

Essential Financial Skills for Restaurant Owners & Managers

How To Understand & Manage Your "Numbers" to Build a More Successful Business



Welcome!
Today's webinar will be starting shortly.

RestaurantOwner.com

1

Sustainable Restaurant Success


Requires 3 Core Competencies!



RestaurantOwner.com

2

Business / Financial Skills



RestaurantOwner.com

3

A Common Trait of Highly Profitable Independent Restaurants

Their owners have VERY GOOD FINANCIAL SKILLS




RestaurantOwner.com

4

A Common Trait of Highly Profitable Independent Restaurants

The Owner(s) and Managers Know Their Numbers!





5



6


**Numbers Are Like The Instruments
To Your Restaurant**

Profit?	Costs?	
Financial Condition?		Sufficient Cash?
Better or Worse?		What's Working?

RestaurantOwner.com

7

**Numbers Are Like The Instruments
To Your Restaurant**

	<p>“If you don’t know your numbers, you don’t know your business.”</p> <p>Robert Fleming Magnolia Pancake Haus</p>
--	---

RestaurantOwner.com

8

**EVERYTHING THAT HAPPENS
IN YOUR RESTAURANT . . .**

			
---	---	---	---

RestaurantOwner.com

9

... IS EVENTUALLY REFLECTED IN YOUR NUMBERS!

