

SBM- The 20 Most Important Questions about Your Restaurant

Restaurants are successful for all sorts of reasons. Great food, location, talent, beauty, good luck are sometimes given as reasons for success. Success is ultimately dependent on your awareness of the fundamental forces of your business environment. You need to run a “Conscious Business”, not only being successful but knowing why you are successful. Below are 20 questions to ask yourself, when you are running your restaurant.

1. What do you need to know?

List some things that you want to know right now.

2. What is important to you?

List some of your business goals for this program that you want addressed.

3. Heart: What keeps you going?

Being –self employed is not for everyone. If you look at the figures in Lincoln County only one in ten of us own and operate our own business. Talent and good luck are helpful but the people who have determination, commitment and persistence are the people that you know who are successful.

List some personal goals that you would like to share with all of us.

4. Knowledge: Where are you?

Honestly assess your business’ strengths, weaknesses, opportunities and threats. Personally, know what you do best. Capitalize on it. Be a life-time learner. Business people are known to learn quicker from their mistakes than the general population. Internally, don’t do what someone else can do better. Externally, out-source what you can afford. Civilization is based on division of labor and trade.

Can you list your business’

Internal Strengths- Why are you doing so well?

Internal Weaknesses- What can you do better?

External Opportunities- Where/How can you take advantages of a changing world

External Threats – What is happening in restaurant business and in your community that can do you in?

5. Sales Volume: Are there enough customers that want (need) what you have to sell?

Entrepreneurs are convinced that people will want what they do. The question is: How many people and where? Is there a viable market? Can you attract other people's money? If a market doesn't yet exist can you create one? Why hasn't anyone else?

What sales volume ..total revenues do you think you need to stay in business? To thrive? How did you determine that number?

6. Sales Distinction: So what makes you so special? Are you doing something truly unique? Do you have a “signature” item. Are you famous for your food? Are you stuck selling a commodity product? How can you add value to what you are doing and get a better return on your efforts. Is there enough market to specialize?

Do your customers really need your product? Without a need, there is no incentive for customers to pay. And without sales, you have no business. Period. What separates you from the competition? If you are a country store then it is your location. If you are in a competitive environment then it better be something of more value. If you want to win in business, you need to offer something tangibly valuable that the competition doesn't. That is called differentiation. If you can't simply explain why customers need your product, you do not have a “value proposition.” If you are not unique then you are a commodity. If your customer is not willing to pay a premium for what you are offering then you might

very well be a “commodity” product with low margins and less than wonderful opportunity to market what you make.

What can you do be special and command the best price and the largest share of your potential market. State three excellent things that you do that distinguishes from the crowd

7. Sales Distribution: How should you market your product?

Remember advertising is paid communication. Marketing is everything that you do to find and keep customers. We all know that what counts is what is “delivered” not what is promised. Advertising may bring them in, but “delivery” brings them back. There is no one-size-fits-all solution to delivering to customers. The whole concept of buying low and selling higher is based on adding value by timely “delivery”. Most small business people concentrate on their product or service and forget the best way to deliver it to their customers.

In a restaurant delivery can simply mean getting the food out quickly and consistently. Something as simple as consistency of hours can make or break a business.

Think about your “sales channel”. Think about your customers. Are you processing them, servicing them or engaging them in a real experience?

What do you think is your most power marketing action?

8. Sales Price and Margin: What price will consumers pay?

What is the optimum price point for you products? Most restaurants use a cost plus method of pricing. In the restaurant business it is 3 times what does out on the plate and direct supplies like disposable napkins. Why is that? Two things you need to know are: A) How many pennies on each dollar of revenue you have left after you pay for all the cost of that sale. That is your contribution margin or gross profit. B) What are customers willing to pay you over a sustainable future? Are you in fine dining? Or take out? Are you stuck in a no man’s land without a clear message to your customers why you are worth their choice. Once you know your margin then you can take the next step to determine the volume of sales needed to cover your overhead and desired profit.

Do you know your cost of goods %? What is it?

9. Sales: Can you attract a local following and build a community of support? Are you engaged in a building a defined community?

You might think that it is all about being better than your competition but really, it is more about being your “friends” number one choice. The most competitive businesses are the ones that cooperate with their defined community to procure, build and deliver the “goods”. The intangibles of friendliness, love, meaning and caring go a long way in small

business. People are willing to support you, even if you really aren't objectively all that special, if you are doing something special from them, making their world a better place and building your shared community.

How do you engage your customers to build your business and community?

10. Overhead: Can you tell the difference between sales costs and operational overhead?

Operational Expenses behave in a business in two fundamental ways. They are directly related to sales, sales cost, and they are constant no matter what the level of sales, operational overhead. If you are selling a commodity type product, a product that cannot command a higher price than your competitors, then concentrate on having lower costs (not prices) than those competitors. The best lower cost is lower overhead and a lower cost of "delivering the goods". A not so great idea of having lower cost is working for nothing. The best method of lowering cost is a combination of rock solid systems and innovation. Defined systems are the key to consistent quality. Innovation can be defined as: Bringing something better to your customer at the "right" market price...and being able to continually incrementally improve your business. Incremental continuous improvement helps you to provide more value to your customers and do it at a lower cost.

How much is your overhead each month?

11. Operations: Are you improving every day? In America if you are not improving every day then you are going backwards. Learn a new skill, develop a new recipe. Quality is in the eyes of the consumer. Branding is developing an Expectation and Engagement is delivering on that promise that exceeds the expectation.

