you can tackle this this mindset, it you will feel so much better as an owner. I do really well. This stress, the stress you carry as an entrepreneur affects everything in your life. So, so much of this is you gaining control back to be able to make the decisions, know you're making good decisions so you can go out and enjoy your life without having that constant elephant on your back and the worry that you're doing something wrong, you miss something and you don't know where things are.

44:06

So last but not least, is a budget variance reports we have a budget and we've got our numbers coming from our CPA bookkeeper. We put them side by side and we see where we hit or missed. This is where now the rearview mirror is important. We go, gosh, my food cost. Heck, you and I were on a call just the other day. We had kitchen labor, two thousand dollars over budget. We had food cost, two thousand dollars over budget. Well, there's four thousand dollars in negative cash flow, negative profitability.

44:35

And we need to know why. What systems were we not using ? Oh, I had my managers. I didn't hold them accountable. All right. It's time to retrain them. It's time to hold them accountable, even if I have to write them up, because this is a non-negotiable, as and you talked about in the beginning, these things will happen in my business. And then we go and say how aggressive or what small changes do we have to make over the rest of the year to catch back up like this ? Budget variances. It's almost the most important piece, you have all these foundational things together, but if you don't measure, you don't improve.

45:08

Right. I would agree, I would say the first time I really understood the budget because in accounting you actually don't do a lot with budgets. It sounds weird, but, you know, we're always looking backward. That's that's our skill set. That's what we're trained on. And when I went to one of the first meetings with you, you had a whole section

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on vegetarian's. And I remember listening to these owners sitting around the table like three thousand dollars. I lost three thousand dollars last week of my labor and that schedule and they could pull it up instantly.

- 45:37      And they knew, like, I know, the kitchen. And just having that information does that would be impossible to figure out in a new accounting world. Right. Most times it's salary and its owner salary. So, OK, you know, it's staff and owner and it's such a big number that it's higher. But I don't know why it's higher or when it's higher, because I'm looking at a whole month or a whole year, but there's no action item there.
- 46:03      And that truly kind of talks about why your company, my company, are such good teammates, if you will, because without your information, I can't measure where we where we're supposed to be, where we actually are and what changes we need to make. Without my information. You're just going to tell somebody, hey, you're Labor's high, but you're not going to give them the exact system on how to change it, where it should be, because you're only looking backwards.
- 46:31      And so there truly is in tandem. We give that. And this is why we're talking about our most successful operators. They know everything they know with the windshield. Looks like they know the rear rear mirror and they know how to pull them all together to make change. I mean, am I missing anything ? But it truly is. Our businesses complement. In fact, we have multiple members that say, I'm so glad I have and I'm so glad I have David. And it's that combination that has helped them survive covid, for chrissake.
- 47:00      I would agree, I think it is an amazing combination that giving you everything that you need to go forward and backward. Well, let's go into the final piece here, and that is why cash flow is so important and basically how do we generate it now ? We're not going to dive into a spreadsheet and go into it. We're really going to talk about high level.
- 47:22      But cash flow is probably one of the most exciting things that our owners work with you on, because on it once once you get the numbers set up and I want people to know that when you start you make a change to a new accounting firm. It takes time to sort through the old stuff, convert it from one quick account to a new Quickflix account, verifying numbers, learn the processes that like, hey, you didn't get me. Where does this expense come from ? Oh, those are invoices from X, Y, Z.
- 47:51      Oh, they normally go to this other address like little things. So whether it's a month, two months, three months, whatever it takes when you and your bookkeeper slash accountant get all those things tied together. One of the things that I love about hand and why my members have great successes, she meets with you on a weekly basis to look at your cash flow because it's very different than your profit and loss. Like cash flow helps you proactively plan. When can I spend the money on this renovation by another location ?
- 48:21      It helps you understand that your bank balance is a number of what's there today. But like you reconcile your home checkbook that you know what's outstanding, what's still coming out, that there's a reconciled balance as well, that, you know, you can pay those bills. It's not like thirty years ago when we could write checks on a Friday because they wouldn't clear till the Monday, which was against the law back then as it is today.
- 48:45      But today they clear tomorrow and most importantly, that cash flow you avoid the hazards of running out of cash, because what the biggest thing I think we find with

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our seasonal people we work with is once they do the budget, switch it to a cash flow budget and pay attention, they stop taking those freaking lines of credit 10, 12 years in a row. They stop because they know how many acorns to put aside to no longer borrow money and play catch up again next season. What am I missing there ?