10

UNDERSTAND THE CONNECTION

11

BUSINESS RESULTS – CAUSE & EFFECT

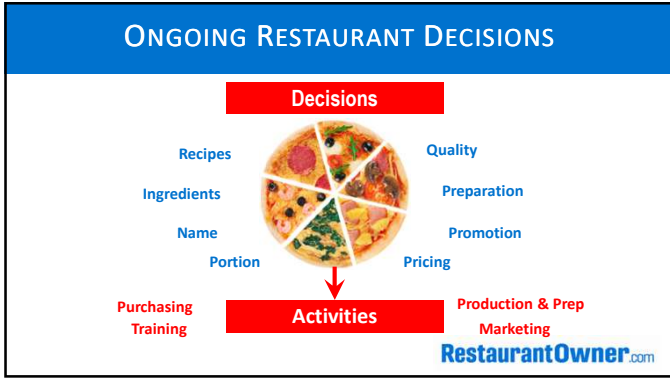
12



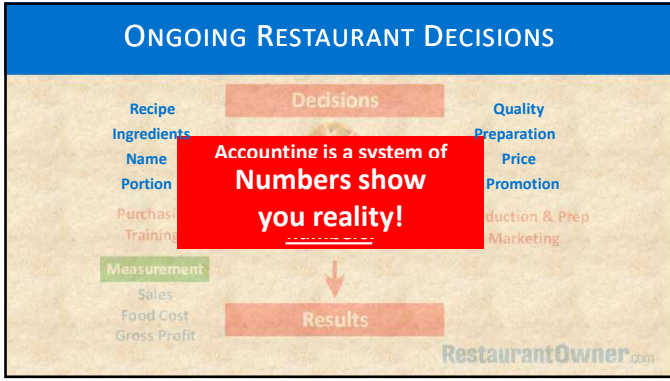
13



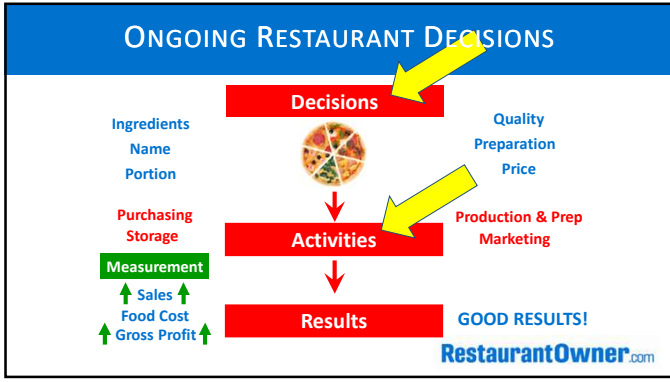
14



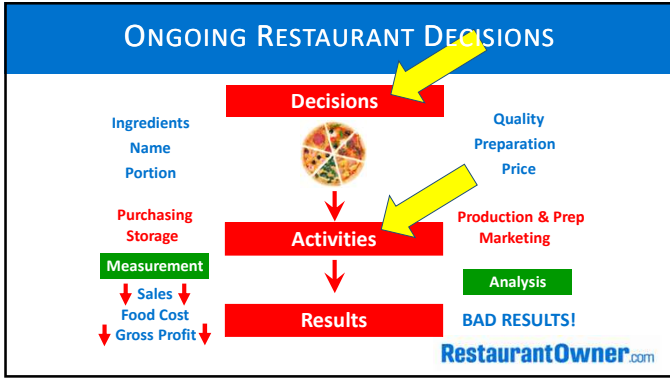
15



16



17



18

ONGOING RESTAURANT DECISIONS

Financial analysis is the process of converting numbers back into activities & decisions.

19

3 UNDENIABLE TRUTHS OF BUSINESS

1. What gets measured gets managed
2. What gets managed improves
3. Profit improvement begins with measuring your key activities

You can't change it, if you don't measure it!

RestaurantOwner.com

20

3 UNDENIABLE TRUTHS OF BUSINESS

1. What gets measured gets managed
2. What gets managed improves
3. Profit improvement begins with measuring your key activities

Your P&L is the one report that measures nearly ALL your key decisions & activities!

RestaurantOwner.com

21


Have You Ever Asked Yourself . . .

How much profit should my restaurant be making?

RestaurantOwner.com

22

CASE STUDY **Bob's Italian Cafe**




- 4,000 Square Feet
- 130 Seats
- Building is leased
- Open 18 months

RestaurantOwner.com

23

CASE STUDY **Bob's Italian Cafe**



"I'm making money but is my restaurant as profitable as it should be?"

How would you go about answering this question?

RestaurantOwner.com

24

Sales Per Square Foot

Sales PSF = $\frac{\text{Total Annual Sales}}{\text{Total Square Footage}^*}$

* Tableservice – approx. 30 SF per seat

25

RESTAURANT PROFIT POTENTIAL
SALES PER SQUARE FOOT

RULES of THUMB

	Full Service	Quick Service
Losing Money	Under \$200	

Example:
3,000 SF restaurant with sales under \$600,000 will struggle

RestaurantOwner.com

26

RESTAURANT PROFIT POTENTIAL
SALES PER SQUARE FOOT

RULES of THUMB

	Full Service	Quick Service
Losing Money	Under \$200	Under \$300
Break Even	\$200-\$300	\$300-\$400
5% - 10% Net Income	Moderate Profit \$300-\$500	\$400-\$600
> 10% Net Income	High Profit Over \$500	Over \$600

Occupancy Costs:
\$25 to \$35 PSF

RestaurantOwner.com

27

Bob's Italian Cafe PROFIT AND LOSS STATEMENT For The Year Ended December 31, 2020		
SALES		
Food	\$1,747,056.00	85.4%
Beverages	249,403.00	14.6%
TOTAL	2,545,459.00	100.0%
COST OF SALES		
Food	\$40,804.98	2.4%
Beverages	33,113.21	1.3%
TOTAL	73,918.19	2.9%
GROSS PROFIT	1,481,544.82	68.5%
EXPENSES		
Advertising	25,847.00	1.0%
Bank charges	450.00	0.0%
Building repairs	15,642.00	0.6%
Cash (over) short	791.28	0.0%
Cleaning supplies	15,432.00	0.6%
Complimentary meals	10,574.82	0.4%
Corporate discounts	2,449.00	0.1%
Credit card charges	26,200.12	1.0%
Depreciation	24,741.00	1.0%
Electricity	34,161.00	1.3%
Equipment repairs	5,148.47	0.2%
FICA & other taxes	52,431.93	2.1%
Group insurance	43,430.00	1.7%
Interest	45,420.00	1.8%
License	13,415.58	0.5%
Miscellaneous	5,940.60	0.2%
Music & entertainment	15,450.00	0.6%
Paper supplies	10,450.00	0.4%
Payroll	540,550.00	21.3%
Postage	900.00	0.0%
Printing & office supplies	6,407.10	0.3%
Professional fees	10,317.37	0.4%
Property insurance	27,250.00	1.1%
Real estate taxes	40,250.00	1.6%
Rent	225,417.00	9.0%
Royalties to ASCAP	3,915.00	0.2%
Telephone & ICP	14,521.00	0.6%
Treasury	7,550.00	0.3%
Utilities	15,250.00	0.6%
Wife's compensation	10,250.00	0.4%
TOTAL EXPENSES	1,132,628.02	44.5%
NET INCOME BEFORE TAXES	358,916.80	14.1%

