



ON TAP:
Strategies to Work
ON Rather Than IN
Your Business

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What we'll cover today:



WHAT HAPPENS
WHEN YOU
COMPETE ON PRICE



USING YOUR POS AS
MORE THAN JUST A
CASH REGISTER



MINDSET AND
REASONING



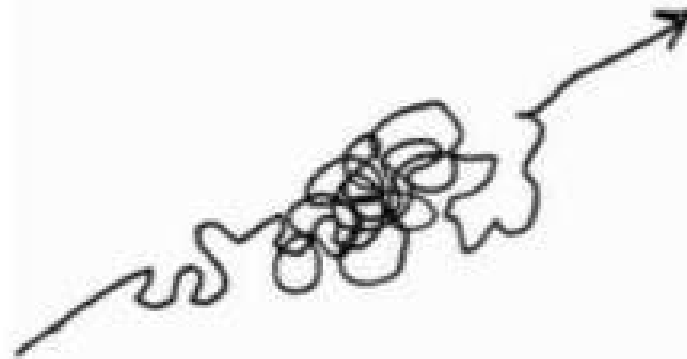
MANAGING MORE
EFFECTIVELY

Success



what people think
it looks like

Success



what it really
looks like

Case Study

- What people commonly focus on:
 - Bank account/cash balances
 - Sales & Production - \$\$\$ and ###
 - Production - \$\$\$ and ###
 - Customer perceptions
 - Balance Sheet and/or Profit & Loss



Traditional Historical Data – Losing sales/profits

	2018	2019	2020
Sales	800,000	740,000	735,000
Cost of Goods	520,000	481,000	515,000
Gross Profit <i>(Sales less COGS)</i>	280,000	259,000	220,000
Expenses	160,000	175,000	196,000
Net Profit	120,000	84,000	24,000

Issues (according to the business owner):

- Sales down \$65,000
- Net income down \$96,000
- *Busier than ever and working harder...the numbers HAVE to be wrong*

New competition arrives

Cut prices to aggressively seek new customers, doubled advertising

Sales were monitored weekly and compared to the prior year. Team was busy, they thought they were winning the battle...

Shifting Focus – Comparatives & Percentages

	2018		2019		2020	
Sales	800,000		740,000		735,000	
Cost of Goods	520,000	65%	481,000	65%	515,000	70.07%
Gross Profit (Sales less COGS)	280,000	35%	259,000	35%	220,000	29.93%
Expenses	160,000	20%	175,000	23.65%	196,000	29.67%
Net Profit	120,000	15%	84,000	11.35%	24,000	3.27%

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Looking beyond the numbers...

Year	# of Sales (Transactions)	Customers	Revenue / Sale	Gross Profit / Sale	Sales / Customer	# of Visits / Customer
2018	40,325	19,950	20	7	40	2
2019	46,750	22,500	16	6	33	2
2020	59,775	29,715	12	4	25	2

What happened?

- By focusing only on sales, they:
 - Gained new customers who were price sensitive
 - Compromised value for price
 - Created more work, more cost and more stress

More Data = More Information

7

Looking beyond the numbers...

Year	# of Sales (Transactions)	Customers	Revenue / Sale	Gross Profit / Sale	Sales / Customer	# of Visits / Customer
2018	40,325	19,950	20	7	40	2
2019	46,750	22,500	16	6	33	2
	16%	13%	(20%)	(20%)	(18%)	
2020	59,775	29,715	12	4	25	2
	28%	32%	(22%)	(34%)	(25%)	

- What does this tell us?
 - More volume doesn't always = more profit
 - More customers doesn't always = higher sales or more profit

More information = More Insight

This type of data can serve as weekly/monthly or quarterly key performance indicators at any level

What happens next?

In 2021:

- Set prices to achieve a 38% gross profit
- Starting tracking customer information thru POS and asking for feedback from regulars
- Stopped competing on price & reduced types & frequency of discounts
- Re-allocated advertising dollars through improved quality and frequency of customer communication as well as staff training/incentives for cross-selling/up-selling
- Identified and measured daily Key Performance Indicators (KPIs) such as the number of sales, number of customers and the average value of each sale

