

Chapter 9

Plan Your Work and Work Your Plan



If you have a plan and the only place it exists is in your head, then it's really just an idea. For it to become a plan, you need to express it on paper and answer five questions, “what, how, who, when, and where?” A mental plan is only worth the paper it's written on! If you want to turn your ideas into realities you must organize them on paper (*or on your computer*).

Chapter 11 of this book, “Summary: Your Survival Plan Checklist”, provides you with a concise 120-day action plan. You may choose to execute that plan in whole, or in part, in a shorter time frame, or over a longer period of time. Those decisions are yours to make, however, I strongly recommend that you put into action each step of the plan that's applicable to your concept and location (*Obviously you're not going to serve wine from out of your drive thru... at least not legally; or have a guest speaker provide a seminar from behind your espresso cart!*). To maximize your returns, you need to implement as much of the plan as possible.

Understanding what actions to take to strengthen your business, and what's a reasonable time frame to achieve your desired results, will help you create a realistic and achievable customized plan. If you produce a full business income statement (*P&L*) every month, using your most current one as a starting point is where you should begin (*If you don't run monthly P&L statements, you need to start. Your business won't survive a turbulent economy without them!*).

With you current P&L statement in hand, look at your cost of goods (*COG*) and expense categories, and set realistic goals to reduce them. Basic target levels were provided for *COG* in chapter 7, but you still need to go through the process that was discussed and project your expected totals and percentages. A comparison of those projections to your actuals will let you now how much more profit might still be hiding in your operation.

Understandably, you'll have little or no power over many of your operational expenses that aren't included in cost of goods. Rent is whatever rent is (*after you have negotiated it down!*). Your expenses for insurance, licenses and permits, monthly bank charges, credit card fees, bank loan payments, garbage pick up, equipment repairs, professional services (*payroll and year end tax preparation, attorney's services if needed*), etc., will also be whatever they are. As previously discussed, these are expenses that are difficult, if not impossible for you to control. Of course if you presently use a payroll service, you can produce your own payroll to save a few bucks. You can also shop banks to see if anyone can save you money each month on service charges and credit card fees. However, disrupting your current relationships and routines to save perhaps \$1,000 a year may not -

be worth the effort. Certainly, if you're not happy with your payroll service or bank, by all means, shop. If this isn't the case, you'll be better off to focus on those expense categories where you have control, and the payoff is greater.

Go back to chapter 7, and review its suggestions for lowering or managing the expenses that you do control. If you're not already doing all the things that the chapter suggests, estimate what you think the financial impact (*savings*) will be if you do.

For example, if you presently leave all the lights on in your café 24 hours a day, seven days a week and you don't adjust the HVAC thermostat at night, estimate the savings that you might earn if you did. If your current monthly utilities run \$1,000, a reduction to perhaps \$700, would be reasonable. Of course an estimate like this is just a “stab in the dark”, but that's OK, it's a start.

The point here is that rather than just looking at your monthly business income statement to see where your expenses are today, you need to look at it and think about where they need to be tomorrow. What are your optimal expense levels? Don't be a spectator to your expenses, take control of them! Ask yourself, “If I ration towels, can I bring down my monthly linen expense by \$30?” “If I make it my employee's responsibility to remind me that their shift is about to end, can I save the \$500 I'm spending each month on unscheduled labor?” You need to scrutinize your own management performance, and strive for personal improvement.

Once you've identified areas where you believe you can save, and set the target goals you need to get there; engage in the activities that will turn the goals into reality. Work with your employees. Monitor your portioning and waste. If the costs you need to control are directly impacted by your employees' activities (*cost of goods, labor, small wares, etc.*), then make them aware that these are “hot button” issues for you. Emphasize that you can't control costs alone and reinforce the importance of their assistance. Let them know how much money you need them to help you save. If your employees exert a major influence over a particular cost or expense, they must be on “your team” or you won't achieve your desired results.

Of course, there are expense categories where your employees' performance makes little or no difference. Expenditures on small wares, linen, office supplies, advertising, etc., are under your control. If you set a goal to reduce cost in any of these areas, it will be important that you monitor your expenditures through out the month so that your budget stays on track.