28

RESTAURANT PROFIT POTENTIAL SALES PER SQUARE FOOT

RULES of THUMB

	Full Service	Quick Service
Losing Money	Under \$200	Under \$300
Break Even	\$200-\$300	\$300-\$400
Moderate Profit	\$300-\$500	\$400-\$600
Over 10% High Profit	Over \$500	Over \$600

RestaurantOwner.com

29

Why isn't Bob's more profitable?

Bob's Italian Cafe PROFIT AND LOSS STATEMENT For The Year Ended December 31, 2020		
SALES		
Food	\$1,747,056.00	85.4%
Beverages	249,403.00	14.6%
TOTAL	2,545,459.00	100.0%
COST OF SALES		
Food	\$40,804.98	2.4%
Beverages	33,113.21	1.3%
TOTAL	73,918.19	2.9%
GROSS PROFIT	1,481,544.82	68.5%
EXPENSES		
Advertising	25,847.00	1.0%
Bank charges	450.00	0.0%
Building repairs	15,642.00	0.6%
Cash (over) short	791.28	0.0%
Cleaning supplies	15,432.00	0.6%
Complimentary meals	10,574.82	0.4%
Corporate discounts	2,449.00	0.1%
Credit card charges	26,200.12	1.0%
Depreciation	24,741.00	1.0%
Electricity	34,161.00	1.3%
Equipment repairs	5,148.47	0.2%
FICA & other taxes	52,431.93	2.1%
Group insurance	43,430.00	1.7%
Interest	45,420.00	1.8%
License	13,415.58	0.5%
Miscellaneous	5,940.60	0.2%
Music & entertainment	15,450.00	0.6%
Paper supplies	10,450.00	0.4%
Payroll	540,550.00	21.3%
Postage	900.00	0.0%
Printing & office supplies	6,407.10	0.3%
Professional fees	10,317.37	0.4%
Property insurance	27,250.00	1.1%
Real estate taxes	40,250.00	1.6%
Rent	225,417.00	9.0%
Royalties to ASCAP	3,915.00	0.2%
Telephone & ICP	14,521.00	0.6%
Treasury	7,550.00	0.3%
Utilities	15,250.00	0.6%
Wife's compensation	10,250.00	0.4%
TOTAL EXPENSES	1,132,628.02	44.5%
NET INCOME BEFORE TAXES	358,916.80	14.1%

\$511

4.3%

30

WHICH ONE IS WRONG??!

WRONG!

Bob's Italian Café
PROFIT & LOSS STATEMENT
For The Year Ended December 31, 200X

SALES:		
Food	\$1,747,056.00	85.4%
Beverage	298,407.00	14.6%
TOTAL	2,045,463.00	100.0%
COST OF SALES:		
Food	560,804.98	27.4%
Beverages	83,113.21	4.1%
TOTAL	643,918.18	31.5%

Food Cost = $\frac{560,805}{2,045,463}$

CORRECT

Bob's Italian Café
PROFIT & LOSS STATEMENT
For The Year Ended December 31, 200X

Sales:		
Food	\$ 1,747,056	85.4%
Beverage	298,407	14.6%
Total Sales	2,045,463	100.0%
Cost of Sales		
Food	560,805	39.1%
Beverage	83,113	22.9%
Total Cost of Sales	643,918	31.5%

