

Everything You Need to Know About

**GROWING YOUR
RESTAURANT
THROUGH SMART
INVESTMENTS**



SUMMARY

With over a million restaurant locations in the U.S. alone, owners must make smarter decisions than ever to successfully grow their businesses.

We've identified **6** of the best investments you could make to improve your bottom line and we've outlined how to secure the funding you need to make those improvements happen.





**3 out of 5 restaurants will fail in their first year.
Only 1 in 5 will make it past their fifth year.¹**

Despite these risks, restaurants remain a huge business in America. Industry sales in 2017 were a projected \$798 billion – 4% of the U.S. GDP.² 1 in 10 American workers are restaurant employees.³

- 9 in 10 consumers say they enjoy going out to eat at restaurants
- 2 in 5 consumers say restaurants are an essential part of their lifestyle
- 8 in 10 consumers say dining out with family and friends is a better use of their leisure time than cooking and cleaning up

So, what separates the restaurant businesses that shutter their doors from the ones that help drive the economy? **Constant growth and evolution.** Without ongoing positive changes through efficiencies, upgrades, renovations, remodels and expansion, your restaurant could become another statistic.

We're here to help. You can use the following information to develop a growth and improvement strategy for your business and take your sales to the next level.

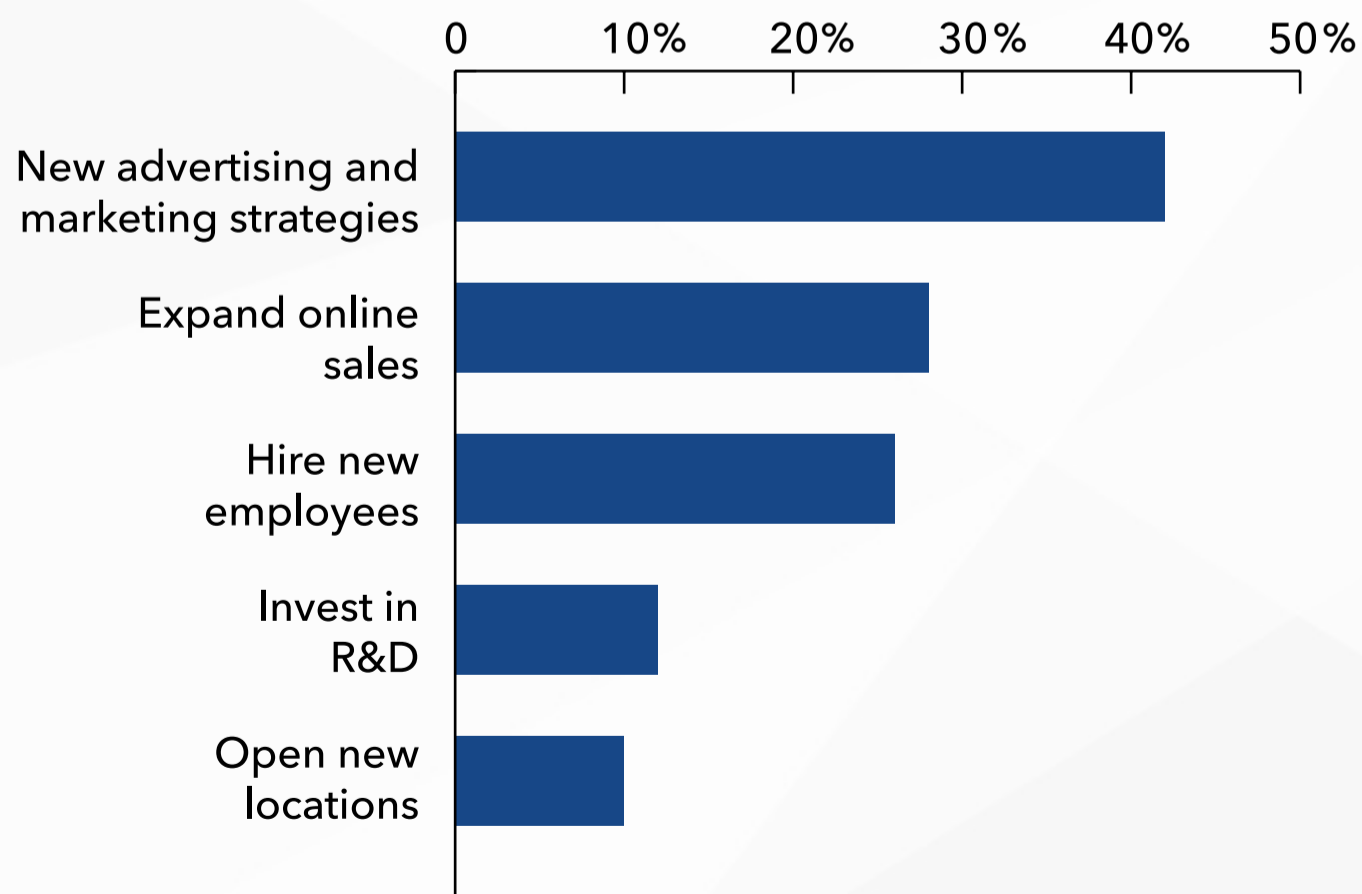
Ready to learn the **6 best investments you can make to grow your restaurant sales** and how to find the funding to make it happen? Then read on!