The Result

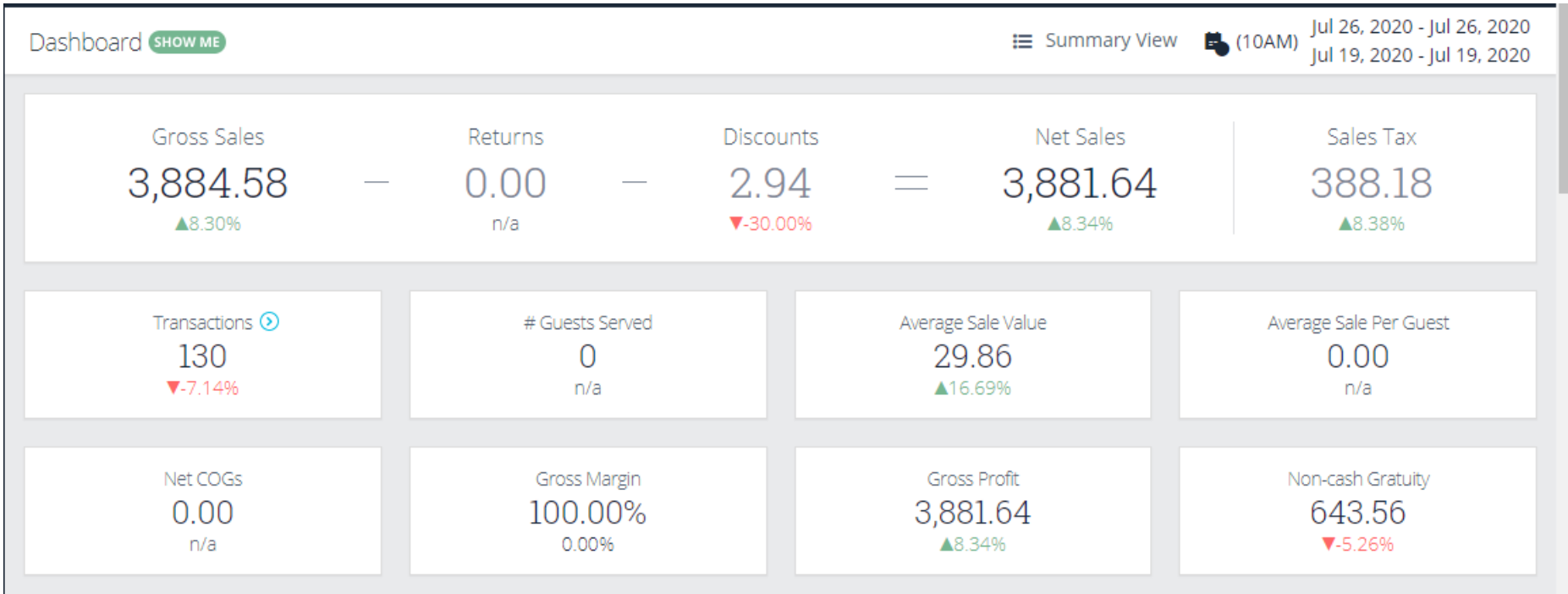
- Active customers fell from 29,716 to 21,396
- Average sales per customer rose from \$25 to \$36
- Gross profit per customer rose to \$11
- Operating profit in 2022 increased from \$24,000 to \$97,000
- Operating profit in 2023 increased to \$132,000
- *By changing focus on how you work with customers, you are more efficient and make more money*
- *By changing who you target, you attract customers who value what you offer*

“MAY
YOUR CHOICES
REFLECT YOUR
HOPES,
NOT YOUR
FEARS”

- Nelson Mandela

Action Items

- Consider what gross profit % you need to cover your expenses and meet your profit goals
- *By changing who you target, you attract customers who value what you offer*
 - Re-evaluate how effective your discounts really are – are you attracting the right type of customer?
- *By changing focus on how you work with customers, you are more efficient and make more money*
 - How much do you invest in staff training and incentives so that they can cross/upsell?
 - What is one thing your staff does that is inconvenient for them but adds to the customer experience (and therefore value)



