



SURVIVING & THRIVING THROUGH COVID-19

Restaurant Owner
Bootcamp

Session II



The Maryland SBDC Program is funded in part through a Cooperative Agreement with the U.S. Small Business Administration.

Program Overview

The outbreak of COVID-19 is impacting all businesses, including the hardworking owners, operators, servers, delivery drivers, cooks, and just about everyone in the food and hospitality sector. Government and social responses are changing and being modified daily, and the news can be overwhelming.

States, cities, and many major companies have issued statements to their customers and the public about how they are handling the COVID-19 outbreak. Yet more have created informative, actionable content and resources to help anyone in need during this chaotic and confusing time.

As proud members of the restaurant industry, SBDC/PGCEDC are here to help your restaurant in any way possible as you work to navigate and overcome the obstacles that COVID-19 has put in your path. One of the best ways we can do that is through content. With all of the headlines, articles, and updates flying about, it can be hard to pinpoint which ones will actually help you, your restaurant, and your staff during this trying time. So, we put together this program that will give you insights and ideas as well as the opportunity to work one-on-one with a counselor. There is a plethora of resource links available through our respected websites and counselors.



Workshop Series Overview

September 9, 2020 | 9am—10:30am

Accounting and Finance Strategies for
Challenging Times

September 23, 2020 | 9am—10:30am

Pivoting to the New Reality:
New Revenue Streams

October 7, 2020 | 9am—10:30am

New Approaches to Operations
and Customer Fulfilment

October 21, 2020 | 9am—10:30am

Procurement: Best Practices for Purchasing



PIVOTING TO THE NEW REALITY: NEW REVENUE STREAMS

Resources

What is out there now for external relief?

According to the Restaurant Association of Metropolitan Washington (RAMW) President and CEO, Kathy Hollinger, in the past 5 months, 38% of restaurants have temporarily closed, with 82% modifying their capacity in some fashion.

Across the board there has been disruption in the restaurant industry. Most restaurants experienced a sales decrease in the first few months. 25,000 restaurant employees have been furloughed or laid off.

**There is a lot of information out there:
The challenge is how to stay on top of it all.**

Four Key Points

1. Think about what you really need (cf financial assessment)
2. You are a small business and a restaurant (broaden your search)
3. Check out aggregators (SBDC Guides restaurant association guides)
4. Talk to the experts (stay on top of changes)

What resources do you need for...

Your Business?

Your Staff?

Yourself?

What if money were
no object?

The New Breakeven

Fixed Costs/Price – Variable Costs = Breakeven Point

The break-even point demonstrates how many people or dishes a restaurant needs to serve in order to meet its costs. Important revenue considerations include how many guests you have and how much money the average guest spends. The amount of revenue needed varies depending on the sum of your total fixed and variable costs over a certain period (typically weekly and every 28 days)

Fixed Costs – business costs, such as rent, that are constant whatever the quantity of goods or services produced

