Hey there, Restaurant Pros. David Scott Peters here and welcome to episode, 27 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 do on a daily basis to achieve their success. The basic premise of the formula centers around achieving prosperity. Freedom for your restaurant, and the financial freedom you deserve to achieve prosperity of the specific formula, made up of leadership, systems, training, accountability, and taking action. Today's topic centers around the crisis. Our industry is facing

the restaurant industry cannot catch a break. The new crisis of labor shortage, and the record food cost increases is threatening our future.

I want to have a candid conversation with you about what my members are doing to make it through. Let's get started. The first word from our sponsor. This episode is being brought to you by repeat returns, if you're a restaurant owner of a medium to high volume independent restaurant multi unit or franchise operator, and you're looking for a proven and realistic solution to attract grow and retain customers, then you need to visit repeat returns. Repeat returns is a modern marketing platform created by a restaurant owner for restaurant owners. It studies, each customer's habits and patterns predicts the most profitable outcome for your restaurant every single day, and deploys a marketing to make that happen. You'll never lift a finger to see if repeat returns is right for you. Visit repeat returns.com forward slash DSP while things are changing quick are they. It wasn't just literally six seven weeks ago I was in Las Vegas to speak of a nightclub and bar show. And the main concern there was the shortage of employees the new crisis we've talked about it. I've talked about becoming an employer of choice and how episode 23 is so important for you to listen to, especially today. How do you become an employer of choice because we have this shortage of employees, how do we change it. There's no quick fix, six months to a year I wish I had a quick fix, but there's another thing that is adding to this crisis, the shortage of food and how our prices what we pay for product is going through the roof. In fact, we're now I think it was restaurant business magazine put out an article was talking about this as the largest increase in pricing on menu pricing, since 1981. You're feeling it. But chicken wings have been up. I think it's 100% risk at 300%, but go down the list of all the things that are up by hundreds of percentage points. It's just January. It's getting harder and harder to work with our burnout employees, the few that we have nobody coming into apply like you feel the pressure, your distributors are feeling. When's the last time your regular driver delivered your delivery. How, how many of you're seeing your sales managers out in trucks because they are feeling the same thing, this shortage of product that they can't get you, you're upset, the increased prices you're upset, they don't have employees that drive their trucks. First nightclub or bar, and then, Louisiana Restaurant Association show and now I'm in Las Vegas again recording this podcast because I'm speaking of the pizza Expo in the first two days were just seminars, And so I gave a two day part one part two seminar to try and help restaurant owners just like you get out of this hole to take control their business understand the importance of budgets, leadership, putting the systems in place to control the numbers, but I will tell you in all of these shows. The major threat is operators are worried. I can't find the people, my food costs are, are through the roof. When, at what point in time. Will this stop, and I can't answer that question. Like I don't know. I'm just like you I'm riding this train, like, where is it taking us but we thought by now, we'd be through COVID, but here it is again. Now there's some good news. I believe was talking to my wife and she's watching the news and those cases are starting to come down again maybe we're starting to the mitigation process is working again maybe there's more shots in arms, maybe, I don't know, I'm not, I don't know. But I'd like to think we're going to get through this. No challenges on our industry in place, one crisis with another it just, it's going to be that way, but this one's pretty severe. I feel for you. I'm when I'm on calls coaching calls with you on a daily basis, I see your pain. Like in the old days we get on a phone call. I spend my life on Zoom. I see your face I see the anguish I hear the pain. I even see the tears. And I will tell you, from show to show, to where it is today. And those coaching calls. It is a crisis. Right, let's just call it what it is it's a crisis show employees and rising costs with shortages. Now as I mentioned, I've already addressed kind of what you're going to do to overcome the shortage of employees and it's no easy answer, it's become an employer of choice. I'm not going to harp on that again I'm going to remind you, go listen to episode 23 of the restaurant prosperity formula my podcast. It's a must listen. So, putting that aside, let's talk about food, and the employee shortage. Here's kind of what's been happening out there. I can tell you that I've been coaching my members they must attack their menus.

