10 WAYS TO IMPROVE PROFITABILITY IN YOUR RESTAURANT BUSINESS

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Christopher, a restaurant entrepreneur, owned a chain of restaurants spread across Mumbai called ' Delicious Restaurants'. The restaurant had great customer review since the last ten years and the business seemed to be in full swing. Any outsider would be forced to believe that Christopher is a very lucky businessman but that wasn' t really the case. ***Christopher was GRAVELY CONCERNED that he WASN' T MAKING ENOUGH MONEY*.** This worried him a lot. ***He thought that EXPANSION of his business might help him achieve his PROFITABILITY GOALS*.** But he was once again concerned as he was unable to mobilize surplus cash and come out of the monthly cash strain. He was ***UNABLE TO UNDERSTAND THE REASONS for the STRAINED BOTTOM-LINE inspite of the restaurant' s popularity in the industry*.** Christopher is not alone. ***There are many entrepreneurs owning SUCCESSFUL BUSINESSES while still being UNCLEAR on why they are LOSING it in terms of PROFITABILITY*.** The restaurant business can still be strained despite high margins and customer loyalty.

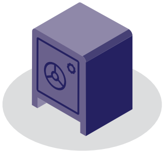
Sources of strain in Restaurant business are the following:

- ***HIGH CASH EXPOSED BUSINESS***

This business is **cash-n-carry and hence highly exposed**. If proper internal controls and checks are not institutionalized, it may lead to pilferage, misutilization, diversion, teeming and lading frauds.

- ***CONTINUOUS CUSTOMER ENGAGEMENT***

Restaurant is in continuous touch point with customers and **hence needs being ever alert**. A minor compromise of service, taste, quality or cleanliness can result in dissatisfaction and thereby negative publicity. Specially during the days of online Restaurant Listings & Ratings.



- ***VULNERABILITY OF INVENTORY***

Inventory poses another challenge as **it is exposed to theft, wastage, expiry**. It can lead to losses and frauds not in the realm of management knowledge. Misuse of access or sometimes group connivance may result in challenges.

- ***EXTREME MANPOWER INTENSIVE***

Manpower is one of the crucial elements of Restaurant Business and **human intervention is everywhere**. It is prone to variations in terms of skills, level of coaching, emotional awareness and morale. If an employee is under motivated or lacks direction, he may adversely impact productivity, salability and profits.

All of the above can strain profits inspite of a strong and successful business. These potential **leakages need *CONSTANT MONITORING* and *CONTROL*. Traditional methods are difficult to monitor** leakages when compared to efficient and effective Data Analytics & Algorithms approach. Data Analytics & Algorithms approach can **monitor leakages**, risks, exposures, threats, low productivity, wastages, loss of opportunities **in real time**. Accountable management team can take actions based on **Intelligence embedded decision *SUPPORT SYSTEM***. Complex objectives are thus simplified.

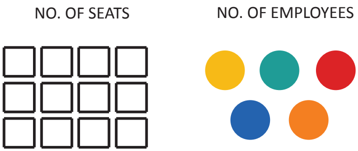
Based on a friend's recommendation and after a thorough research, Christopher shortlisted a Management Advisor who is an expert in Restaurant industry, Change Management, Business Processes, Technology & Analytics. He used their advisory to get clarity on areas of leakages and implemented their solutions. Over **one year of *TRANSFORMATION***, he realized benefits and increased his profitability. The consulting firm brought Christopher's focus on many leakages. They implemented practical and easily adoptable analytics model, that **integrated to his *ERP***. It monitored & guided on gaps and opportunities to improve profitability.

Here are some Examples :

1. IMPROVED RECOVERY PER VISITING CUSTOMER

Model identified that "Delicious Restaurants" were **recovering less per customer** in comparison to its peers. Analytics identified many sales team (captains) who realized less value from a customer visit. Christopher deputed a Management Team that strategized, standardized and implemented recovery improvement programmes across the branches. It started showing positive results.