Variable Costs – a cost that varies with the level of output

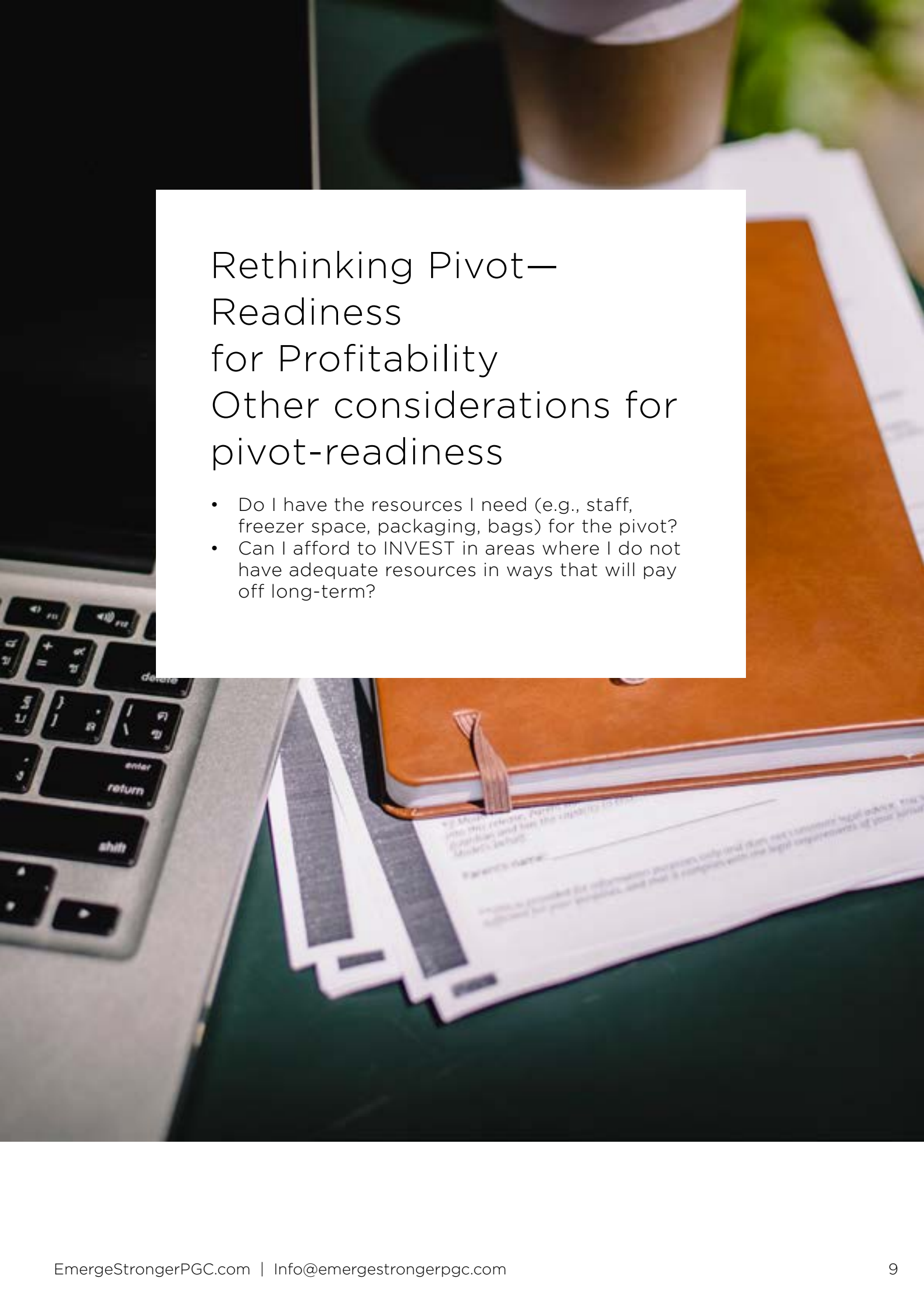
Semi-Variable Costs – a cost composed of a mixture of both fixed and variable component

When your operating model and revenue streams change: your breakeven point changes.

In Practice

Accurate and up-to-date accounting of your sales and expenses are required to calculate a break-even point.





Rethinking Pivot— Readiness for Profitability Other considerations for pivot-readiness

- Do I have the resources I need (e.g., staff, freezer space, packaging, bags) for the pivot?
- Can I afford to INVEST in areas where I do not have adequate resources in ways that will pay off long-term?

Create Efficiencies: A New Perspective on Cost Cutting

Small Ways

- Limiting your menu
- Reviewing your utilities
- Energy efficient lightbulbs, etc.

Big Ways (Considering Outside Assistance)

- consolidating labor costs
- getting out of or renegotiating lease arrangements

Third Way:

- One extreme: absorb all costs
- Other extreme: pass on all costs

In Practice

Engage supporters and allies. Something as simple as communicating openly with your guests about what ordering methods save you the most money can make a huge difference.