Food Cost = $\frac{560,805}{1,747,056}$

RestaurantOwner.com

34

Critical P&L Checkpoint

Prime Cost

Bob's Italian Café
PROFIT & LOSS STATEMENT
For The Year Ended December 31, 200X

Sales:		
Food	\$ 1,747,056	85.4%
Beverage	298,407	14.6%
Total Sales	2,045,463	100.0%
Cost of Sales		
Food	560,805	32.1%
Beverage	83,113	27.9%
Total Cost of Sales	643,918	31.5%
Labor		
Management	195,500	8.1%
Staff	375,050	18.3%
Employee Benefits	126,769	6.2%
Total Payroll	697,325	32.0%
PRIME COST		
	1,311,243	64.1%
Other Controllable Expenses:		
Direct Operating Expenses	82,206	4.0%
Music & Entertainment	14,375	0.7%
Marketing	44,271	2.2%
Utilities	46,103	2.4%
General & Administrative Expenses	59,641	2.9%
Repairs & Maintenance	20,989	1.0%
Total Other Controllable Expenses	270,586	13.2%
CONTROLLABLE INCOME		
	463,634	22.7%
Non-Controllable Expenses:		
Occupancy Costs	301,535	14.7%
Depreciation & Amortization	29,762	1.5%
Total Non-Controllable Income	331,297	16.2%
Restaurant Operating Income		
	132,337	6.5%
Interest Expense	(43,431)	-2.1%
Income before Income Taxes		
	\$ 88,906	4.3%

RestaurantOwner.com

35

Prime Cost

Bob's Italian Café
PROFIT & LOSS STATEMENT
For The Year Ended December 31, 200X

Sales:		
Food	\$ 1,747,056	85.4%
Beverage	298,407	14.6%
Total Sales	2,045,463	100.0%
Cost of Sales		
Food	560,805	32.1%
Beverage	83,113	7.9%
Total Cost of Sales	643,918	31.5%
Labor		
Management	195,500	8.1%
Staff	375,050	18.3%
Employee Benefits	126,769	6.2%
Total Labor	697,325	32.6%
PRIME COST		
	1,311,243	64.1%

Rules of Thumb

Tableservice -
Max – 65% of Sales

Quickservice -
Max – 60% of Sales

Bob's Italian
64%

RestaurantOwner.com

36

Question

QSR or
Tableservice

What is YOUR Prime Cost?

(Cost of Sales + Total Labor + Taxes & Benefits)

37

Critical P&L
Checkpoint

Controllable Income ➔

Bob's Italian Café
PROFIT & LOSS STATEMENT
For The Year Ended December 31, 20XX

Sales:		
Food	\$ 1,747,058	85.4%
Beverage	288,407	14.6%
Total Sales	2,035,465	100.0%
Cost of Sales		
Food	560,805	30.1%
Beverage	13,113	27.9%
Total Cost of Sales	643,918	31.5%
Labor		
Management	105,500	8.1%
Staff	375,056	18.3%
Employee Benefits	120,769	8.2%
Total Payroll	601,325	29.6%
PRIME COST		
		1,311,243
		64.1%
Other Controllable Expenses:		
Direct Operating Expenses	82,208	4.0%
Music & Entertainment	14,215	0.7%
Marketing	44,271	2.2%
Utilities	48,103	2.4%
General & Administrative Expenses	59,641	2.9%
Repairs & Maintenance	20,069	1.0%
Total Other Controllable Expenses	270,586	13.2%
CONTROLLABLE INCOME		463,634
		22.7%
Non-Controllable Expenses:		
Occupancy Costs	301,535	14.7%
Depreciation & Amortization	29,782	1.5%
Total Non-Controllable Income	331,317	16.2%
Restaurant Operating Income		132,317
		6.5%
Interest Expense		43,431
		2.1%
Income before Income Taxes		88,886
		4.3%

38

CONTROLLABLE INCOME

Full
Service

Min – 15%

Bob's Italian
22.7%

Quick
Service

Min – 20%

Key Number for
Management
Incentive / Bonus

RestaurantOwner.com

39

FOOD PURCHASES VS FOOD COST

FOOD COST CALCULATION

Food Purchases	\$ 7,000
Add - Beginning inventory	
Deduct - Ending inventory	
Cost of Sales	7,000

PROFIT & LOSS STATEMENT

Food Sales	25,000	100%
Food Cost	7,000	28%
Gross Profit	18,000	72%

RestaurantOwner.com

49

FOOD PURCHASES VS FOOD COST

FOOD COST CALCULATION

Food Purchases	\$ 7,000	\$ 7,000
Add - Beginning inventory	6,000	
Deduct - Ending inventory	(3,000)	
Cost of Sales	7,000	10,000

