

# Hospitalitynews

MIDDLE EAST

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## OPERATORS ASK ABOUT...



Whether or not to sell a business, hire experienced-only wait staff or outsource, **Chadi Chidiac**, managing partner of PROTOCOL hospitality management consultancy answers real life questions from independent operators and/or owners

### **I own a busy bistro but I'm getting tired and want to sell. What should I do?**

An exit strategy is something we know we should have, but not something all of us have developed. If this has been a successful operation, you've probably created value in your brand. There are typically two types of restaurant sales. First is the "asset" sale, in which the seller is marketing the improvements made to the structure, property owned, furniture, fixtures, equipment and intellectual property (typically the trademark and trade dress of the business). This type of sale normally takes place in a situation in which the business has been closed. The value of these assets is far greater if the restaurant is an ongoing profit-creating enterprise; but once closed these items are used, and lose tremendous market value. In most parts of the country we see restaurant furnishings and equipment receiving 20 percent to 25 percent of their original value when being sold in

situations like this. The second type of sale is the "business" or "entity" sale, in which the seller is selling the company, including shares and assets. In this case value is placed on the type of business, its profitability, and expandability, as well as name and any trademarks.

It's very important to know that selling a restaurant at its proper value requires preparation. The sellers should first review the restaurant's current financial records with their accountant. In many cases, the restaurant's monthly profit-and-loss statements include personal expenses that will need to be ploughed back into the business, in order to portray a more accurate profit picture of it. Two to five years of financial records should be produced for review by the potential purchaser. Business tax returns will more than likely be needed for review later in the due diligence period. Obtaining a current business valuation is critical to properly determine the fair market value.



This process takes time and should be done by a specialist with experience in the restaurant - retail market segment. Business brokers in a given area may be able to refer you to the best available candidates. With financial records prepared and current valuation in hand, you will be ready to market your restaurant. You have worked hard to making a living out of and create value in your business. Selling a business requires assistance from attorneys, accountants and specialized business consultants. With the help of specialists, to properly prepare market, negotiate and document the sale, you should be able to receive the well-earned reward of your efforts.

### **I am opening a little Italian restaurant and plan to hire only experienced wait staff so I won't have to provide training. Should this work better?**

Even the most experienced, professional servers appreciate being provided with knowledge and time to sharpen their skills. This is why there has been such an increase in restaurant owners providing ongoing training to their wait and bar staff, with positive results coming from those who attend. Given the opportunity to demonstrate table sales strategies with other staff members they continue to learn from each other and grow as a team. Even the daily pre-shift meetings have become more of a service advice and motivational session for wait staff. Any service training program, whether it's preopening or ongoing, has two primary objectives: building comfort and confidence. The more comfortable a server is with knowledge of product, policy and service procedures, the more confident he/she will be able at the table. This translates into higher sales for the restaurant, a satisfied server who will more than likely not leave, which in turn

saves recruitment costs and the training cost of replacement. Not providing a well-considered preopening service training program sends the wrong message. It may appear to the experienced server that they are less important. Also it doesn't allow you the opportunity to inform them of the importance of the concept you created, and the all-important little "points of difference" between you and the others for which they have worked. A service training program set up in several stages should first address the menu. It may take a couple of shifts (or preopening meetings) for them to see, smell and taste the items. This allows time for them to become aware of the portion, price, garnishment, and the way each dish should be described to the guest. Provide bar training to allow staff to review the wine, liquor and beer offerings that will help with suggestions made to the guests. Also have a POS and service stage that allows staff to set up teams that take turns serving each other so that they begin to get comfortable with the steps of service, side work, the working of the register, and their surroundings before they serve their first guest. Provide written material as guides and check-lists so that important items can be emphasized and not over looked. After all, you have planned well and worked hard to get to the point of opening. Don't shortcut anything now because it's true what they say, "There is only one chance to make a first impression," and in the business, poor first impressions have a way of lasting a long time.

### **Is it better to buy equipment like ice machines, coffee machines and laundry or outsource/subcontract?**

To outsource or not to outsource used to be a question often raised during preopening because of the headache-free aspect of outsourcing, as well as the fact that buying requests high initial

## **AT A GLANCE**

There are three key elements to a successful restaurant sale:

The business valuation

Selection and qualification of the buyer

Handling the sometimes emotional negotiation process

cost to the opening budget, in addition to material and continuous maintenance expenses. With extended warranties now becoming available when you purchase particular equipment like ice machines, it seems that the difference between buying and outsourcing has come down to your preferred use of funds. You may save investment money now, but pay more overtime for the same item when you outsource. The outsourcing option tends to look most attractive to the concept, with a limited opening budget that has a low enough estimated operating cost to absorb five years of monthly payments. Consignment may be another option for equipment like coffee makers for example where equipment and maintenance are provided as a free bundle in exchange for the purchase of the product (coffee in this case). Whether outsourcing or purchasing, remember to set your strategy early enough before your scheduled opening so that the process doesn't become a last-minute and rushed project that could delay your opening.

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