If you set up your bookkeeping program so that your purchases are classified by expense category, a few computer keystrokes should reveal how much was spent on any category at any point in time (*If you haven't done this, you need to! If you don't know how, get help!*). A set up like this allows you to easily evaluate the impact of unplanned expenditures.

For example, you might be thinking about buying another case of ceramic cappuccino cups and saucers, but how do you know whether it's better to buy them now, or better to wait until next month? If your small wares and china budget for the current month is \$150 -

and you see that you've already spent \$135, then obviously the purchase of those cups and saucers will push you over budget. If having more cups right now is a luxury rather than a necessity, then maintain your budget and wait until the following month to make your purchase. If you must have the cups immediately, then at least you'll know how much they'll put you over your budget. Your goal then is to find a different expense category where you can realize additional savings to offset this over expenditure.



Following is an example of two income statements. Let's assume that the one on the left is last month's actual, and the one on the right is a projection for next month. The "Next Month" projection is based on the actual, but includes adjusted goals for certain expense categories. Making this sort of side-by-side comparison provides you with goals to strive for next month, and shows you the impact they will have on your bottom line when they're achieved.

	<u>Last Month's</u>		<u>Next Month's</u>	
	<u>Actuals</u>		<u>Goals</u>	
SALES				
Beverage Sales	\$17,700	59.1%	\$17,700	
Food Sales	\$8,640	28.9%	\$8,640	
Bulk Coffee & Retail Merch. Sales	\$3,600	12.0%	\$3,600	
<u>Total Sales</u>	\$29,940	100%	\$29,940	
COST of SALES				
Beverage Cost	\$5,133	29.0%	\$5,133 \$4,779	27.0%
Food Cost	\$4,752	55.0%	\$4,752 \$4,579	53.0%
Bulk Coffee & Retail Merch. Cost	\$2,160	60.0%	\$2,160	
Paper/Chemical Cost	\$1,347	4.5%	\$1,347 \$1,257	4.2%
<u>Total Cost of Sales</u>	\$13,392	44.7%	\$13,392	\$12,775 42.7%
<u>Gross Profit on Sales</u>	\$16,548	55.3%	\$16,548	\$17,165 57.3%
EXPENSES				
Employee Labor	\$10,466		\$10,466 \$10,000	
Manager Salary	\$4,000		\$4,000	
Payroll Taxes	\$2,025		\$2,025 \$1,960	
<u>Total Labor Expense</u>	\$16,491	55.1%	\$16,491	\$15,960 53.3%
China and Small Wares	\$75		\$75 \$50	
Laundry & Uniform	\$125		\$125 \$100.	
Office Supplies	\$75		\$75 \$50	
Repair & Maintenance	\$75		\$75	
Phone/Cable	\$250		\$250 \$225	
Utilities	\$1,000		\$1,000 \$750	
Janitorial Serv. (1x week)	\$240		\$240	

Waste Disposal	\$125		\$125	
Advert./Promos/Comps	\$500		\$500	
Employee Meals	\$180		\$180	
Cash over/short	\$150		\$150	\$90
Rent (triple net)	\$2,850		\$2,850	
Insurance	\$250		\$250	
Bank Charges/ Credit Card Fees	\$180		\$180	
Licenses & Permits	\$25		\$25	
Professional Services	\$200		\$200	
Depreciation (equip.)	\$850		\$850	
Bank Loan Interest Payment	\$807		\$807	
<u>Total Expenses</u>	\$24,448	81.6%	\$24,448	\$23,507 78.5%
PROFIT/LOSS	<\$7,900>	-26.4%	<\$7,900>	<\$6,342> -21.2%

CASH FLOW ANALYSIS

Beginning of Month Capital Reserve	\$33,765		\$33,765	
Monthly Profit/Loss	<\$7,900>		<\$7,900>	<\$6,342>
Depreciation (Reversing Entry)	\$850		\$850	
Principal Payment on Bank Loan*	<\$1,450>		<\$1,450>	
Month End Capital Reserve	\$25,265		\$25,265	\$26,823
<u>Monthly Cash-flow</u>	<\$8,500>		<\$8,500>	<\$6,942>

After you've set some new target budgets, your task is to make them a reality. Your continued focus on these expense categories, along with application of the cost control techniques discussed throughout this book, will allow you to achieve, or at the very least move towards your goals. Once you've achieved a goal, strive for even better performance the following month. Continue this process until you're confident that you've done everything possible to lower costs (*without sacrificing product quality, customer service, or store cleanliness*), and that you cannot reduce them any further.