You've got to attack your menu, your menu is the key to the labor shortage and your prices. What do I mean by that. But let me tell you a couple stories, let me tell you about real members that I've worked with, week to week, and the changes they're making. But let me tell you a little bit about, about how they're reducing their menu sizes, how they're attacking the menu and getting creative, how they're literally trying to figure out how they can reduce prep, simplify their operations, how they can on the fly, make changes that during a shift, they could literally save the kitchen, be able to do with less employees to be able to handle rushes and all those unhappy customers that seem to be coming out of the woodwork, because they see an empty table they want to sit there, they can't believe how much you're charging for things. Just not polite. It's a perfect storm. Let me first tell you a little bit about me. I mean I've worked together now for probably a year and a half. You've probably listened to the podcast we did together she is an incredible operator up in North Dakota, small town, and for years. Her goal was to be to provide for community, there's not a lot of restaurants, she wanted to be all things to all people and I kept saying we've got to make a change. We've got to make a change, but quite honestly she was making changes in her business that it became easier to run that she had time off and she had managers and it was making money and doing really really well. Well, then the business started flooding back, and it created an employee shortage. She hired as quickly as she could, but like everybody else. She doesn't have all the employees she needs to handle those and all the catering businesses coming in now. Like it's flooding in. Well, it was finally came to a head. We had to attack her menu. It was very difficult, I'm going to tell you right now, when I start talking about working on your menu, it's me kicking your baby your menu is your restaurant your menu is you. That's how we perceive it as restaurant owners, you are picking on me and saying something's wrong with me, but it's not the case. See, when you give me the right numbers. When you have accurate up to date recipe costing cards. You have your menu mix your product mix from your POS system. We can do analysis I call menu profitability monitor, we can find out your ideal food costs, what's your high sellers are your low sellers your high cost your low costs, great cash, cash contributors, what things that don't make you money. And we can make changes to your menu, we can raise the prices on your top selling items one two and three, and it can make a huge impact. We can change products, reduce portion sizes or outright get rid of items and make those changes in the mix, and truly hone in if you will put up a laser light on moving the needle and lowering your food costs, but at the same time we can look at those line by line by line and go, Hey, how many products do you use that in, how many products you that in, and so on and so forth, where maybe we're making a specific sauce for one item we're bringing in a product for one item that you sell, we're having to spend hours upon hours on PrEP. And it's slowing things down, because that's the way our menu is put together. And don't get me wrong I'm not going to take you from, from being a scrap kitchen. I'm not going to tell you to buy shitty product and dummy down your menu. I will never tell you to those things, but there are things you can do to make a change. So I can tell you, it was quite emotional.

But it was time

for me to take action and make the change. And it really was spurred mostly because of the kitchen, not having enough employees, and the more you have on a menu, the more employees you need the higher skill they need. It just takes time. So finally got to me and said it was time and I probably talked to her for well over a year about reducing your menu but now is the time. And I'm telling you it's painful. As a restaurant owner you know that if you sit there and look at your menu and say, Your, you've got people who love a lot of things on your menu to take them away. There can be a lot of fear, but we did the analysis, we didn't do it once did it twice deck I think there might have been a third time, race and prices. But wholesale went through and looked at the product mix and said really, can you get by without that. Can you get by without this, can you get by without this, what is the impact that would have on the kitchen and all of a sudden we were reducing menu items and reducing unique products, reducing prep, reducing the amount of labor needed to execute the menu. It was a big decision. But finally I made that decision she became the leader her restaurant needed while she always was, but this was a big choice. Well I can tell you with pride on today's group coaching call. She put that menu out, and she reduced it to 70 items. It is, it is a far cry from what it is now she posted for her for all of her customers to see a, there's a labor shortage, there's a problem COVID These things are affecting us and this is temporary, this is what we're doing right now. And quite everybody in the council everybody in the community is supporting her. The employees are supporting her while she was fearful all the arrows, they didn't happen. And all of a sudden or even our kitchen crew said, man, there's so much less prep to do it's much easier to get through our day. So, any attacted yes she raised some prices. But the main thing was, she reduced what she was selling, she realized she can't be all things to all people. But if you sell what your customers love, and then later add back some new things or weekly specials, you can truly impact your bottom line, but more important that labor shortage. So yeah, changing your mix, raising some prices, changing some products reducing the menu size attacked both labor and or food cost, really, really amazing. At the same time. I'm working with Angie and Doug at Washington L on the shore, and they've got a small restaurant attached to a golf course, and they truly started really with a foodie type concept last their chef.