49:15

And no, and I think, you know, it's sort of an interesting time for cash flow. I think in twenty nineteen, nobody really cared about ESO because it was so easy to get credit and things are grow. Our girls were growing, you know, losing money. But that's OK because building three other locations and all of those things are very true. But I think in the wake of covid, nobody in their right mind say the cash flow is an employer. Right. We all know what it felt like last year. We all know how lucky we were to have programs like the DP and the RTC.

49:47

But we can't realistically say that we would assume that would happen to get right. And even if it's not a global pandemic, things happen. I mean, hurricanes happen. It just happens. We're just a touch on that. Real quick. When pandemic hit. Twenty five percent of our industry closed their doors within two weeks because all they had was two weeks cash flow. They had such a small bank balance that they knew as long as they were paid, money was coming in the door. They were paying bills from two weeks ago.

50:15

It only took two weeks to take twenty five percent of our industry out because we we didn't follow any kind of plan, didn't know our cash. Right. A hundred percent. And I remember we when we did that, we had that series of cash webinars during covid. There was a week. It was the third week. And you said on the second week next week we'll be telling who is on this call next week. And when we got on the third call, it was down and people had gone out of business.

50:44

And I think it's so important to remember that because, again, it's a unique time that now I mean, we said a year ago it's going to take the government allowed to respond. Right. Don't expect it in days. It's weeks and months. Well, you know, now you look at it and people have plenty of money, but is your business generating the money or is that government money ? Because whatever it is, I mean, if it's done, that's fine. But we need to make sure your business is generating because there will be a time when that goes away, just like the line of credit.

51:14

And I used to say, you know, in nineteen, it's all fun and games and the line credit runs out. But you could say now it's all fun and games. So the government money runs out. And how many people got sick last year and then it was gone and three months and it was gone and we didn't even know. And now we're stressing you out again. And we just need to make sure that that doesn't happen now because it is in the rearview mirror. Right. And there is no more government money coming. So we need to make sure that our business is generating cash flow on its own.

51:42

And that's how we'll be sustainable moving forward. Let's touch on that real fast. So some operators have PBP money. They didn't burn through it. They they went through slowly and it got forgiven. They got the second round of money. Then they got IDL money. They borrowed money because it was cheap. They just said, I'm going to get the money. I don't necessarily know that I need it, but I'm going to borrow the money. Some needed it badly. Then we have this.

52:07

New tax credit for employment, and so that's for two years and we've got people getting money for that, and then we've got the the relief bill, the fund that's coming in for restaurants and they're getting money. And all of a sudden, you know, debate

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government. And I don't care what side of political fence anybody lives on. I'm a I'm a dissatisfied American. I think we have a nonfunctioning government right now because all the extremes on. So let's just put it out there in that respect that don't come at me.