When I ran stores in the corporate restaurant arena, it was common practice that, each and every month my district manager would ask to review my projected P&L for the following month. Often he'd take out his pen, and revise one or more of my budgets (*always lower*). "I want to see you shave another percentage point off of labor," he'd say. "And, knock down these office expenses by \$50, and I want to see your small wares purchases come in at least \$200 lower." He always looked for a little more money on the bottom-line, and it was my job to find it. You need to be your own "district manager," and demand more bottom-line from your own performance!

I'm sure you noticed that the adjusted expense goals we set in the previous P&L example didn't move the business to profitability. They did, however, improve its monthly bottom line by over 5%, or \$1,550. If one could find another 2% or 3% the following month, the bottom line would look even better; better but still not profitable.

The solution to achieving profitability isn't typically found in only one action or area, but rather by addressing a number of areas and issues simultaneously. You have to control cost of goods and labor, not to -

mention the rest of your expenses, but if you don't reach profitability after doing that, building sales is your only remaining option.

You may have also noticed in the preceding example that, while expenses were addressed, there was no projected change in sales. Sales remained flat between the two examples. If this was your P&L, you'd now need to calculate how additional sales might affect your bottom line. Your goal is to determine the level of sales that will be necessary to meet your income expectations.

Take your current store P&L as a starting point and duplicate it multiple times, increasing your “total sales” each time. \$5,000 increments seem to work well. Cost of goods should always remain the same percentage of sales, but as sales increase, and many of your expenses don't (*rent, loan payment, insurance, etc.*), more money starts finding its way to your bottom line. The key is to determine a level of sales that produces the bottom line return you want, and then to create a plan to generate those sales. Using the previous projected P&L example with the lowered expense as our model, let's look at multiple versions, each with increased sales. For simplicity sake, all expenses below the “gross profit” line are combined and shown as one number. You'll notice that “total expenses” increases slightly from one example to the next. That's because your extra sales might incur additional non-COG costs such as, extra labor, credit card fees, linen use, employee meals, etc. To be realistic, your projections need to compensate for these possible increases. In the examples, I've adjusted total expenses upward by \$1,000 for each additional \$5,000 in sales (*20% should be more than generous*).

	Projected P&L @ \$29.94K Sales		Projected P&L @ \$35K Sales	
SALES				
Total Sales	\$29,940	100.0%	\$35,000	100.0%
COST of SALES				
Total Cost of Sales	\$12,775	42.7%	\$14,945	42.7%
Gross Profit on Sales	\$17,165	57.3%	\$20,055	57.3%
EXPENSES				
Total Expenses	\$23,507	78.5%	\$24,507	70.0%
PROFIT/LOSS	<\$6,342>	-21.2%	<\$4,452>	-12.7%
CASH FLOW ANALYSIS				
Monthly Profit/Loss	<\$6,342>		<\$4,452>	
Depreciation <i>(Reversing Entry)</i>	\$850		\$850	
Principal Payment on Bank Loan	<\$1,450>		<\$1,450>	
Monthly Cash Flow	<\$6,942>		<\$5,052>	



	Projected P&L @ \$40K Sales		Projected P&L @ \$45K Sales Sales	
SALES				
Total Sales	\$40,000	100.0%	\$45,000	100.0%
COST of SALES				
Total Cost of Sales	\$17,080	42.7%	\$19,215	42.7%
Gross Profit on Sales	\$22,920	57.3%	\$25,785	57.3%
EXPENSES				
Total Expenses	\$25,507	63.8%	\$26,507	58.9%
PROFIT/LOSS	<\$2,587>	-6.5%	<\$722>	-1.6%
CASH FLOW ANALYSIS				
Monthly Profit/Loss	<\$2,587>		<\$722>	
Depreciation <i>(Reversing Entry)</i>	\$850		\$850	
Principal Payment on Bank Loan	<\$1,450>		<\$1,450>	
Monthly Cash Flow	< \$3,187 >		< \$1,322 >	



