Foodservice CEO

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It all hinges on turnover – so turn it around

Think of everything you need to run your restaurant smoothly and uphold your brand: friendly service, an experience that feels like a good value, clean facilities, healthy sales and profits. If your employee turnover is high, all of these elements will suffer.

On the other hand, if you find ways to limit turnover, you can generate exponential benefits for your business. You're more able to delegate key responsibilities to management who treat the business as if it were theirs and find their own ways to deliver great customer experiences. Meanwhile, you're able to proactively put systems in place that give you freedom to push your business forward instead of having to put out fires.

Unfortunatly, restaurant turnover is notoriously high and talented people have their choice of employers in the current market. Research from 7Shifts found that between August 2021 and August 2022, the average tenure of a restaurant employee was 110 days – just over three months. This costs the hospitality industry well over $5,000 per employee. Unfortunately, many operators don't know their turnover numbers, so they're not even clear on which stores need attention.

Investing effort in the recruitment phase can help. When scouting out employees who are most likely to stay well beyond those 110 days, be deliberate about where you look. Seek out people who are already successfully employed and visibly doing great work.

It's not about poaching someone from another business. When you have a great experience with a server or manager at another restaurant, for example, you might say to the person, "You have a great work ethic. I'm sure you are happy where you are, but if you're ever looking for an additional opportunity, please come to us first."

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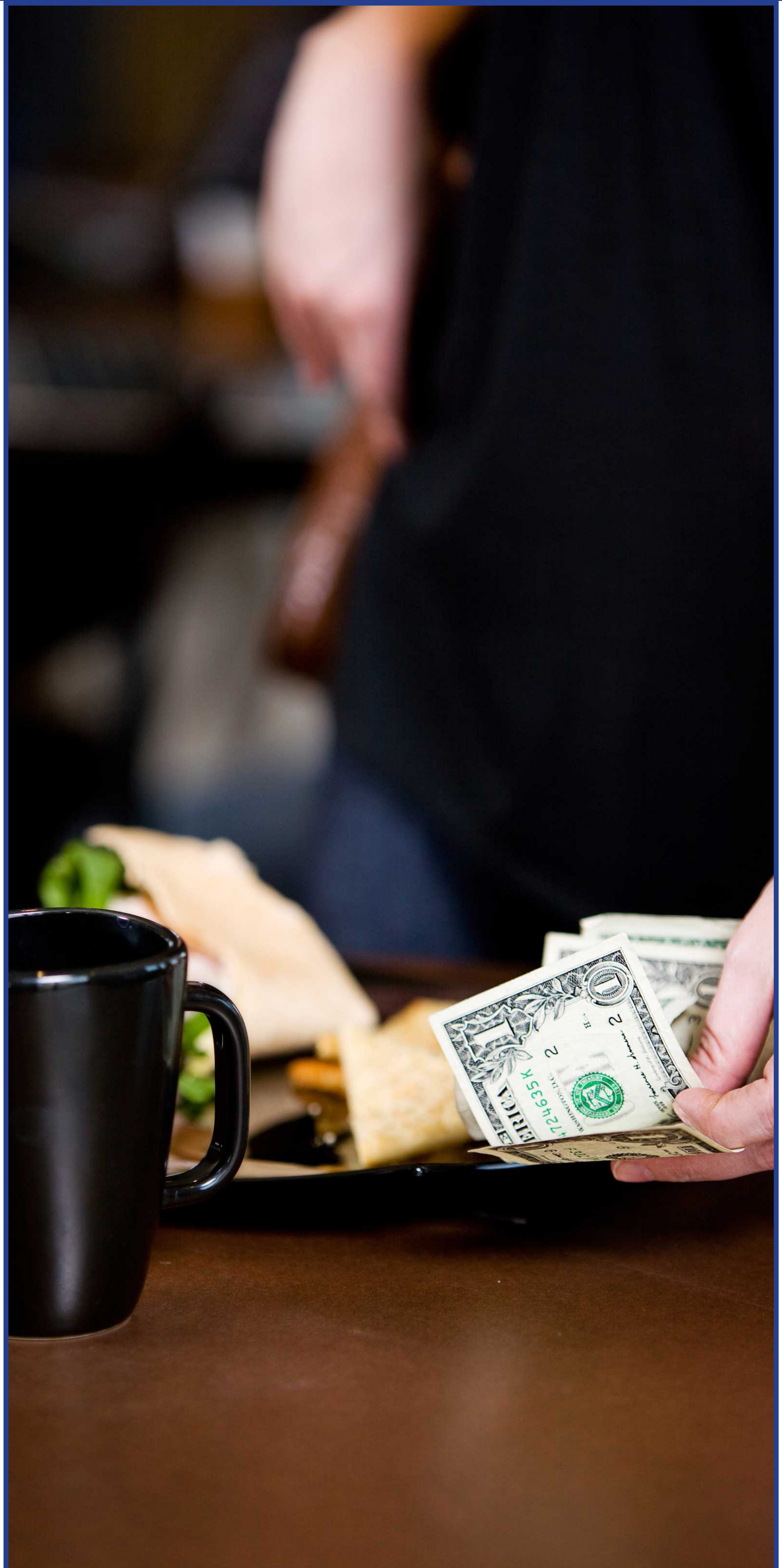
As summer wanes, tread lightly on easing inflation

In recent months, restaurant operators have been optimistic about a boom in summer sales. According to a survey by Datassential, nearly half of operators have been anticipating higher sales or improved traffic.

The vast majority of surveyed consumers, however, indicated that they would either curtail their spending in restaurants or hold it steady. McDonald's CEO Chris Kempczinski recently said this has resulted in more of their customers skipping the fries with their order, for example. Consumers have responded similarly with other summer splurges like hotel stays and air travel.