- 52:37 Red, blue. I don't care. Like, they're not getting shit done because the first round of PGP came too late, the second round really too late. And then this other money, 40 percent of our industry is gone. Most of you have survived. And this is kind of like getting paid back for all the money you lost, but you survived like it is my opinion. And I believe it's your opinion as well, because we've talked about it.
- 53:01 If you can get by without touching any of this money, you need to you need like don't use it if you're going to avoid it, with the exception of, hey, I'm going to bring on a general manager I really can't afford this year, but it's for growth. And I'm only going to take a small portion. Fifty grand. Sixty thousand of the three hundred thousand dollars I have, because that's a business decision to grow. But don't blow through the money like operate as if you don't have it in. Do we see eye to eye on that one hundred percent.
- 53:31 And I think it gets hard because you know so many restauranteurs. This is something you never thought about. Right. We didn't take a look at. So we don't have it in our minds to really think about our bank balance. And so then it gets really confusing and then you're told you have to spend the money and have to spend the money on this. And I remember in the second round of petechiae when people were first getting funded, I had a conversation with a client and they were like, OK, so, you know, every time I'm feeling I'm going to transfer the money out, you know, like that money, I used to just sit and ignore it.
- 54:02 Right. You need to run payroll off of what you can afford today. Yes. When it gets to forgiveness, we are going to present payroll reports and dollar for dollar, you will prove that you spent two hundred thousand dollars, but it shouldn't be that two hundred dollars because you have sales coming in every day. Right. You have you need that labor to be forty percent, just like it always is. You need to ignore it. And I can tell you, I had one client that I did a car with very old school, and he said every time he runs payroll, he was thirty thousand dollars into a separate account and just ignore a bikinis every week.
- 54:34 And every time he runs, he moves that amount of payroll into a savings account and he's just checking it out and building a savings. And you know what ? He is going to be so glad he did that a year from now. Well, let's look at it this way. If you are, there are restaurant operations that absolutely needed that money and are living on it. And we've learned to get more efficient, but this should be a huge red flag if you still today with labor shortage and all this frickin sales walking in the door and you survived and you still are behind the eight ball on the money, you need to run the business, it's a bigger problem.
- 55:12 And that's where that going backwards. That budget can tell us where the problem is and you need to fix it other than. Hiding the problem by just throwing money at it like you worked your ass off, you survived. Why would you want to give that money up just to keep your doors open ? Because when you run out of that money, you're still operating a negative. There's a fundamental problem to your business. And you need to put the systems in place, the management in place. You need to be the leader the restaurant needs and right that ship and move forward.

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55:41

And this cash flow thing really helps you see that more than even a budget does, right. I agree, because, like I said, if you can track your bank balance just like inventory, it doesn't matter how much inventory you have, it matters about the inventory go up or did it go ? Yeah, gas is the same. I don't care. A million dollars you a million dollars. Five thousand at the end of the month or nine nine nine nine and you're below a million. So that's what we're looking for.

56:10

It's a change because if we know, OK, it goes up by three thousand, five thousand every month. That's at peace of mind to know we are on a sustainable path. So let's just test the one last piece on this. Now, you and I, as we talked about the beginning of the pandemic, we I think it was six weeks in a row of of cash flow, talked about cash flow. And we started off with I had a I have a system called a budget builder, MBP.

56:37

It's a Google sheet that operates like software because I'm an old software guy and it allows you to easily build your budget. But then we really talked about cash flow and we hit this this incredible bus called covid and the business restrictions. And we really said, my gosh, people don't know how to handle that. So you and I work together and converted, added a whole extra feature to the bottom of the budget and converted it and said, now we need 12 week budgets of cash flow, dollars and dollars.

57:07

That's not accrual accounting. It's when a bill money comes in and money goes out and truly planning that through. Now, let's say nobody was on that and doesn't have that spreadsheet or the budget spreadsheet. Where would I start ? What's what's a good down and dirty where do I start with cash flow ? Because that quick, quick books report ain't so good. No, and I think it's to to go hand in hand. I think you need a budget, whether it's weekly or monthly.

57:35

That shows you in, you know, based on how you currently run your business, not pie in the sky, based on the labor that you have by position, all of those things. Should you be making money ? Because some people build a budget. And the answer is actually no, that you do have more fundamental problems and it might not be break even. But in an ideal world, based on where you are not floury wishes, yes, I should make a thousand dollars a week.

58:04

And then checking your bank balance to see do you have a thousand dollars at the end of the week. That's a great place to start and something that wouldn't take that long to do. So if I put this all together and again, we're primarily talking about our most successful people and we've had successful people decide to close the location. I mean, not every entrepreneur hits a home run every time they open a restaurant or make a decision. I have some of the most successful people I've worked with that have had restaurants go out the door.

58:37

When is it when you look this Cash-Flow, when do you start to make a decision ? I'll give you my opinion in a second, but I want to hear yours first. When you make that decision that maybe this is not something I need to keep feeding, what are you as a CPA, when you look at these numbers in the cash flow and it starts going down or stays negative straight across ? When do you start saying to that client, hmm, maybe it might be time for either a fundamental change or closing this restaurant ?

