The Main Dish

Summer 2017

Grow your restaurant without new locations
By Daniel A. Mace, CPA

There comes a time in every successful restaurant's life cycle when it feels like you need to do something in order to keep the momentum going. The first thing that we usually hear is that the owner wants to open a new location. However, opening a new location can be a very hard thing to accomplish. There are:

- **Capital issues** – It is very expensive to open a new location.
- **Management issues** – Can the owner physically manage two locations efficiently or is there someone that can be trusted to maintain the standards that have made your initial location successful?
- **Location issues** – Is there a new area that can support your concept?
- **Labor issues** – Are there good front line and back of the house people to support the new location?

That's just naming a few. Fortunately, opening a new location is only one way to grow your restaurant business. Here are three other ways to expand without opening a new location:

Curbside/pickup online ordering service. Offering convenient ways for customers to order and pick up is a great way to create additional sales. There may be some initial outlays in technology in order to make the ordering as convenient as possible, but this is a quick way to increase sales without having to add the large capital costs of opening a new location.

Franchise your concept. If you have a great concept, but do not want to deal with the day-to-day headache of running multiple locations, you can consider bringing in other operators to own and operate the new locations. Using the franchisee option removes several typical obstacles from expansion – mainly the capital needed to open the new location and the talent needed to operate it. Using a franchisee puts those issues on them. But, beware of getting the wrong franchisee, as they are now stewards to your great concept.

Catering. Since you already have the kitchen, opening a catering service is a great way to expand. If you have a concept that is compatible with catering, you can customize a catering menu for your loyal guests to enjoy for their home dinner parties or corporate events. You will have other things to consider when adding a catering service, such as needing a service van or hiring staff designated only for the catering service. There are also companies that provide the offsite catering labor that you can partner with so they can do what they do best and you can do what you do best.

Regardless of the ways you decide to expand your business, there are definitely accounting and tax aspects that need to be considered. As you increase your revenue streams, you will need to make sure that you have ways to track the success of each division in order to make sure that all aspects of your expanding business are successful. In addition, there could be sales or property tax issues that come with growth. Henry+Horne is ready to discuss your growth ideas and be a partner in getting your expanding restaurant empire up and going.

If you have any questions, Dan can be reached at (520) 836-8201 or DanM@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

The Main Dish

Why monitor your restaurant's inventory?

By Jessica Moulder, CPA, CFE

There's an old adage in business, "If you can't measure it, then you can't manage it." However, many restaurant owners rely heavily on non-quantitative data – gut instincts and hunches – when it comes to making decisions. But, if you want to be profitable, you have to change your thinking about the data you monitor, and you have to be willing to track various metrics to make the data work for you.

I'm not only talking about a budget here, although that is definitely a key component of understanding your business. I'd like to talk about the need to track inventory balances carefully. Managing inventory allows you to minimize waste and theft, control your food costs and maximize your restaurant's cash flow. It also allows for clearer visibility into your expenses by understanding your cost of goods sold (COGS). The reason for that is if you don't know what's on your shelves, then it's impossible to correctly calculate your COGS.

Calculating COGS can spotlight where you're overspending or over ordering food. Perhaps there are certain items you can purchase in smaller quantities. Keeping close tabs on your inventory also lets you arrange items so that the oldest are used first for maximum freshness. It can also uncover theft in your restaurant. The fact that employees are aware that you are tracking inventory levels is a fraud deterrent in and of itself! All of those issues affect your bottom line directly, so truly watching your inventory is a key to profitability.

While some restaurant owners don't count inventory at all, others are satisfied with monthly counts. After all, it's better than nothing! Monthly counts do provide the data needed to produce financial statements; however, that frequency doesn't allow you to make adjustments if needed. More frequent counts highlight overages and issues, giving you the opportunity to respond. You really can't perform inventory counts too often – some restaurants do it daily. However, if you order food weekly, you should at least be counting inventory on a weekly basis, too. More frequent counts will also help you uncover theft issues in a timelier manner, keeping losses to a minimum.

There are some things you can do to make regularly counting inventory less of a burden. Building in systems to make the process more accurate will produce reliable results – and that is definitely our objective here. First of all, don't go it alone. It's better to have two people taking inventory at the same time, and it's ideal to have the same staff involved on a regular basis so they are trained efficiently. Also, you should set up written procedures using a simple inventory count sheet (assuming you don't have inventory management software) so the data is tracked consistently from one count to the next. Finally, you need to take inventory while the restaurant is closed, because you can't make accurate counts while food is moving off the shelves. The same goes for taking inventory while shipments are coming in – don't do it. Start with a fresh count before a delivery when inventory balances are at their lowest, and then add the new shipment to your balances.

I can't promise tracking inventory will become your favorite task, but I guarantee you'll appreciate the insight it gives you into your restaurant's financial condition and profitability, making it central to your operations.

If you have any questions, Jessica can be reached at (480) 839-4900 or JessicaM@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.