	Projected P&L @ \$40K Sales		Projected P&L @ \$45K Sales Sales	
SALES				
Total Sales	\$50,000	100.0%	\$55,000	100.0%
COST of SALES				
Total Cost of Sales	\$21,350	42.7%	\$23,485	42.7%
Gross Profit on Sales	\$28,650	57.3%	\$31,515	57.3%
EXPENSES				
Total Expenses	\$27,507	63.8%	\$28,507	58.9%
PROFIT/LOSS	\$1,143	2.3%	\$3,008	5.5%
CASH FLOW ANALYSIS				
Monthly Profit/Loss	\$1,143		\$3,008	
Depreciation <i>(Reversing Entry)</i>	\$850		\$850	
Principal Payment on Bank Loan	<\$1,450>		<\$1,450>	
Monthly Cash Flow	\$543		\$2,408	



By reviewing the bottom line results from these six projections it's easy to determine that break-even for this business occurs right around \$50,000 per month in sales. This means that the operation's sales need to increase by approximately \$20,000 if it's to become profitable (*\$50K desired level of sales - \$30K present level of sales = \$20K*). If your immediate goal is to just “stop the bleeding,” use exactly this same method to calculate how much you need to grow your own sales to achieve a break-even operation. Project your monthly P&L statements, increasing your sales by \$5,000 per month, until one of them shows a positive monthly cash flow. Then subtract your current “total sales” from the “total sales” on that P&L. The difference is the additional sales volume you need to stop losing money.

Now that you've established a sales objective, you must decide how much time you should reasonably allow to achieve it. It's probably not realistic to think you can increase sales \$20,000 in one month. In fact, for most coffee bar owners, just the thought of an increase of that size might seem impossible to achieve. The key is to break down your desired increase in sales into realistic, manageable increments. For instance, let's assume that our example business is open 7 days/80 hours a week. Next, let's look at the incremental increases it would need over different periods of time to reach a sustained level of \$20K per month in extra sales:

Increase In Sales Per:	<u>Over One Month</u>	<u>Over Two Months</u>	<u>Over Three Months</u>	<u>Over Four Months</u>	<u>Over Five Months</u>
Month:	\$20K	\$10K	\$6.66K	\$5K	\$4K
Day:	\$666	\$333	\$222	\$166	\$133
Hour:	\$58.3	\$29.1	\$19.4	\$14.5	\$11.6

Now that you've broken down the task at hand over different periods of time, you can better assess what might be most possible. To increase your sales \$20K in just one month would require an extra \$666 per day, or \$58.30 per hour. This might be considered the business equivalent of climbing “Mt. Everest,” and could only be achieved by very few. But if you set your goal over a five-month period of time, it only requires that you increase your sales by \$133 per day, or \$11.60 per hour. If you can increase your sales \$133 per day (*or \$11.60 per hour*), on average, each month, for five consecutive months, at the end of that time your monthly sales will have increased by \$20,000.

If I told you that your life depended upon getting an extra \$11.60 in sales over the next hour, I'm betting that you could come up with a strategy to achieve it! Try to devise a similar strategy to raise \$20K in sales all at once and you'd probably be overwhelmed. Your goal is to break down your needed sales increase into “baby steps.” Focus on obtaining the extra \$11.60 per hour. That's an objective for which you can successfully plan. Your cashier asking: “Would you like a big one? Would you like a warm chocolate croissant to go with that? Do you work in the area? How come I never see you for lunch?” and “Need a few chocolate chip cookies to take back to your secretaries in the office?” is a good place start! This, combined with your religious guerilla marketing campaign to attract new customers, should allow you to achieve your goal.

To reach (*or increase*) profitability, and at the same time achieve optimal results, will require that you juggle multiple “balls.” This makes it easy to lose sight of your goals. As stated earlier, it's -

critical that you lay out your plan on paper (*or on your computer*). As you'll see in chapter 11, I suggest that you organize your plan activities into several logical categories. They are:

1. Physical Store Enhancements
2. Operational Improvements (*including expenses*)
3. Marketing Activities

Physical store enhancements include such things as cleaning, painting, repairs, remodeling, replacing equipment or furnishings, etc.

Operational improvements cover everything from reducing your costs through extra diligence, to improving flow and efficiency by implementing or adjusting procedures.

Marketing activities should include both your in-store and out-of-store efforts.

