

Find Out Where Your Restaurant Profits Are Going and How to Get Them Back

Anyone who has ever managed a restaurant knows that increased gross sales don't always result in an equal increase in net income. This can happen when you have significant profit leaks throughout your store.



The unfortunate thing is that these profit leaks aren't always obvious, even with some of the larger leaks. But by asking yourself a few simple questions, you can identify the sources of these leaks and begin the process of patching them up.

- Are you getting paid for everything you sell?
- Could you reduce your key operating expenses?
- Could you sell more to your existing customers?

Profit Drain #1: Too Many Freebies or Forgotten Charges

Needless to say, anytime you give something away for free, it eats away at your overall profits. Even the small things like more dipping sauce, upgraded drink size, or extra toppings, can quickly add up in lost profits.

By having the right POS system, you can make it easy for employees to always charge for those extras and add-ons. Domenick Colandrea, the owner of King's Pizza Pronto, learned this firsthand after making the switch to SpeedLine.



"I did incorporate the add-on extras at the end before the customer checks out. And I got to tell you, when I go and look at those reports, I get \$2000 to \$2500 extra at the end of the month from extras."

Domenick Colandrea, King's Pizza Pronto

Simply ensuring that these extras are always charged for allows you to access a massive pool of profits without ever having to make any additional sales. But reminding your employees to ring in those add-ons will only go so far, especially if this means they have to complete several additional steps. Luckily, SpeedLine makes it easy to not only include extras but also organize them by popularity.

"It's pretty impressive, and SpeedLine lets you put them in order from priority, and I prioritize my first one to be garlic sauce because everybody loves garlic sauce with pizza," says Domenick. "And you'll be surprised, people add two, three, four of them. It's incredible. So I do take advantage of that."

Standardizing charges and training staff rigorously can help reduce profit loss in this area. But the best solution by far is to install the right POS.

Once you've set your charges in the system, they will be applied correctly and consistently every time. In addition, a POS will decrease the number of mistakes on the make line and make it a whole lot harder for staff to slip freebies to friends—ensuring that you get paid for everything you sell.

Profit Drain #1 Warning Signs:

- Pricing and charges are not standardized
- Order-takers do not know their prices
- Staff training is haphazard
- Customers complain about price discrepancies
- You do not have a POS system

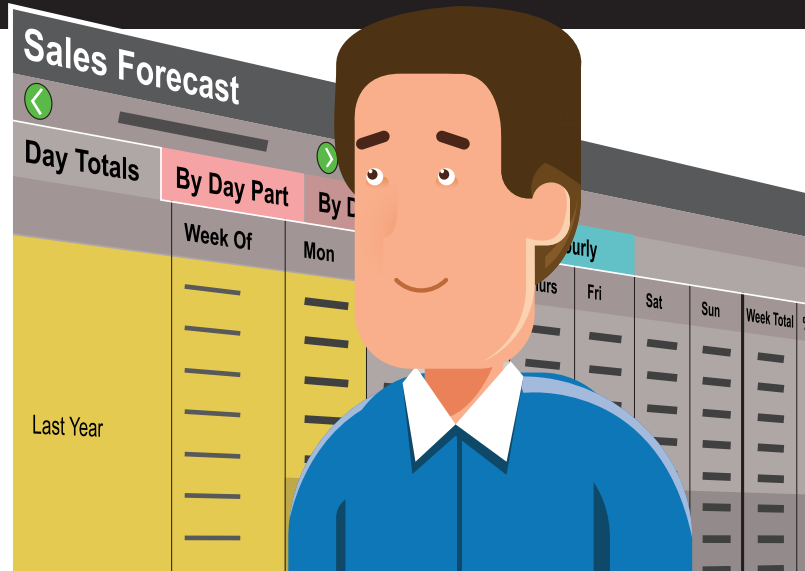
Profit Drain #2: Unreasonably High Labor and Food Costs

Labor and food costs are notoriously high sources of profit drainage. According to Chron, the labor costs for many fast-food restaurants hovers around 25% (rising as high as 35-40% for full-service restaurants). Meanwhile, the food costs can be anywhere from 28 to 35% for most pizzerias. That's over half (or potentially two-thirds) of your revenue going right down the drain. So anything you can do to reduce costs in these areas will drastically help your bottom line.

Accurate Forecasting

Being able to not only track but also predict sales is crucial in reducing your operational costs. When you can accurately project how many meals you will sell in a day, you can stock and prep just the right amount of food to avoid waste. Similarly, when you can predict how many labor hours you need to meet customer demand at any given time, you can schedule just enough staff to get the job done.