2. ENHANCED EMPLOYEE PRODUCTIVITY



Christopher's team with the help of Analytics identified low employee productivity compared to industry with reference to **employees per no of seats**. Few of them were misusing non clarity in employee attendance system, leave policy, joining dates etc. Streamlining with metrics and indicators increased the productivity & reduced the costs.

3. ELIMINATE LOSS OF SALES

Christopher's team ignored another critical leakage point, loss of sale to customers **due to non-availability of material**. Analytics identified potential loss of sale in many branches and across hour slots. Christopher introduced inventory standards and thereby improved recoveries.

4. MAXIMISE REAL ESTATE INVESTMENTS

Utilizing every inch of space is important when real estate and rentals are expensive to save bottom line. Scientific analysis of **recovery made per square feet of space** helped Christopher's team to optimize its utilization. This was compared across branches and internal benchmarks were set. Analytical arrangement of tables increased **sales to space ratio** and Christopher reaped benefits.

5. PLUG LEAKAGES

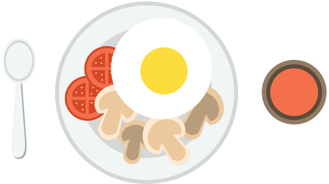
Christopher was also alerted by Risk Analytics on **leakages in cash, inventory discrepancies, KOT mismatches, duplicate bills**. Variety of leakages occurring in his business surprised him. He plugged leakages, realized management assurance through continuous reconciliations & risk analytics monitoring.

6. REDUCE WASTAGE

Food cost occupies sizable portion of Direct costs for Restaurant Industry. Inadequate attention can result in draining of profits. Wastage can occur due to **expiry, damages, excess or wrong production**. Christopher installed systems to track, monitor and control wastages at central kitchen and branches covering areas identified using Analytics. This improved his gross margins.

7. FORECAST SALES SCIENTIFICALLY

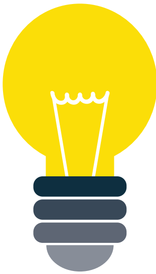
Algorithmic prediction of potential sale factor based on historical and statistical analysis helped in planning kitchen production and maximized business realization within the current customer walk-in levels. Instances of loss of **sales by hour slots across branches** were identified and detailed reasons were evaluated. Once he got clarity and direction, Christopher plugged most of them.



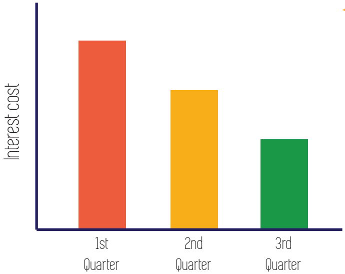
8. CONTROL FOOD COSTS

Driven by Recipe Master Analytics, Christopher focused his attention towards **portion, menu, utensil standardization, recipe masters** across Branches. Special team worked under his direct supervision to control leakages and reduce food cost.

9. OPTIMIZE UTILITY COSTS



Compared to industry, utility costs such as **electricity, water, steam & housekeeping per square feet** of operation was high. Replacement of energy guzzling equipment and electrical fittings showed visible results. Coaching on energy & other utilities' conservation across the branches brought in culture for cost savings.



10. MONITOR FUNDS & INTEREST COSTS

Christopher was losing due to high interest costs. Cash was spread across units were **lying idle, there were delays in depositing in bank, and he was losing heavily on collection charges** too. As funds were not managed scientifically he was paying high interest costs inspite of surplus working capital. Christopher installed Funds planning, negotiated with banks and reduced interest cost significantly.

Now, Christopher is a happy man. He is able to see his profits realize in the bank. Supported by Analytics Integrated Profit Monitoring approach he is **absolutely clear of his leakages and confident of controls**. Analytics has become his way of life & he is using them to **continuously monitor & maintain his performance**.

Note: Align Associate has over 14 years of expertise in Management Advisory, Change Management, Analytics, Performance Improvement & Business Alignment. Their model to help Restaurants to increase Profitability is called SimProfEye (Simplified Profitability BullsEye). Please call to know more.

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