Last managers,

and are truly doing everything they can, as, as operators to make change in their business. And I can tell you that they know their numbers. They understand what their customers want, they truly have incredible core values and how they want to deliver for their guests. Well we embedded, they have the same challenges don't have enough employees, food costs were starting to get out of control when working on their budget we realize how we had to bring that food cost way down. Well, how do you get there, you attack the menu. And again, not, not one not two but three calls in fact one of our calls was truly

just

hours of discussing how the impact of changing the menu made them feel. What they were worried about their customers, their employees. It's a big deal, and I don't take it lightly. I in fact said to them I don't care how many calls were on how many hours it takes for you to feel comfortable with the changes in your business, I don't live there. I don't work there. And I will never make them make decisions to go against the core values. Well I can tell you with great pride, they got to the right point. And we have to do in a couple phases because there is no chef there anymore. They don't have a strong culinary presence, they've got good cooks and people who can execute the menu but no creativity. Nobody there that can really hone in and say hey we need this product we need this item we could make these changes. So we got, we thought outside the box. Well, we get a reduction in number of items. Again, reducing prep, reducing all the knowledge people had. Getting rid of things that people were not ordering quite as heavily as something else we could simplify the kitchen. We also raise prices, and some of the things, the prices had to go way up because you understand what I'm saying. You have products that have jumped up 300% or more. And you're still trying to sell these things, like, not in their restaurant, but chicken wings, there are now concepts that are dropping chicken wings because there's a shortage and they're so damn expensive, they were already something that was almost too costly to sell but really popular so we we own, we, we hung in there. Well, here Angie and Doug made these, these cuts that we thought outside the box, because we don't have a calorie professional in the building, a true chef that can help bring back that core value need to have the community not just be provide them food and service, but great food, things they wouldn't find anywhere else. Kind of a chef layer to it. Well, we reached out to the broad line distributor, Cisco, do you know that your broad line distributors have chefs that work for them not just salespeople but chefs that work for them in their business development department. They can help you create new items, new recipes. Of course they want to sell your product that's in their four walls right. But the fact that matter is there are so truly gifted people in these distributors that you can tap into to help you make the change. They'll even walk in. Look at your equipment and kind of hone in. Now the beautiful part about production Angeas, they've got the Cisco is actually who they're working with, who are going to help them with that. And they've got me to help work on when we bring those recipes in, when they work on the recipe card, and we plug it in and see what it's going to do their mix, we can identify what their food cost is going to do. So step one was reduced labor. Step two was to reduce the number of items. And three, is what's coming up next is to bring the food cost down by bringing in other products, for instance, to fit their concept that we talked about saute. Because then you can get very Chevy with sauces and pastas and things like that, and not bogged down your kitchen, high perceived value, I can charge for it. Really, really creative. It's amazing when you as an owner make that decision that you can actually make changes that can truly impact not only your food cost, but your labor because labor is scarce right now. Really you're during the pandemic. Working with Sue and Jeff, they have a brewpub up in Wisconsin. In order to make sure their business was going to be around we'd pick the food costs from a 38% to 34, but they also had a prep issue. They were started off with a chef who was truly creative. Jeff didn't last very long. There was all these items that had multiple unique items in it, all these items that had really heavy prep sauce,

you name it.

