



# Tips for Our Restaurant Clients

General Guidance during the COVID-19 Outbreak

## We are trying to extend our help in the following areas to all of our clients.

- Cash flow planning
  - Breakeven point analysis
  - Assisting with cost cutting strategies
  - Support with applying for loans when they become available
  - Helping out however we can (including helping with working remotely if you need it)
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## Here is our general guidance. Click to navigate to each section.

1. **Don't close**, unless specific circumstances warrant (more below)
2. Review **operating hours**
3. Double down on **take-out**
4. Reduce **labor cost**
5. Take care of your **employees**
6. Understand how **unemployment insurance** works
7. Negotiate **rent**
8. Cut or negotiate **other costs**
9. **Reduce menu** size
10. **Freeze purchasing** where you can
11. Forecast **sales and cash flow**
12. **Cash Flow**
13. Prepare to **raise capital**, get **loans**
14. Use social media, etc. to inform and **communicate** with your guests
15. **Stay Informed**

## 1. Closure vs. Revamping/restructuring

- If you firmly believe that the ethical, moral choice is to do everything you can to stop the spread of this virus, regardless of the economic impact on yourself, your employees, your investors, your vendors and everyone else “downstream,” you may want to close temporarily, but don’t just quit, get creative. If your restaurant has been struggling for a long time, this might be a good time to bow out gracefully.
- Be super creative before deciding. Family pack deliveries, prepare grab-and-go meals, setup short term grab-and-go shops or a delivery service. You can even change to a takeout concept that will fill the gap until things are back to normal. Curbside delivery turns every parking spot into a potential table, so consider that possibility.

## 2. Operating Hours

- Just because you have always been open at certain times doesn’t mean that’s what you have to do now that you have the options of curbside, delivery, and take-out. Think about the times that people are commuting only. If you are focusing on delivery, think doorstep service so it is ready right before lunch or right before they get home.
- Do things really not get going until 6pm or die down after 9pm? Adjust and cut out those 30-60 minute periods where you only serve a few guests now that you are offering takeout and delivery.
- Normally, you would not want to flex operating hours. This is the perfect time as guests will completely understand. Just be sure to communicate with email and social media.

## 3. Take Out and Gift Cards

- What more can you do to promote take-out?
- Any new dishes particularly well suited for take out to put on the menu? Family kits, delivery services, corporate packages?
- Promote on social media, over and over and over.
- This is a great time to sell and promote gift cards and retail swag.

## 4. Labor Cost

### Hourly

- Cut hourly labor immediately and deeply
- First, don't schedule anyone that doesn't want to work, doesn't need to work or is not feeling well. Beyond that, the easiest and quickest way to decide who gets fewer hours seniority-based. Cutting based on performance or getting rid of the weaker players is more time-consuming and more difficult. This may not be the best time for that.
- Know that you do not need to lay anyone off. Giving someone zero hours and no shifts is not the equivalent to letting them go. You may simply not have enough work for everyone.

### Salaried

- In most states, managers cannot collect tips, but they can certainly take tables. Now is the time for managers to be picking up shifts, further justifying fixed labor and reducing hourly.
- Consider an across-the-board salary reduction, somewhere between 20 and 50% or whatever is feasible.
- We do not encourage you to make this a deferred salary. In other words, managers should not expect that you will pay this back later. The idea here is that everyone suffers here for the good of the business.
- Owner and corporate salaries: if you are asking line level managers to take salary cuts, you should do the same for yourself and your corporate team.
- If you are an owner and are not already in the restaurants, now would be the time to pick up shifts. Are there corporate employees who might do the same?

### Eliminating Positions

- We don't think anyone knows how long this will last, but if you believe it won't last very long, you will want to keep your team, not lose them. You will need them after the crisis for recovery.
- If you believe this could last a while and/or simply can't afford to keep everyone, you will need to make some difficult but necessary decisions.

## 5. Caring for Employees

### Hourly

- While we all believe that our employees are our most valuable asset, right now your business is your most valuable asset. You need to be thinking of how you come out of this. It will be better to have let your employees go to soon rather than too late. Remember, your employees will have opportunities that you will not have as a business owner. They will have unemployment and government assistance that you as a business owner just don't have.
- If you don't have a good employment attorney or HR consultants, we recommend talking to us at [TMA](#) the latter. We have great connections for attorneys and HR consultants, so please reach out. We are here to help!

