



Washington
Hospitality
Association

ADVISORY NETWORK WEBINARS

SERIES W/ RICK BRAA

FINANCIAL MANAGEMENT FOR MANAGERS

PRESENTER

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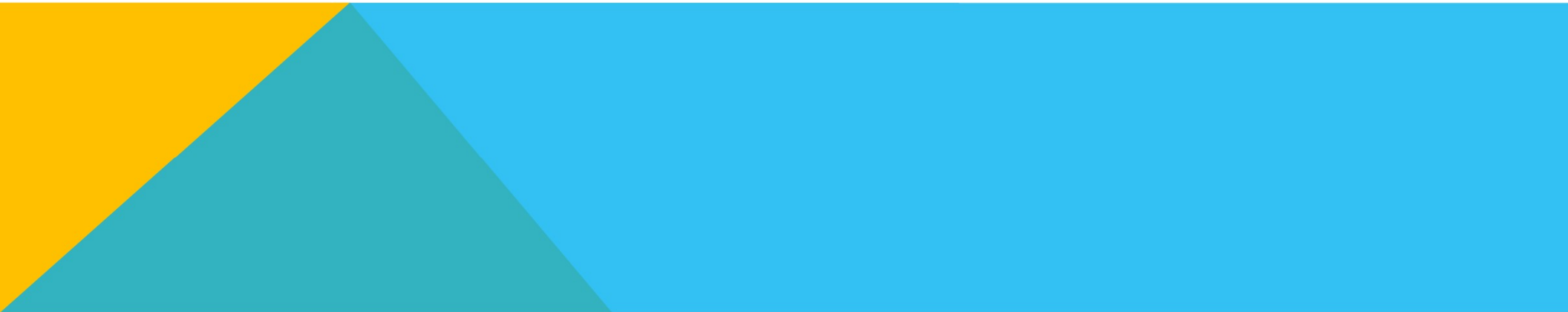


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WHO MAKES MONEY IN THE LOCATION?

Are you making enough money to be happy?

Managers that manage every 15 minutes are the ones making or losing money in the location, no one else.



REGULAR FINANCIAL ROUTINE

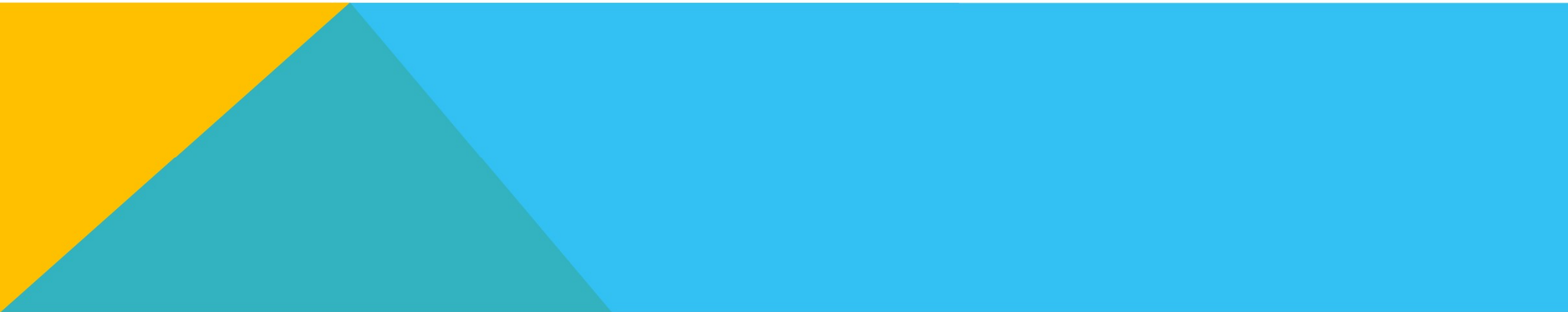
Insist on accurate, timely, relevant data at appropriate intervals—weekly, by period

Put in a BI tool or POS that provides data on a daily, weekly, and period basis


Meet with your team weekly to review sales and expenses and set targets for the upcoming week

Meet with your team every period and review the financials together on a period basis—make commitments for the next period

Do you have a guest traffic issue, guest check average issue, efficiency issue, or one or more?



