

## RESTAURANT



## INSIDER

"NEWS YOU CAN USE"

NEWSLETTER... WINTER 2011

## HOT PROPERTIES



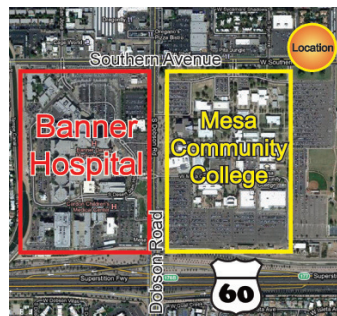
**Old Town #6 Bar** with absolutely fantastic location in Old Town Scottsdale. This bar/restaurant has a fully-equipped and well-designed kitchen, an awesome bar, two great patios, an unbelievable rooftop deck with great views and an extremely difficult to acquire Series 6 liquor license already in place. This highly confidential listing will be made available to financially qualified and experienced operators only. \$185,000. #1729

**Downtown Phoenix** This is a high-traffic location with excellent signage and great visibility on a hard corner in a well-established Central Phoenix neighborhood with very strong demographics. The facility has it all: a full kitchen, huge walk-in cooler, plenty of storage and tons of refrigerated retail display space. Perfect for catering, quick-serve, grab-and-go, or a combo of all three. Seller is relocating and has it priced to move at \$129,000 #1733



**ASU** Clean and efficient quick-serve restaurant just a block from ASU's Tempe campus. Currently operating as a quick serve Mediterranean style grill but would accommodate many other uses. Only available due to owner's interest in a business on the west side. \$49,000. #1726

**North Scottsdale** 5,000 sq ft space for lease in a very desirable location surrounded by residential, office, industrial and retail. This freestanding building is on a prime corner and has all the components necessary for success: great visibility, ample parking, a huge patio, indoor/outdoor bar, full kitchen and more. No restrictions on the use and an easy conversion to almost any concept. ONLY \$20 PSF + NNN includes some FF&E remaining from the previous operator. #1715

**Flagstaff Restaurant**

Fantastic high-profile restaurant, located on a busy road near the entrance to NAU where they have over 60,000 combined students, professors and staff. This nationally known turnkey Mexican restaurant has a high-capacity kitchen and four dining rooms that can accommodate private parties in a fully-equipped freestanding building with great visibility that has been in operation for more than 9 years. It can be kept as a franchise or converted to another concept. \$350,000. #1737

**#6 Bar & Restaurant** Freestanding building located just minutes away from Mill Avenue and walking distance from the ASU campus. This facility has a huge multi-level courtyard/patio, 4 bars, 4 big screen TVs along with 24 other TVs all around the bar creating a casual and friendly atmosphere. A unique opportunity to own a college campus business with plenty of its own parking, very hard to come by in that area. \$295,000. #1735

**Restaurant & Bar** Turnkey restaurant opportunity in the high-traffic Shea/101 corridor. Take advantage of over 73,000+ cars driving by daily. Fully equipped kitchen ready to handle any type of concept. Join other successful restaurant chains in this high traffic center. Awesome patio, lots of parking, separate bar area and great visibility makes this a viable location for almost any concept. Priced to sell! \$275,000. #1736

**Restaurant w/ Drive Thru**

Fast food location with a drive-thru, great signage, easy access and plenty of parking right across the street from Mesa Community College and Banner Hospital, one block north of Route 60 at Southern & Dobson. This second generation restaurant space has plumbing, electrical, a hood system, HVAC, walk-ins and restrooms already in place. A new 5-year lease with a 5-year option is available to qualified tenants for only \$4,500 per month plus NNN or purchase the real estate for \$795,000. #1732

**RESTAURANT 101**

No doubt about it, the last few years have been a "real treat" for most of us in the restaurant business. If you are one of the fortunate few that this comment does not apply to, congratulations, and continued success. For the rest of us, with all of the challenges have also come many different perspectives on how to manage the business through these tough times. In fact, there's been so much advice on what to do that it's easy to get confused and distracted going from one quick fix to the other. While we know there are some worthwhile topics to focus on, like the economy, immigration and social media, just to name a few; for now let's concentrate on a more important issue, actually *the* important issue: does your restaurant make money?

Let's face it, if your business doesn't make money the rest is just conversation. Without cash flow there is no value. It's the restaurant equivalent of "the operation was a success, but the patient died." Don't let it happen to you. You cannot become so distracted with other things that profitability is no longer at the top of your priority list. I know it sounds crazy that anyone would allow that to happen, but it does, and more often than you might think.

