

You cannot charge \$5 for toothpicks-

I know, it seems like every service business is scrambling to generate additional revenue during this time of economic downturn. Airlines are charging for everything but the use of the on flight bathrooms (please do not suggest this to them!). One airline started to charge for non-alcoholic beverages but quickly reversed this decision when the passengers became outraged.

I am sure there are times when you could make more money by selling the condiment packets and napkins at your facility and give the food away! Particularly the sugar packets. WELL YOU CAN'T DO THIS-well you could, but I would not recommend it.

There are two things that you should focus on during this time of economic stress-

- 1) Concentrate on making more sales in the front of the house, and
- 2) Control/reduce costs in the back of the house

These two elements of management are not that hard to achieve. Basically we are talking about **FIRST** focusing on ways to increase sales and then secondly working to better control or lowering back of the house costs. Very often we have a tendency to focus on the back of the house first and forget about the front of the house (the customer). Look, if you want to just save money (costs), I can give you a hundred ways to do this but eventually you will be out of business. So you need to balance and combine the two efforts so that you remain in business.

In the front, you need to really put on a “full court press,” by offering value added specials and items that the competition does not offer and that the customer wants. This would include combo meals rather than everything ala carte. This means listening to your customers and giving them what they want. This means offering “controlled” discounts on items that you can get for less from your supplier (a back of the house process-buy more for less). This does not mean lowering quality, but you can lower quantity a little bit. Keep in mind that your customers have already registered the quality level of your products, so reduction in quality will be noticed, but a little bit less in quantity will be accepted. If you do not have a program in place for Suggestive Selling, now is definitely the time to get it started (please see my Vending Times article in the issue).

I would not recommend raising prices at this time-you will only drive some of the customers away. Please be more creative and challenge your staff to come up with other alternatives. And it would be a good idea to reward those employees who are most creative in the area of either generating more revenue or controlling/reducing costs. My approach has always been to tell my employees “let’s first look at ways to increase sales and then we can talk about ways to save money as long as it does not jeopardize quality.”

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Regarding the back of the house, there are many options and alternatives that will help you control or reduce costs. The starting point is to make sure you have a Product Cost Control System in place (please refer to my article in the January, 2009 Vending Times article). It is also important that you have a well established business relationship with your suppliers. Believe me, they are experiencing the same challenges that you are-they want to increase sales and better control/reduce costs. You have to work with your suppliers to come up with the best menu items possible that provide value to the customers and profits to you.

There is one more factor that is important at this time and that is YOU. Now more than ever you need to be out front with your customers and employees. You must thank your customers for their loyalty and listen to them in terms of what their food service needs are and how you can best provide those needs. At the same time, you must work with and be open to your employees about the challenge and how to increase sales and at the same time the need to control costs.

This is not the time for YOU to be in the office working (and worrying) about your financial problems because if you do, they will only get worse. Be positive, step out and take charge by being hospitable to your customers and supportive to your staff. Believe me, NO ONE cares about your problems as much as they care about what you are serving them and the price (the customer) or how to keep their job (your employees).

I have personally been in this position several times myself and have guided clients through the process by developing programs that will work and make it better-and in most cases this approach worked for me and my clients and it will work for you. Stay positive and please do not sell those toothpicks-continue to give them away!

This is a condensed version of an article written by Jerry McVety, President of McVety & Associates, LLC that has appeared in several major trade magazines. To learn more about increasing sales and controlling costs, contact Jerry at 248-737-0800.