

Why Do I Need A Consultant?




At **The Rivo Consulting Group**, we get that question a lot. Let's walk through a real-world experience with a CT Restaurant Acquisition, just outside Hartford. This restaurant was purchased by a young couple, represented on the buy-side by RCG, who knew a lot about the restaurant part, but didn't have a clue about the bar part. They knew the majority of their profit should be coming from the bar. We're talking money here – bottom line results – more money in the owner's pocket! Isn't that why you go into this kind of business – to make as much money as possible? The first thing clients should know is "don't take anything personally". It's easy to offend egos with so much correction and professional critique. Many people have a true passion for their rather hefty investment and sometimes they take "not knowing" very personally. It's not personal; it's just business.

In any business, One of the first things to look at is the immediate interaction with the flow of money... customer interface. In our Bar example, look at the drink making stations and the general arrangement of everything behind the bar. In this case, there was no standardized order, or arrangement, of liquor bottles in the 2 drink making stations. Nothing was labeled. There was not a "place for everything – everything has a place". The "high usage" items were not at the bartenders' fingertips. Motion was reduced, and drinks could not be made quickly. The two drink making stations did not "mirror" each other. Bartenders had to cross behind or reach over each other to get certain liquors. The soda guns were in the middle of the ice bin. The hose of the soda gun was in the way of icing glasses, making it difficult to make drinks.

Next, investigate POS sales reports. A huge amount of valuable data can be obtained from even the most rudimentary POS reports. For instance, in a cash based business, RCG has discovered in a full 80-85% of case where a given cashier utilized "No-Sale", in a proportionally higher ratio as a function of analogous shifts, that cashier was engaging in some form of dishonest behavior. But POS reports can easily create a "dead stock" inventory of liquor product or even family of product, that does not sell well. Get it away from the bar and storeroom and put it in a closet or far away place away from the active liquor inventory.


Next, and what a lot of green business owners might erroneously consider the "Holy Grail" of P/L is pricing. Sure it's important but remember, who cares what cash comes in and goes out? It's what's left that matters.

In our bar example, RCG looked at how they were pricing their liquor "by the shot" and discovered they were missing out on an additional 20-25% in gross profit because they didn't understand how to price liquor. They only had 3 categories for pricing – Well, Call, Premium. It doesn't matter how "Dive" the bar is or simple a business seems, technology today makes it easy to assign pricing categories and subcategories. In this case, EVERY liquor should have an individual price. After this fix, RCG estimated that correctly pricing liquor would add an additional \$30-40,000 gross profit to their business by year's end at their present rate of sales. In this case, RCG further recommended



A manager of a busy college bar near the Quiet Corner of CT called RCG and wanted to know why, despite hundreds through the door, their profits were dismal. An analysis of a popular \$1/can promotion revealed something: The manager thought it was great because the cans only cost 88¢. Well, add deposit that he forgot about, and that brings it up to 93¢. Considering the cost of labor, and other fixed costs, the 7¢ profit /unit was unsustainable – even at 2,000+ units per business day.

discontinuing the use of nickels, dimes and pennies. All drink prices included tax and ended in quarter amounts. The POS register system needed upgrading to better reflect actual sales. This improved speed and accuracy.



The owner of a Service Type Business who received Consulting Services after about a year post-acquisition called RCG and said, "I don't know why I didn't call you before opening. You could have saved me over \$100,000!"

Why Didn't He?

Whether a service, retail, or F&B business, delivery of product is important. Especially in this day of Yelp and Instagram pics of EVERYTHING! In this bar, their glassware was wrong. The highball glass they were using was 10 ounces. Their Shot size was 1 ¼ ozs. This was causing the bartenders to over pour each shot in order for the drink to taste right, i.e., the correct amount of mix to liquor. This adds up over time. And if you've ever endured a CT Sales Tax Audit (which RCG has overseen more than a few), you'll quickly understand how important consistent product delivery really is.

An in line with consistency, no bartender should be allowed to make drinks their way! The "house" gives the bartenders the recipes for all drinks, how they're to be made, what glassware to use, and how they are priced. This method can be extrapolated to any business.

Their draft beer could be considered "unpacked goods" which in this bar's case, was out of control. They were using frozen mugs and pitchers. They were wasting at least half a keg per brand because of the constant foam problem. This was an easy fix by simply lowering the temperature in their walk-in cooler to 36 degrees (previously at 42 degrees) and going to refrigerated glasses instead of frozen. Loss in unpackaged goods, non-quantitative services, and the like are ripe for loss by their nature. It is incumbent to every business owner to mitigate their loss when dealing with these types of items. An experienced consultant has made it a career to be in and out of all types of business, identifying areas where profit is impacted, and can adjust the individual client's situation.

The owners of this restaurant were experienced with the food part of their restaurant/bar, but had never worked in a bar before. It's like just about every business RCG sees throughout the year. Business owners are good at the product or service they turn out, but can't effectively run a business. They find themselves in a position of having to make serious, daily operational calls. After all, they're the owners! Some may hire a "manager" but their knowledge is limited and mostly shaped by the way "someone else" did it, who is likely out of business, or running a poor business, or the "Manager" wouldn't come work for you! They're nice people, they mean well, but they don't know a lot! And it's not their fault! There are no schools to my knowledge that teach the subject "How to run a business".

In our bar example, the session lasted about a day. RCG estimated that if all recommendations were followed, it would translate into about \$80,000-\$100,000 more in profit, not to mention fine and unemployment cost mitigation, through the implementation of recommended HR policies.

A whole book can be written on hiring and training but in this case, RCG encouraged the owners to "control the pour". No more "count" system (They had 4 different types of spouts on the liquor bottles, each one wider or faster than the other.) They agreed to a controlled pour and went to the 1¼ oz. metal jigger – now a requirement that all bartenders measure each shot of liquor. *(Contact RCG for comprehensive HR consulting tool!)*

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