Find Out the Best Way to Secure Financing for Your Restaurant Investments and Improvement Projects on Page 9!

6 of the Best Investments You Can Make to Grow Your Restaurant Business:

- 1 Implement New Marketing Campaigns to Cultivate New Customers and More Repeat Business
- 2 Adopt Online Technologies That Multiply Sales Opportunities
- 3 Invest in Your Menu, Suppliers, and Facilities to Improve Food Quality
- 4 Develop Programs That Reduce Employee Turnover and Training Costs
- 5 Renovate Your Current Location(s) for a Better Customer Experience
- 6 Open a New Location to Reach a New Market and Grow Sales

How Do Most Small Business Owners Use Growth Capital to Expand?



1 **Marketing Your Restaurant to Grow Sales**

Marketing fuels demand for your product. By investing in marketing, you can attract more diners to your location(s) without having to make any operational changes. Marketing investments also deliver direct returns – money in, money out. Certain marketing techniques offer better returns than others.

Online Reputation Management

- 97% of consumers use online tools to find local businesses⁴
- 60% of people read reviews for restaurants and cafés
- 85% of consumers trust online reviews as much as personal recommendations
- Increasing your restaurant rating by a ½ star can increase reservations by 19%⁵
- A one-star difference in a restaurant rating impacts revenue between 5% and 9%.⁶

Investing money in raising your online review scores is one of the single most lucrative tactics a restaurant can use. Create marketing collateral that asks patrons for their review, and incentivize reviews within your loyalty program. Proactively manage your reviews by purchasing a software platform that makes review monitoring easy.

You can also invest in small improvements that surprise and delight diners. For instance, a Mexican restaurant can send out a small platter of complimentary quesadillas during busy dinner times. This will make a bigger impact than a basket of tortilla chips, encouraging positive reviews.



Make the Weekend Dinner Rush Even Busier

Don't focus on improving slow periods like weekday lunch. Your biggest opportunities come from periods where demand is already high.

"Marketing that attempts to shift buying behavior means fighting against the forces of the work week, the school week and primetime television," writes one restaurant marketing expert.⁷ "It is much easier to convince someone to go to one restaurant over another compared to convincing someone to go out to a restaurant when they planned on staying home."

Promote existing popular menu items and come up with enticing limited-time special meals and drinks. Avoid general discounts that ignore your restaurant's unique flavor. You can't compete on being the cheapest, but you can stand out to those making dining choices.

Focus on Existing Customers

Acquiring a new customer is 5 to 25 times more expensive than getting an existing one to return, says the Harvard Business Review.⁸ Invest the majority of your marketing dollars on tactics that convince previous diners they should come back.

