

Table 8.3 Recipes for Restaurant Success

Recipe	Ingredients
#1	Operating costs are high and profit margins are low, so budgets, costs, and portion controls are a must.
#2	Labor is a significant cost and a time-consuming issue; be sure to focus on effective selection, training, and retention.
#3	Prepare a good business plan and have sufficient cash flow and capital to make it through slow times.
#4	You must have a passion for the business and develop as well as practice strong internal controls. Not only must you interact with customers, you have to be involved in the day-to-day business to avoid fraud and theft as well as supervising profit margins and negative signs that could infer problems.
#5	Pay attention to the number-one customer demand—quality.
#6	Monitor the marketplace. Keep your concepts current and fresh. Plan for change; don't wait for sales to slow before you implement changes.

Source: Kahan, Stuart. (2003, December). Food for thought. *Practical Accountant*.

Even if they do have the necessary talent, they may often fail to realize that foodservice operators are faced with working long hours and then dealing with many complex problems in today's competitive environment.²¹ Profit margins are shrinking, and controllable costs, such as payroll, employee benefits, food costs, and taxes, are being forced up by inflation and governmental regulations, and foodservice patrons are unwilling to accept higher menu prices. In fact, F&B operations require a great deal of attention to detail, and they are a business in which every nickel counts, and profits are often measured in pennies.

According to one industry expert, there are a number of steps restaurant operators can take to ensure success. Table 8.3 lists those factors that can make the difference between success and failure.²² “Whether in a quick service environment or a five-star resort, just the right amount of planning will increase the likelihood of success exponentially.”²³

Some of the more common performance measures that are used to evaluate performance in foodservice operations include sales per seat, sales per employee, and the number of times a **seat or table turns over** in one day. In the search for increased revenues, restaurant operators may seek to increase table turns during peak periods by speeding up the meal's pace. However, this seemingly appealing approach should be considered cautiously as research shows that excessive speed may make customers feel rushed and hence guest satisfaction may be diminished.²⁴

Table 8.4 shows a financial statement for a successful full-service restaurant. As you study the profit and loss statement in Table 8.4, refer back to Figure 1.10 and remember the importance of leverage, turnover, and margin in achieving profitability.

Rather than face the complexities of foodservice operations alone, tourism service suppliers (especially small lodging properties) are turning in increasing numbers to the expertise provided through branded concepts from successful franchisors. By co-locating several franchises into a food court setting, guest needs can be met, kitchen and customer-service labor costs can be substantially reduced, and marketing efforts can be minimized.

Balancing Payroll Costs with Productivity

As Carrie learned in the chapter opener, producing some menu items can be very complicated as well as labor intensive and costly. Labor and food costs are the largest controllable expenses for F&B operations. High **employee turnover**, the availability and quality of new employees, and the constant need for training all combine to create significant operating costs. Consequently, F&B managers must constantly focus