

SOLUTIONS 4 CATERER OFFERS TOP TIPS FOR EXPANDING HOSPITALITY BUSINESS



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Hospitality outsourcing support service Solutions 4 Caterers is presenting its top five finance tips when expanding a catering or hospitality business.

Peter Flaxman, director of Solutions 4 Caterers, commented: “As consumer confidence slowly begins to recover, many companies are looking to expand into new sites and grow their business. This is a trend we are seeing amongst many of our clients, and that is supported by the latest industry figures.

“Expanding to more sites can be a difficult task, and it is particularly important to make smart financial decisions and have all the accounts in order. We’ve published our top five tips to help with this, so business owners can concentrate on the continued success of their brand.”

Solution 4 Caterers’ top five finance tips when expanding a catering or hospitality business are:

1. Don’t run out of cash. It sounds obvious, but this is what kills most businesses. When expanding, ensure that you do not overstretch the business. Keep close control of new site start-up costs, including the rent rates and training costs that you will incur prior to opening. Allow for a slow build in trade and remember that once you open, your cashflow will be positive as you will not pay your staff, suppliers or the VATman for a few weeks or months. Don’t let this fool you into believing that you are making a profit unless you really are!
2. Keep on top of your financial records. In addition to a cashflow forecast, make sure that you have strong financial records, which clearly show your sales and costs accurately as well as recording your assets and liabilities. You should know your profit at least monthly and preferably weekly. It’s important to understand your financial business model so that you can plan to consistently improve it. It is well worth employing a specialist to keep on top of your finances, as this will save you considerable time and allow you to focus on you guests.
3. Install appropriate systems. Chose an Epos system carefully. You need to have one that helps with the sales process in an efficient manner and prompts your staff to up-sell. Additionally you need to know the margins you should be achieving on everything you sell. That means costing recipes and keeping them up to date. Many people get very hung up with the percentages and they are important, but it is the cash that you take to the bank that matters. Know the cash margin for every product – and train your staff to push high margin products. Make sure you have a labour forecasting system in place and that you vary hours according to the business needs.
4. Prepare thoroughly for meetings with lenders. Expansion usually means raising more cash. Banks and investors will look closely at the financial projections, which should cover at least two years. Be realistic and base your assumptions on track record, not hope. You need to be able to demonstrate that you can manage the expansion and have a plan in place for the management of all aspects of the business. Think about what questions they will ask and make sure you have answers ready. They may want to see that you are willing to put your own money on the line to help fund the expansion so consider in advance what you have available.
5. Understand the value of your guests and the cost of acquiring new ones. Most catering business just measure transactions or covers and average spends. By asking your guests just two questions, you can

ascertain the lifetime value of your average guest and other important market intelligence. Then you can target your marketing activities to either increase the frequency of visits of existing guests or to encourage people to use your establishment for the first time. By comparing your marketing spend against the lifetime value of the new customers that the activity generates you can see whether that marketing activity actually works. On average eight out of 10 don't pay back, so it is as well to know which ones do!