As you determine the goals, actions, and activities you'll pursue within each of these categories, you should try to be as detailed as possible. At a minimum, you need to answer the five questions posed at the start of this chapter; “what, how, who, when, and where?” What exactly is the goal or task that you want to accomplish? How exactly is it going to happen? Who will be responsible for doing it? When it is to be initiated and when must it be completed? And finally, where will it occur? All this can be easily organized on your computer's monthly calendar or simply written out on paper and tacked-up on your office wall. Regardless of where you store your game plan, I suggest that you post a copy on your wall.

A plan that sits on your computer or in your desk drawer is out of sight and frequently out of mind. On a wall, it's always in front of your face, demanding your attention.

To record answers to your questions and also your progress, use a form similar to the one below. You can create the forms by hand, or on your computer. Either way, you may want to use a different color ink or a different color paper for each of the three categories. Do this and all of the store enhancement, operational improvement, and marketing activities that you have in progress will be easily recognizable at a glance.

Action Plan

Category: Marketing (external)

Action/activity: distribute door hanger to-go menus w/ free drink coupon

How objective will be completed: employee will distribute

Location of activity: "section 1" on neighborhood distribution map

Person responsible: Tommy Smith

Compensation/incentive: paid hourly rate for distribution; punch in & out at store when beginning and ending each distribution session

Start date: 5/1

Progress report date: 5/12 Comments: Tommy has distributed to half the designated area thus far, reminded Tommy that he only has 3 more days to complete assigned task, he assured me it will get done!

Scheduled Completion date: 5/15

Result: Distribution completed on time, 378 to-go menus distributed, will monitor how many coupons come back on this form through coupon expiration date (7/1)

Whether you track it on paper, or on your computer, this is the type of information you need to record. If done consistently, it will help you ensure that all your bases are covered (*what, how, who, when, where*), allow you to track the progress and completion of your tasks, and enable you to evaluate the results they produce.

Notice that the form not only provides a “start date” and “completion date,” but also includes a “progress report date.” With busy schedules, it's easy to loose track of time, or forget about things that need to be done. Each task that you schedule requires a commitment (*from you, your employees, subcontractors, or all three*) that it will be completed on time. If you want to setup yourself for success the activity must me monitored. Without periodic progress reports, few if any will finish on time. In the preceding example, if Tommy Smith hadn't been asked (*reminded*) about the progress of his distribution efforts, 3 days before they were scheduled to be complete, there's a good chance he might not have remembered or completed the task.

Following are a couple of more examples of how this form can and should be used to help you move your operation forward:

Action Plan

Category: Marketing (internal)

Action/activity: cashiers to implement suggestive sales techniques 100% of the time

How objective will be completed: manager to explain process and its importance to cashiers; "role play" for practice; stand behind cashier, remind, and critique performance until they are comfortable & 100% with the process

Location of activity: in store

Person responsible: manager to teach & monitor, cashiers: Jenny, Sue, Sandy, & Todd

Compensation/incentive: whoever increases their average sale per customer the most over last month, will receive \$100. cash

Start date: 5/1

Progress report date: 5/12 Comments: Todd is still not 100%, need to work with him or replace him. Sue is ahead in check average increase, informed others to heat up competition

Scheduled Completion date: 5/15

Result: All cashiers 100% on suggestive sales techniques, store check average per customer up 26.4 cents, Sue won competition, her check average up 78 cents

Action Plan

Category: Operations (cost control)

Action/activity: create detailed recipes for all sandwiches and salads including accurate portions and cost of ingredients; enforce use of recipes once created

How objective will be completed: manager to explain process to Joey (prep cook) , Joey to create recipes and do costing, manager to monitor progress and check for accuracy

Location of activity: in store

Person responsible: manager & Joey

Compensation/incentive: will share 1/2 gain in income from any savings in food cost (%) the first month the recipes are used (example: if Joey saves me \$300 through his diligence, will pay him \$150 - one month only)

Start date: 5/1

Progress report date: 5/20 Comments: Joey has all recipes written, and half of them costed out, will have completed by end of month

Scheduled Completion date: 5/31 (recipes/costing); 6/30 measure results

Result: 5/31 - recipes and costing completed, waiting to see cost impact at end of June to determine impact & Joey's bonus

Save all your action planning sheets (*or computer data*) after they've been completed for future reference. With this information, the next time you need to launch an advertising or cost cutting blitz, you can check back and see what methods yielded the best results.