List something that you have done this year operationally that has made you more efficient and saved you money

12. Breakeven: Can you determine your breakeven point for every month of operation?

Knowing the relationship between your sales volume, your sales margin and your operational overhead and balance sheet overhead (Your total cost structure) is the most critical finance tool that you can master. If you don't know this tool, learn it and use it. If you are running your business out of a checkbook then you are not managing your business. Every penny on a dollar that you make from the relationship between sales and cost goods sold counts in paying for operational overhead. When you are making a profit then you need to cover your balance sheet overhead. You will learn how to do a total break-even analysis in the SBM program.

Can you estimate how much sale volume do you need to break-even each month? How do you know that?

13. Cash Flow: How much cash and credit do you need?

The best cash is from revenues. Positive cash flow means that you are managing your account receivable and payables properly to have enough cash to pay for operational and balance sheet overhead. Not having enough working capital, is a business killer. You need to know what asset, plant and equipment/ tools you need to survive. “Right size” your assets to your cash flow. On a monthly basis, you need simple accurate answers to these three questions: Is my business profitable so that I can buy assets, pay loans and take draws? Are we using those profits to build wealth in a sellable business or at the very least to cover the cost of living at home? Have we reached the point at where we have finally recuperated our time and initial investment in the business?

Are you generating free cash through profits to build wealth? Buy Assets? Pay Debt or Afford a good life?

14. Loans: How do you finance you business? What is you interest rate?

You have many choices: Uncle Rich, credit cards (dangerous), “friends”, angel investors, and if you're really onto something, venture capital. A bank loan comes from cash flowing in a positive direction, great credit and a lot of bankable assets. If you plan on borrowing money consider how much equity and control you're willing to give up. Know what it will cost you to borrow. If you do not know about interest compounding and the Rule of 72. Ask! It may the most important financial concept you can learn. Seriously consider any partnerships, most are disasters. Make sure that you are receiving a loan that you will not regret.

Do you have financing?

15. Loans: What is your credit score?

Your credit card score is your adult report card. How much do you know about compounding and interest? Have you heard of the “Rule of 72”? The earlier in life that you understand the effects of compounding interest, the greater the chance you have of accumulating wealth and having a better life.

Do you know your credit score? Yes or No

16. Personnel: How do you attract and keep great help?

All the above is done through and with people. You can readily complain that Lincoln County does not have the greatest labor pool and you could be correct. The reality is that the best employers are able to attract and pay for the best the employees. Can you?

Do you have great help? Why not?

**17. Personnel/ Information/Shared Knowing: How important is your “secrets”?
Your Data?**

Most small businesses do not have a patent. But you might have some trade secrets. The challenge in small business is the tension between training your help and possibly training your next competitor. If your company relies on special knowledge to make you different and maintain your competitive edge then take steps to protect it, i.e. good wages and working conditions. It is more likely that “secret” advantages come from investing in the proper tools/ equipment and training your employees to state- of-the- art methods to work faster/better than your competitors. Take time to train your help to a standard of quality. Are you willing to train your restaurant help knowing full well that they may be your future competitors some day?

Your data? Do you treat your data with the same care as you do your cash. Right now your records of addresses, credit card numbers and personnel information is more valuable than and more at risk than any amount of cash stashed in an unlocked box in your business.

Do you treat your data as if it were cash?

Do you train your staff?

18. Strategy: What is your competitive threat?

If there is a market and if there is competition. According to Michael Porter of Harvard there are five competitive forces.

1) Existing Rivalry- that’s pretty simple.

List your three main competitors

2) New Entrants- simple too. If you're smart enough to spot a profitable business opportunity, you can bet someone else has too. Established companies have created “barriers to entry” for their business. A-patented technology or a brand. The most obvious barrier to entry in small business is the “First Mover Advantage” and the “Location, Location, Location” advantage. Human economic history is all about finding out how to do things better. Are you?

What you do when there is new competition in your area?

3) Substitutions- not as obvious. Although you are one in 6.5 billion people what makes you and your business truly unique. And are there more favorable substitutions? Think about this one.

List two alternatives that you can offer right now? Organic? Gluten Free? Local?

4) Power of your suppliers- Are you in a buyers' market? Or in a sellers? The forces of supply and demand exist even at the smallest level of exchange. The price of Girl Scout cookies ...and all those dear little children and their powerful parents...are still affected by the "gravity" of a market. Find and establish the best relations with your supplies. It is critical to your business success and survival.

Are your suppliers cooperative or are they powerful? Can you get a 1% discount?

5) Power of your buyers.

*Can you get a better than average price for what you are serving in Lincoln City?
Why?*

19. Purpose: Do you know why you are successful? Are you building a "conscious" business and teaching those skills to key people that are helping you.

It is possible to run a successful business and not why. What are the elements of your success?

20. Purpose: Are you building a sellable entity?

Some business are started to make a quick buck by flipping them to the next owner. Most SBM businesses are in for the long haul. There is nothing wrong with a life style business. A life style business that builds personal wealth over time is even sweeter. Are you building a sellable entity? Are you building wealth outside your business with retirement plans and investments? Is it feasible to buy and own the Real Estate where you operate? Over time are you making a living, building wealth and are planning for your retirement? If you are congratulations and let keep on learning!

How much could you sell your business for today? In ten years?