Hey there restaurant pros. David Scott Peters here, and welcome to episode 38 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 doing a daily basis to achieve their success. The basic premise of the formula centers around achieving prosperity, freedom in your restaurant and the financial freedom you deserve. To achieve prosperity, you have to follow a very specific formula made up of leadership and systems training, accountability and taking action. Today's topic centers around what the one single system is my members use that allow them to proactively manage the restaurants to help them be successful and take control of their business with all the outside challenges that seem to be crushing typical operators. If you're ready to take charge of your future, this podcast episode will be a game changer, I promise. Let's get started. First, a word from our sponsor. This episode has been brought to you by BP 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 as a modern marketing platform created by a restaurant owner for restaurant owners. It studies each customer's habits and patterns and predicts the most profitable outcome for your restaurant every single day and deploys the marketing to make that happen. Don't ever look the finger to see if repeat returns is right for you. Visit repeat returns.com forward slash DSP. Sometimes it feels like it's getting harder and harder to make money in the restaurant industry as an independent restaurant. Well, that's because it is. Well I don't need to remind you, I'm going to food costs or beverage costs. labor costs are up the labor shortage during the Great resignation or COVID shortages. Third party delivery services are now taking from our bottom line. You now need software to control your costs get sold and labor to reservations and social media. Our rents are higher. You've got more loans from the ideal money to SBA loans to bail yourself out from the COVID business restrictions and we've run our credit cards higher those balances are up and the list goes on. That's the reality.

I found that my members in my group coaching program are facing the same challenges you are how we handle them is not how most restaurant owners do. Most restaurant owners blame everyone else for the challenges. It's the government. It's the employees, it's the customers, it's my vendors. They moan about how things have changed and accept their new realities. If nothing, there's nothing we can do about it. They're not my numbers. Don't get me wrong. My numbers have bad days I get sad, angry, even crying. But what they don't do is accept challenges as the reality. Instead look at their business with a growth mindset and create a plan to adapt and continue their path to success. They've been pivoting way before the word pivoting became the industry buzzword. They all proactively manage their businesses and that's critical. How does this happen time and time again, one key component is having a plan. And that plan is called a budget. A budget is critical. Not that when you use open your business and look back a year later. It's not your Profit Loss data which is a rearview mirror. When we look behind us and say how did we do and when you say your food cost is high, when you get your p&l? 15 days in the next 3060 90 There's nothing you do about it. It's too late, even if it's just 15 days a chef your food costs as well. Even if they say yeah, let me fix it. You've made the same mistakes for 45 days in a row and now you have to look backwards and change it. Instead. We need a front windshield. We had a plan which is how we move our business for which we lean it forward to achieve the second success we need. What's the cost you need to achieve? What systems are you gonna put in place to make sure you achieve that food cost? So budgets give us that proactive management. It helps us create our plan for success. What systems are going to put in place how quickly your equipment place and when we're going to train people hold them accountable and what are our expected results from those systems. That's creating your plan for success. We don't just click our fingers go bang food cost is lower. What steps are you going to take to train how we're going to implement How are you going to ultimately hold them accountable? That's critical. That's the plan. Most of us never hit our plan and it's never perfect because the plan is a dream. A plan is what you want the guide people towards much happens and we miss our plan. So we've got measurements in place on a weekly basis, a monthly basis. On a weekly basis. We're gonna measure our prime costs, total costs get sold plus total labor costs our sales, but on a monthly basis line by line by line the whole budget, the whole p&l side by side to find out where we hit or miss. So if I was to make $14,000 Last month I only made seven what went wrong what systems that I put in place my managers aren't using. I need to hold them accountable, retrain them, put it in place, again, whatever following the systems but other circumstances come up. I need to create a new plan. Either way, I didn't make $7,000 I was supposed to. What changes am I going to make over the next 11 months, 10 months, eight months, six months you get the picture wherever you're measuring small changes so I don't give up your satisfaction. I don't give up product quality. I don't give up service levels. I don't go against my core