59:05

Yeah, I mean, I think, again, during covid, I would say, you know, I've had some amazing conversations on that. I think one of my clients can't put it well and saying in reality, everything's on the table. But even the things that we think are non-

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negotiable about our business in its current form, I mean, it's losing money. Everything's on the table. And I think the people that survive the best in covid went to their landlord and said, hey, I signed the lease assuming I was going to do X amount.

59:32

I haven't come close to that. We're going to either work together or not because the landlords don't want a vacant space. So really being open to not just sitting there and letting it have the same result, but go to landlords, scream, say, I want a year of free read because I'm not going to make it through this year without, you know, maybe they say no, but we have to assume everything is negotiable. And then if it's really the case that it's not, we need to see what that does to our life.

59:59

Because are you bleeding money because the business isn't making money or are you bleeding money because you have to pay yourself more than what the business makes ? Because those are two different conversations. Right. And and that's where I jump in and go, OK, the answer is easy. It's called a budget. When you work with somebody and say, you know, here's where you're currently operating, you're losing. And you and I have worked with people to show two hundred thousand dollar losses. And in a year's time, we bring him into one hundred thousand dollar positive, a three hundred thousand dollar swing because their prime cost us off, their labor is out of control.

01:00:31

Their food costs are out of control like their expenses. They've got too much to say that they're over leveraged and they need to refinance. And all of a sudden there's a plan to success, to make a change. And when you put that budget together and you see there's hope, that's when, you know, when you put that budget together and you do all the things right and you realize no matter how good I am when I run perfectly, I'm still going to lose money. That's when you go. Can I grow my sales fast enough or high enough to overcome this debt and these margins ?

01:01:05

Or is it time to close ? I think no matter what, whether it's the cash flow budget, as you talked about, when we're planning for covid and how to get through it, or it's just looking down the road and saying, how am I operating that budget, whether cash flow or a true budget ? That's how you make the decision. The numbers will not lie. At some point in time, your pride will go and I'm going to work perfectly. And the best case scenario is I can break even and I've got ten years of debt on this place and, you know, is that worth my life ?

01:01:36

I won't pay myself a break even, and I'll be a prisoner to this business. And so then you can make an educated decision what's best for you and your family. But again, my thought processes, if you're listening to us right now that there's hope, have you have revenue ? You just might not be operating at the right numbers. You agree with that ?

01:01:59

Yes, yes, I mean, I think it's about how open you are to change at the end of the day, you know, and I think closing it may be an option, but I think there's also ways to really figure out, you know, pivoting like all these other things. But we can't make any of those decisions until we know. And so just having that long term approach to looking at it versus waiting till it's too far gone is so because I've seen so many great businesses have to close.

01:02:28

But it's because they were unwilling to change their broken issue, whether it was with insult or labor, whatever it was unwilling to change until it was too late. And we really have to make sure that we can catch those things before we bleed out. Well, let's talk about, you know, we talked about the most successful people we've worked with. Having an implement are having budgets, having all the stuff. But there's a real

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challenge. And that real challenge is you're listening to us and you go, I'm still going to do things the way I've always done it. Right.

01:02:57

The most dangerous phrase in your business is that's the way we've always done it. Like, you've got to make a change and it's a mindset change from going fix the mindset to a growth mindset. It's being willing to make the change in your business and hold people accountable. Even it means you're going to have to fire a manager who's fighting you and sabotaging your growth. You have to be the leader your restaurant needs. But we often fall back to what we've always done. So you may have learned all this wonderful stuff, but what do you do with it? Next is, you know, you sit there and say, OK, I just listen to David and and I'm going to try and do all this myself.

01:03:28

While I told you at the beginning, you have to have an implementer, you must have help if you try and do all this yourself, the accounting yourself don't have an ad on your team. You're trying to implement the systems yourself. You don't have an implement or any managers or line supervisors, key employees. It will not work. It will not work. And most of all, you often get revved up as an entrepreneur. You have the great new idea, you get excited about it, and then when you've got to do it on a routine basis, you stop and you need somebody to hold you accountable.