Visit our website to view additional listing [www.therestaurantbrokers.com](http://www.therestaurantbrokers.com)

Continued inside

# RESTAURANT INSIDER



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## RESTAURANT 101 Continued

In order to avoid becoming a statistic you must be organized, diligent and focused on the profitability objective. This really isn't that complicated; I didn't say it was easy, but it isn't complicated. First and foremost, do the products you sell make money? And not just a little bit of money, is the margin sufficient to allow your business to be profitable after paying your expenses? You would be surprised how many restaurateurs cannot answer this question. With constantly rising commodity and supply prices, not to mention numerous other cost categories, many operators are not keeping up with the adjustments required to remain profitable and their businesses are succumbing to margin pressures.

The first place to begin your profitability quest is on the plate. What are you putting on your plates, what's it costing you, and what are you charging for it? The answers may shock you. Take the time to cost out all of the items on your menu with current up-to-date pricing. If you haven't revised your menu pricing in a while, this is going to be an eye-opening experience. Your vendors are constantly modifying their prices and you are paying more for the ingredients used to prepare your menu items, but you are selling these items for the same price. The result of that process over a period of time is pretty predictable; it's having a seriously negative impact on your profitability.

Think about it, they change the price at the gas pump on the fly every morning when the price of oil fluctuates even a quarter of a cent. What are you doing to maintain your profitability? In order to restore that balance you must make adjustments. Tweaking the menu requires a multi-faceted approach. A combination of price and portion adjustments will deliver the desired result. Don't want to have to charge \$10 for a chicken sandwich in order to make a profit? Are you using a 7 or 8 ounce chicken breast when your customers would be quite happy with 5 or 6 ounces instead? Still using ½ lb. burgers when a ¼ lb. would be well received by your clientele? How are your portion controls? Are your cooks "grabbing" the meats, cheeses and French fries, or are they pre-weighed and measured? It only takes a couple of ounces here and couple of ounces there to make a huge difference in the food cost. Just as an example, let's say that we are serving a sandwich with 4 ounces of meat for \$7.95 with a projected food cost of 33%. However, instead of 4 ounces the cooks are putting on 5 ounces. The over-portioning in this instance will cost the operator over 4% of food cost; changing the plate cost on that item from 33% to over 37.5%. Have a look at your bottom line. What would it mean to your profitability if you were able to achieve a 4% reduction in food cost? If you're like most operators, that would be huge!

Don't put it off; redo your portions, prices and menus *right now* and start bringing home the bacon!  
~ The Restaurant Brokers

## On The Menu

Do these headlines concern you?

"Beef prices 6.1% up on the previous year, pork prices were 11.2% above the previous December's level, and dairy prices rose 3.7%."

"Food prices are poised to climb in 2011, spiking 2% to 3%, according to the USDA. That price jump will impact prices at grocery stores and restaurants."

"A NRNs survey shows nearly 60% of respondents said they plan to increase menu prices at their restaurants in 2011."

... maybe they should.

Large fluctuations in key commodity prices can wreak havoc with the already fragile, and typically very thin, profitability margins most food service businesses operate within. The ability to mitigate the potential impact to profitability caused by these increases can be a key component in determining the success of any restaurant.

What's the solution? It's a two-part answer: 1) Detailed knowledge of current conditions, and 2), small, subtle, timely changes – course corrections really – to keep optimal margins in place. The detailed knowledge is about having current pricing and accurate recipe costs for your menu items so that you are able to make small, barely noticeable,

modifications to portion sizes and prices. The course corrections come about as these modifications are implemented via strategic menu engineering. Utilizing tactical placement, highlighting house specialties and featuring specific items, the design of your menu can help to sell more of the most profitable items, thereby increasing your bottom line.

When it comes to a restaurant menu, all things are not created equal.