Encourage diners to join your mailing list, and use targeted social media ads to suggest menu items and events that can make their second experience even better than the first.



2

Multiply Sales Opportunities with Online Ordering and Delivery

- Third-party online food delivery sales were over \$43 billion in 2017⁹
- 43% of all delivery orders are now placed online
- Consumers who have placed an order online visit the restaurant 67% more frequently than those who haven't¹⁰
- 46% of smartphone users use their phones at least once a month to order restaurant takeout or delivery

"Orders through Taco Bell's mobile app are 20% higher than in-store because users are more likely to add extras and send group orders through the app."¹¹

Thanks to online apps like GrubHub and UberEats, you can grow your business overnight. Chipotle's digital sales grew by 54% in just one quarter.¹² Canter's Deli in Los Angeles earns 30% of their revenue through online sales.¹³

Adding third-party delivery and pickup services to your restaurant can come at a low cost, but you gain the biggest opportunities when you invest in making the experience seamless for patrons. Many Chipotle locations, for instance, installed a second prep line just for takeout.

Top Online Delivery and Takeout Apps by Market Share:

- | | |
|---------------------|-----------|
| 1. GrubHub/Seamless | 5. Eat24 |
| 2. DoorDash | 6. Caviar |
| 3. UberEats | 7. Amazon |
| 4. Postmates | |

Integrating Your POS With an Online Ordering Platform

Don't want to share your revenue with an online delivery company? That's ok! You can handle your own online sales with the right software application.

Some of the most popular options include UpChow, Toast, EZ-Chow, Lavu, Orders2.me, and MenuDrive. With these systems, you can also gather data on individual diner habits as well as general trends. Analyzing this data can reveal the best items and dining times to market.



3 Invest in Your Menu, Suppliers, and Facilities to Improve Food Quality

Food quality is the most important factor when consumers choose restaurants. When food quality decreases from “excellent” to “fair,” market share can shrink by as much as 59%!¹⁴

People come to your restaurant for lots of reasons, but in the end it’s always about the food.

Make food quality and choices your top priority when looking to increase sales. Great methods to improve food quality include:

- Replace lower quality ingredients with top-quality ones. Every component in a dish counts!
- Look to an alternative supplier, especially one who can offer locally sourced produce or organic raw ingredients
- Revise your recipe book to include more precise measurements and portioning suggestions. Include photos of ideal portions.
- Audit back-of-house work continually for quality assurance.
- Survey diners and use reputation management software to track negative incidents.
- Purchase new equipment that can improve food qualities like texture, doneness, and freshness.

In n Out Burger once shut down over 30 of its Texas locations for 24 hours due to reports of lower-than-expected bun quality. They then shipped buns directly from their L.A. supplier. The move was expensive, but it shows how food quality is king for the top restaurant chains.¹⁵



4 Reduce Employee Turnover and Training Costs

- Front-of-house employees have a 154% average turnover rate
- Management has a 40% - 50% turnover rate
- It costs \$15,000 to replace a manager
- Back-of-house employees cost almost \$3,000 to replace

High employee turnover is far from uncommon in the restaurant industry. Front-of-house employees rarely last for more than a few months. Back-of-house employees and managers tend to last just a few years on average.

Replacing these employees is more expensive than you might think! It can cost as much as \$15,000 in training, acquisition costs, and lost revenue during the transition from one manager to the other.

Restaurants with a high front-of-house employee turnover can also cause quality of experience to suffer. Without veteran servers, bartenders, and hosts, regular patrons will quickly notice inconsistencies.

There are a number of ways to improve employee turnover, though.



Invest in Hiring Solid Employees with Experience

Too many restaurants rely on industry novices. By hiring people who are young or inexperienced, they can maintain low wages, but the adage “you get what you pay for” holds true.

Spend the time and money required to develop a consistent hiring process. Create objective scoring systems. Take the time to interview employees and actually call their references. Enroll managers in seminars or training courses that teach them how to spot better hires.

