



35 Reasons Why Restaurants FAIL

And How to Overcome Them

Running a Restaurant Was Your Dream.

Maybe for years. Maybe more recently. It seemed like it was meant to be.

But when your dream finally came true, it felt more like a nightmare.

Running a restaurant is hard work. Which probably explains why 60% of restaurants fail in their first year. And 80% don't make it past 4.

It's often because they're making a variety of mistakes, and are letting their food costs suffer. And though these issues are common across the country, it seems like no one makes the proper moves to fix them.

That's why we want to point out the 35 Ways You're Hurting Your Restaurant. Because when you don't correct these problems, you're destroying your bottom line.

We've broken it down to cover all aspects of your restaurant – from your supplier relations to your marketing.

It's time to take charge of your food costs – and your restaurant – once and for all.





Operations and Supplier Relations

1. You're Ignoring Your Food Costs.

Managing your food costs is a time-consuming process, which makes it easy to toss aside. But your food spend accounts for 1/3 of your total restaurant spend – so if you let it get out of hand, it can ruin your bottom line. Take the time to count inventory, find your COGS numbers, manage your orders, and more. It'll make a world of difference. You can also use [restaurant technology](#) to do it for you.

2. You're Only Calculating Your Cost of Goods Sold Once a Month.

Maybe you're one of the few restaurants that actually calculates and monitors its Cost of Goods Sold. Great! Why are you only doing it once a month? If you truly want to [monitor and manage](#) your COGS over time, you need to calculate it weekly. With week-over-week percentages, you can pinpoint exactly where you need to make changes to lower your food costs.

3. You're Never Meeting with Your Suppliers.

Your suppliers are a huge part of your daily life at your restaurant. But if you're not keeping them in line, things can get out of hand. When you take the time to actually [sit down and hold quarterly business reviews](#), you not only show them that you value your profitability and want to keep food costs low, but you start to hold them accountable.

4. You're Blindly Placing Orders.

When you're busy, it's easy to put your ordering on autopilot. But this leads to over-ordering, which costs your restaurant thousands. If you actually [pay attention to what's going in and out of your restaurant](#) – and take the few minutes to modify what's in your orders – you won't end up with extra food on your shelf. Wasted food is wasted money.

5. You're Ignoring Your Prices.

Speaking of paying attention to your orders, tracking your prices can help ensure you're getting the best deal on your ingredients. Ingredient prices are always going to increase, but that doesn't mean you should be paying more than your neighbors are. Find a way to [track local and national average prices](#) on your ingredients. Even if you just track your top 20 items monthly, it can have a huge impact on your food costs.

6. You're Not Ordering Against Set Pars.

You're constantly running out of ingredients during busy shifts. Or you're ordering way too much and throw out tons of produce each week. It's probably because you don't have any set pars in place. An [inventory par level](#) is the normal amount of an ingredient you expect to have on your shelf at any given time. Set them on your ingredients – or even just on your 20 most-used ones – and you'll be well on your way to reducing your food costs and upping your profits.

Operations and Supplier Relations

7. You're Ordering Without Setting a Budget.

A [detailed, weekly budget](#) can make a world of difference for your food costs. It gives you and your staff a target to stay within, so you can modify orders and keep your costs low. At your weekly team meeting (which you should be having), discuss your numbers from the previous week and set a budget based on them. You'll then be able to start making smarter purchasing decisions.

8. You Chose the Wrong Tech for your Restaurant.

When it comes to your restaurant's future, technology is the way to go. Nowadays, software can simplify everything from managing staff to keeping track of your food costs. But if you just pick the shiniest looking piece of tech, it could have disastrous results for your business. Take the time to analyze [what type of software will be best for your restaurant](#).

9. You're Trying to Expand Without a Solid Base.

You've been thinking about Restaurant Location #2 ever since you opened the doors to Location #1. But if you pull the trigger too soon, not only will your new restaurant fail, but it can drag your first spot down with it. Make sure you have a [solid foundation to work off of](#) before dipping your toes into the expansion waters.