For a free consultation on how to showcase your food offering in the most favorable, and profitable manner, please contact **The Menu Designer** at 480-283-8706 [www.themenudesigner.com](http://www.themenudesigner.com)



# RESTAURANT INSIDER

## Think like an Independent, buy like a Chain

Ever wonder why Applebee's pays \$2.09 a lb for 80/20 ground beef 2/1 and you're paying \$2.49 a lb for the exact same product? I know what you're thinking and I'm here to tell you there's more to it than just the discount enjoyed by those who buy in large volume. If you want to act like a chain when it comes to buying you need to know what they know. What the chain buyer knows that you might not is this; to buy right, you need to put yourself in the shoes of the food distributor for a minute. Here's what you need to know:

### Food distributors need to make money too and like you they operate on small margins.

Increasing their sales and helping them decrease costs will also mean lower cost of food for you. For example, by giving one distributor your meat, produce, chemicals and disposables order instead of splitting it between the distributors and warehouse clubs you will increase that distributors sales per delivery to you. In addition, by organizing your ordering to maybe two days a week instead of four you will decrease his costs. When you help increase his sales per delivery you will decrease his cost per delivery and he'll be able to pass those savings on to you.

### The distributor wants to help you, it's in your best interest....and his.

Most major distributors have in-house marketing departments, chefs, test kitchens and operations consultants at your disposal. The key is take advantage of those services. Teaching your kitchen staff how to properly store and rotate product, training the front of the house staff how to suggest and sell your most profitable items, printing your menu for maximum profitability and eye appeal, and showing your chef available items that may replace similar, more expensive products are all free services most major distributors provide to their prime accounts, and you can become one by pledging the majority of your business to one distributor.

### They want you to use their branded products and you should.

Just like Costco has the "Kirkland" brand, most major distributors have their own house brands that they are able to provide at a cheaper cost to you with higher profit margin for them. For example, US Foods has "Monogram", Shamrock features "Shamrock" and Sysco offers "Reliant." In many cases private label products offer the opportunity to save money without sacrificing quality.

### Getting deliveries more than twice a week is going to cost you.

Distributors have overhead just like you and two of their biggest cost items are fuel and labor. Both are needed to get product to your door. It's simple math, the more often you make them come to you, the more they need to charge you to pay for those costs. Order smart, ordering online with the minimal number of deliveries and maximum size order will increase your savings.

### Quit wasting time with every low-baller that comes knocking on your back door.

The reality is, once you've cemented your relationship with your distributor, you can quit wasting time talking to every other vendor in town who may offer lower prices that week on some key item, only to raise them again a week later. Stay focused on operating your business and generating profits.

### A full truck is a more economical truck.

By scheduling your deliveries during slow times for your distributor, it allows the distributor to reduce his per delivery cost, which again can equal more savings for you.

These are just a few of the many tactics that the big chains use to help drive down the cost of their food. When you work with your distributor to help his business become more profitable, it will also help you. Notice I never mentioned "food cost", I said *cost of food*; food cost is a whole other topic.

### Remember... Friends don't let Friends eat at chain restaurants but they do let them buy like chain restaurants.

For more information on how you can "buy like the chains" call Mike Shirley, a 20-year veteran VP of Sales for some of the countries largest food distributors. Mike can be reached at (563) 449-2931

## SAY WHAT?

**Platinum Rule:** Treat customers the way they want to be treated, not the way you want to be treated ~*Jim Cathcart*

Two men were laying brick. The first was asked, 'What are you doing?' He answered, 'Laying some brick.' 'What are you working for?' He answered, 'Eighty bucks a day.' The second man was asked, 'What are you doing?' He answered, 'I am helping to build a great Cathedral.' Which man are you? ~*Charles Schwab*



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## By the numbers



Celebrating 30 years



**1861**

The year Richard Cadbury created a heart-shaped candy box and began mass-marketing the first boxes of chocolate for Valentine's Day.  
~ Chocolate Facts

**11,355**

The number of active liquor licenses currently operating in the State of Arizona.  
~ ADLLC

**13**

The number of years prohibition lasted, from 1920 to 1933.  
~ Wikipedia

**1,920**

The number of ounces of beer in a keg (that's a US keg; an import keg only has 1,689).  
~ Yahoo Answers

**5%**

The percentage of total annual chicken wing consumption that occurs during Super Bowl. Americans chow down on about 24 billion chicken wings per year!  
~ Food Rubbish

**\$16.11**

The current average per square foot asking rent rate to lease retail space in Maricopa County, down considerably from \$21.75 in 2007.  
~ Loopnet

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The scope of services offered can be completely customized to the specific requirements of your business. From a complete redo of your entire restaurant or bar to the minor tweaks needed to breathe new life into a dated food and/or beverage concept and everything in between, RRG can design a program to meet your needs.

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