Granted, this was before the recent announcement that inflation cooled in June. And while this won't necessarily prevent a July interest rate hike, future increases are less likely. As a result, consumers may finally feel more optimistic about an improving economy – and more relaxed about opening their wallets.

But be prepared if guests are still holding back a bit. The inflation gap for restaurant food and grocery food widened in May for the third straight month, so consumers are well aware that they're paying more to dine away from home. As a result, the value offers and limited-time promotions that you might otherwise pause during a summer rush may still be helpful in driving traffic in the remaining weeks of summer. You may even be able to entice people who have opted out of summer travel to redirect some of their savings to dining out.



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Shredded margins? Find money here.

The pandemic, supply chain challenges and inflation have left restaurant operators stretched in ways they haven't experienced before. If your margins have seen better days, you're far from alone.

"Most operations I see are running flat or, at best, at around 3-5 percent," according to Russ Spencer, senior director of restaurant success for the hospitality management platform Craftable.

But it doesn't necessarily have to be that way. In a recent episode of Restaurant Rockstars podcast, Spencer said too many operators are "cowboying up" when it comes to understanding profits. While their lack of systems and strategy are often due to a lack of resources rather than the absence of a desire to be more proactive, the result is the same: money left on the table.

While overhead and common-area maintenance costs are more straightforward, or more apt to rise and fall predictably with sales, Spencer says he sees restaurants losing the most money as a result of how they are managing their prime costs. They can better understand how to get these costs under control if they treat them like cash in the drawer at the end of a shift – keeping track of them on a daily basis.

There is often a lot of money lurking on the menu, for example. Spencer recommends operators understand each menu item's "contribution of profit" to best determine how to steer guests to their most profitable items. That involves calculating the profit of an item times the number sold, then dividing that by the number of customers served to get a handle on your average gross profits. At a time when menu prices have been increasing, you may see that at a certain point you have increased the price so much that people have stopped ordering dessert.

So how can you stop the bleeding? It may be by adjusting portion size or boosting prices elsewhere. Or perhaps you have added another item to the menu without a clear understanding of its cost, and this more exciting (yet less profitable) item is enticing people more effectively than the one you really want to sell. Perhaps guests perceive this item as too expensive in relation to the other items in the menu category, so you need to give yourself some room to adjust prices across the group.

That's why regular checkups are critical. Just as you might return to your doctor after your physical if you have an ailment that needs monitoring, you need to review how things are going and make changes as needed. As Spencer says, "You may only change your menu every year, but you have to look at your contribution of profit and average gross profit per customer every 90 days."

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Could regulatory changes be on the way for franchises?

In recent weeks, the Federal Trade Commission wrapped up a public comment period following a request for information about the franchising industry and its business practices. The request had said it "would begin to unravel how the unequal bargaining power inherent in [franchise] contracts is impacting franchisees, workers and consumers." In response, the FTC received 5,500 comments from major restaurant brands and worker advocate groups alike.

A CNBC report about the process indicated that potential changes could include such actions as updating franchise disclosure documents, making them more searchable, and banning noncompete clauses, for example. In any case, the stakes are high for parent companies, franchisors and workers.

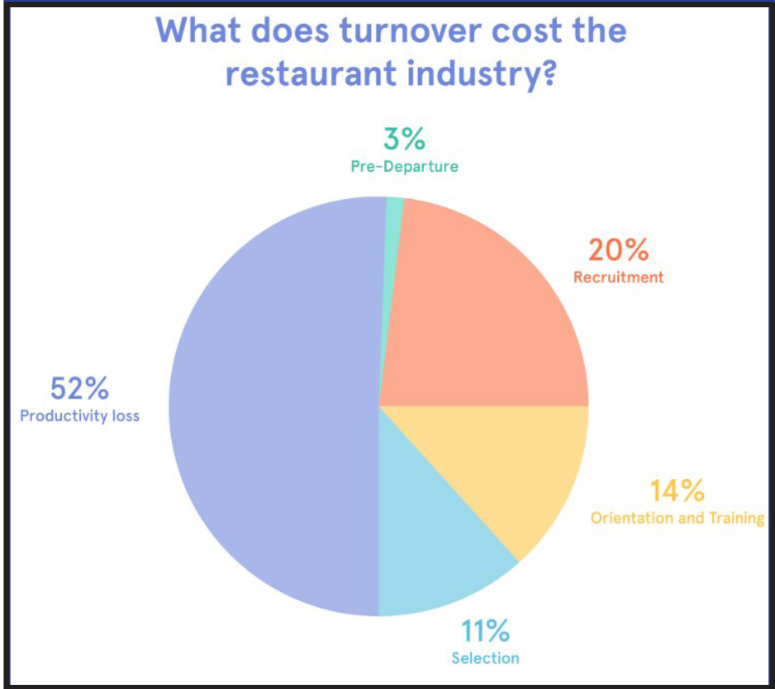

Chart courtesy of 7Shifts

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You can retain these people by training them well, demonstrating your values to them in authentic ways, identifying opportunities for them (and encouraging them and everyone else on the team to do the same), recognizing them and rewarding them.

Rewarding your people isn't just about money – a big bonus at a time when restaurants are having to pay higher wages already. According to 7Shifts, restaurants are offering such diverse benefits as rideshare credits for safe rides home after evening shifts, pet insurance, house cleaning or laundry service, English language tutoring, and school tuition reimbursement. Consider your staff's lifestyles, life stages, needs and preferences when adjusting your benefits and rewards.