

“17 Little Leaks That Keep Restaurant Owners Poor”

\$97.00

*A Valuable Report For Restaurant Owners and Managers
Who Want To Protect and Maximize Their Hard-Earned Profits*



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“17 Little Leaks That Keep Restaurant Owners Poor”

Revealed At Last: 17 Little Leaks That Are Draining Hard-Earned Profits From Your Restaurant ... And How To Plug Them NOW!



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From: Ginger Hollowell

Dear First Name,

If you're like most restaurant owners and managers out there, you're probably fighting tooth and nail every day to fight through this tough economic environment and make your restaurant profitable and successful.

Ginger Hollowell says it's not your fault that profits are "leaking" from your restaurant. In fact, you may not even know it's happening to you. And that's why she's revealing all these little leaks in this FREE Report! (\$97 value)

You're probably working harder ... and longer hours ... than you ever have before, just to try to stay afloat or maintain the profit margins you've enjoyed in the past. And despite those efforts, you could be the victim of one or even many of the 17 Little Leaks that keep restaurant owners poor. Here's a quick story that illustrates one of these leaks (Leak #6 – Voids & Comps):

Last Father's Day, I stole \$100 from a local restaurant.

I didn't wear a ski mask and wave a pistol in the cashier's face. I didn't break into their safe in the dark, dark night. I didn't have to do anything that dramatic. In fact, it was like taking candy from a baby.

Now, before you start thinking you're reading a report written by a common thief, allow me to explain.

I didn't realize at the time I was stealing anything from that restaurant. Here's what happened:

My husband and I took eight people out to dinner on Father's Day. Turns out the waitress knew my daughter. We had a great time. The food was delicious, and the service was fantastic.

When the waitress brought our bill, I thought it looked way too low. I asked her about it and she said she had “comped” all of our drinks. So I asked her: “Are you allowed to do that?”

She said, “Of course, don’t worry about it.”

Well, figuring it was my lucky day, I gave her an extra fifty bucks on her tip. A win-win scenario!

At least I thought it was, at first. But the more I thought about it, I realized I had stolen \$100 from the restaurant’s owner ... AND given the waitress a bonus for helping me do it!

So I started wondering how many drinks this server had comped, and how many other servers were doing the same thing. Then I started wondering ... what else was going on in restaurants all over town that was sucking profits right out of the owners’ pockets?

Let’s face it: making a healthy profit in the restaurant business in today’s challenging economy is not easy, not by a long shot.

It’s pretty easy to feel like you’re constantly behind the 8-ball. Just think about all the obstacles in your way:

- ✓ **A tough economy**
- ✓ Keen competition
- ✓ **Tighter lending guidelines**
- ✓ Rising food and energy costs
- ✓ **The high cost of training employees**
- ✓ Servers who “game” the system and rip you off
- ✓ **Antiquated or inefficient systems**
- ✓ Fickle consumers and wavering loyalty
- ✓ **Tighter spending habits**
- ✓ Onerous local, state and federal regulations
- ✓ **Nitpicking health inspectors**
- ✓ Slim profit margins
- ✓ **Managing a million little details, every day**

The last thing you need—with everything else you have to deal with—is to be a victim of the many little leaks (like the “comped” drinks I told you about) that can turn into a torrential flood and flatten your already slim profit margins.

Or worse, to be *losing* money or even going out of business.

I’m Ginger Hollowell. I’ve been the President and CEO of Electronic Money Company for over 16 years. We provide various electronic payment solutions and merchant services and have over 500 clients in New Mexico.

But that’s not what this report is about.

I've been working with a lot of restaurant owners and I see a lot of them struggle in general with their profitability.

Of course, there are only two ways for you as a restaurant owner/manager to make more profits.

1. You can sell more meals.
2. You can make the business more efficient and keep more of the money you're already working your ass off to make.

In this report, I'm focusing on number two.

I've done a ton of research about the many ways that restaurant owners are seeing their profits "leak" out of their business. And most of the time, they don't even know it's happening to them! Believe me when I say ... it's not your fault!