core values. But I make these tiny, incremental changes over the next x months to make that $7,000 that I'm going to proactively still achieve the profitability I deserve. That's why that's so important that which we measure improves. And I think these members might members they understand that one session I talked about when I said we run a weekly prime cost Budget Variance report is one of the things that is critical why? Because those are something called the old timers like me controllable expenses in the control of management and we hire fire train utilize my people purchase product utilize that product. So it is their report card as managers they can't control your driving a Maserati out of business. They can't control you decide to a group on the credit McCain Restaurant Marketing run a 78% discount but they can control who they hire, how we train them, onboard them, schedule them, cut them, what they pay them purchase product from prep and controlling the line and temperature and like doing all these things where you control they can control food, beverage and people. Well that's it is their report card. So to be very clear, this is the most important number any restaurant should know whether you're an owner or manager, the one that you must don't have any chance to make money credit cards, which is total cost consult and it's food bottled beer, draught beer, wine, liquor, merchandise, anything else you sell total costs, plus total labor costs. That's what salary managers our managers do back house labor by position in front of house labor by position everybody all love including taxes, benefits insurance, oh, they're a part of prime cost too. I will tell you that you also have to use one other number that's extremely important. Your food costs or recipe costing cards to the labor costs. Look no different here. We use the total cost of goods sold right all the product I used plus the labor I use including taxes beneficiaries divided by gross sales. Now gross sales to be important to understand this is the ring at the register before discounts had been removed. Not including sales tax sales taxes out of sale. So if you were to sell, say $10 Burger you comp $5 gross sales is $10 that is critical to make sure we measure our efficiencies. Now I can tell you I started coaching indepent restaurant owners back in 2003 and the old target back then the experts said We're a full service restaurant that's kind of helping started. Now I try to get my members about five points lower. But the truth of matter is ever since the economy took a crap what is that back in 2007. Our industry's training has changed. All those expenses we talked about are going up. But all we did was add some more services but they've been going ever since. And the truth of matter is, if you do at least $850,000 a year in gross sales.

anymore, it's 55. That means there's 10 points on the table. Imagine if you're a million dollar your business and there's 10 points on the table and the same sales you're doing now, if you were to control your prime costs, that's $100,000 And bottom line efficiencies, your money on the same stuff don't get rich scheme becoming more efficient. That's what we can start to look at now. If you do under $850,000 you're in sales, you're praying to 30 to 60% because your labor cost is going to run higher. We don't have as many dollars to drop to the bottom line and we have minimum staffing levels in many cases. And I'll also tell you, if your sales start to reach $2 million 3 million and higher your prime cost target drops like a rock million dollars. I'm sorry to look at you at a 50% Brian costs as you get to 3 million and higher depending on the product you serve. We might be looking at something in the high 40s without giving up the satisfaction without putting more values based on your location. So where you're located, quality product you choose to sell your your demographic to walks in the door, your style service your core values. We're going to set a plan that stays true to who you are. We don't just drop prank calls by the way I'm not gonna drop down to 19% my shitty product wrong. But there are so many things we can do to control our food cost proactively in your control that we can put in place but the only way to do that to understand is we've got to have a budget, but we also have to understand that prime cost being the most important number. You can't just continue to use industry averages this budget by talking about location sales service, quality product and zoning is unique to you. So when the National Restaurant Association says the average restaurant runs at 34% food cost that's not your number with your pizza possibly contributing 20 With your steakhouse you might be 38% 40%. So you can't use industry standards. Because if you didn't you run a 34% food cost and a 33% labor cost based on all the natural rags and what you see on TV and different consultants and coaches that are out there. That means everyone's gonna tell you to run a 67% right now that's two points above the 65 number. And here's the truth of matter is if you don't take inventories on a weekly basis, if you don't track your labor on a daily basis and you don't have a budget, odds are you're running a 78% Prioritize or worse and the truth of matter is with rising costs and labor and COVID and all these things, many restaurants are worse than 78% and you wonder why you're