Accounting

10.You’re Keeping Your Invoices as a Disorganized Mess.

That stack of invoices on your desk isn’t getting any smaller. Every day you come in and it feels like a dump truck just left you a whole new pile. You need to find a way to automate your process. Find an app that has a [digital filing cabinet](#). That way, you can keep all of your invoices safe, secure, and easily accessible. And maybe you can actually sit at your desk for once, too.

11.You’re Skipping Your Accounting Altogether.

It’s easy to try and save money by not hiring an accountant and trying to [manage your food costs yourself](#). And sure, it can technically work out. But you also have a million other things to do. Don’t skimp where it’s important. Hire an accountant who can help your business shine.

12.You’re Letting Banking Charges Sit.

When you don’t [reconcile your bank and credit card balances](#) every month, you’re only delaying the inevitable. Rather than leaving yourself a mess to deal with at the end of the year, set time to deal with it each month.

13.You Hired the Wrong Type of Accountant.

You wouldn’t hire a chef known for his delicious pasta to work at your Mexican restaurant. Same thing goes for accountants. Find one that specializes in the restaurant industry. You want your accountant to have a firm grip on the problems your business faces.

14.You’re Managing Your Accounting on a Cash Basis.

When you review your accounting on a cash basis, you can’t truly get a long-term picture of your business. However, when you focus on [accrual basis accounting](#), you get a more realistic idea of your income and expenses over a period of time.

15.You’re Holding Accounting Reviews Monthly.

When you use a monthly accounting period, it contrasts the weekly cycles that you use for finances. It’s smarter to use a [4-week accounting cycle](#). You’ll have 13 4-week periods. You know each one is exactly 28 days, and you’ll ultimately get more relevant period comparisons on the profit and loss statements.

Inventory

16. You're Ignoring Your Inventory.

Inventory is every restaurant owner's least-favorite activity. However, it's one that – when done right – can make an enormous difference in your restaurant's success. Taking an [accurate, weekly inventory](#) can get you the numbers you need to lower your food costs. But fudged numbers and guesstimated accounts? Those are just as useful as spoiled milk.

17. You're Forcing Unwilling Staff to Take Inventory.

We've heard horror stories about restaurant owners surprising staff after a shift and demanding an inventory count. But this brute-force method is just going to piss off your employees – and will probably lead to messy results. Assign and train specific, detail-oriented employees to be in charge of counting. Provide them with incentive, and you'll see your numbers get a little cleaner.

18. You're Not Keeping a Waste Log.

Waste happens. Food is going to spoil, dishes are going to get dropped. However, what if a problem is reoccurring? Or maybe an employee has been stealing from you. If you have

no way to track waste, you'll never be able to pinpoint where things are going wrong. [Having a waste log in your restaurant](#), however, can help you keep your food in check and stop your food costs from skyrocketing.

19. You're Allowing Yourself to Make Misinformed Decisions.

When your inventory numbers aren't accurate, you're going to make decisions that don't actually help your restaurant. This could be over-ordering a product you thought you were out of, or maybe you didn't realize you were paying way too much for calamari this month. With no way to accurately keep track, your choices can do more harm than good.

20. You're Still Taking Inventory by Hand.

It's the tried-and-true method you've always used to manage your food costs. But it's slow, clunky, and has way too much room for human error. Plus, it requires you to stand in your walk-in for over 3 hours every week. It's time to invest in [restaurant inventory management](#) software, so you can get better numbers in a mere fraction of the time.





Bar Operations

21. You're Not Listening to your Bar Patrons.

Here's the thing: If you're a self-proclaimed "dive bar", you probably shouldn't be investing in pricey bottles of aged scotch. If your customers aren't going to drink something, don't buy it. You're just wasting your money and that precious space behind the bar. [Monitor what's being ordered by your customers](#), and use that to guide your purchases.

22. You're Not Optimizing your Beer Selection.

Monitoring customer orders is especially important when it [comes to your beers](#). Sure, craft beers may be all the rage these days. But if your customers don't drink them, you don't need them. Simply paying attention can make all the difference.

