

# Using the Numbers to Improve Profits

How to use reports and analysis to identify changeable performance, and action steps needed.

# Presenter



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# Purpose of Today's Session

## Share

Share with you the tips and techniques to read the reports you get.

## Get

Get you insights to ask for reports you may not be getting today.

## Understand

Understand how Numbers are created and how they can help you manage profitable performance.

## Give

Give you additional resources to Really See and Understand, through numbers, what is happening around you.

# Why Do Profits Matter?

- Profits are what is left over when everything and everyone is paid
- EBITDA is Cash Operating Profit, ins and outs of Cash (Earnings before Interest, Taxes, Depreciation, and Amortization)
- Real True Profit is after I, T, D, and A.

# Why Do Profits Matter?

## Profits Have A Purpose And A Function

- Reward Owners for Risk and Effort
- Create a Cushion Against Future Losses
- Payoff Debts and Investors Who Financed The Company
- Provide the Resources for Growth

## Profits Then Achieve

- Assure the Company will Survive in Good Times and Bad.
- Motivate Owners to Grow and Expand the Business.
- Provide a Healthy Business with a Future for Committed Team Members
- Create a Pleasant and Energetic Atmosphere of Confidence in Doing a Good Job

# A Look at HOW Profits are Figured & The Mechanics of a Profit and Loss

- Financial Statements are made of Two Parts:
  - Balance Sheet- What we Have and What we Owe
  - Profit and Loss- What we sell, use, spend, and what's left.

# BALANCE SHEET:

## What We Have And What We Owe

- Assets (What we have)

- Cash in the Bank
- Inventories and supplies
- Furniture, equipment, and fixtures
- Other assets

- Liabilities (What we Owe)

- Accounts payable-Vendors
- Loans payable
- Expenses payable
- Other debts (Payables)

# BALANCE SHEET: How It Works

- When you buy food, liquor, wine
  - It does not go to the P&L, it is **added** to the Balance Sheet
  - It goes to Inventory on the balance Sheet - you now own it.
  - If paid by check, it goes out as Cash on the balance Sheet
  - If paid later, it goes to Accounts payable - vendors

THEREFORE BUYING MORE OR LESS does not impact the P&L

- Balance Sheet is the beginning point for a Financial Statement
- It only measures a point in time - Changes in the beginning and ending balances at the end of the month creates the P&L



# PROFIT AND LOSS

What We Sell, Use, and Spend = What's Left

- Revenue-controllable expenses- non controllable expenses= Profit
- Revenue is the total amount of sales that happened in the period
  - Food
  - Liquor
  - Beer
  - Beverages
  - Events and Catering- plus anything else
  - DOES NOT INCLUDE sales taxes or tips

# PROFIT AND LOSS

## How It Works

- Cost of Goods Sold- Controllable Costs
  - Food
  - Liquor
  - Beer
  - Beverages
  - Other



**NOT WHAT WE BOUGHT.**

**WHAT WE USED!**

Inventory, Beginning of the Month, PLUS

Inventory purchased during the month, LESS

Inventory at the End of the Month = COGS

# Let's Look at Inventory Used = COGS

- Used includes:
  - Ingredients needed for products sold - Want to Manage
  - Waste - Minimize
  - Spoilage - Minimize
  - Comps and Discounts - Manage
  - Theft - Eliminate

# Labor

## Controllable Cost Produces The Customer Experience

- Remember the Tasks and Mission of Successful Restaurants
  - “Warm Welcome” to each customer as they arrive
  - Flawless Performance of their Experience
  - “Fond Farewell” as they finish and leave
  - Do more with less throughout the organization
  - Management, FOH, BOH have to coordinate to make this happen

# Labor Costs Include

- FOH Direct Costs
- BOH direct costs
- Management costs
- Benefits costs
  - Payroll taxes
  - Health Insurance
  - Worker's Comp Insurance
  - Employee meals

# Other Costs In Profit and Loss

- Controllable Costs

- Uniforms
- Linens
- Cleaning Supplies
- Repairs

- Non-Controllable Costs

- Still there and going to be paid
  - Administrative Expenses
  - Occupancy Costs
  - General and Administrative
  - Interest
  - Taxes

# Targets To Work For

## Where Do They Come From?

### Budget Breakdown

- Target Front of House Labor %
- Target back of House labor %
- Food costs %
- Bar Costs %
- Meet Bi-weekly
- Create Report card

### Overall Goals

- Revenue = 100%
- All Costs and Expenses = 85%
- Target Profit = 15%
- Goal could be 10-20%
  - Every Element of Expenses is broken down into % of sales
  - Target %'s for all expenses to finish at 85%
  - Targets you are responsible are expressed in %'s
  - Higher Expenses = Lower profits

# Managing Anything Requires Three Steps

## Step 1: Planning- What should happen?

- How the process should work
- What is the Objective of the Plan
- Outcomes desired

## Step 2: Execution - What Happens In Real Time?

- Supervise activities
- Problem solve in the moment
- Attempt to meet the Plan

## Step 3: Targets

- Budgets or Forecasts
- Standard or expected performance
- Expresses as a % of Sale

- Reports and Analysis
  - Reflects numerically or graphically what happened
  - Shows variances from Plan
  - Details areas where actual differed from Plan
  - Gives a snapshot into results in detail
  - Should allow you to review any activity on the Floor

Evaluate the Results  
What happened and how we can improve  
Start the next plan



# Sources of Reports

- **Point of Sales Systems**

- Cash register provides information on Sales in Detail
- No actual Costs available, only estimates

- **General ledger System**

- Accumulates costs, usually lags in reporting
- Does not report activities in detail

- **Analytical Systems**

- Tries to bridge the gap between GL and POS
- Avero, Zeewise, Marketing Vitals, Excel
- Creates ability to drill down and review specific activities

# New Platforms and Services

- Virtual and Digital Reporting Platforms
  - **Intacct**- Open Architecture, Virtual GL, Analytical API's with many best of breed apps
  - **Compeat**- Industry designed , modular
  - **Quickbooks**- Ubiquitous, but limited, easily outgrown with multiple locations
  - Others coming up

# New Platforms and Services

- **Outsourced Accounting, Reporting and CFO advisory**

- Replace personnel, equipment, software, IT support with Technology and advice
- Focus on restaurant operations, not running an accounting Department
- Train managers, owners, and supervisors on use of targets and reports

- **VAR services- moving you to the New Technology Platforms**

- Keeping your staff and moving to more powerful, flexible, and useful platforms for growth

- **Consulting services- Industry Experts**

- Rely on the experience and training of Experts in management

# Conclusion

- Management requires Reporting on a Plan
- Reporting should focus on Variance from Plans
- Profits are only improved with Corrective Action
- Many platforms and programs are available to help and simplify your use of these tools
- Advice, discipline, vision, and direction can be added to your team with correct advisors.