And above all else, be willing to match an experienced employee’s previous wages if they seem like a good fit. Having just one reliable employee can translate to more productive shifts and higher revenue.

Create Comprehensive Training Manuals

Training materials turn the art of working in a restaurant into a science. All you have to do is read the manual and follow the process.

Manuals also bring objectivity to workplace evaluations. Concepts like speed and attitude are relative, but when you have examples in a book, you can more easily redirect employee behaviors.

Actively Recruit Talent Rather Than Waiting for It to Come to You

Restaurants typically have no shortage of applicants, but the best hires often already have work somewhere else. To bring their skills, experience, and talent to your team, you’re going to have to market your open positions aggressively.

Create packets describing the amazing camaraderie and teamwork that goes on behind the scenes at your location. Conduct research that shows how you can help full-time employees earn more than the average. Email and advertise to people who might actively be considering a career switch.



5

Renovate Your Current Location(s) for a Better Experience

“The average life span of the dining area of a restaurant is 7 to 10 years, so buy the best quality you can afford, and keep it repaired, painted and polished.”¹⁶

Ambience plays also as much of a factor in a restaurant’s success as the food. Provide good, clean facilities that reflect your brand, and you can quickly develop positive relationships with new diners and regulars alike.

In a global survey of 99,000 diners, even guests that rate food as more important than experience are less likely to come back when they don’t enjoy the décor. If their experience score drops by 1 point, they are 20% less likely to return, and 38% less likely to return if the drop is 2 points.

5 Restaurant Renovations with the Best ROI:

1. Painting

A new coat of paint can undo years of grime while brightening up the appearance of your restaurant. The cost is marginal, yet can translate to significantly improved revenue.

2. Expanded Seating

More dining tables means more customers. Don’t overcrowd your dining room, though. If you can create a few separate dining areas with their own unique flair, such as a highboy area near the bar for couples on quick dates, then you can maximize space while still maintaining traffic flow.

3. Outdoor Seating

Building a patio or outdoor seating area can completely transform the feel of your restaurant and expand your earnings potential. Diners with dogs and children will be more likely to patronize your location, and people seeking a unique experience will flock there in good weather.

4. New Lighting

Like paint, light can have a big impact even on a small budget. Unique lighting configurations that help define your brand’s style are all the rage. But even simple iridescent lighting can improve atmosphere with the right tone and positioning.

5. Bathroom Renovations

Restroom quality is incredibly important. Some women even choose where to dine based solely on how clean and pleasant the facilities are.¹⁷ Four out of five customers would also never return to a restaurant with dirty bathrooms.¹⁷ Ensure your restrooms meet high expectations with a design that is both visually appealing and easy to keep clean.

6

Expand Your Restaurant Portfolio with New Locations

Opening a second (or third or higher) restaurant location opens your business prowess to a whole new market. You can multiply the volume of diners you serve, expand your brand presence, and grow your business model to efficiently earn more.

Factors to consider when expanding include:

- **Same concept or a new one?** Some restaurant business models are built to scale. Other restaurant owners may find better luck with a new concept, including opening their own franchised location. Evaluate all your opportunities, including franchises and acquisition of a new business, to find the right mix of potential gains and minimal risks.
- **Location, location, location.** Your new location can easily make or break your business's success. Find the optimal mix of traffic, parking, visibility and appeal. Don't compromise on any of these for cheaper rent! Otherwise, you could end up losing far more money than you save.
- **Create a new business plan.** A new location is a clean slate! Be prepared to rewrite the book in order to optimize your choices. Don't be afraid to use a distinct menu, service model, or atmosphere approach. Success is rarely duplicated; it must be achieved by making the most of every opportunity available.
- **Decide on branding and business communication.** Will your new location have a completely new website and separate social media profiles? The decision may seem small to you, but customers could easily get confused or frustrated if they have trouble navigating to one location compared to the other.
- **Hire, train, and acquire great staff.** Your staff is the backbone of your operation! Use the excitement and freshness of your new location to encourage a higher-than-average application count. Also, strongly consider bringing your top staff members over to the new business to stabilize your chances of success.
- **Secure financing that fits your exact needs.** You have many choices when it comes to financing! Don't just assume an equity partner or traditional bank loan is the right path. Evaluate all of your options to discover the financing opportunities that help you grow without putting everything you worked hard for at risk.