Diversifying Revenue Streams

Simply put, revenue streams are the different ways that businesses earn money by selling goods or providing services. Diversifying revenue streams has traditionally been a “retail” and “business” approach — now more than ever, essential for restaurants.

In Practice

Separate different revenue streams on the income section of your financial statements and corollary cost of goods sold accounts.

When adding new menu items and/or categories, make sure to separate the line item on the POS. This way you can monitor and evaluate the impact of the decision to add a product.

Conversely, if an item is removed, also monitor its impact to make sure it is providing the desired effect.

The “Process”

Take an inventory not only of what you have (supplies and equipment) but also your people, your collective skills, and collective passions

- Consider: If I had to start over (in or not in a restaurant)
- Do not be afraid to dream, be creative
- Play with entrepreneur mindset – do not censor too early!
- Start simple — intuitive path and natural progression

What is your biggest challenge/risk?

Step One

- Visualize what success would look like
- Brainstorm ideas with your team
- Remember to get out of your/their head
- Talk
- Write it down
- Draw

Step Two: Engage for Buy-In and Clarity

Purveyors/Suppliers:

- Can you help them sell their inventory by being a retail point?
- Can you repackage/resell bulk items (e.g., as meal kits, grocery, etc.)?
- Can you share/borrow equipment (e.g., truck)
- Customers:
- Understand what your customers are going through (challenges)
- to come up with creative ideas.
- Minimize public interaction go contactless
- Want social interactions create experiences
- Inquire what customers would like to see from you (e.g., your special sauce bottled)

The “Process”

(Continued)

Other Businesses:

- Who would be good to partner with and why?
(Does not always must be obviously “relevant.”)

Property Owners:

- Is there unused space that you could “borrow” for outdoor seating or pick up points?

Step Three: Test and Refine

Questions to ask:

Strengths: What do we do that truly delights?

Weaknesses: What do we need more of to succeed?

Opportunity: What unmet needs can we fulfill for individual guests, groups, or even organizations?

Threats: What might other business disruptions look like?

Announce the Change

In order to be able to notify the necessary people and organizations quickly and easily, contact lists should be created and/or updated.

- Emergency Contacts List
- Vendors and Suppliers List
- Partners and Partnerships List

Get in touch with your guests through social media, email newsletters, a popup on your website, and a sign on your door. Let them know that for public health reasons, only takeout and delivery are being offered.

You can be very candid with your guests: Tell them which ordering methods are best for your business financially and ask that they use those. If you have your own delivery system built out for your restaurant, encourage your loyal customers to order from there instead of using apps.



Creating & Expanding Your Revenue Streams

In the past three years, digital ordering has skyrocketed in popularity. Many restaurants have already adapted to this trend. However, many sit-down restaurants, from family-friendly to fine dining, will need to set up an off-premises business overnight.

More than 50% of guests say the quality of the food is important when deciding which restaurant to eat at or order from. While guests' preferences are changing all the time, some things remain the same: In 2019, quality of food, taste and flavor preferences, and value were also the top three most important factors for guests.

EXAMPLE

- Take Out Delivery
- Third Party Delivery
- Pay to name a dish
- Skip the line for a year pass
- Digital Ordering
- Have Chef, Owner, or special staff member deliver food to a friend or family member
- Set up pick-up times that staggers orders
- Family style meals
- Off premise only menu
- Sauces to go
- Your best dishes to-go family style

Note about delivery drivers:

It is important to note that delivery drivers, whether they are employed by your restaurant or through a delivery app, are on the front lines of this crisis. Therefore, it is so important to keep their well-being in mind. Ask that your delivery drivers wash their hands upon entering and before leaving your restaurant kitchen and provide a small bottle of hand sanitizer for all drivers that come through your restaurant. This should apply to all staff that prepare food and handle takeout orders.

Enhancing the Customer Experience: Products

New revenue is not only new customers!