And we said, hey, you've got to make a change if we did your budget, we need to bring your food cost down from 38% to 24. How do you do that. Well, part of that was again thinking outside the box. It was number one, and said you need to add pizza, it would fit the Fit craft beer craft right a craft pizza craft beer. So they invested in a $40,000 pizza oven. Trusting that that was the right call. But they also reached out and got a chef consultant to help re engineer the menu as far as recipes, not the cost side, but how can you dovetail cross utilize products source products, bring cost down, keep, you know, a higher perceived value. So, again you can think outside the box. Unlike Doug and Angie who went to a tributary to use their chef. They had tapped into us foods for that. But that Chef really wasn't going to match what they needed, so they went outside and paid for a chef consultant. Well, I'm happy to report their food cost is way down their labor cost is way down, because I thought outside the box, they were allowed to bring pizza to bring the food cost way down with high perceived value to take pressure off other stations in the restaurant. Now, I'm gonna tell you about Steve. Steve has two restaurants one in Oregon one in Idaho. I've done a podcast with him. I'll tell you right now, Like everybody I'm talking about these are all fantastic. Steve knows his numbers, numbers, numbers, numbers,

he took

budgeting, the way I do it to a whole new level. He is truly amazing when he talks about, you know what he wants for his company and for employees and how to become an employer of choice, but there is a huge shortage of employees, because in the areas where one of his restaurant is a lot of people don't live there that can work there, because it's too expensive. So the shortage is real, it was already a challenge before there was a true shortage. Now I can tell you, he as well, made a change during the pandemic we brought his food costs from 38% down to 24 and I think he hits 24.5 Truly amazing talk about all these people but sees a leader. A leader the business needs. But just recently because of the shortage of employees, because of the shortage of products increased costs, he's had to make the hard decision to decision, that, that I for the first time in my career I think I've told you in a couple podcasts ago. I recommended the clothes a day or two. Because there's just not enough people, when you start making your crisis your employees crisis, you're going to burn them out and lose them. Well, he made the hard decision to reduce hours, but he also recently called me up and talked about wholesale cutting items off the menu that were heavy prep, heavy, heavy, number of steps in execution, even though they're top sellers, literally a section in the menu, but in order to get by and make it with the labor, he has, he made a tough decision. You start to see the theme with each one of these restaurant owners their leaders. They don't give up on their core values, they don't cheat the guest, but they do make the decisions that are required to keep their business operating does still provide for the community, to give them some sanity and still make it. They're not easy decisions. Last I want to tell you about Neely and Ryan they're new members of mine in my RTR gi program restaurant transformation intensive, and on the group coaching calls. I've been thrilled to have them a part of the group because they truly participate they truly have a growth mindset. They're very successful and have a couple restaurants in Maryland. Two calls ago. It started off with pay. One of the other members said, how do you handle when you're getting bogged down at the door and your kitchen start to get slaughtered like your ticket times are going up, but lots of members came up with neat ideas, right, and the one that just really was, so outside the box and fantastic is what they do in their business, like I, I started giving advice at reduce the number of items dot dot dot dot, for all the reasons we've

been talking about.

Ryan and Neely, they said you know what we have. We have a second menu that is automatically reduced. So when we start to say, it looks like we're gonna drown, we pull our menus and replace them with a different menu. Now the beautiful part about it is it's not that it's a new menu, it's a reduced menu, one that they know they can execute in the kitchens, easily, they're not those things that require the extra steps to bog you down. And as far as the servers go, they don't really have to know that it's a smaller menu or not because all it is is the guests are ordering certain items. You don't have to reprogram POS system, you don't have to raise prices you don't have to do all these things, you just have to be ready to execute in a moment's notice, when you know you're short staffed and the ticket times are going up. Again, if you'll notice there's a steam me. Angie Doug su Jeff, Steve Neely and Ryan, the solution to all of these challenges the shortage of employees, and the rising costs is the menu. Understand as an operator. To get there, to make this in a perfect world, or if we if we live there. I tell you the two most important systems any restaurant should have or budgets and recipe costing cards, why they're both proactive systems. So in the scenarios that I just went through. Most every one of them. We started with a budget and understanding where we need to get our food costs in order to survive, to make money to thrive, depending on where you are in your life cycle and the challenges you face your budget is critical for you to create your proactive plan. And in many of these plans, it means attacking your menu, especially when you think about most restaurants now do 8085 90 95% food sales. That means there's one section that you're gonna have a huge impact in it, odds are in most small restaurants, you might have do one or 2% and wine sales. I don't care if you're running 80% Pour costs, and you got it down to 40 and you doubled your profitability great you made a couple 100 bucks, but when 90% of your sales are food, you know that when you bring that food cost down, it has a dramatic impact on your bottom line.

