



## RESTAURANT STRATEGY

# HOW TO CUT EXPENSES OVERNIGHT

10 Tips for Chefs & Operators



Hey there... my name is **Chip Klose**. I'm a New York City-based restaurant consultant, as well as the host of the **Restaurant Strategy** podcast.

I know this may seem obvious, but still I think it's worth mentioning: There are two paths to profitability: revenue and expenses.

I spend a lot of time talking about ways to grow revenue; in fact, I wrote an e-book on that subject as well which you can download by visiting [restaurantstrategypodcast.com/revenue](https://restaurantstrategypodcast.com/revenue). I share 10 tips for Chefs and Operators to increase revenue by 10% literally overnight. These things work; I know that because I've been using them with my own clients for the past decade or so.

In an effort to help the listeners of the **Restaurant Strategy** podcast, I thought I would take the time to put together another e-book — a companion piece to that first one. Why? Because as I said, there are two paths to profitability.

On the pages that follow I'm sharing the 10 best ways I know to help manage expenses. Some are easier to implement than others, but certainly you can put most of these into practice within a few weeks time.

Ready? Let's get to it!



**TIP**

**#1**

## **Cost Out Your Entire Menu**

One of the first things I do whenever I start with a new client is ask to look over their recipe costing. The larger companies usually have everything organized and are able to get me the information relatively quickly, but most of my clients are small, independent restaurants. They're often family-run operations and they've never thought about costing out their menu before.

Let me say this right at the start... costing out your menu is the single best way to manage expenses in your restaurant. I have a simple spreadsheet for this that I'm happy to share — email me: [chip@chipklose.com](mailto:chip@chipklose.com) and just ask for it. Otherwise you're welcome to create one yourself.

The first sheet should be a list of all your ingredients. This is going to double as a vendor list. The left hand column should list the items. Next to that is the price per pound. In the next column you list the company, then your sales rep, followed by a phone number, and then an e-mail. This is how you're going to be able to track how much you're paying for ingredients, and to see how those price fluctuations affect the overall profitability of each dish.

Then, each of the other sheets will be dedicated to a single recipe. So the fried calamari gets its own sheet. Same with the tuna tartare, and the fish and chips, and the burger, and so on.

Simply put, before you figure out what you're going to charge for a dish, you need to figure out the cost of goods sold (COGS). What does it cost you to put the food on the plate. This doesn't factor in labor or overhead. Just the food on the plate.

Most restaurants estimate, which is what gets them in trouble. You need to know that the steak is \$20/lb and your portion is 8 oz. Great, so there is \$10 worth of protein on the plate. Do the same for the mashed potatoes and the sautéed spinach that you serve alongside it. Figure out how much it costs to make a sauce and then measure to figure out how much sauce you serve per dish.

It's a ton of work, I know that. But this has to be done. And once it's done... it's done!

In the future you can easily update the price of ingredients on that first page. And if you build the spreadsheet properly (as I have done with mine), those numbers will automatically import into the other pages. The individual recipes should show what it costs to plate that dish. It should then list the price you charge, and show the margin you're hitting, and the overall dollar profit you make every time someone buys that dish.

Take a week to do this, and you will see a huge change in your overall profitability.

## TIP #2

# Look at Profitability Shift by Shift

Yes, we want to find ways to build downtime business, but sometimes the simplest answer is the right answer. Rather than struggle to attract diners, it may just make more sense to close for the shift.

I was speaking with **Josh Kopel** about this on the **Full Comp Podcast** and he said that often times if you shut down for a Monday, for example, those patrons will usually just plan to come on another night. The loss in revenue is fairly minimal in practice and the savings on payroll and utilities makes it more than worth it.

Remember that there are no rules dictating when you have to be open.

If you have unprofitable shifts throughout the week, consider the idea of simply closing for those shifts. There may be other uses of the space you've not yet considered, like renting it out for a pop-up... or something else entirely.