Tracking costs, forecasting sales, and setting targets manually can be time-consuming and imprecise. Some operators use spreadsheets that they update regularly. But without the help of specialized software to crunch numbers, even the most experienced operators have to rely on their best guesses.



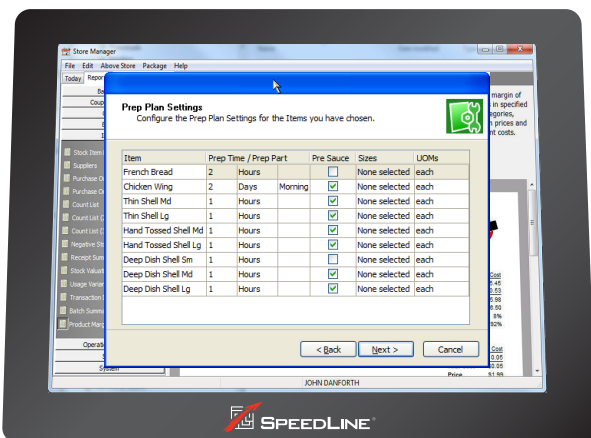
A POS system that tracks your sales history can increase the accuracy of your scheduling and prep planning and help you reduce costs significantly. SpeedLine's Operations Planning toolset creates a forecast based on your store's sales history and daily notes. The forecast feeds sales projections into labor and prep plans, so you can forecast sales by time of day and/or order type.

Labor Planning

Based on your store's sales forecast and goals, the system recommends labor targets to help you schedule staff efficiently. The schedule also integrates with the time clock, easily controlling early clock-ins and late clock-outs. All through the day, you can keep track of your labor versus sales and adjust the schedule as you go to keep within budget.

Prep Planning

The system can also recommend a food preparation plan to minimize waste, providing more control over food costs. With this plan in place, even the newest prep staff will know how many tomatoes to chop or crusts to pre-sauce for the dinner rush. The result will be less food waste and more profits.

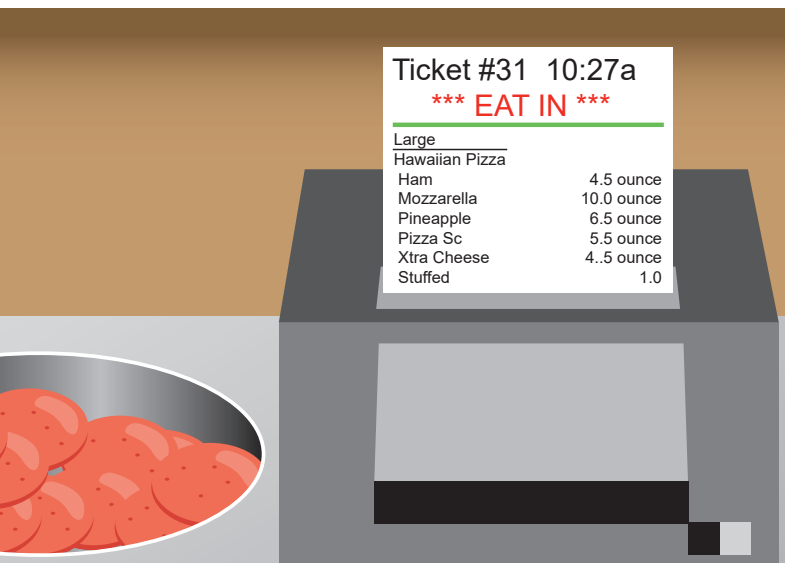


Inventory & Sales Mix Controls

You can also use your POS system's inventory software, portion control, and loss prevention tools to better identify the waste/theft of both food and cash. By comparing item costs with your sales mix, you can spot low-margin or slow-moving items on your menu. Then, it's just a matter of raising the prices of these dishes or eliminating them from the menu altogether.

These inventory and sales mix tools provide you with a clear picture of which dishes use which items. This is something that has really come in handy for restaurant owners like Reed Daniels from Red's Savoy Pizza.

"To keep it simple, everything is cross utilized across all our menus," says Reed. "Meatballs are used for meatball hoagies and spaghetti. I only use spaghetti for spaghetti and meatballs, and I use penne for everything else, so I'm even thinking of getting rid of spaghetti and just using penne for everything. Simplifying it means that there is a lot less [to deal with] when it comes to labor percentages. There is one less screwup, and one less 'oh I used the wrong noodles.'"



