

The Main Dish

Fall 2017



Ways to increase revenue and profitability By Brian Campbell, CPA

Summer is over and fall has arrived. It's the time of year all Arizona restaurants look forward to. Tourism starts to increase, resorts start to fill up and money starts to flow. If a restaurant is operated properly, revenues should start increasing and profitability should start growing over what was experienced in the summer. I will discuss a few simple things all restaurant owners need to keep in mind when trying to increase revenues in these profitable months.

Word of mouth advertising is the cheapest way to increase revenues. Your customers must have an enjoyable experience. If they do, they'll refer your restaurant to their families and friends. However, you must be careful because this could also work to your detriment if the customer has a bad experience.

How do I ensure my customers have an enjoyable experience? Most of the time this starts with the restaurant owner and/or general manager. Get to know your customer. Be personable and learn the names of the customers that frequent your restaurant. Learning their names and greeting them when you see them will make them feel welcomed. If your loyal customers bring in friends, be prepared to reward these customers with a free drink or a free appetizer. This is a great way to promote your business and encourage customers to bring their friends.

Being an accountant, I cannot forget to mention the financial ways that might not always increase revenue but most definitely can help increase profitability. For example, your staff needs to know the menu and menu items with the larger gross profits. These should be promoted by servers when customers ask for a recommendation.

Food cost should average about 32%–33% of food sales and beverage cost should average about 29% of beverage sales. Labor cost typically should run between 30%–34% of sales. By closely monitoring these costs, it might be fairly simple to increase your bottom line profitability anywhere from 1%–3%.

Menu re-engineering is also an important accounting project that all restaurants must go through periodically. It helps ensure that menu items are being positioned correctly and priced properly. Keep in mind, if you call something a #1 selling menu item it will be a #1 selling menu item. For example, take a #3 selling menu item, put a box around it on the menu and call it your #1 selling menu item. It will become a #1 selling menu item.

Other than the day to day activities of your restaurant, certain overhead/general expense items need to be periodically reviewed. For example, current vendor relationships. A review ensures competitive pricing is being obtained. You may also consider reviewing your current financial relationships. Banks have money to lend and if you have a good history and a good financial foundation, more favorable terms on loans may be available.

As you can see, there are many ways that a restaurant owner can focus on increasing revenues and profitability. With your busy season in full gear, now is the time to review some of the above items and other items not mentioned to ensure you will have a profitable season.

If you have any questions, Brian can be reached at (480) 839-4900 or BrianC@hhcpa.com.

Fast Facts

- Founded 1957
- 18 Partners
- 150+ team members
- 50% are CPAs
- Arizona's largest locally owned accounting firm
- Your money stays local
- Arizona Restaurant Association member
- National Restaurant Association member



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Is cash still king? Maybe not for restaurants By Daniel A. Mace, CPA

I recently saw a headline that Shake Shack is opening a cashless, kiosk-only location in New York City. That's right. There will be no option to pay for your order in cash. I think that my great grandparents would be appalled to discover their hard earned cash is not spendable anymore! However, I don't remember the last time I paid cash for something. (I recently discovered Samsung Pay on my phone and I am enjoying not even having to pull out my plastic anymore!)

So, what are the real benefits of going cashless? Well, as an operator, you no longer have to worry about the cash drawer being short (either through employee error or theft) when you count down at night. Heck, you don't even have to count down at night if there's no cash to reconcile. There's also no cash around for a would-be thief to steal. You've eliminated the daily bank run to make deposits and get change to replenish the register. You will be able to track your customers better (assuming they use the same card every time they pay). Believe it or not, there is also a benefit to knowing exactly what your credit card processing fees will be. When you have a mix of cash and credit cards as payments, you have to estimate the credit card processing fees when pricing out your menu. If you know that every transaction will be with a credit card, it's easier to cost out that item when determining your pricing.

There are also potential pitfalls to going cashless. For example, there are still some people that choose not to carry credit or debit cards, some as a matter of philosophy, others as a matter of circumstance. Are you willing to lose that potential business? Your employees may not like the cashless option either if they rely on tips. Although I tried to portray it as a positive, those pesky credit card processing fees will ultimately be higher, causing you to have to price your menu slightly higher (assuming you aren't saving more on the efficiencies gained by being cashless). There are also some innovative ways to pass the credit card fees down to your customers, but let's face it, whether the fees are paid by you or by your customer, they affect your business. There is also a small caveat that some states may not allow you to refuse to accept cash, so you need to be sure it's even allowed in your jurisdiction. If it is, you would need to post it clearly to avoid the inevitable customer that wants to pay in cash.

I asked around the office, and most people were perfectly comfortable with the kiosk or online/app ordering, with several saying they already do this with their morning order from an unnamed coffee giant. This got me wondering how this concept could work on a smaller scale. There's one big obstacle for a smaller operator – technology cost. Setting up apps and websites is very expensive, not to mention the cost of a kiosk in lieu of a person to take orders. There's also the ongoing software and hardware maintenance. The implementation can be daunting and fear of the unknown is likely to deter small operations. However, there may be a way to implement a mobile ordering system without a large amount of overhead – text messaging. With a simple google search, I found several apps for automating a text message system to organize and take orders.

Regardless of how anyone feels about a potentially cashless society, we're definitely a less cash society. Any way this can be leveraged to help grow your business is something every business owner should be thinking about.

If you have any questions, Daniel can be reached at (480) 839-4900 or DanM@hhcpa.com.



Henry+Horne has performed several audits of our annual financial statements, and each year they have submitted the reports on or before deadline. All members of the engagement team are very knowledgeable, extremely responsive and professional.