PLANNING & FORECASTING

- Forward looking, offensive management style
 - Seeks to create results not just let them happen (Columbia Tower)
 - Allows the manager to influence then dominate costs
 - Allows the manager to control his/her business, not vice versa
 - Run the business forward
 - Anticipate expenditures
 - Set short-term goals to reach long-term success
 - Build a habit of forecasting
 - Forecast by day in 15 minute increments of the day (peak the peak not 2/4p)
 - Discuss with your team
 - Daily accuracy after results are produced
 - Weekly at Management team meetings
 - Compare to goal-budget & standards
 - Use for purchasing and scheduling
- 

Four Five ways to build sales:

New Guests

Frequency

Check Average

Events/Outside Sales

Third party platforms

~Traffic is the key to 2024

Build incremental sales
with beverage sales

Trend reports, Pmix, Server Performance
Train Train Train

Speed is the master

Throughput

Start fast stay fast

Food Sales

Beverage Sales

Liquor Sales

Total Beer Sales

Total Wine Sales

Total Beverage Sales

Other Sales

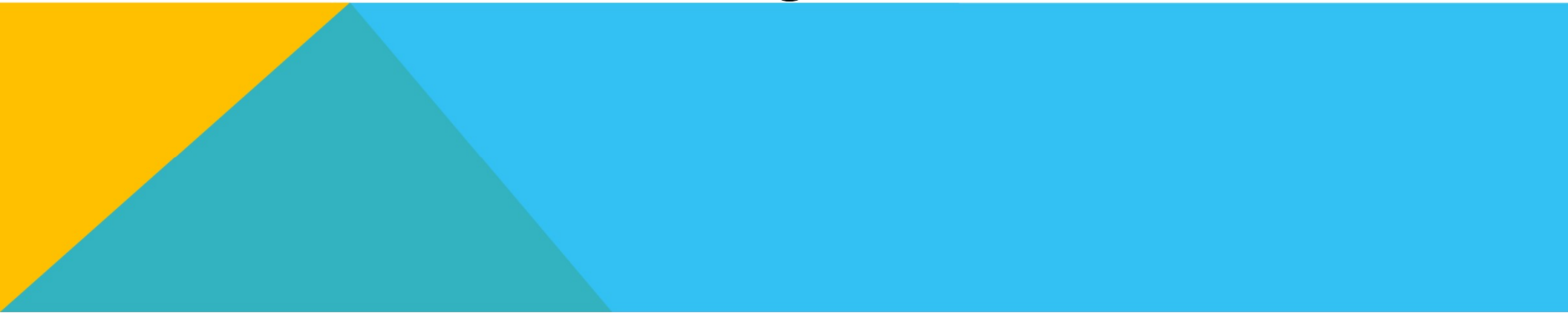
Total Sales

SALES MIX

Current YTD

Period 13 '23	%
766,030.53	51.1%
159,156.79	10.6%
489,575.81	32.6%
47,897.27	3.2%
696,629.87	46.4%
37,339.60	2.5%
1,500,000.00	100.0%

BUILD TRAFFIC EVERY GUEST EVERY TIME

- Serve and connect with every guest
 - Serve excellent product like you would at home
 - Create regulars 60/80 and spoil them rotten
 - Take loyalty to the next level—know your guest inside/out they spend at a premium
 - Guests love rewards and recognition, make your place their place
 - 92% trust WOM
 - Benefits: Stop competing on price, retain guests, increase lifetime value, build personal relationships, create brand advocates [Loyalty Lion]
 - Treat “Togo” and “Third Party” like Dine in Guests though they have different needs, it’s here to stay—hang on to it or someone else will—SOPs, Integrate, Convert
- 

COST OF GOODS SOLD

Cost of Sales
Category Sales

Cost of Sales = Beg Inventory + Purchases – Ending Inventory

What is your number? What should it be?