As you can see, a system like this allows you to initiate and administer multiple activities at the same time (*that's why I like them on the wall of my office!*). It should also give you a better understanding of why your time needs to be spent doing these types of activities, instead of working behind your cash register, espresso machine, or baking cheesecakes! You need to work on your business as much as possible, and work in your business as little as necessary. This doesn't mean that you shouldn't be in your store whenever possible, or that there won't be times when you're forced to perform an hourly function because of unforeseen circumstances. It just means your time is far too valuable to waste it making sandwiches or washing dishes if you don't have to. If you have any doubts about this, go back earlier in this chapter and re-review the results obtained by cutting costs (*perhaps like you cutting labor by performing an hourly function?*) vs. the results from building sales.

An important thing to understand and insist upon is that your employees' must accept and execute the tasks and actions you assign to them. If you've explained an assignment thoroughly, and expressed why their participation is critical, and they don't do it or won't do it; it won't be because they don't know. In that case, it can only be because they don't care, or simply can't do what you've requested. Remember, if they really don't know what to do, or what's expected of them, it's your fault. If they don't care, you can try to motivate them with either a “carrot” or a “stick.” If they simply can't do what you ask, because it is beyond their capabilities, then you need to replace them. This is also true for employees who don't care and can't be motivated.

Of course you always want to work with an employee who's not meeting your expectations to see if you can help them improve. Firing, hiring, and training require significant time and sweat, so you want to make every effort to help your existing employees succeed. But, if they don't respond, or can't do what you need them to do, you have to replace them. You may like them as a person, but if they can't help you achieve your objective (*which for some owners is not losing their life savings*), you need to find someone who can. The stakes are simply too high to worry about whether or not they'll still like you!

Beyond your employee's ability and willingness to execute the tasks you assign, you need them to develop the ability to think as well. You should always remind your employees that you hired their minds as well as their bodies. You need them to use both. If you have to do all of the thinking for your staff, you'll quickly be overwhelmed, and it'll be hard to get much else accomplished. If you're already plodding down this road, you need to change direction and do it fast!

Developing your employee's ability to recognize problems, and come up with solutions, is greatly influenced by your management style. As was touched on earlier in this book, if you recognize a problem, and ask your employee to fix it, they'll probably oblige. Your challenge is to develop their perception, and sense of urgency, so that they see the same problems that you do, and initiate appropriate solutions without your intervention.

Let's use a simple example to illustrate this point. If you see that the glass on your pastry case is covered with fingerprints and -

smudges, and that some of the desserts in the case look tired, and that the plates they're sitting on are soiled, you could simply dictate some orders to your cashier to fix the situation, and they'd probably comply. The problem is that you then would own that job, (*and probably 100 more just like it!*) Your employee will fix the problem, but most likely only when you bring it to their attention. But, if you approach the situation by asking your cashier to come out from behind the counter to take a look at the pastry case, and then you ask them some questions like: "how does the pastry case look to you?; how does the glass look?; how do the desserts look?; what about the plates?", they'll start to understand what you see. To shift the ultimate responsibility for this job from you to your employee, you must do two more things. First, you must tell them that they need to take care of this issue from now on, without you having to tell them, and state clearly that it's part of their job. Second, you must reinforce that principle whenever you see that they haven't noticed it, or taken care of it.

Determine the status of your business today, set goals for where you want it to be tomorrow, set a time frame, create a plan that will achieve your desired results, and then just do it!

The complementary sample chapter that you have just read, represents less than 7% of the valuable information included in, **"Coffee Business Success in a Turbulent Economy"**.

Determine if your business is salvageable in Chapter 3, *"Is My Business Worth Saving"*. Learn how to add \$1,000. or more to your bottom line the very 1st month in Chapter 7, *"Cutting the Cost of Goods and Other Expenses"*. Increase your base of daily customers with the information in Chapter 8, *"Low Cost Marketing with Impact"*. Implement the "ready to use" 120-day action plan in Chapter 11, *"Summary: Your Survival Plan Checklist"* to save your business, or to take it to the next level!