"Always focus on what you want the end result to look like - how should the food be presented, what music should be playing, how should the staff be interacting with the customers, or what should the ambiance be like? If you focus on the end result and work your way back from there, everything just falls into place a lot easier."

– **Tomas Sohlberg**, Boon Burger Cafe

How to Secure the Financing You Need to Invest in Your Restaurant Business

If you want your investments to provide a healthy return having quick access to the right funding is essential! In addition to your investment you must also have the liquidity to handle ongoing expenses as well as any unexpected surprises.

Options for Restaurant Funding:

Self-funding by saving your own money or borrowing informally from friends, family, and colleagues.

- **Pros:** Minimal to no interest charges, complete flexibility on how you spend the money
- **Cons:** Risk personal relationships through professional choices, saving your own funds can be a slow process that limits you from seizing opportunities, spending cash reserves invites risk

Trading equity for capital by taking on a partner or an investor

- **Pros:** Can offer instant up-front cash, decentralizes financial risk
- **Cons:** Forces you to give up percentage of profits and ownership decisions to equity owners for the life of your business; some partners can cause more problems than they solve

Using personal or business credit cards

- **Pros:** Agile purchasing power that can happen with the simple swipe of a card
- **Cons:** Low borrowing limits, high interests rates above 20% to 30%, limited flexibility for repayment

“New [restaurant] owners need large sums of capital [...] Most new restaurants do not turn a good profit for several months, even years, after opening. Established restaurant owners can also suffer financially, especially during recessions when they have fewer customers.”

– **Sagar Neve**, CEO of Neve Hospitality

Traditional Bank Loans

- **Pros:** Often high borrowing limits from well-established creditors
- **Cons:** Long approval times; high barriers to loan acceptance, approving only around 24% of small business loans. (Source: FitSmallBusiness); applicants required to have excellent credit, multiple years of strong and profitable operating history, extensive documentation, an approved plan for use of the loan, and collateral.

Alternative financing from a partner like ARF Financial

- **Pros:** Fast approvals, collateral not required, extremely flexible repayment options, such as being able to defer principal into the future for significantly lower payments now, higher approval rates, local one-on-one personalized service throughout the loan process

Choose the Right Lender and the Right Loan Product

- Look for a lender that has experience, a proven track record, one that has helped hundreds if not thousands of businesses like yours
- Make sure your lender is not really a broker or independent sales person who will tack on additional fees, driving up your cost of borrowing
- Seek out a lender that wants to understand your individual business situation and that will customize the right loan product to meet your needs
- Lean on a lender that employs seasoned loan consultants who will provide one-on-one support throughout the application, approval and funding process
- Work with a lender that has local market knowledge and high approval rates that can help you analyze your growth, transformation and financing plan
- Obtain a loan product that allows you to invest now in your business while maximizing cash flow until your investment starts paying off
- Sign up for a Line of Credit, to ensure you have sufficient cash-on-hand for any unexpected occurrences after your initial investment
- Demand flexibility with the ability to pay off your loan early without costly penalties
- Choose a lender that can do all the above, but in a time-line that allows you to move forward now

ARF Financial is the lender that can meet all your expectations. They have developed a unique loan product called “Flex Pay”, specially designed for owners who are ready to invest, grow and transform their business!



What Is a Flex Pay Loan?

A Flex Pay Loan is a working capital loan between \$5,000 and \$750,000 that allows borrowers to defer up to 50% of their loan principal into the future. This results in dramatically lower loan payments now, helping you maximize your cash flow. You can seize high ROI growth opportunities immediately and defer the principal repayment until your investment starts to increase revenue and payoff.