That's why I decided to share these insider secrets in this FREE Report (I could easily charge \$97 – or more – for this information).

Now, you're probably already aware of at least some of the ...

"17 Little Leaks That Keep Restaurant Owners Poor"

But the fact is, as business owners and entrepreneurs, we're busy. We're focusing on the day-to-day operations. And sometimes we put things in the back of our minds, or forget about them altogether.

That's why I wrote this report ... to remind you of some of these leaks ... and to show you some others you might not know about already.

With that in mind, here's what I want you to do:

Turn off your cell phone. Pour yourself a cup of coffee. Lock yourself in your office or somewhere no one will bother you. And read this report cover to cover. Take notes. Because this just might be ... the most important report ... you've ever read.

(NOTE: In this report, I use the terms waiter, waitress and server interchangeably.)



LITTLE LEAK #1 **Incorrect Orders That Must Be Re-Cooked**

There are a couple ways this can happen.

Some restaurants have their waiters take the orders on paper tickets. Picture the turntable order holder on the ledge in front of the waiter. Each different waiter and waitress may have a different code or shorthand for modifiers or even the names of the dishes to be prepared.

No mayo could be also ----Mayo, or m mayo for minus mayo or hold mayo. It could be interpreted differently by the chef. Then there is the handwriting issue that could be misread. There is the oil on the fingers which erases certain words.

Re-cooking meals is expensive and adds up as the year goes by.

Then, sometimes when handwritten orders are delivered by the waiter to the chef, the waiter includes some verbal add-ons to their handwritten tickets. This can get forgotten or added to the wrong order.

Also, it takes time to verbally explain specific modifiers. And order conversations can lead to socialization and conversations about activities outside of work. That is yet another leak because time is money. All together, that's really six different leaks within this one little leak!

Here's what Elizabeth Cubler of Slice Pizzeria has to say about it:

"We get so busy in rushes that my people make mistakes in the chaos. Switching to a POS system hasn't stopped that – I doubt any can – but has resulted in a massive improvement!

After Slice Pizzeria plugged this leak, they cut their wasted orders from one in 10 to 1 in 20. They saved \$3.75 x 5 orders per day, or \$18.75 per day. Now, that may not seem like a lot, but in a year's time (being open 300 days per year), they recouped **\$5625** in lost profits!



LITTLE LEAK #2 **Beverage Amnesia**

Picture this. Suzy Server has her section, plus she's covering part of another section because Wally Waiter didn't show up for his shift. Suzy has 7 tables. The wait for a table is up to an hour. It's going to be a crazy night.

She fires an order to the kitchen for two dinner specials. Then she sprints to the fountain station and quickly pours two iced teas and delivers them to the table.

But she forgets to put the drinks onto the ticket.

Suzy's doing the best she can. She's taking care of her customers, but she's busy and occasionally forgetting to add drinks to a ticket is inevitable. And it can also cost you a small fortune in lost revenue.

Every time I mention this to one of my restaurant owners, they nod their head, YES, I know this is happening in my restaurant.

According to the research I have, here's how much "beverage amnesia" can cost you in lost revenues:

One out of 10 tables is missing drinks and the each table averages two guests. Assuming an average of 100 tables per day and a conservative \$1.50 per soft drink, that means 20 missed drinks X \$1.50 is \$30 per day. If the restaurant is open 300 days a year, that means that the owner is losing **\$9000** a year in revenue!

How many tables do you average per day? How many days a year are you open? Do the math and you'll see this leak could be costing you ... BIG TIME!

There is one POS system I know of that is programmed to plug this leak.



LITTLE LEAK #3 **Credit Card Machine Is Down ...** **Or Is It?**

Have you ever had a waiter come to you near the end of your meal and tell you that the restaurant was having trouble with their credit card machine and, "I'm sorry for the inconvenience, could you possibly pay in cash instead?"

It's a classic ploy of the unscrupulous waiter. If the customer believes it and pays in cash, the waiter can perhaps pocket the cash and destroy the ticket or alter the ticket and pocket some of the cash. If the customer doesn't have cash, the waiter disappears for a while and then returns saying he finally got the card to go through, again apologizing for the inconvenience.