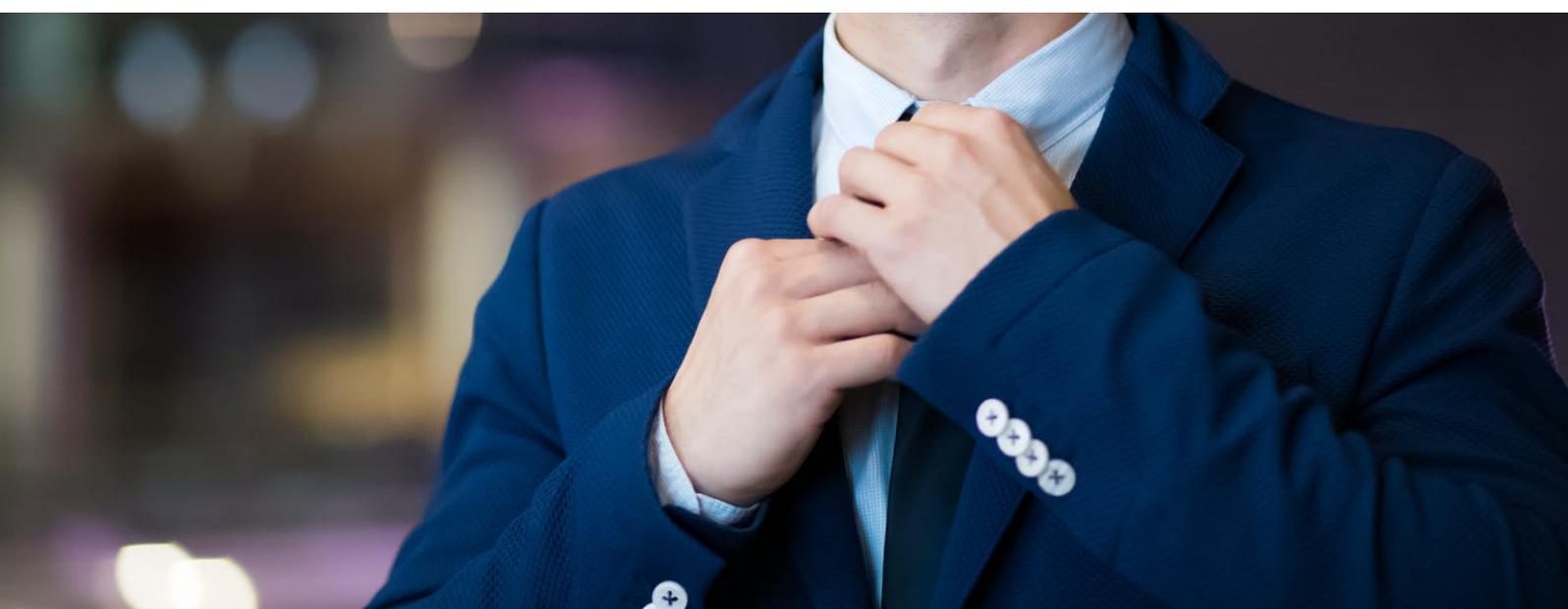
## TIP #3 Watch Out for Top-Heavy Payroll