Repayment options are incredibly flexible, too. You can roll your balance into the future, amortize the deferred principal into your payments over time, or refinance the loan altogether. Early payment options provide benefits to business owners able to repay sooner.

To top it off, you also get access to a local loan consultant who can guide you during the application, approval and funding process. With their expertise, you can decide how to customize your loan, how much to borrow, and what your best flexible repayment option might be.

Flex Pay Loan Benefits

- 50% principal deferral dramatically lowers your payments now
- Low fixed weekly payments
- Loan amounts up to \$750,000 with no collateral needed
- Affordable interest rates and no hidden fees
- 48-hour approvals and funding in just 3 to 5 days
- Tax deductible interest payments
- Early pay off options
- 24-hour availability to a no fee Line of Credit
- An AMEX Gift Card up to \$3,000* *for new borrowers*

**BORROW NOW,
GROW NOW,
AND PAY LATER!**
That's the power
of Flex Pay!



Why Is ARF Financial and a Flex Pay Loan Your Best Option for Achieving the Business Growth You've Dreamed Of?

- We are the *experts* in restaurant, hospitality, and small business lending.
- We forge *deep relationships* with every client and *serve as their personal financial consultants* through the lending process to answer critical borrowing questions.
- We are not loan brokers. We *cut out the middle man*, keeping your costs low.
- **No collateral** is required and minimal paperwork is needed.
- Even if you have less-than-perfect credit, we have loans *you can get approval approved for*.
- Our relationships with banks around the country help you get approved for *the best loan products* for your needs at **competitive rates**.
- Flexible financing options mean loans and repayment terms can be *customized* to your needs.

Since 2001, ARF Financial has lent hundreds of **millions of dollars** to **thousands of business owners** just like you! Our emphasis on close client relationships keeps your financial health at the forefront to ensure a high degree of customer satisfaction.

READY TO LEARN MORE?

Visit our website at www.arffinancial.com for a quick application and a **FREE QUOTE** to find out how much you qualify for in as little as 48 hours!

[BUILD YOUR LOAN](#)

[LOAN CALCULATOR](#)



Sources:

1. <https://www.cnbc.com/2016/01/20/heres-the-real-reason-why-most-restaurants-fail.html>
2. https://www.restaurant.org/Downloads/PDFs/News-Research/Pocket_Factbook_FEB_2017-FINAL.pdf
3. <https://www.restaurant.org/News-Research/Research/Facts-at-a-Glance>
4. <https://www.brightlocal.com/learn/local-consumer-review-survey/>
5. https://www.huffingtonpost.com/foodbeast/half-star-difference-yelp_b_1944145.html
6. <https://www.inc.com/michael-fertik/online-reviews-make-big-difference-small-business.html>
7. <https://www.gourmetmarketing.net/how-to-increase-your-restaurants-business/>
8. <https://hbr.org/2014/10/the-value-of-keeping-the-right-customers>
9. <https://www.cnbc.com/2017/07/12/home-food-delivery-is-surg-ing-thanks-to-ease-of-online-ordering-new-study-shows.html>
10. <https://www.astutesolutions.com/industry-insights/restaurant-industry>
11. <http://www.nrn.com/sales-trends/restaurant-customers-increasingly-go-digital>
12. <https://www.forbes.com/sites/amitchowdhry/2018/01/15/ordermark-how-this-entrepreneur-made-online-ordering-much-easier-for-restaurants/#11134d6f4ad7>
13. <http://scholarcommons.usf.edu/cgi/viewcontent.cgi?article=7904&context=etd>
14. <http://www.nrn.com/quick-service/n-out-closes-more-30-texas-restaurants-due-bun-problem>
15. <http://www.nrn.com/operations/4-big-challenges-restaurants-right-now>
16. <https://www.qsrmagazine.com/outside-insights/dirty-little-secret>
17. <https://www.sba.gov/blogs/10-stats-explain-why-business-credit-important-small-business>
18. <https://www.rewardsnetwork.com/blog/roi-remodeling-restaurant/>