LITTLE LEAK #4 No Server Banking

Some restaurants have the customer pay as they leave. They figure that one person in charge of the cash drawer is a good thing. But when it is short, who is to blame? The cashier, or one of the servers? And if it's NOT the cashier, how can you know *which* server?

Putting the responsibility for each server to balance his own bank is the winning solution. Also, lines can get long at the cashier station. Server banking serves the customer as well as the restaurant owner.

Valerie Orr of 1879 Chisholm Grill says, "By upgrading my servers to server banking, I was able to reduce my labor by a cashier. That saved me no less than 30 hours a week on my labor, and I got rid of the cash drawer, so no more shortages! I get all my money, and the servers get all theirs, plus more tips!"

Here's how much plugging this leak can add to the bottom line:

$30 \text{ hours} \times \$7.25 = \$217.50 / \text{week} \times 52 \text{ weeks} = \$11,310 \text{ per year, or } \$217.50 / 600 \text{ (100 orders per day} \times 6 \text{ days)} = \$.36 / \text{order.}$

Imagine putting **\$11,310** back in your pocket!



LITTLE LEAK #5 Z Report Scam

Can the waiter under ring the tickets and still balance the Z report?

I have researched how waiters controlling the drawers have toothpicks, pennies or bottle caps arranged near the cash register so they can keep track of the cash orders they are stuffing in their pocket. They know how much money is in the drawer at the beginning of the day. And they know how much cash should be in the drawer based on how many cash tickets they rang up.

Then at the end of the day, they have the opportunity to do some accurate backtracking as to how much they have under rung the totals and know how much cash to put back in the drawer to make the Z report balance.

Here's the catch from the owner's point of view. Don't tell the drawer operator how much money is in the drawer at the start of the day. Vary the amount day to day. Then at the end of the

day, when the tickets are added to the starting balance, he won't know what the exact total that the Z report should be.

Now, here's a hint from other owners who have dealt with this problem before. If you are having consistent overages or perfect balances on the drawers, that is cause for suspicion. It's likely that someone is making his own report card look too good to be true, if you know what I mean.

The return on investment by plugging this leak is significant: for one Arizona customer it was \$850 per Thursday/Friday/Saturday night! That's **\$44,500** per year! A cashier can easily double or triple his income with this scam and it's all at *your expense*.



LITTLE LEAK #6 **Voids and Comps**

As you can imagine, opening a restaurant can be overwhelming, especially in the first month. One of our clients in southern New Mexico opened a new restaurant. I won't mention the name of this restaurant, for reasons that will become obvious after you hear this story.

Marge had hired a great manager so she could spend her time doing the other million things that need to be done in a restaurant. Our sales rep, who set up her credit card processing, stopped a month later to check on how Marge was doing and brought her a copy of a book we had been researching, called *How To Burn Down The House*, written by a couple of New Orleans waiters, Peter Francis and R. Chip DeGlinkta.

The book is about a bunch of the scams they had used for years to grow richer as the restaurant owner grew poorer. Marge was shocked at the information.

Anyway, Marge spent the next weekend pouring over her manager reports in her POS system only to discover what she feared most:

The only person who had the password to override a ticket and void it out was her one manager. And the manager had used that password over and over and over again and again and again. Marge almost fainted when she added up **\$30,000** in voided tickets! Needless to say, the manager was fired!

This can be a huge leak that costs you tens of thousands of dollars a year. Make sure you are meticulously scrutinizing all your management reports from your POS system.



LITTLE LEAK #7 **Buddy “Punching”**

There are three ways that waiters, bartenders, cooks, etc. clock in to work:

The old paper punch is the first. I discovered in my research that waiters and waitresses tend to become friends. Some of them even become friends with benefits! When someone is running late or has to skip out early, it is common practice for one employee to punch in or out for his buddy. After all, they will do the same for you.

Some systems use a magnetic strip ID card for clocking in and out. This method offers some improvement, but still allows for some shenanigans.

