

Focus on the Basics to

# Future-Proof Your Business

*With a watchful eye on industry trends, budgeting, and marketing practices, you can spend less time worrying about the future and more time making your business grow. Because whatever direction the economy heads, you'll be in charge of your own future with a proactive approach to keep customers coming through your door.*



By DICK WILLIAMS, OPENForum.com Culinary Advisor

One New Yorker recently told me she watches the availability of cabs as an indicator of the economic mood and future. But among restaurant owners, sensing the economic future—at least the near future—is pretty simple: either people are coming in the door, or they're not.

With 40 years in the business, I've watched the culinary industry go through the ups and downs of numerous economic cycles, and have seen businesses come and go. Unfortunately, each downturn defects a number of enterprising business owners and talented chefs. But the problem is rarely lack of effort, and not usually insufficient culinary skills. The demise of most restaurants is generally a lack of strong business practices.

While there's no magic formula for success, you can shore up your business against a slow economy by assessing your weaknesses—before the slowing economy makes them painfully obvious to you. There are three critical areas that most restaurant owners and caterers need to remain focused on: budgeting, keeping up with industry trends, and effective marketing practices. The following tips will help you keep your business on track through good times and bad.

## Keep In Step with the Times

After doing the same thing for months or even years, restaurant owners sometimes don't notice that their once-successful ideas are slowly becoming liabilities.

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Take a look at your most recent innovations and make sure they're still serving you well. It's important, for example, to review and rework your menu to offer your regular customers new options, and to find ways to attract new diners.

Look for other trends that could fuel new ideas for your business. One of the easiest ways to stay current is simply to observe what other restaurants are doing. You'll quickly see ideas you can use, and you'll probably see ways you can improve on them.

The trend of going green, for example, is in full swing in the restaurant world. Take advantage of customers' desire to lead a more sustainable lifestyle by offering a greener menu. If you're already using locally grown or produced products on your menu, make sure your customers know about it. They'll appreciate your efforts to preserve the environment and support the local economy. If you don't already source products locally, do some investigating, because the results may surprise you. Using local products doesn't have to mean higher costs; furthermore, it often means more distinctive or superior products.

Another significant trend is a direct result of economic pressures. As costs have risen for restaurant owners, many have rightly been sensitive about passing those increases directly to their customers. Instead, some are keeping costs down for themselves as well as for their customers by simply adjusting portion sizes accordingly. Of course, no diner wants to feel slighted, so adjust portions with care. Take note of customers' plates when they've finished

dining to assess whether you're serving too much. Also be aware which menu items most often prompt take-home containers.

## Control Costs

Menu changes like reduced portion sizes or new dishes can significantly help your business, but only if you're paying close attention to costing and pricing. Many chefs and restaurant owners feel they have a pretty good sense of what any particular new dish will cost them, and how much profit there is to be had. But the reality is, even if you have a knack for "guestimating," a slow economy is a particularly bad time to rely on hunches.

I recently worked with the food manufacturing company Big Chef in Hollywood, FL, in my work as a culinary advisor for OPENForum.com. Owner Rosana Santos runs a very successful business providing hors d'oeuvres to clients such as five-star hotels, convention centers, and first-class airline dining services.

In just four years, she has taken Big Chef from revenues from \$153,000 to more than \$800,000, and has doubled production capacity. Nonetheless, she needed some help to maintain healthy growth, particularly in the current economic environment.

In evaluating Big Chef's practices, it quickly became apparent that costing and pricing were significant issues for Rosana. Like many successful, fast-growing businesses, she wasn't aware of the extra profits she was passing up.

To set prices, Rosana was relying heavily

If you'd like more expert tips, including how to manage a resilient business in today's economy and effective marketing strategies for restaurant owners, log on to OPENForum at [openforum.com/culinary](http://openforum.com/culinary). You'll also find other valuable tips and information to build your business on the site. OPENForum was created for restaurant owners seeking community building opportunities, specialized industry content, and advice from to leaders in the restaurant business.

on what competitors charge for similar items. While it's important to consider what competitors are charging, every culinary business must also base prices on actual costs.

To make sure Rosana reaps the highest profit possible, I'm working with her to set up procedures to accurately calculate the cost of ingredients for each of the 450 items she offers (a figure that may make the average restaurant owner shudder!).

Once proper costing information is available, I'll then help her calculate appropriate prices by factoring in labor, overhead costs, and competitor pricing.

In addition to using proper costing and pricing methods, there are many other ways to control costs for your business. Start by making sure you have a complete and up-to-date operating budget. It will help you stay on track to meet achievable goals for

revenue and expenses. If you don't already have an operating budget, start by looking at last year's figures—but do be sure to take the current economic climate into consideration when setting goals.

You can also keep earnings and expenses in line by keeping a close watch on inventory. A monthly inventory assessment with your chef and bar manager keeps you aware of everything you have on hand. That will not only help you order supplies more accurately, but it will also greatly reduce the opportunity for inventory manipulation by staff.

And speaking of revenues and expenses, every business needs to keep a sharp eye on managing cash flow when the economy slows. To ease the pain of poor cash flow, look for ways to make non-cash purchases.

Credit card rewards, savings programs, and frequent flier points can be effective sub-

stitutes, as can bartering. Cards can also help you manage cash flow by allowing extra time for repaying short-term needs.

The PlumCard<sup>SM</sup>, a financing tool from American Express OPEN was designed specifically for small businesses like restaurants and caterers that experience variable cash flow. The PlumCard<sup>SM</sup> provides business owners with flexible trade-like terms, giving them the option to defer payment for two months interest-free or receive early pay discounts for just about everything purchased with the Card. You can get more information at [www.plumcard.com](http://www.plumcard.com).

### Get the Word Out

Finally, no matter what menu and budgeting improvements you may make, no kind of change will amount to much if you're not properly marketing your business. When planning marketing efforts, make sure you're targeting the most likely customers.

Keep in mind, for example, that increased gas prices mean you'll probably draw customers from a smaller radius. For most restaurants, that means focusing marketing on prospects within a three-to-five mile radius.

One way to reach customers is to take advantage of low-cost email campaigns. Build an email address list by encouraging guests to leave business cards or fill out a short profile. Over time, you'll develop a sizeable list that will allow you to promote seasonal specials, menu changes, or special events. And be sure to include a link to your Web site so you get more mileage from every email you send.

Not all marketing has to be high-tech. In fact, in-person efforts are often the most effective. Take the time to get acquainted with diners. There are very few guests who don't like to feel recognized or who won't appreciate a little extra attention.

Many restaurants successfully run contests for their staff to motivate them to sell high-profit menu items, specials, wines, or mixed drinks. Just be sure that incentives work for both your staff and your guests. Clearly explain to your staff the customer benefits of each contest for the best results.

Ask servers, for example, to inform customers that a specific wine is specially priced to pass on savings to customers. You can also use contests as an opportunity to promote your use of local, organic, or highly seasonal products.

As OPENForum.com culinary advisor, Richard Williams provides guidance and expertise to American Express OPEN, the small business division of American Express, to help create a robust set of online resources specifically for small business owners in the culinary industry.

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