not making money. You're accepting what's happening to you. Instead, you need to take control. And to do that, you've got to understand that that credit costs mix will also be different based on your restaurant, location, price point quality products style of service, you get the picture when we painted for you, you're gonna be a restaurant, maybe a family dining restaurant, run a 30% total cost consulting 25% labor costs, well, that's 55 you could run maybe a quick serve restaurant and you run a 20% of consultants on tacos, rice, beans, and so on. But because your labor costs are gonna be higher, you're paying more to have people in your store, you may run a 35% labor cost 20 plus 35 to 55. You could be a steakhouse and run a 40% food cost. I wouldn't recommend it but you could. Why? Because the ring the register is so high I don't my sales go through the roof. I don't need more labor. One cook to flip a burger and think the same goes for the steak that I make so much more in the ring of the restaurant and bottom line profitability and I might run a 15% labor costs. Well 40 plus 15 is 55 see based on your restaurant in your business where that mix falls, I don't know. That's what you've got to create your budget, again based on your core values and everything about your business. But now we can start to target where we need to be. That's critical. Now when you create that plan, we're gonna start to look at sales. Why sales? I want to find out what your sales mix is. For instance, let's say I'm looking at a restaurant and 80% of their sales is food sales. 80%. So every dollar comes in 880 cents goes to food sales, and I look down you know 2% wine sales, two sets and every dollar goes to wine sales. When I start to see 80% food and 2% wine. I know that I've got an opportunity really in my kitchen, I can make the biggest impact on food costs and labor costs why because it's the primary engine to my restaurant. If I were to fix my wine costs from say 80% to 40% I might make $2,000 It's been all this time and energy to fix something it's going to be $2,000 but when I look at my food costs and I bring it down because 80 cents on every dollar is food and I've got all these kitchen people to put it out there. Well I might find a major change 2030 $40,000 a year or more. So you've got to understand and create that budget find out where you can create the biggest impact in your business. So again, we can no longer just look at one part of prime cost. You can search out information that you're one speaker talk about whether the podcast and a show, whether you go to a seminar, webinar, whatever it may be, and they start talking about how you can fix your food costs. You're going down the wrong path. And then you go see somebody else talk about labor costs, you start yelling at your managers about labor, they got it together. And the only way to see that where you are and where you need to be is to put together a budget. It's critical. When you have a budget for success. You're going to do the work to achieve the numbers you've put in place. How quickly bring people hold them accountable to achieve the numbers you need. So for example, a typical restaurant I talk to often runs with 38% food costs. It is not unusual with a quick service full service has not mattered. When you don't have systems in place. You're not paying attention. You think I'm not doing that bad. I'm only four point over a national average. So what we're going to do is in month one we create we create this template based on the last 12 months what your net score wants to look like if nothing changes. Now we say I'm gonna implement three systems. I'm gonna train three systems to I'm tracking to prevent without giving up a checkbook to clipboard systems in a spreadsheet, because I have a budget. I'm going to drop my food costs to different points. But I don't do it overnight. You can't hold managers accountable. It's something that you just

we hold them accountable. We've given them 30 days to make it a part of the process, ask questions to ensure they know how to use those systems, not only to hold them accountable, and to keep on track on a ship. Restaurant, check with Guardian everyday that all the information was in the order on budget with a little discrepancy. Here do my members have two to three point drop in their food costs, no recipe cards, no shelf, the sheet inventory, no heavy lifting, just by paying attention your product. So now you can see that we start with that 38% food cost but in my 35 Because we're paying attention, but we know how important it is to achieve a certain level of profitability and only the only way to truly attack your menu. Recipe costing cards. So you determine in month one you're gonna sign up for a software package you're gonna start putting the data in you know, it's gonna take you 100 to 200 hours to get it done. So you're going to take about three months to get these these all the ingredients that we implement everything ready to go batch recipes all the way through if you sell three when that's all done when you have that the constant update process is actually worse than national average and ideal food cost is if there was no waste, no death notes. Recipes perfectly and we know exactly what our customers ordered. And that's what items that might be a 30% food cost appetizer that is frozen out of a box into a fryer to hand cut fresh cut french fries