Profit Drain #2 Warning Signs:

- You are often understaffed or overstaffed
- You have no time clock controls
- Payroll is your only way to track labor costs
- You are not using a sales forecast to schedule your staff
- You count your stock infrequently
- You have no portion control on the make line
- You do not keep track of waste
- You carry inventory for more than a week
- Your prep plan is not based on a sales forecast

Profit Drain #3: Lack of Marketing and Upselling

Any time a customer places an order, it's a golden opportunity to sell them as much as possible. With the help of the right marketing and upselling tools, you can build customer loyalty, increase order frequency, and maximize average order amounts.

Upselling

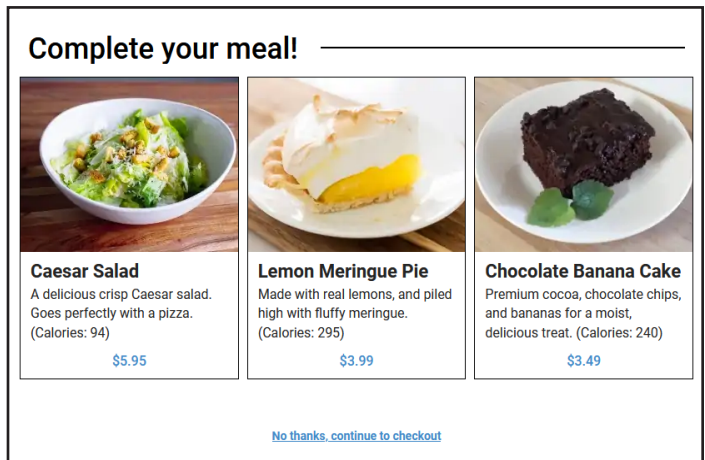
Suggestive selling can add thousands of dollars to a restaurant's bottom line. But training an unskilled worker to upsell smoothly can be difficult, if not impossible, without the right tools.



Speedy Tip

According to our recent customer survey, 52% of pizzerias reported making an average of 10 to 20% more on tickets through upselling methods.

Most point-of-sale systems support some type of suggestive selling prompt. SpeedLine, for instance, provides the tools to script multiple upselling messages and choices.



Despite this, our recent study indicates that only 78% of surveyed restaurants use upselling. If this isn't one of the many tools in your toolbox, then you're leaving a lot of potential profits on the table.

The key to successful upselling is giving your staff the right words to say at the right point in the order entry process—and making it easy to add additional items to an order.

Upselling should also carry over to online orders. SpeedDine, SpeedLine's online ordering platform, lets you script suggestive selling messages that appear at the right time in the online ordering process, and can prompt customers to upsize a drink, add extra cheese, or complete their meal with an appetizer or dessert.

Promotions and Sales Contests

Spot promotions or manager's specials, scripted into the ordering process, can also be an easy way to push slow-moving menu items in the restaurant.

And because most POS systems track sales by item and employee, sales contests and incentive programs are easy to manage.

Database Marketing

The customer database built into a POS is another valuable tool you can leverage to improve service, customer retention, and profitability. A customer database enables you to collect information about your customers: their names, addresses, telephone numbers, email addresses, birthdays, and more.

The system also tracks customers' ordering habits and can be programmed to spot first-time customers and prompt an order-taker to hand out marketing collateral like a menu or flyer, or to remind a frequent customer that there is a special coupon at the bottom of their receipt for next time.

Moreover, you can use the address information you collect in-store or online to send targeted offers to your customers by mail or email. Boost revenue by giving customers incentives to order more often and spend more each time. And because database marketing is targeted, you'll spend less and get a much higher response than with traditional advertising and bulk mail.



Profit Drain #3 Warning Signs:

- Your staff is not knowledgeable about your menu
- Your staff is not trained or motivated to use suggestive selling
- You do not have a customer database
- You do not collect information about your customers
- You have no way of tracking your customers' ordering habits
- You have a customer database, but do not use it for marketing purposes

Stopping Profit Drains

If any of these profit drains are relatable, you can begin to eliminate them by making the switch to a smart POS.

As mentioned throughout this guide, SpeedLine has a wide variety of tools capable of tackling profit drain issues and delivering a bottom line that you can be happy with.



Contact SpeedLine get more information or to arrange a demo:



1-888-400-9185 | info@speedlinesolutions.com
www.speedlinesolutions.com