- Know your most profitable items (NOW, not historically)
- Know WHY customers choose these items (signature dish vs. price/convenience)
- Reduce menu size for ease of delivery to go
 - * Streamlined supply orders
 - * Less labor intensive (prep and cooking)
- Focus on items that travel/reheat well

When you are operating with reduced staff, it is important to pare down your menu to the most profitable and delivery-friendly items. This assists in reducing inventory costs and making things easier for your cooks.

Consolidation is key here: try and ensure each ingredient you buy is used in more than one menu item.

Items you choose should be reasonably cheap to make and stay delicious even after steaming in a foam container for 30 minutes. A short, consolidated menu will be easier to build out on an online ordering system for the first time, whether it is on an app or your website.

Enhancing the Customer Experience: Services

To go does not equal packaged food

To go and delivery service are still experiences — and just as important as in an in-house dining experience.

The service experience starts BEFORE customers have food in hand

- Up to date information (website) and clear processes,
- signage and instructions (especially if things are different)
- Digital ordering (protects staff and customers)
- Pick-up times that stagger orders

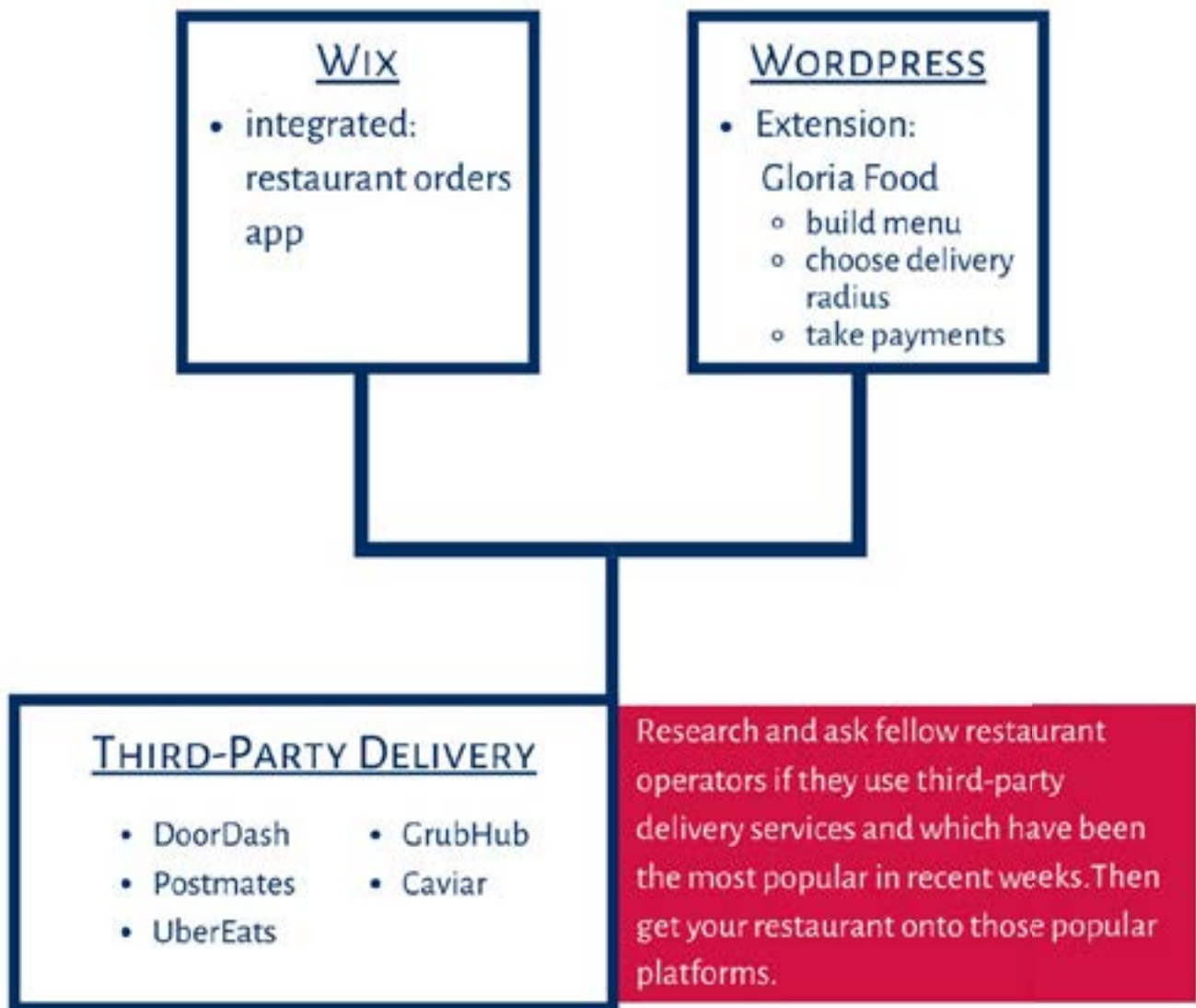
Encourage repeat customers by robust after sales engagement