01:03:59

And that's where often we as entrepreneurs need someone outside our business to make sure they hold us accountable. Now, on the accounting side, I can tell you I recommend to one hundred percent of my members that they work with. And you go through my RTI program, you're going to see lessons with and in there. And because I know what can be done, I'm not going to tell you there have not been hiccups. There's operator mistakes. You're counting mistakes. But the fact of the matter is, I've got people who and parts to see for them because now they have numbers in conjunction with the systems I teach.

01:04:30

So I'm going to tell you right now, if you want to get a free consult with an no strings attached, no nothing, you can go to our website, the Largo Group, Dotcom. And if you want to write down the URL, it's larger group dot com forward slash. What is the Largo Group with a dash in between? You can go there, otherwise go to larger group dot com, navigate to the upper left hand side. You'll see what is the Largo Group right next to the logo. Click on it. It will take you a page and write their schedule.

01:05:00

A call that is your opportunity and talk a little bit about what that calls like. So really, it is just an understanding of what you're looking for, because I think at the end of the day, like David said, you know, accounting is hard. Restaurant accounting is incredibly hard. But I think what sets us apart is being open to communication. I don't think there's many kids out there that talk to their clients every week. And I think our goal is to bridge that gap and understand your business.

01:05:29

So whether it's us or not, I think it is a good understanding to see how do I hold myself accountable as an owner, what are the things I should be looking at? And as I understand your business or at least understand fundamentally, you know, here's what we would do and here's what you should do to get on a good path moving forward. Now, if you're looking for help with the system side, you need a restaurant coach. That's what I do. And if you want a no strings attached discovery call where we get on the phone for an hour, possibly longer, depending on what we're talking about.

01:05:59

But I get to learn about you and your business, the challenges you have, and then I can tell you what I do and see if I'm a fit and I'm not a right fit for everybody. I will tell

# Transcribe Me!

you that the RTI program is a premium coaching program. It's twenty four weeks intensive. Weekly group coaching calls support from other owners. I mean, it's it's a it's a big task to take on. But if you're committed to that change, maybe it's the right thing. Maybe it's not. No matter what, by the time we're done with that call, I will shine the light on all your problems and given you the direction to fix them, whether we work together or not.

- 01:06:31     So it's worth your time. You will come away with it better off than when you got on that call. If you'd like to get on a discovery call with me to learn about, for me to learn about you and to learn about what I do and what my company does, go to DSP. That's for David Scott Peters, DSP Coach, Forward Slash Discovery Dasch call Dasch DSP. And again, if that's something that works out for you, I'd love to talk to you again. What I do. Is not right for everybody.
- 01:06:58     Well, and I would say on that, although I know you got to your own heart, that it is incredibly worthwhile that the people who buy in and commit that it's life changing and you can see it before covid, when I was lucky enough to be part of, you know, attending some of your seminars and doing Coke, you know, the people that said, OK, whatever is going on out there is whatever it is. But I am committed to getting better during this time, using this side to my advantage. I mean, it is it takes time to do it.
- 01:07:27     But your business will never be the same. It will always be better from here on out if you go through the process. So I would highly recommend everything that you do for the businesses because it's it's just changing. Your business will never be the same again. And you'll be amazed at how far you can come in a year. I appreciate that very much. So we've got a couple of questions here. OK, so let me we missed a couple. I tried to incorporate them during our presentation.
- 01:07:55     Rosemary asked, what is your advice for a budget for a new fast casual with a setup similar to Chipotle, therefore not made to order volume fluctuations ? And we need to need to turn over food every few hours. So you've actually kind of combined two things, Rosemary. One is the budget, the other is an operating plan. Those are two different things. The budget we're going to customer counts.
- 01:08:23     We're going to consumption on on what our sales are going to be based on average ticket, those kinds of things. We're going to find, you know, our numbers of what we think rent is going to be, what we think utilities are going to be. Best guess and you can get that from other restaurants that file their tax returns in your state. If they have a liquor license, you can see their sales, you can find it from publicly traded companies and finding like a Chipotle what their pencils look like to talking to vendors and what have you or coaches like myself, consultants, somebody in the industry.
- 01:08:54     But you're going to build your best guess plan. Now, that's one thing. The other is the execution. Now you're talking about prep systems and hold systems and time temp checklists and prep courses. I mean, just those are two different things. So a budget, I don't care what kind of service you have. It's the same stuff, it's the no side, the assumptions behind those numbers. Now we talk about operating for a specific envelope, what you serve, whether your steakhouse or your quick serve restaurant, whatever it may be.
- 01:09:25     Now we're getting into operational things, and that's where we need to have the right things in place, like recipe costs and cards. And we need to figure out what our dollars play, where our work needs to be. Do we have a culinary professional if you don't have the experience coming in and helping us to set up those procedures ? So I wish I