## 6. Unemployment Insurance

- You have already been paying unemployment insurance for your employees. Anyone laid off can collect unemployment. With new mandates, they can collect faster than they could ever before.
- Anyone whose pay is reduced beyond a certain threshold may be able to collect some unemployment benefits. They do not have to be laid off.
- You will not owe anything in terms of unemployment insurance if you reduce hours to a bare minimum or lay people off. However, if you do and employees collect unemployment, your unemployment rate may increase next year.

## 7. Rent

- It's a rare landlord that will simply reduce or forgo rent. That said, it is also the rare landlord that wants to go through all the expense of re-renting their space.
- It can't hurt to ask. Ask first for reduced rent. Ask second for deferred rent. For example, ask for a 50% reduction in rent for three months and pay it back over the following 12 months.
- Do you have off-site storage holding old records you don't need or equipment you should really sell or ditch?

## 8. Other Costs

- Are there other fixed costs in your profit and loss that you can eliminate or reduce permanently or for the next 3-5 months?
- Look at every line item. Ask everyone to pitch in.
- Look at every software or subscription you can do without.

## 9. Menu

Look at your menu. Any of the following will help:

- Eliminate menu items to reduce the menu size. This will save on labor and waste.
- Make sure menu items cross-utilize at least some ingredients.
- Try to keep items that drop big dollars to the bottom line. Items that have a high gross profit in dollar terms and low labor cost are best of all. Low food cost is always good, but not if a lot of labor is required in the dish.
- Use up your inventory – what dry goods have been sitting around waiting for an opportunity?
- Don't be afraid to run out of items more often than you typically would. It is better to run out than to over prep and waste produce.

## 10. Freeze Purchasing

- How's your wine and liquor inventory? If ever there was a time, now is the time to deplete it. You'll reap the benefits in 30 days when those bills would be due.
- China, glass, silver? Any expensive amenities?
- None of this will be as impactful as boosting sales, controlling labor and managing food and wine purchases, but as soon as you have time, go through your detailed Profit and Loss. Or, we can provide you a copy of your actual general ledger and look for anything you might eliminate.

## 11. Forecasting

This is not easy, but forecast as accurately as possible what's coming up. If you can't do it by day, do it by week.

- What was last week like? How far down do you expect to be this week?
- Layer in COGS percentage.
- Come up with best case, reasonable case, and worst case scenarios. Look at them every day and make adjustment as necessary.
- Next, fixed managers (keep that flexible so you can adjust for the 10-20% cut if that's something you're considering).
- What other items never seem to change? Utilities don't change much. Linen maybe a little.
- What else is fully variable? Credit card service fees are probably the best thing to consider.
- We are here to help, so we can provide a simple excel model.
- You want to get to a weekly burn rate or breakeven. We are here to help you figure this out.

## 12. Cash Flow

Keep in mind your P&L doesn't reflect cash flow.

- For example, many of you have a monthly or quarterly sales tax payment due today. Don't forget about this when you are forecasting.
- Though you might have included rent, it's not paid every week, but when it is, it's a whopper. It is only 10 days away, unless you have already talked to your landlord.
- An accurate cash flow statement is much harder, but with good historical info, it just takes time.
- Bottom line: you need to know what your runway is, and we are here to help.

## 13. Capital and Loans

- Do you have funds in reserve to ride this out? If not, start thinking about funding sources.
- Does your operating agreement allow you to go back to investors for a capital call?
- Do you have investors that are in the position to make a loan to you?

## 14. Social Media

- Be transparent, be communicative.
- Double down on social media. Then, double down again.
- Keep the glossy food photos coming.
- Keep your brand out there relentlessly.
- Communicate operating hours.

## 15. Stay Informed

Follow and share updates from reputable groups:

- National updates tracked on the [SBA COVID-19 release](#)
- Indianapolis Restaurant Association
- SBA.gov
- **Please make sure we have your email address by sending an email to [mlawson@tmaaccounting.com](mailto:mlawson@tmaaccounting.com).** This is the best way to make sure you receive updates about new developments in the areas of how the government's response to the COVID-19 including tax relief and economic relief.