Cost of Goods Sold

Food Cost	224,383.76	29.3%
Beverage Cost		
Beer	107,970.43	22.1%
Wine	12,737.69	26.6%
Liquor	32,181.77	20.2%
Bar Mixer	1,045.93	0.7%
Total Beverage Cost	<u>153,935.82</u>	<u>22.1%</u>
Total COGS	<u>378,319.58</u>	<u>25.2%</u>

Divide the category
by category sales

224,383.76
766,030.53
29.3%

COST OF GOODS SOLD

Cost of Sales

Category Sales

Cost of Sales = Beg Inventory + Purchases - Ending Inventory

Where do you look when there is a problem?

Food Cost

224,383.76

29.3%

First: Know ideal cost by calculating all recipes and use current business velocities (Eng)

Purchasing-purchase price and pack size optimum for business levels (Purchase v Budget)

Receiving-product received meets predetermined specs and matches what was ordered

Storing-product properly stored and rotated and the minimum is kept in storage

Producing-prep is accurate, maximizes shelf life, and minimizes waste

Selling-proper portions are sold to the guest, items are priced correctly

Counting-proper recording of inventory values at appropriate levels (weekly and daily protein)



INVENTORY IMPORTANCE

Food purchases vs. Food cost

	Without Inventory Adjustment	With Inventory Adjustment
Food Purchases	30,000	30,000
Add - Beginning inventory		10,000
Deduct - Ending inventory		(15,000)
Food Cost	<u>30,000</u>	<u>25,000</u>

OPERATING STATEMENT

Food Sales	100,000	100%	100,000	100%
Food Cost	<u>30,000</u>	<u>30%</u>	<u>25,000</u>	<u>25%</u>
Gross Profit	<u>70,000</u>	<u>70%</u>	<u>75,000</u>	<u>75%</u>

Can't solve a problem without consistent, good counts. Those that do win, those that don't have reasons, stories, and excuses.

LABOR COST

Labor Category

Total Sales

Efficiency, Productivity, Sales and Retention
Measure FOH, Kitchen, Management, Payroll
Related Expenses—Both Dollars & Percentages and
Sales per Labor Hour (Sales / labor hours) and
FSPLH, Chart sales to staffing by 15 minutes

Labor in the FOH approximately 2.5% incremental
Labor in the BOH is stair stepped, approximately
5% incremental

What is your number? What should it be?
Cost the schedule, measure actual vs. schedule
(blind staffing)
OT isn't your enemy, it's your friend—use it wisely

Labor - Back of the House		
Cooks	68,658.69	4.6%
Prep Cooks	15,997.80	1.1%
Dishwashers	26,300.29	1.8%
Labor - Back of the House	<u>110,956.79</u>	<u>7.4%</u>
Labor - Front of the House		
Front Desk	19,458.81	1.3%
Wait Staff	69,988.53	4.7%
Banquet Labor	11,561.75	0.8%
Busser	17,999.44	1.2%
Bartender	26,038.76	1.7%
Bar Training	2,846.90	0.2%
Labor - Front of the House	<u>147,894.19</u>	<u>9.9%</u>
Other Payroll		
Manager Salaries	55,167.86	3.7%
Kitchen Manager	45,947.94	3.1%
Vacation/PTO/Sick	397.47	0.0%
Contract Labor	7,860.51	0.5%
Other Payroll	<u>109,373.78</u>	<u>7.3%</u>
Payroll Related		
Payroll Tax Expense	47,491.51	3.2%
Unemployment Taxes	6,793.53	0.5%
Workers Compensation	6,132.38	0.4%
Group Health Insurance	15,049.08	1.0%
Payroll Related	<u>75,466.50</u>	<u>5.0%</u>
Total Labor	<u>443,691.27</u>	<u>29.6%</u>

$$\frac{\text{Cost of Sales + Payroll Costs}}{\text{Total Sales}}$$

PRIME COST

The most important number on your P&L: highest impact for driving profitability (1 minus gross margin)