A sure-fire solution is the fingerprint identifier. Until someone invents fake fingerprints, this will plug the buddy “punching” leak for sure. Average for a rotating staff of 17 is \$ 40 per week or **\$2080** per year.



LITTLE LEAK #8 **Wrong Ticket Scam**

Here’s another one from the book of waiter thievery.

When a waiter suspects a customer is paying with cash, he pads the ticket and hopes the customer doesn’t notice. He adds premium liquor pricing to a drink, even though it wasn’t ordered. Or he prices the ticket with large fries instead of the small fries.

And then he hopes the customer doesn’t closely inspect his ticket. If the customer *doesn’t*, the sneaky server pockets the extra cash. If the customer does call the waiter on the problem, no problem! He can just shrug it off to being busy and getting confused because the table next to them had the extra modifiers. He apologizes for the inconvenience and waits for his next victim.

This waiter scam is easy to pull off with a paper ticket system or even a cash register, but is almost impossible with the right POS system.



LITTLE LEAK #9 **Buffet Bunco or Special of the Day Scam**

Many restaurants have specials or common meal orders that customers order much more frequently. This is true for buffet style restaurants. This can open the faucet of easy money to waiters who have cash paying customers.

If many tickets are similar, say two burgers, fries and cokes or two buffets and two iced teas, tickets can mysteriously disappear and waiters can pocket the cash. Even with a POS system, perhaps a table can be left open and the cash pocketed. The next couple sits down and orders the same meal and pays with a credit card. Now the server will have to close the table if that customer pays with a credit card. But he has the cash plus tips from the first couple!

Some POS systems keep track of the time each table opens and closes. With closer management scrutiny, this leak could be plugged.



LITTLE LEAK #10 **The Famous Soda Pop Game**

The famous soda pop game is played with a POS system, by splitting tickets. Only instead of splitting the cost between two people at a table, the drinks are split off to an open ticket.

Let's say table one orders two meals and two sodas and then pays with cash. The waiter can split off the drinks to a new open ticket and close out the first ticket that now only has food on it. The cash that was paid for the drink portion of the total goes into the waiter's pocket.

When the next table orders food with say two iced teas again, the food is added to the open ticket that currently only has the iced teas on it. This table pays by credit card and the waiter closes this table out. The first ticket is closed out without drinks because the cash for the drinks is in the waiter's pocket and the second ticket is legit.

I know one busy bar and restaurant in Ft. Worth, TX where a group of servers working together using a POS pilfered \$30,000 over a 4-month period. If it had gone undiscovered, this leak could have cost **\$120,000** in a year!

I know of only one POS system that plugs this common leak.



LITTLE LEAK #11 **Server Crime Syndicate**

This is a true story that happened to friends of ours that own a great seafood restaurant in Scranton, Pennsylvania. I am not sure how they finally figured it all out, but it had been going on for quite some time, involving several employees who had all worked for them for a long time.

The scene involved a waiter, bus boy, dishwasher and cook. Apparently when lobster and steak was delivered in boxes, the people in this “crime syndicate” hid one box of lobster or steak. Later it was repackaged in a plastic bag and staged inside a trash can. When there was a knock on the back door to the kitchen, the connivers knew that the get-away car was in the alley. Time to take the trash out!

This would be bad enough, but it actually gets worse. Another restaurant in town had one of their waiters get a job with my friends’ restaurant to set up the syndicate. The stolen lobster and steak ended up in the competitor’s restaurant, where they got food for almost zero cost on the stolen goods (they did have to pay off the syndicate to make it all happen!).

Other ways **employees** can be in cahoots:

Hostesses help qualify cash paying customers depending on their profile of being college students or how the customer dresses, and passes the info off to a manager or friendly waiter who shares tips.

Busboys and **food runners** are good at causing distractions and passing verbal orders secretly to the syndicate **cooks** that are not entered into a POS system.

Bartenders pour extra drinks for a split from the waiter who has cash-paying customers.

