

Here are some things to do when (or before) your restaurant runs out of money



Dennis
Monroe

HAVING ENOUGH CAPITAL and raising enough capital have always been the thorns in the rose-colored glasses of talented chefs who want to start their own restaurants. And now, with so many restaurants closing and so many others having difficult times, I thought it would be helpful to provide some ideas for tough cash flow times. I've broken it down into five areas:

- **Cash Flow:** It all starts with a good cash-flow projection, not just one prepared in conjunction with your monthly financial statements or based on your yearly budget, but a truly dynamic up-to-date weekly cash flow. This means considering realistic daily revenue, timing of events, current demands of vendors, fixed obligations and payroll. Also it is important to be conservative: Try to factor in things beyond your control such as weather issues and also things that could help or hinder, such as events near your restaurant.
- **Revenue:** Revenue is the other starting point. Look at a few ideas to drive events, offsite sales, gift cards, upfront money for large parties, calling and promoting special guests, and a large dose of social media. Get everyone in the restaurant working on revenue. Have one employee serve as chief revenue officer; form partnerships

Most restaurateurs don't have extra cash stashed in a jar under their floorboards, so here are some proven ideas for tough cash flow times.



with other retailers to get promotion dollars and jointly promote each other's businesses.

Matty O'Reilly, a creative restaurateur with concepts, Bar Brigade and Republic, has recently implemented a membership program for his restaurant which allows a certain amount of dining per month. Obviously, it means an influx of cash.

Promote under-performing meal times such as brunch or Sunday suppers, with creative menu items or themes.

Gift cards are always in season. Look at a special gift card promotion mid-year like "get a head-start on summer," "treat the graduate to a meal on you," etc. Give employees gift cards to hand out to people they know to attract that particular age group or crowd to your restaurant. Be sure, however, that the cards are being used correctly—as an

introduction to your restaurant where the user will likely buy additional food and drink or return—not as a freebie for their friends.

- **Expenses:** It is way too easy to simply say control expenses, because every restaurateur tries. Just a few thoughts. First, avoid ACHs (electronic payments and money transfers) as much as possible. This allows you to control cash. If you have multiple restaurants, stagger payrolls. Communicate fully and completely with all vendors, always being totally transparent. Switch vendors if necessary. Monitor all expenses at the store level daily with true-ups to establish a matrix every week. Labor, usually being your largest expense, needs to be attacked with realistic staffing, also cross-training for flexibility. Be aggressive with controlling labor on

slow days. Be upfront with hourly staff about the need to be flexible.

Also be cautious about the use of surcharges. Impending litigation may resolve some issues, but make sure there is full disclosure and if used for employees' health care, segregate the funder. If there is customer pushback, deal with that immediately.

- **Funding:** It is almost impossible to get funding when you are on the brink of closing, so plan before you're desperate. Always start with your existing bank and see what they can do, including deferrals, short-term

lines of credit, interest-only loans. Look to vendors for help, they don't want to lose long-term customers. Get longer credit terms or cash advances. Something that is expensive, but available, is your credit card companies or outside specialty lenders who provide loans against credit cards.

If you have existing investors, give them a reason to invest more money, like more ownership or higher interest rates. Look at a kickstarter program, and to your landlord for more than just free rent, such as a loan or an equity investment. With all the current closures, they don't want

to see one on their property. Always look to government programs—city, state and county—since they have programs for small businesses.

Finally, don't give up. Sometimes it's just cooperation from a lot of people and a little bit of money from a few people. [FSN](#)

Dennis L. Monroe is a shareholder and chairman of Monroe Moxness Berg PA, a law firm specializing in multi-unit franchise finance, mergers and acquisitions and taxation in the restaurant industry. You can contact him at (952) 885-5999 or dmonroe@mmblawfirm.com. For more information, please refer to www.MMBLawFirm.com.