What are the best ways to manage this number? Look at the whole first then the parts. Margin, cost, efficiency

What is your number? What should it be? Close to 60%, approximately 30% more cost below this number

Total Sales

1,500,000.00 100.0%

Total COGS

378,319.58 25.2%

Total Labor

443,691.27 29.6%

Prime Cost

822,010.85 54.8%

CONTROLLABLE PROFIT

Sales	1,500,000.00	100.0%
Cost of Goods Sold	378,319.58	25.2%
Labor	443,691.27	29.6%
Prime Cost	822,010.85	54.8%
Gross Profit after Prime Costs	677,989.15	45.2%
Direct Operating Cost	89,179.83	5.9%
Comps, Promotions & Marketing	54,725.57	3.6%
General & Administrative	49,458.50	3.3%
Utilities & Telephone	41,812.64	2.8%
Controllable Profit	442,812.61	29.5%
Other Income	855.12	0.1%
Occupancy	135,546.80	9.0%
Bonus	44,221.15	2.9%
Interest Expense	7,579.10	0.5%
Professional Fees	14,989.55	1.0%
Depreciation & Amortization Expen	13,113.48	0.9%
Net Income/(Loss)	\$ 228,217.65	15.2%

Controllable Profit commonly called NIBO is the operating metric by which managers are judged

OCCUPANCY

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Cost of Goods Sold	378,319.58	25.2%
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Fully loaded Occupancy should be less than 10% to include Rent + NNN + PPT + Parking + Liability Insurance

If not, sales are too low

NET INCOME BEFORE TAX

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Net Income should be a positive number with a profitable business near 10%. Target 15%.

Depreciation generally = Cap Ex

COMPETE FOR MARGIN TODAY

Clean financial statements at appropriate intervals—weekly, by period

Make sure inventory is in line

Compare to comparable periods—prior year, prior like months

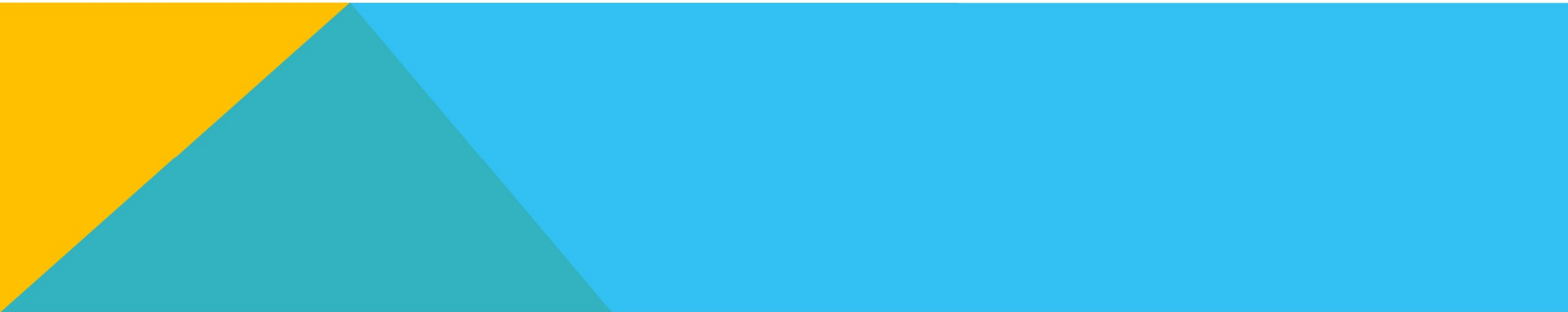
Analyze Sales Mix, sales cures a multitude of sins

Analyze Prime Cost as a unit first, then the effect of each against the other

Drive Controllable Profit

Reward handsomely

Set 10% as breakeven and accept nothing less





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THANK YOU!



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