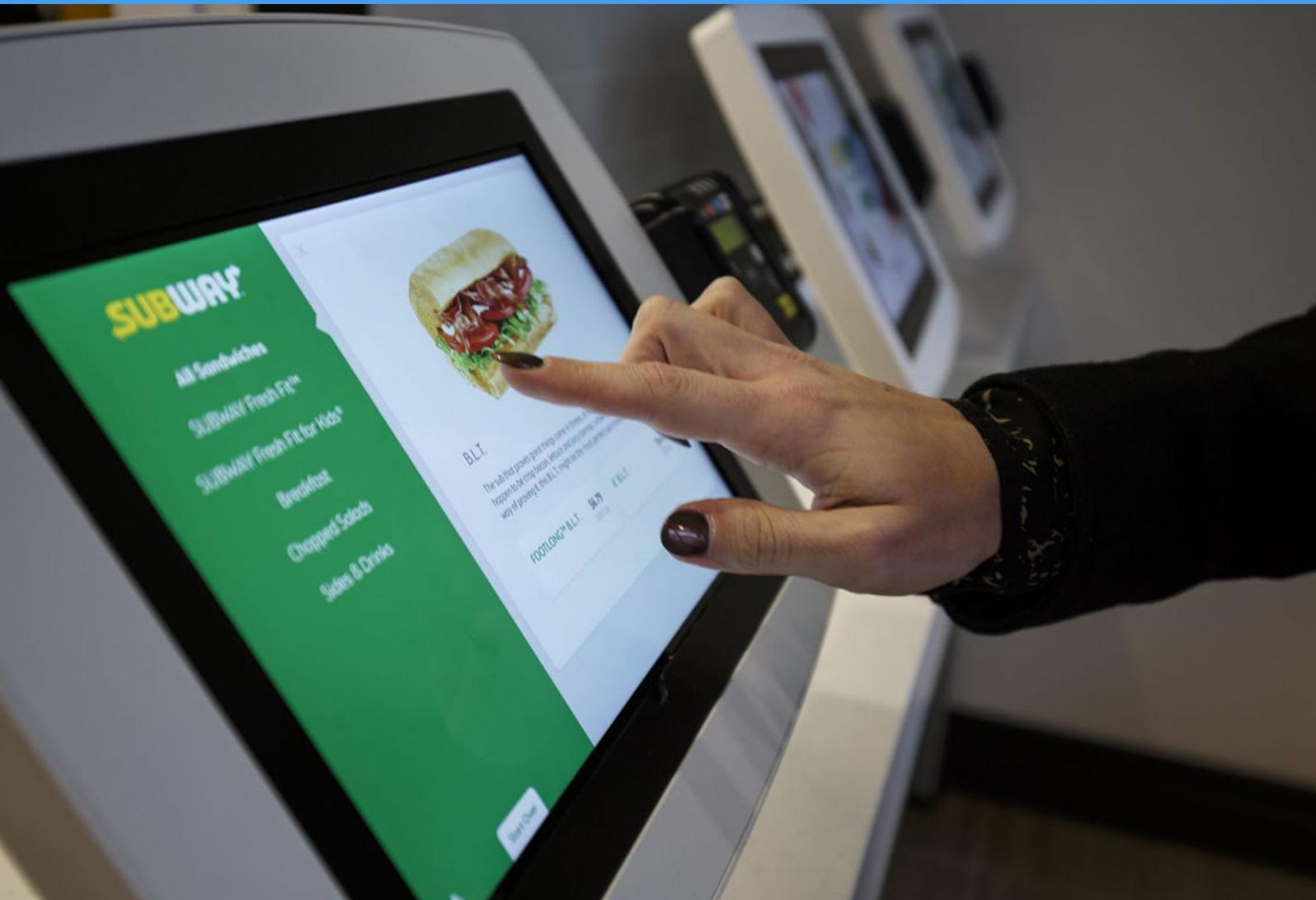
I've spent a great deal of time working in fine dining, and I'm watching a lot of operators struggle with this right now. Over the pandemic they learned how to do more with less, and yet they haven't applied those lessons to the "new normal." The old days of having a GM and an AGM, plus a Service Director, Bar Manager, Wine Director, three floor managers, and two sommeliers is over. In order to maintain profitability, you have to require more from your team.

Your GM may have to double as the wine director. Your AGM might also be the one to oversee service. The wine director may also manage the bar program, and instead of sommeliers you may simply need to invest in wine education for your servers.

Just like inflated monthly rents, management salaries can put undue burden onto your payroll and make it impossible to ever break even. This is most obvious in fine dining restaurants, but it can affect any sort of business.

Stay vigilant!





## TIP #4 Kiosks, QR codes, & Table Ordering

If you're a regular listener of the **Restaurant Strategy** Podcast, you know I spend a lot of time talking about the intersection of hospitality and tech. The truth is, technology is now providing compelling solutions that can help us drive more revenue, cut expenses, and improve the guest experience.

Kiosks are a great example. The data has been pouring in over the past few years and it's overwhelming! They increase the average revenue per order and allow you to run with less staff. Instead of having to man a register, you can run with one (or two or three) less staff members. Plus, the experience is fun. Or rather, it can be. Kiosks allow for contactless payment, and it's actually sort of enjoyable to build your sandwich right there on the screen.

QR codes are being used in a variety of ways, but the simplest example is as a replacement for menus. Restaurants who have gone completely digital with their menus are saving a ton of money in weekly printing costs (paper, toner, maintenance), plus they're driving traffic to the menu page on their website. The SEO benefits don't even fit in this e-book, but they're worth mentioning.

Table Ordering is allowing operators to run with less (or no) servers on the floor. Instead, a manager and a couple busboys and runners help manage the flow of service. This smaller staff can serve food, clear dishes, run drinks, and easily reset tables after guests leave. I spoke to one operator who has literally slashed their payroll in half simply by introducing table ordering.

TIP

#5

## Switch to NFC Business Cards

Scrap the traditional business cards and move to NFC cards instead.

There are a bunch of companies out there (my favorite is [TapTag.com](https://www.taptag.com)) who provide sleek, stylish cards with an NFC tag embedded in them. Patrons simply need to tap the card with their phone and a notification pops up. The click on that and it will take them anywhere you want to take them.