have a 3% cost console and that menu mix and how that influences where your food costs should be based on what your customers actually ordered. Now some national average and when we find that we can make changes I will tell you that a typical restaurant runs seven to nine points above their ideal food spoilage they're lying the temperature and ordering. You name it. We're not paying attention. So again by putting the waste tracker, tracker in the restaurant check regarding by just paying attention to our product. We're gonna see that drop. Well now we got these recipes. Now we know what our food boxes are ideal food cost. We have an expectation of seven to nine points above ideal. Now I will tell you what it's like if you have a rockstar kitchen manager or chef they will run one and a half to two points above ideal Rockstar like killing it. Training Systems place control clean kitchen checklists supervision like on fire so keep that in perspective. Now, we've got this information that we're gonna re engineer your menu. It might re engineer our menu we can see that we've got some costs that are too high. Can we get a different product better product and people pricing reduce portion sizes? Can we raise the price can we get rid of an item? Can we add an item? Can we ship MIT change and influence what our customers may order we can change what we put on the table like remove items that are killing us and add new items from pizza and pasta. So I'll take things that could have high perceived value, high repressor low food and we may decide in month four we're gonna put on a menu that is an ideal food cost of 24%. And in the meantime, we're putting in checklist we're opening closing cyber checklist in the in the back house. We're making sure our supervisors are following knows we're not going to keep on track or waste record restaurant check with Guardian we're gonna use a plastic setup for that line checklist telling him checklist like you're dialing in. Never locks our chef or kitchen measure and that 24% ideal is going to translate to a 26% actual work we started at 38% We're now down to 26 also know because 80% of our builders is food and our higher wages tend to be in the kitchen. Look at this business. And in month one we notice we have a 19 and a half percent labor costs all over the kitchen like dishwashers. 3% was my numbers we're trying to hit a 10 to 12% labor costs and Back to House. We start looking at digital that's a luxury don't get me wrong, what's important. Make sure everything happens. What are the Monday lunch like $500 in sales. Why do I need a dishwasher? Why can't my cooks servers make sure they really prep those dishes, scrape pre soak and then all the things necessary. When a dishwasher comes in the afternoon, there's not that much there. They just start working

oh my god, you're the only people who make things from scratch. Some that prep in my life. Those hours when they're standing around talking doing nothing they could be prepping reducing my prep work hours and all the sudden I get things done what would you rather lose? If you lost some hours? Would you rather lose them from your mind go to your prep books. Be your breakfast right I want my highly skilled mind go to be available throughout the year I need to keep them and give them as many hours as possible. See all of a sudden when we redo our menu range in our menu we may reduce our friend reduce our menu to become more efficient on the line and all of a sudden reduce our most endpoint protection but I won't be very clear. Some of you are in high labor states meaning $15 minimum wage if you're paying 1820 Because that's what the great resignation is done. It is raised like we were worried about $15 minimum wage. Oh my gosh. Man, we're past that now. COVID has passed that. And so now all of a sudden we've got these higher wages. I've got some numbers and it's okay, maybe you're gonna run 13 14% And I may have had one or two people that are on this this team. Well, that hurts. And we got to plan to get sales up to bring that down as well for most people, maybe 1314 in general. That's where we may do so in order to get the labor costs down in this example we started looking at what are our minimum staffing levels, you know, there's months that sales are so low, you got one server you got one cook and one manager your labor cost is through the roof. Well, you need to figure out what those minimum staffing levels are because in the slow months in our budget, we may run a 38% labor costs on purpose. But then we also want to look the opposite is true. And so there are maximum efficiencies when we're crushing it and we're doing $300,000 a month, were busy as hell, we couldn't add another line cook another server, another cashier, whatever it may be, and we reached maximum efficiencies. We may have more sales, but we couldn't add any more labor. And so all of a sudden my labor costs drops and in that month, it might be 22% 3822. You see what I'm saying? And by using a budget we can see every month where that labor current the target should be that we can achieve a 55% prime cost for the year. But as we start to attack and see these months that our labor looks really high as 15% Backhaus. We say wait a second. What if I look this and say we've dropped that by two points in length and n equals x $1,000 x $100? Whatever it may be, and it's okay. What's your average? Cookie