When you can simplify

your menu you can reduce the number of cooks you need it can reduce your labor costs, major way, because that's where your highest labor costs are. You see how this works. So it starts with that budget you create your plan for success, just like each one of my members have done. With that said, we then look and say, okay, recipe costing cards. Well, each one of these members that I told you about. They had that second system in place as well, accurate, up to date recipe cost cards and help one of them, they weren't even perfect, but I'm going to tell you right now. Give me, give me recipe cards that are slightly out of date, we can know that we move the needle. We're going to reduce it by x number of points we just don't know if our starting point or ending point were accurate because the prices weren't up to date, meaning your costs. Either way, each one of these members put the hard work in to do the recipe costs and cards. I'm going to tell you it means it requires software. You've got to have software I'm gonna tell you right now, as somebody who, in my past life created software to handle every aspect of running a restaurant. You've got to have food and beverage software and I don't care which one you use, I'm software agnostic, the one you will use is the one I want you to have. Now we do have one that we recommend to our members, because most of them are having great success with it. And that company is called margin edge. You should call up Bruce and say, you heard you heard about him at David Scott Peters restaurant prosperity formula podcast. I don't get a dime for the referral, but I'd love for him to know that there's some marketing out there, he gets for free that's working for him. But again, I don't care which one you use. The fact of the matter is you need recipe cost cards they need to be up to date you need to be able to make your invoices, like and margin edge, take a picture of it, scan it up if you will, to the internet and magically your prices are up to date, which means your next inventory is up to date. Your next orders at the date and all your recipe costing cards are up to date so now we can do an analysis, whether it's already tied into your margin edge, or you're using my spreadsheet and you're running a product mix report you put it together and now we can menu engineer. We've got the right data to make change in your business. And again, with a culinary eye to it, we can start to look at unique items, heavy prep items, high sellers low sellers cat great cash contributors, and those things that just really shouldn't shouldn't be on your menu anymore. And if you've got a great culinary professional on your team, then we can start to get creative. What can we bring in, pasta, pizza, younger, you understand, you got to find things that fit your concept and can bring the cost down with high perceived value. See, if you want to make change in your business. If like I've always said the two most important systems any restaurant could ever budgets and recipe cost guards as a proactive tools to get through this crisis of a shortage of employees, we need to simplify our operations to get through this crisis of rising prices and getting to a point where I hope we're not there yet, but fear in our industry that we will eventually raise the price of all of our menu items to a point where they no longer deliver value to avoid that you've got to attack your menu and start to get creative. So I'm going to tell you right now, from a restaurant coach to a restaurant or like you follow what my members have done. Create your budget know where you are, start attacking your menu, preferably with recipe costs and cards, be willing to make the changes necessary, even if it hurts because you have fear of what it's going to mean for your business and your customers. You've got to become the leader your restaurant needs, and I'm going to tell you, if you don't know where to start. If you need help. There's no shame in that. Because these stories I'm telling you are about my members, these owners like you who made the decision that they know they didn't know what they didn't know what they didn't know, and they needed to learn, and they wanted support, not only from me but from other restaurant owners. So if you're concerned about, employees. If you're concerned about your food cost. If you're concerned about the direction and future of your business, whether it's, you're just trying to get the one two points that you're losing because cause one, or you're truly saying, Gosh, I want to make change in my business, I want to have a life have managers in there,

I don't want to make the money I deserve. I'd love to talk to you. Maybe it's time you visit me at David Scott Peters, calm, and my menu bar at the upper right hand side it says book my discovery call. You want to get on a call with me. I'll happily help you shine a light on where your challenges are and maybe I'm right to work with you. Maybe I'm not. But no matter what. That time we spent, I will share with you exactly what you need to do to make the changes you need to make it through this crisis that do me a favor. Go take action. 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 buy 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 on Trump pro seeking out information are able to find it. I read the reviews, and to hearing how information has benefited you does wonders for me. And three, if you find any 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 doing Be persistent. But more importantly, become better and help everyone around you become better, and your restaurant is going to kick some ass.

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