# Transcribe Me!

can answer that quickly on a on a on a call like this, but I need to know a lot more. And I'm sorry you may need a culinary person to come and be involved. And do you have any advice from from the outside looking in on that one ?

- 01:09:55      No, I think you're right, though, that there are a lot of resources out there. Publicly traded companies have to produce financial statements. So that will show you some of their margins. Also, he said consultation with that coach like yourself, because I will tell you that I have sat through David talking to a restaurant owner who is about to open and it's like, wow, all the things we never thought of, like, you know, Daouda, like how much liquor you're going to have to label, things you just cannot think of as a new owner.
- 01:10:24      But, you know, it's funny, six months in, you're going to remember all of those questions that you couldn't answer. I was like, oh, wow. Yeah. So the advice is so worthwhile at the beginning, especially if you're not 100 percent familiar with the business going in because it just saves you time and making all of those mistakes. When you say amen, we've got another question here and anybody else has any questions, type it in the question box and we will answer it. I've got one more from an anonymous attendee, which means you didn't login with your name. That's all that means.
- 01:10:55      We are we are not taking salaries. We are in Austin near UT paying big money. Thanks for all all you are you to have provided. We took restaurant owner course with you and need to implement the program. Well, OK, that wasn't a question. It was just a nicety. OK, here's the deal. So we had done a I had done a budgeting seminar in the system seminar with restaurant owner Dotcom.
- 01:11:25      Our friends over there love them to death. Here's the deal. One of the pieces of the restaurant prosperity formula is the last piece and it's taking action. And that's the deal whether you listen to and and then you've got all these ideas and things to do, pick one or two things and just frickin make it happen, make a mistake, do it wrong, take action. My father had a phrase said, ideas are cheap. It's the people who put them into action. They're priceless because we talk about change and don't change. Nothing will change.
- 01:11:55      Doesn't that sound ? Oh, the phrases. If you always do what you always did, you always get what you always got. And the truth is, as we talk about this, I've spent almost 20 years of my life as a as a coach for independent restaurants. And the years that and I knew each other before the last two, after I sold my last company. And I've been in this iteration of DP, the restaurant Prosperity Formula before the restaurant prosperity formula, I focused on prime cost and systems and cost controls and systems and management, cost controls and numbers, numbers, numbers.
- 01:12:30      And what I realized over time, and this goes right to your you're not doing what you need to do. What I discovered now, and that's a part of my restaurant transformation intensive program, if I can focus on getting you a life because restaurant prosperity is freedom from your restaurant and the financial freedom you deserve. If I can focus on getting you a life that you have managers in place that you are paying yourself, that you are making money. Right, they go hand in hand, if you can leave the business, you've got managers and you're making money.
- 01:13:01      And so what I'm going to tell you is the fact that you haven't done don't beat yourself up, you can't change the past and you're never ready for the message until you're ready. I can't get you excitable and ready to go until you are going to say this is when

# TranscribeMe!

I'm going to make a change. And it's changing your mindset from a fixed mindset to a growth mindset. Fixed mindset says, oh, crap, look at the problems in front of me today. It was covid, now it's covered.

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Plus no employees and getting your ass kicked when we could mope and bitch and moan ago. I can't do anything about it. The damn government, the damn people who want to sit on their ass and the damn this damn, damn, damn, blame everybody, blame everybody and stop you dead in the track. Or you can be a growth mindset leader of your business. Go off covid. Damn it. Learned how to pivot. Oh shit. All these customers coming back. I'm having my ass slaughtered. Look at these sales. Oh my gosh. I don't want to have to close my doors because I don't have enough employees. But I may have to sew.

