15 Ways to Make Money or Lose it Quickly in the Restaurant Space
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One of the nice things about being in any business line—especially the restaurant space for your entire career--is that you can see the same issues repeat themselves over the years. You can recognize some issues coming and going. Inspired by recent restaurant space news and developments, I was able to identify fifteen ways to make money in restaurants, as well as fifteen sure ways to lose money, quickly, that reappear consistently over time.

How to Make Money in the Restaurant Space

1. Create a new brand and sell to private equity (PE) firms or strategic buyer, especially one with a lot of money or tolerance for debt, just at the right point of the brand's development.

2. Do an IPO, make the money via stock appreciation and run.

3. Make money by operating company units and expanding the old fashioned way.

4. Close company stores with negative cash flow to realize savings or positive sales reverse cannibalization from those locations.

5. Make money by expanding quickly through franchising, master area developers and sale of territories.

6. Make money by refranchising, cutting franchise support infrastructure and increasing rent margin paid to you by your franchisees if you own the land or buildings.

7. Make money by defranchsing, buying back franchise stores and improving them, and generating additional cash flow over and above the investment cost.

8. Sell underlying stores, land/buildings if company owned. Try somehow to keep the outyears rent step-ups as low as possible.

9. Take vendor fees, sourcing fees or "rebates" from vendors, new distributors or via specification changes. 100% generally falls through to the bottom line, and you or someone else pays it back only over time.

10. Raise prices. There is a 100% profit flow through. Get the staff to suggestively sell/upsell to increase average ticket. There is perhaps then a 50% profit flow through.

11. Cut food or beverage portions or product quality/specs, but be aware it is for a very short term effect.

12. Implement menu engineering to declutter the restaurant menu to get pricing or cost efficiencies.

13. Rollout branded consumer package goods (CPG) products and pocket signing fees.

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14. Cut G&A.

15. Rollout digital IT technology to attain more online or prearranged sales that typically have a higher ticket or enable order entry personnel to be off sited or eliminated.

How to Lose a lot of Money

1. Do bad mergers and acquisitions (M&A), buy brands because you admire them or want to be like them or want them to obscure your existing core brands bad numbers.

2. Don't divest brands when it is needed or when the time is right.

3. Build units with too costly of an initial buildout or ongoing capital expenditure (CAPEX) profile. Don't have "fully loaded" accounting systems that don't trace the cost of capital ultimately to the store level.

4. When expanding, don't consider home turf and regions where the brand is stronger; if your brand is expanding everywhere before the brand builds a national identity, problems are soon to follow.

5. Don't remodel or update the concept and menu. If a franchised brand, don't consider how and when will the franchisees fund remodels.

6. Don't continually test and retest your international food and supply chain quality. Conditions change quickly, especially if you are depending on master area developers to do quality assurance.

7. Think cost management is the only strategy in dealing with an acquisition or a turnaround.

8. Do everything—prices, people, menu and location exactly the same everywhere.

9. Recruit franchisees only with big bags of money.

10. Stay in a state of perpetual war with your franchisees.

11. Grow "too quickly" without perfecting the store economic model.

12. Don't follow the law and take the risk for expensive Securities, food borne illness, or human resources/ EEO/ Title 7/ Wage and Hour/Tax issues seriously.

13. Don't have fresh perspective and outside talent coming into the corporate office.

14. Don't fix toxic human resources cultures and get sued by contingency attorneys or regulatory entities.

15. Forget that sensitive supply chain product platforms—like bakery products—have a limited shelf life or that outsourced product quality probably will not be up to your standards.

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