I recommend using [LinkTree](https://www.linktree.com) in combination with [V Card](https://www.vcard.com) to create a digital version of your business card. Best of all, the information you add to your V Card can be automatically saved to the patrons phone. No more hoping that people don't lost your card. Now they can tap, and click save then and there. It creates a new contact in the patron's phone.

Save money on traditional business cards with a simply NFC card.





## TIP #6 Condense Your Menu

The days of sprawling menus are gone. The pandemic made sure of that. Take this opportunity to get rid of poorly selling items. Condense your menu so that you have only the very best (and most profitable) items available.

The added benefit is that this will help minimize waste in your restaurant. Think about how to utilize ingredients in multiple dishes. This is why chefs will put a Tuna Tartare on the menu, along with a Tuna Nicoise Salad, and a Seared Tuna Steak. Same product, but it appears on three different sections of the menu. Also, maybe the Tartare and the Steak are available at dinner, and the Salad is only available at lunch. There are a bunch of creative ways to help mitigate waste.



**TIP**

**#7**

## **Take Hiring & Training Seriously to Minimize Churn**

A couple years ago I was working with an HR consultant here in New York City who estimated that every new hire cost the restaurant approximately \$1,200. That was just for regular hourly employees; the management number was actually much higher.

Think about that for a second...

Every time you hire someone you are flushing more than a thousand dollars down the drain.

Restaurants have always suffered from high turnover, and some of that is probably unavoidable. But if you hire forty new employees a year, that's costing you almost \$50,000. Even if you could just cut that in half, that's enough to buy a car.

Every single year.

Take the hiring process seriously, and make sure your management team is working hard to bring new hires along during training. Make them feel welcome, supported, and appreciated. The last thing you want is to hire someone, train them, and then lose them two weeks later to the restaurant down the street.

Build a restaurant where people want to work. Build a restaurant that celebrates loyalty and longevity. And create a culture where it's cool to stick around.



## TIP #8 Rethink Your Decor

There's nothing like the smell of fresh flowers, but guess what? They're expensive. Often they have to be changed every single week, and fresh cut flowers can be a hefty line item on your P&L. So get creative with how you spruce up your space. Do you really need plants? If so, then explore more affordable options like branches or planters. Even if you saved a couple hundred dollars each month, that number adds up by the end of the year.



## TIP #9 Examine Your Weekly Schedules

Many cooks I know pay their bills with their overtime pay. But I challenge us to rethink this practice. As operators we've gotten so used to this, that we can't imagine doing it any other way. But there are alternatives.

Let's say a cook gets paid \$15 and works 55 hours each week. That's 40 hours of regular pay (\$600) plus 15 hours of overtime (\$330). Total gross pay is \$930 per week. Let's say we employ eight cooks who all work roughly the same schedule each week. That's 320 work hours of regular pay (\$4,800) and 120 hours of overtime (\$2,640), which comes to a total of \$7,440.

But what if we gave all the cooks a \$2 raise, so they each made \$17/hr. We bring on an additional cook, and limit everyone's hours to 45 each week. Yes, each cook is making less than before... but not much less. Since they're working less, they'll have more energy, make less mistakes, and be more productive. In fact, you will probably be able to run the kitchen with fewer cooks because they'll be able to handle more tasks.

We're also helping them strike a work/life balance, which I think is important for the long-term health of our team. Run the numbers and I think you'll find there's a benefit to rethinking your weekly schedules.

## TIP #10 Watch Your Pours

The best bars in the world all make their bartenders use jiggers. Remember those? They're these handy little tools that allow bartenders to measure right EVERY SINGLE TIME. There are a couple of benefits here:

First, you're ensuring that the drinks are made "to spec" meaning you can be sure that the drink will be delicious every time it's served.

Secondly, you won't have to fight against bartenders with a heavy hand. "Everything is measured; this is how we make sure to maintain profitability." This will help you maintain proper inventory and ensure that you're hitting the margins you need to hit.



Aside from the first tip, every other one can be implemented almost immediately. It all comes down to you taking action. The fate of your business is in your own hands, and I'm giving you a playbook for improving profitability in your restaurant.

If you have any questions, don't hesitate to reach out: [chip@chipklose.com](mailto:chip@chipklose.com)

I'm happy to clarify any points, or help you implement some of the ideas outlined in this e-book. I hope this has provided some value and allows you to improve the profitability in your restaurant.



[RestaurantStrategyPodcast.com](http://RestaurantStrategyPodcast.com)