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I don't make it their problem, my problem, their problem. But look, I'm going to find the right solution. I'm going to attend this webinar with Ann and David. I'm going to learn and then I'm going to go implement the change because there's nothing I can't do. And that's what you ultimately as operators need to do, whether it's working with and whether it's working with me, doing it on your own or some other professional, you are the only one who can change. And I'm going to tell you this and and I'd love your opinion.

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I believe that the only to all the let's go backwards, all the problems you have in your restaurant can be solved with one single solution, and that's you. You are the solution to your business. And when you realize that when you wake up to that, that's when things change. And what are your thoughts ? I would agree. I think, you know, I think it's easy to look backwards, and that's the worst place we can look because we're learning right. There are things that we did not know.

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I always say to our team, like, it's not like you did it on purpose, like you decided, I'm going to be a bad operator. That's fun right now. There's things you legitimately didn't know, but now we learn and we get better. So, you know, the only thing I would add to that is the importance of being yourself, because so much of you know, and I could tell anyone who knows me personally knows that covid was very emotional for me because sitting back and watching what it did to the hospitality industry was heartbreaking, is you have people that have invested their lives, their families, their legacy, who all of a sudden one day didn't know if they would be open two weeks from now, 30 years.

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Thirty five years. And what's scary, especially in my view as a tax professional, is unlike other business owners are unlike other individuals that we do taxes for. Most restaurant owners don't have another source of income. They don't have even a retirement account. They don't have a savings account. I mean, everything they have is in their business, which is fine in 19 when we didn't know this could happen. But now that we do, there is absolutely no reason that you guys can't pay yourself.

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We have to find a way to fit it in. And so when we're doing these budgets, because one of the things that's scary is if you're not counting yourself in those labor numbers, we have to write. Because if you don't pay yourself now, I mean, we have several great stories of people who have learned this lesson and who translate a thousand dollars a week into a scene. I'm going to move two thousand dollars a month into a savings. Does it have to be huge dollars ? But you know what happens a year from now ? It grows and now you have your own safety net. That is your cash.

# Transcribe Me!

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Because the ugly truth is, as a business owner, you are taxed on the net income whether you take it out or not. So how many years in the past where you taxed on fifty thousand one hundred thousand two hundred thousand and you didn't have a dollar ? It it all stayed in the business. Yeah. And then all of a sudden it becomes and it's gone. So we have to realize that that profit on that budget, whether it's weekly or monthly, is yours as the owner.

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So even if it did take 20 percent out for myself and I decide to leave 80 percent in being aware of that as your money and you're deciding to keep it in that, that is an incredible mindset to have started going forward. We've got two more questions. And folks, I'm going to have to cut it off of the two questions. We've got other things to do. You've got restaurants to run. I appreciate you sticking around. Everybody sticking around for years. So hopefully you're getting a lot out of this. The one question is, Evan got here late and we didn't talk about it, Evan.

01:17:38

But I'll ask the question, is there still a restaurant relief money available ? You know, so we actually are seeing people that have gotten email, so I would not assume it's over. I think they are very slow to get it out. But I had a story that got some in the last couple of days, so I hope is not lost. OK, anonymous. Don't know if it's the same person as asking in general, what should the percentage of sales be for budget ?

01:18:08

Labor costs, good solid profit margin. Do do these numbers include the owner salary ? OK, so it's a long question. I will tell you. Make sure you check out my YouTube channel. David Scott Peters. I covered prime cost all day long and a lot of these questions. But here I'm going to summarize it the best way I can. So No one, if you do eight hundred and fifty thousand dollars a year more in gross sales before discounts are taken out, not including sales tax. Eight fifty or more. Your prime cost target is fifty five percent.

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Whether labor is high and food costs and labor and cost console's, I should say, is low or vice versa. We're running a high cost of goods sold in low labor costs. You got fifty five percent to handle. If you do under a hundred and fifty thousand dollars, we're shooting for 60 percent. So you could run a 30 percent cost Cotswold 30 percent labor cost. Now, where is labor cost the owner ? Are you included ? Well, you are included if you're the operating owner, meaning you're a manager on the floor with keys in hand operating.