PROFIT & LOSS STATEMENT

Food Sales	25,000	100%	25,000	100%
Food Cost	7,000	28%	10,000	40%
Gross Profit	18,000	72%	15,000	60%

RestaurantOwner.com

50

Steps to Speed Up Inventory Counts

RestaurantOwner.com

51

PROFIT & LOSS STATEMENT



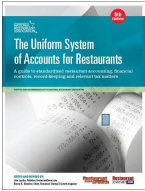
1. Take regular physical inventories
2. Use the Uniform System of Accounts for Restaurants

RestaurantOwner.com

55

**THE NATIONAL RESTAURANT ASSOCIATION'S
UNIFORM SYSTEM OF ACCOUNTS**

A financial statement / reporting system specifically for "restaurants"

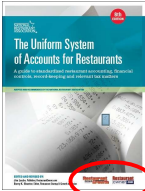


RestaurantOwner.com

56

**THE NATIONAL RESTAURANT ASSOCIATION'S
UNIFORM SYSTEM OF ACCOUNTS**

- The NRA's largest selling book!
- First published over 50 years ago
- RO.com/RS&G wrote latest edition



RestaurantOwner.com

57

COMPARING MONTH TO MONTH

FEBRUARY						
SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

MARCH						
SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

67

COMPARING MONTH TO MONTH

2023

Period 2						
MON	TUE	WED	THU	FRI	SAT	SUN
30-Jan	31-Jan	1-Feb	2-Feb	3-Feb	4-Feb	5-Feb
6-Feb	7-Feb	8-Feb	9-Feb	10-Feb	11-Feb	12-Feb
13-Feb	14-Feb	15-Feb	16-Feb	17-Feb	18-Feb	19-Feb
20-Feb	21-Feb	22-Feb	23-Feb	24-Feb	25-Feb	26-Feb

Period 3						
MON	TUE	WED	THU	FRI	SAT	SUN
27-Feb	28-Feb	1-Mar	2-Mar	3-Mar	4-Mar	5-Mar
6-Mar	7-Mar	8-Mar	9-Mar	10-Mar	11-Mar	12-Mar
13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	18-Mar	19-Mar
20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	25-Mar	26-Mar

Both 28 Days!

RestaurantOwner.com

68

COMPARISON TO PRIOR YEAR

Last Year						
SUN	MON	TUE	WED	THU	FRI	SAT
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Current Year						
SUN	MON	TUE	WED	THU	FRI	SAT
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

69

COMPARISON TO PRIOR YEAR

Last Year

Period 3						
MON	TUE	WED	THU	FRI	SAT	SUN
27-Feb	28-Feb	1-Mar	2-Mar	3-Mar	4-Mar	5-Mar
6-Mar	7-Mar	8-Mar	9-Mar	10-Mar	11-Mar	12-Mar
13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	18-Mar	19-Mar
20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	25-Mar	26-Mar

Current Year

Period 3						
MON	TUE	WED	THU	FRI	SAT	SUN
26-Feb	27-Feb	28-Feb	29-Feb	1-Mar	2-Mar	3-Mar
4-Mar	5-Mar	6-Mar	7-Mar	8-Mar	9-Mar	10-Mar
11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	16-Mar	17-Mar
18-Mar	19-Mar	20-Mar	21-Mar	22-Mar	23-Mar	24-Mar

4 Mon, Tue, Wed, Thur, Fri, Sat, Sun

RestaurantOwner.com

70

BENEFITS OF 4 WEEK REPORTING

1. Better comparability
2. Easier to plan for physical inventories



71

End of Month Physical Inventories

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Mo Tu We Th Fr Sa Su 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Mo Tu We Th Fr Sa Su 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29	Mo Tu We Th Fr Sa Su 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Mo Tu We Th Fr Sa Su 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30	Mo Tu We Th Fr Sa Su 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31	Mo Tu We Th Fr Sa Su 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31

72

BENEFITS OF 4 WEEK REPORTING

- 1. Better comparability
- 2. Easier to plan for physical inventories
- 3. Compliments weekly reporting
- 4. Eliminates need to accrue bi-weekly payroll



76

30 & 31 Day Months

SUN	MON	TUE	WED	THU	FRI	SAT
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

1st Payroll (Days 1-14)
2nd Payroll (Days 15-28)
 Days 29-31 are circled in red with an arrow pointing to them.