23. You're Ignoring your Alcohol Usage.

We're not saying you have to count every bottle behind the bar every week. But even setting up a weekly rotation of booze to count can help you see where you're having problems with your alcohol inventory. Keep a constant, tight eye on those high-volume ingredients. They're where you're spending the most cash, so you want to be the most aware when they've got an issue.

24. You're OK with Foamy Pours.

A foamy beer pour isn't just visually unappealing. It can be costing your restaurant, too. After all, 25% of that foam is beer. It's an easy thing to avoid – make sure the pressure on your kegs isn't set too high. And keep the temperature controlled so you can ensure that the CO2 released with each pour is the exact right amount.

Customer Service

25. You're Not Properly Responding to Reviews.

Some customers just aren't going to be happy. And it's tough to [respond to their negative reviews online](#). But keeping up with your responses to these reviews can make a customer think twice about their vow to never return to your restaurant. Be patient, smart, and creative as you answer their complaints, or even their praises. No matter what, it's likely they'll appreciate the fact that you took the time to respond.

26. You Don't Have Any Specials or Rotating Dishes.

You like to stick to your tried-and-true, successful dishes. And sure, people will come back to have them again. But adding a special signature dish or two to your menu can give customers a [unique experience](#) that they won't soon forget. Plus, specials often create buzz-worthy, word-of-mouth traffic.

27. You're Not Utilizing Delivery or Takeout.

[Delivery has become a \\$100 billion industry](#) – and it's still growing. If you're not in on this trend yet, you're missing out on thousands of people who may want to enjoy your delicious food from the comfort of their own home. Do your research and find the best way to get your food hitting the road.





Employee Management

28. Your Managers are Poorly Trained.

Your managers should act as an extension of you. So if they're not reflecting the morals and values you hold dear, you're going to have some big problems. Make sure your managers fully understand the expectations set for them, and keep tabs on their performance.

29. You're Not Being Smart with your Hiring.

Your restaurant has a culture. And whatever that culture may be, you want to ensure everyone you're hiring fits it in some way. They shouldn't all be the exact same person, but they should align with your core values. However, you need to be able to [articulate what values and norms](#) those are before you can ask people to align with them.

30. You're Ignoring Staff Feedback.

Your employees are on the ground-level of your restaurant. If you're completely ignoring what they have to say, you're [missing out on some valuable advice](#). And while they may not understand the big-picture like you do, they know what's working and what's not in the day-to-day functioning of your restaurant.

31. You're Not Holding Consistent Training.

You've been open for years, and yet you still don't have a proper training schedule in place. You just get a couple senior waitstaff to train the newbies, or hope your head chef knows what she's doing with fresh blood. But this lack of foresight means you're not going to have your values reflected consistently across the company. That's also why you should have quarterly training meetings for your vets, which will help you avoid the ["forgetting curve"](#).

32. You Have Loose Rules in Place.

When you don't show your staff that you care about their training, they'll know they can get away with a whole lot more than they should. This leads to increased stealing, something that plagues restaurants across the country. Employees steal almost \$5 billion worth of product every single year – don't let your business add to it.

33. You're Not Dedicated to your Profitability.

On top of that, when you show you don't care about your profits, your employees will follow suit. They'll ignore your waste log and just sweep issues under the rug (sometimes literally). If you ask them to take inventory counts, they'll guesstimate and eyeball. Show your employees that you care about your profits, and they'll follow suit. Make food cost management a team effort.

Marketing

34. You're Not Adapting with the Times.

It's 2018. Your website should be modern. Your social media should constantly be updated. Heck, you should actually be curating your social media. Get [creative with what you post](#). Interact with influencers and other local restaurants. Social media is a great way to get the word out about your restaurant, and your website is often the first thing people see about your restaurant. Why aren't you putting your best foot forward?

35. You're Not Hosting Any Events.

Mix it up. Host [special events](#) – maybe family events or trivia – and you could see traffic increase on a night that might otherwise be pretty dead.

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