Waiters have even been known to create a fake scene pretending a cash-paying customer left the restaurant without paying. He may even run outside pretending to run after the culprit! The **manager** is in on the action and he voids the ticket. And the customer doesn’t suspect a thing!



LITTLE LEAK #12 **Bartender Baloney**

Bartenders typically work for long stretches of time without direct supervision. Their position requires them to portion inventory, prepare drinks and collect sales proceeds and they do it all before recording a single detail of the transaction into the Point of Sale system. The result is a job laced with opportunities to rip off the house and its clientele.

According to Tracy Finklang, longtime corporate beverage manager for Rock Bottom Restaurants, “Theft will always be an issue behind the bar, in large part because there are so many ways operators can get burned beyond losing cash, including over pouring, under pouring, sliding drinks, not charging for doubles, buying tips, sousing the cocktail waitresses, and bartenders helping themselves to the inventory.”

Sean Finter, CEO of Barmetrix, an international consulting concern that specializes in analyzing product variance issues and management effectiveness, says, “Bars and restaurants have a huge amount of exposure. They typically operate with under paid transient staffs working under difficult circumstances: loud music, odd hours and intoxicated patrons. It is not an environment conducive to tight controls.”

Aidan Demarest, director of spirits and beverages at The Edison in Los Angeles, asserts that the recession is exasperating the problem of internal theft.

“Bartenders become accustomed to making a certain amount of cash every night and if the cash isn’t walking in the door, they’ll look for it elsewhere.”

Demerest also points out that bartenders are usually paid little more than minimum wage, receive no benefits and typically aren’t even fed during long shifts.

How extensive is this problem?

“Working in conjunction with the Sacramento-based California Restaurant Association, the international beverage auditing service, Bevinco, determined that beverage operators on average lose 23 percent of their liquor and draft beer to over-pouring and theft, the combined cost of which is staggering. The very thought is enough to make seasoned managers wince and bar owners shudder.”

Here are some recommendations to help you plug this leak:

1. Cultivate loyal bartenders by paying them a decent wage, free food, perhaps even health insurance benefits. The Law of Reciprocity will encourage them to watch your back.
2. Use precision-pour devices on your liquor bottles.
3. Install security cameras in the bar.
4. Hire a “secret shopper” service to have drinks at your bar and size up the situation.



LITTLE LEAK #13 **Credit Card Rung on Wrong Ticket**

This is a time leak and time is definitely money. Since the industry established PCI compliance (and for good reasons), the entire credit number is not readily available to void and re-enter. Most restaurants have to call the processor, be put on hold, wait for someone to look up the information. Then the waiter has to void the ticket and re-enter the correct one.

I know of one POS System that uses a gateway where that ticket payment swap can be done in an instant. The gateway assigns an ID number to the transaction. The POS system keeps this transaction ID and the credit card charge can be easily transferred from one card to the other.

Hard to put a firm figure on this leak, but again, time is money and this is a HUGE time leak and a major aggravation.



LITTLE LEAK #14 **Coupon Shenanigans**

Many restaurants run coupons in newspapers. Waiters have been known to clip dozens of those coupons from the newspapers and keep them handy on their person during their shift. They ring up the discount from the coupon even if a table doesn't know about the special in the newspaper, and they pocket the difference.

Here's an example how this works: You run a coupon special for a free bowl of soup with purchase of an entrée. The sneaky server waits until a party orders soup with their entrée, pays with cash but doesn't present a coupon.

And by the way, how does a restaurant even track the ROI of the money spent on that ad?

Another way to market is to use gift and loyalty cards. And they are trackable.

Here's yet another idea for marketing. It is called Anonymous Loyalty Program. Many times community fundraiser groups ask the restaurant owner for donations. Here's an alternative to just

writing a check: Hand out loyalty cards and tell the group that you will donate back 10% of all money spent on those cards in the next 30 days. This drives new customers to the restaurant and usually results in more funds for the group! And the investment is trackable and measurable.



LITTLE LEAK #15 **Inventory Shrinkage**

Whether you operate a pizza parlor or a full-service restaurant, how much money you makes largely comes down to how effectively you manage your food inventory. Food cost is right up there with labor cost in the overall cost of running a restaurant.