77

28 Days of Sales

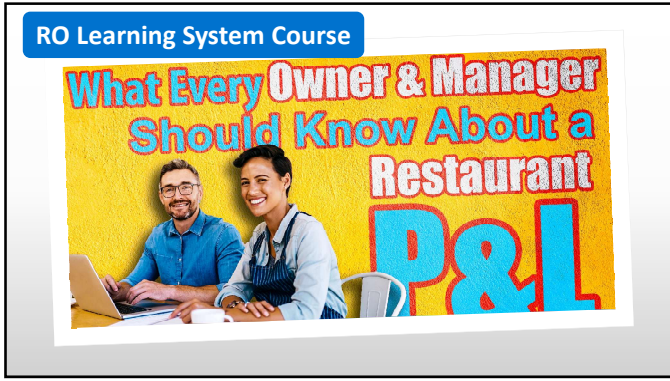
Period 3						
MON	TUE	WED	THU	FRI	SAT	SUN
27-Feb	28-Feb	1-Mar	2-Mar	3-Mar	4-Mar	5-Mar
6-Mar	7-Mar	8-Mar	9-Mar	10-Mar	11-Mar	12-Mar
13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	18-Mar	19-Mar
20-Mar	21-Mar	22-Mar	23-Mar	24-Mar	25-Mar	26-Mar

28 Days of Labor Costs

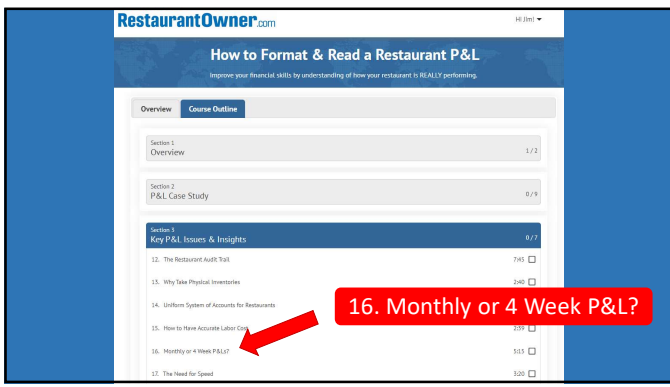
(No need to accrue 2 or 3 days of Payroll)

RestaurantOwner.com

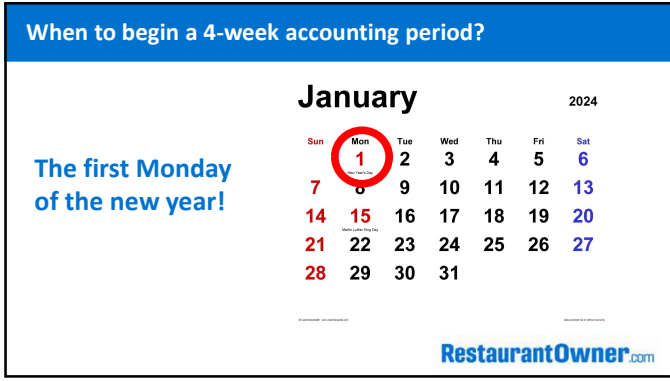
78



79



80




81

Accounting For Expenses Paid Monthly

Monthly rent - \$5,000
 Rent expense per period -
 $\$5,000 \times 12/13 = \$4,615$

Period	Rent		Prepaid
	Expense	Prepaid	Balance
1	4,615	385	385
2	4,615	385	769
3	4,615	385	1,154
4	4,615	385	1,538
5	4,615	385	1,923
6	4,615	385	2,308
7	4,615	385	2,692
8	4,615	385	3,077
9	4,615	385	3,462
10	4,615	385	3,846
11	4,615	385	4,231
12	4,615	385	4,615
13	4,615	385	4,615



82

WEEKLY PRIME COST REPORTING

Track and monitor Prime Cost weekly, not just monthly




83

WEEKLY PRIME COST REPORTING



Best Practice!

- ✓ All chains do this!
- ✓ Key tool for managing your 2 biggest, most volatile cost areas
- ✓ Greater staff awareness & accountability
- ✓ Faster recognition & response to problems
- ✓ Shows how well mgt. is managing

Prime Cost will go down 2 – 5 points!