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But if you pay yourself 70 grand and you'd pay a manager 50 grand, then we're going to allocate only fifty thousand dollars of your salary into prime cost. That twenty thousand is owner expense. And because we're going to fire you some point in time and we're going to replace you with a salaried manager like an talked about, if you're working hours and we're not accounting for you, there's going to be a big shock when you start to add more labor because you weren't accounting for that. There's somebody doing that. It's you. Now, with that said, prime cost includes taxes, benefits, insurance.

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So those are our main numbers. Now, there are other ways we get there, but depending on where you're located, style of service, price point, average hourly. Ages, quality of product, your core values, these numbers will be all over the board. That's why a budget is so important based on you and your business. Now, when it comes to other things, we look at it your bottom line. And so I'm not going to give you a target. Cost soar. I'm not going to give you a target. Labor cost. It matters. All those other things come in.

# Transcribe Me!

- 01:20:03 And anybody who gives you a number, like the national average food cost is thirty four percent is full of shit because your restaurant ain't an average restaurant. You could be a pasta pizza place to be in the 20s or steakhouse and be in the high 30s, almost 40. So we're going to adjust our prime costs. But your bottom line, if you do eight hundred and fifty thousand dollars a year more in sales at eight fifty two million five, I want you to be that 15 percent profit margin. That's my goal. Not the five to eight percent. The national average again.
- 01:20:33 Do you want to be average ? And once we start getting that two million mark and higher or if we're starting, we're serving same Mexican food or Italian food and we get low cost goods sold multi cross utilize items, we are looking at 20 percent or better profit margins like you get the 10 million dollar restaurant. We should be crushing it. But I have I have old members at five million dollars or twenty five percent profit margin.
- 01:21:02 And I've got members who are at seven hundred fifty thousand dollars who are making 12, 15 percent, but I'm going to tell you that 750 they're working harder than the person with five million dollars in sales because the same systems have to be in there. You can't make mistakes. You can't make mistakes. Volumes cure all ills. But the nice part is if I'm that five million dollar operator, every time I save a point, it's a dramatic amount of money. And what else do you have to add to that ?
- 01:21:31 I would agree, and I think looking at your net income percentage will help it, because so many times we look at us, we know our margins, and then the net income is like, oh, well, you know, I had a repair and I had I don't know, I paid for this mess. But I think holding ourselves accountable to that percentage of net income and making sure I mean, it really should be minimum five, 10 and higher, I mean, ideally 15. But things are going to have to have repairs.
- 01:22:00 But holding yourself to saying I am going to at least have 10 percent regardless of what happens, and maybe I put the repair off because I need to make sure that I maintain the 10 percent that will set us up for a good cash flow moving forward. Well, everybody, I appreciate your questions, I hope that you'll take advantage, go to larger group Dotcom, go in the upper right hand side. You know, who is the larger group ? What are they ? Click on that book, a call with and come to my site.
- 01:22:27 David Scott Peters dot com and click on Bouca Discovery call or go to disp coach Ford slash discovery. Dasch called Disp book a call with me. If you don't, that's OK. We hope that we've helped you become better, better operators, that you can follow suit and what we deemed our most successful operators. And is there anything you'd like to share in closing ? No, I would just say that having the mindset that you don't have to be a great accountant to do any of this right, you just have to understand that we have to get better and we have to learn a little bit more about our business every day.
- 01:23:04 But you're not born with it. It is a skill that you develop just like cooking. So, you know, I can't cook, but I can do numbers. But, you know, I'll learn to cook and you guys learn a little bit more about accounting and will all be good. Awesome. And I want to thank you so much for taking time to do this. I'm sure we'll do it again if people are, you know, covered. Got us to you kept doing a lot more. We just kind of a year later coming back together because cash flow is an issue. Again, numbers are an issue again. It's never too late to start paying attention to your numbers.
- 01:23:35 Thanks. Thank you. Bye bye.

# Transcribe Me!

01:24:23

Here we go. All right, we have shut down the web, but are you still there ? You gone. Your gone. All right.