Even the most well-run, established restaurants struggle with this issue. The more inventory you have, the less money you have for marketing, investing in new equipment, or even earning interest from the bank on your cash.

Not only is most of your inventory highly perishable, but the more people involved in the process of taking raw inventory and turning it into meals served to customers, the harder it is to control waste and loss.

Even a small portion of your food cost dollar lost to waste, loss and theft can equal a huge amount of money. Without a POS system in place to track inventory and its costs, your food costs can skyrocket and be a major drain on your profitability.



LITTLE LEAK #16 **The Inefficiency of Combining A Cash Register and A Separate Credit Card Terminal**

We more and more frequently run across restaurants that spent a fortune on a POS system several years ago and now it is NOT PCI compliant. They are reluctant to spend another fortune for an upgrade, so they think they are being smart to just add a credit card terminal and continue using the outdated POS.

The problem with this is that it takes a lot of time to reconcile the credit card batch with the POS system. Let's say you're paying your manager at least \$20 per hour and probably more.

It is going to take him at least an hour—maybe more—to tediously reconcile the credit card batch report and all the tip adjustments to the cash register or POS system. Time is money!

Add it up: \$20 x 300 days open per year equals **\$6000!**

Plus, if you the owner are doing this, wouldn't you rather go home to your family?



LITTLE LEAK #17 **Laboriously Training** **New Employees**

Time is money (yet again!). Training new employees with a manual paper system or cash register system takes a lot of time and frustrates customers. I recently went to a restaurant where a supervisor was following a newly hired server around. It was quite an inconvenience for us. It took forever for the new waitress to take our order. And it was eating up the supervisor's time.

Cash registers, with all the buttons on them for choosing combinations of meals, is agonizing for an employee to learn. Mistakes take forever to redo and new employees make plenty of them on these types of systems.

The right POS system has a big screen that visually shows the order as it is placed, dramatically reducing mistakes and dramatically decreasing the time it takes for new hires to learn how to enter an order.

Lynn Owens at Bartley's BBQ says, "This (POS) system has been a godsend in reducing my training time from my previous cash register system. It used to take 20 FOUR-hour shifts to properly train an employee on order entry. Now it takes two hours! This has saved me both the time making mistakes as well as supervisory time to correct them."

Here's an example of how much plugging this leak can put back in your pocket:

80 hours of training time reduced to 2 hours = 78 hours @ 7.25/hr = \$565.50 per new employee. Bartley's BBQ averages hiring a new employee every 92 days, or about 4 per year x \$565.50 = **\$2262** per year.

How many new employees do you hire every year? This is one of those "hidden" leaks that can drain serious profits from your business without your even noticing it!

How much of your hard-earned profits are these little leaks draining from YOUR restaurant?

The leaks in this report that I have been able to quantify total a staggering **\$230,777** (list each one here and show the total lined up like an addition problem)per year! And that doesn't include the other leaks that are hard to put a number on.

What's your number at your restaurant? (referring to commercial from stock broker, maybe INC, and the guy is carrying a number)

Honestly, it's safe to say that if one or many of these little leaks are making profits drip out of your bank account—and I haven't seen a restaurant yet that is NOT suffering at least *some* of these leaks—it could be costing you a small fortune!

How many of these AND OTHER leaks are draining profits from YOUR restaurant?

Find out at my

FREE “Restaurant Profit Leaks Discovery Session”

The Restaurant Profit Leaks Discovery Session is not some canned presentation. It is a customized, one-of-a-kind session that is tailored to your specific situation and concerns you have about your profits and how to protect them.

We work together with you to evaluate your current method of taking, communicating and filling orders all the way through to collecting payments.

We check to see how many of the 17 Little Leaks are costing you, and just how much of your profits are leaking out.

We analyze the results and figure out possible solutions to plug these leaks forever.

Call us NOW at 505-296-2847 to take advantage of our FREE “Restaurant Profit Leaks Discovery Session”