RestaurantOwner.com

84

2 POINT REDUCTION IN PRIME COST

Sales	\$700,000	
Prime Cost	528,000	66%
Net Income	\$ 35,000	5%
Sales	\$700,000	
Prime Cost	514,000	64%
Net Income	\$ 49,000	7%

40% Increase in Net Income

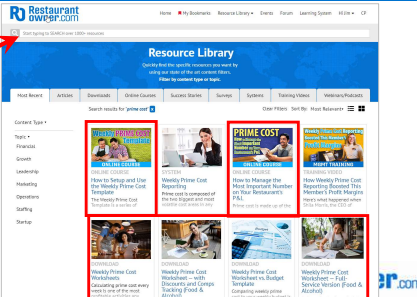
RestaurantOwner.com

85

PRIME COST RESOURCES

“Prime Cost”



- Templates
- Online Courses
- Articles



86

SHARE YOUR NUMBERS

Teach your employees “basic restaurant economics”

87

RESTAURANT ECONOMICS 101

How much money does the typical employee think the owner is making?



RestaurantOwner.com

88

RESTAURANT ECONOMICS 101

“How much does the owner get to keep?”



RestaurantOwner.com

89

RESTAURANT ECONOMICS 101

- ✓ Have an “all” employee meeting
- ✓ Give everyone 100 pennies
- ✓ Explain where the money goes . . .
- ✓ . . . & how much is left and what the owner(s) really gets to keep



RestaurantOwner.com

90



91

MICHAEL PASSALACQUA ON SHARING NUMBERS

"I want them to know what it costs to operate the restaurant."

"At the end of the day they know that after all the expenses, our net profit is only about 8%."

"It helps with people taking care of stuff."

"It reinforces that they work for a company that takes care of them."

RestaurantOwner.com

92

RESTAURANT ECONOMICS 101

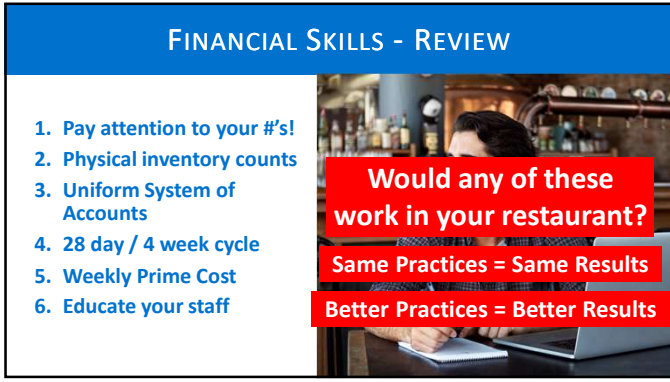
When you withhold financial information about your restaurant, employees make assumptions and the assumptions they make are usually WRONG!

RestaurantOwner.com

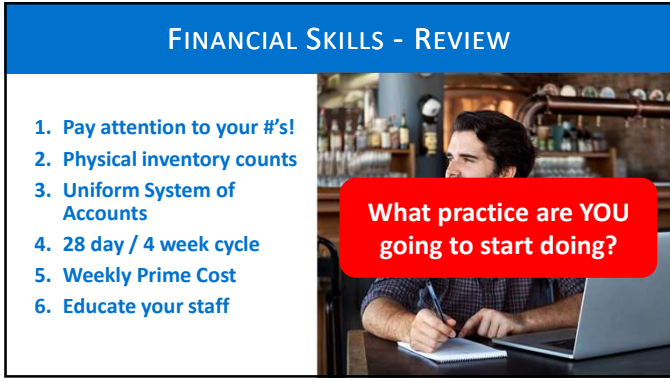
93



94



95



96

Essential Financial Skills for Restaurant Owners & Managers

Please give us your feedback!



Restaurant owner.com

97

Essential Financial Skills for Restaurant Owners & Managers

Q&A



Restaurant owner.com

98

Restaurant Training Basics

Coming June 28th

Simple Systems to Deliver World-Class Training



Restaurant owner.com

99

Essential Financial Skills for Restaurant Owners & Managers

How To Understand & Manage Your "Numbers" to Build a More Successful Business



Restaurant owner.com

Thanks for attending!

100