Build Your Menu on Online Ordering Services

If you do not offer delivery or takeout in any capacity yet, set up your restaurant's online ordering and delivery service on your platform of choice. Restaurants can set up digital channels, online ordering, a mobile ordering app, contact-less delivery, e-gift cards for three months free. No hardware or POS purchase required. No onsite installation and best of all, no commission fees.

Boosting Your Online Services

Many website builders allow you to install free extensions and/or apps that can help manage your online presence



Encourage Tips

In your customer communications explaining the changes in the business, encourage your customers to tip their delivery drivers generously, as you know they are being exposed to higher risk of contracting COVID-19. Though cash tips are usually preferable, encourage your guests to tip within apps or on your online ordering system to reduce the spread of germs

Enhancing the Customer Experience: Experiences

If you deliver through your own system, you can make sure your drivers are delivering food with a “contact-less” experience (driver calls or texts the recipient to let them know they have left the food on their doorstep and leaves before they must contact the recipient. Then, the recipient can go ahead and grab the food).

In Practice

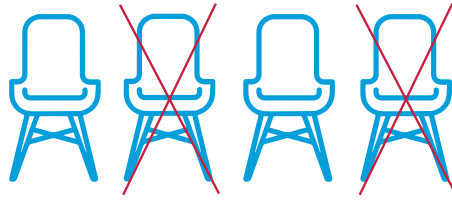
Most third-party delivery apps are now offering a “contact-less” option as well, so regardless of how you deliver, encourage your guests to opt for that option to protect themselves and the drivers.

Offer to fill your guests’ fridges and freezers. Many of your regular customers have probably come to rely your restaurant’s food, whether they usually dine in or takeout. That is why Mei Mei and Mamaleh’s in Boston started offering large-format portions of their best-selling dishes for those customers who want to buy in bulk and freeze food from their favorite restaurants.

Note: Due to rapidly changing conditions, both restaurants later decided to close completely until further notice in the interest of public health.



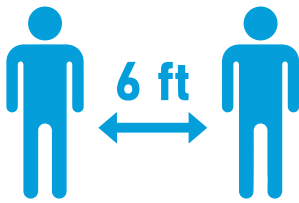
Prioritize outdoor seating as much as possible.



Limit seating capacity to allow for social distancing.



Offer drive-through, curbside takeout, or delivery options as applicable.



Change restaurant and bar layouts to ensure that all customer parties remain at least 6 feet apart (e.g., marketing tables/stools that are not for sure).



Discourage crowded waiting areas by using phone app, text technology, or signs to alert patrons when their table is ready. Avoiding using “buzzers” or other shared objects.



Avoid offering any self-serve food or drinks options, such as buffets, salad bars, and drink stations.



Inform customers of food pickup and dining protocols on the business website and posted signs.



Ask customers to wait in their cars or away from the establishment while waiting to pick up food or when waiting to be seated.



Consider options for dine-in customers to order ahead of time to limit the amount of time spent in the establishment.

Whatever your pivot, maintaining healthy environments and safe operations are key.