pay? Oh $18 to $18 divided into whatever that decrease in money is going to be for that month. And extrapolate how many hours that is based on just four weeks? How many hours and hours in a week and then how many a day, right? We're gonna take this number, how much money we're gonna lose me to budget meaning we're gonna reduce it, divide it by the number of hours, the number the average hourly wage, come up number of hours and we bring that down to how many hours we'd have to trim on a daily basis. If you're to find, oh, we got to trim four hours a day. Is that possible? Wait a second. What are we running for cooks 15 minutes later in the morning, could we have the nighttime completely ready to go 1015 minutes later we do that. thing for the nighttime crew between 14 cooks in 15 minutes? Oh yes. Two hours a day, 14 hours a week. What other major what major changes need to make note what minor changes do you need to make to stagger start, share the pain and make sure if you're busier people can work longer, but you're really not thanking them for keeping everybody employed. We're making these tiny little adjustments to become more efficient instead of bringing everybody in at the same time and leave at the same time. That's what you might have numbers. Created plan after plan after plan. I've been doing this since 2003. But particularly my restaurant transformation intensive program, we actually do your budgets for you with you. And here are just a few examples of what my members have actually done in the last year. One of the members needed to drop her food costs was 38%. They're a brew pub. They pressed beer, incredible product. When they started they had a chef that literally made the shirt with all these unique items from truffle fries. You name it. The prep was unbelievably hard because you were building so many different things he needed to give this restaurant a chance because they hired debt service higher than most. We had to get their menu down to a 26% food cost 38 to 26 How's that possible David? I got them spent $40,000 No shit on a piece of net woodfired pizza, high quality high perceived value low food cost. And they hired because I'm not a chef. They hired a chef consultant to help redo the menu to simplify prep to dovetail cross utilize products to get the most out of their menu and reduce the number of hours they need in the kitchen. Kitchen labor from 50% It was 12 and a half percent menu drop the food costs because COVID from 30 order to survive and give us the confidence to make it really burgers and leave items on their menu those were their big sellers on your menu, not when the concept of the window simplifying your menu changing side dishes when purchasing properly is prepping better operational costs down to

more example sport more concepts and things are in COVID Right 2021 From January to June they went up over 100% But let alone whether you to give them wings. With lower sales with higher costs, higher labor costs, it was gonna get really tough to make it and still be that kind of concept. But we know that he has a plan to move his business to a bigger location and because he had experience with these in the past. We've termed that he needs the new keys to the new concept and drive his food costs down to 26 because that makes this restaurant owner only able to survive to make money with a full management team in place and all the labor he needs by adding this low food cost item and still charge for it. Three members proactively changed their business because they created a plan a plan for success, their budget. We did it for them. With them. Nothing was ever jammed down anybody's throat because we're not going to change who you are. Now do know why we just spent all this time focusing on cost controllable expenses. In many cases. There's lots and lots of opportunities and your operating expenses too. But I wanted you to focus on what you can control right now to make a huge impact in your business. See these members created a plan and you can do so you need to create your budget template. You need to decide what systems you're going to put in place and what your expected results are going to be like when you need to implement train and hold managers accountable for your plan or your plan will not work. And if you're like my members, and when I have someone guide you through the process. Do it for you with you. Maybe you're thinking about getting on a discovery call with me and learn about my restaurant transformation intensive group coaching program where we actually do all this for you wisdom. Either way, you're in control. It 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 tracked by accountability. You are on your way to creating prosperity for you and your restaurant. Something I need from you. Please leave a review on Apple podcast Spotify or wherever you happen to listen to podcasts by leaving us a review other restaurant pro seeking out this information are able to find maybe the reviews and hearing how this information has benefited you. does wonders for me and three if you find any discussions helpful share them, but more restaurant pros who have access to them and a better way to come as an industry. For more restaurant resources or to get in contact with me. Connect with me at David Scott peters.com. We become better and help everyone around you become better and your restaurant is going to kick some ass.