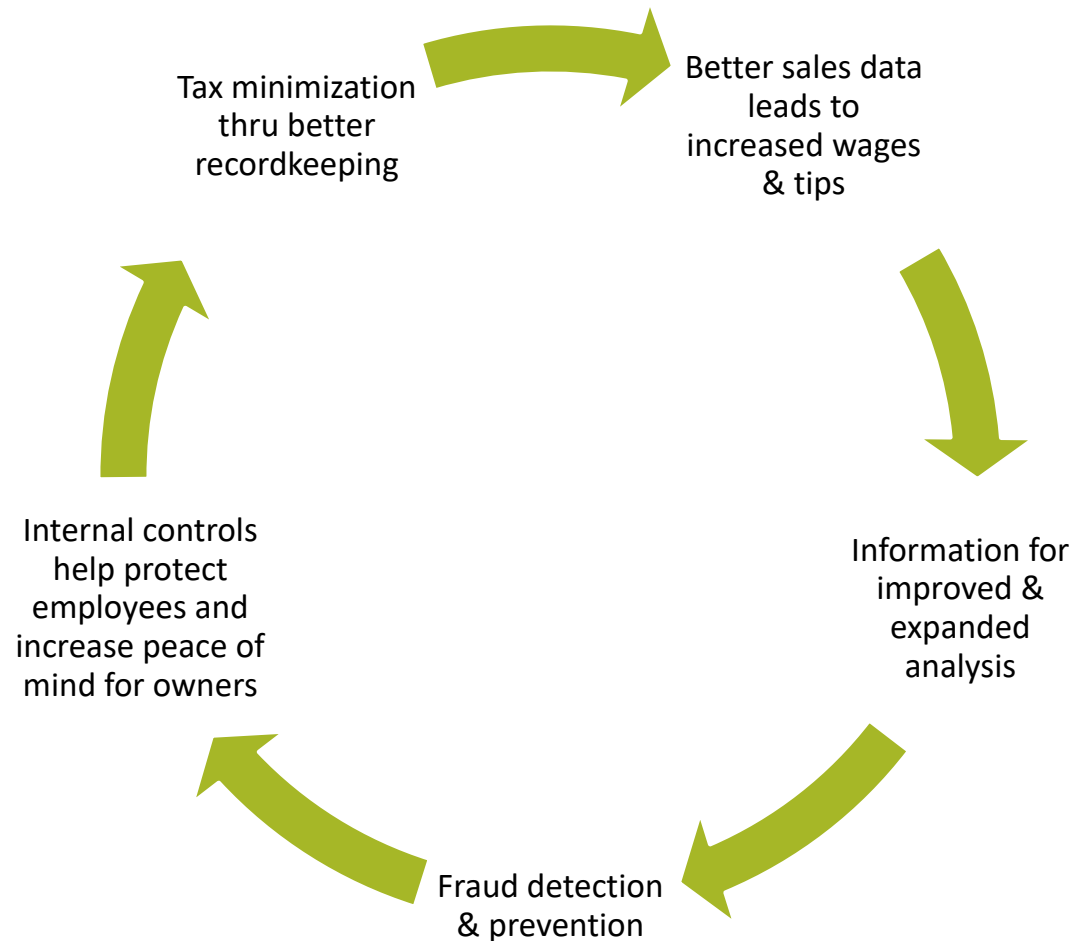
YOUR POS AS A CRITICAL FINANCE COMPONENT

“If you don’t value data, you shouldn’t be in business”

~ California Brewery Owner

YOUR POS IS MORE THAN A CASH REGISTER!

- Get to know various POS systems
- Setup is often designed for Front of House (FOH) use – but back-office reporting *is just as important*
- POS systems should be evaluated similar to accounting software and adapted to reporting needs
- IT spending benchmarks:
 - Retail 6-8% of annual revenue
 - General small business 7%
 - Hospitality Tech study avg spend is 1.97% of gross
 - Ex. \$100,000 gross x 8% = \$8,000/yr or \$666.67/mo



Your POS is your Oyster...pearls of untapped business wisdom

Sales Reports



- By Category
- Discounts & Comps
- Item Qty
- Product Mix
- Dining option
- Service area



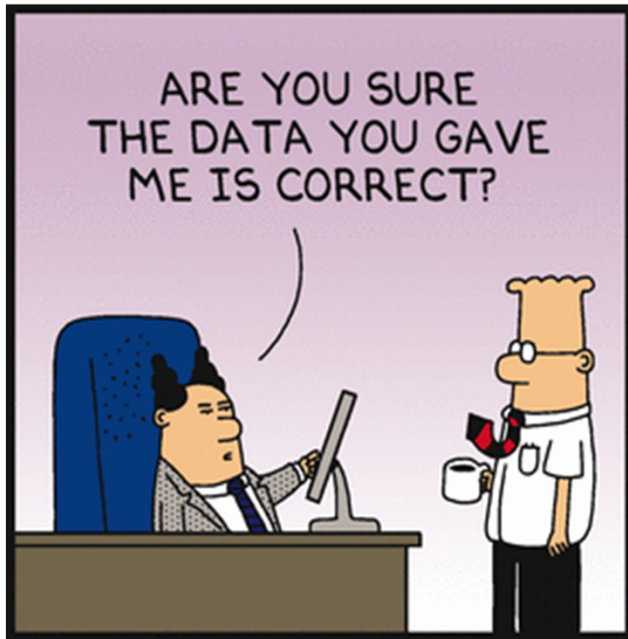
Operations

- Times of Day
- Day of week
- # of Transactions,
- # of items
- Avg Sales
- Scheduling/Forecasting

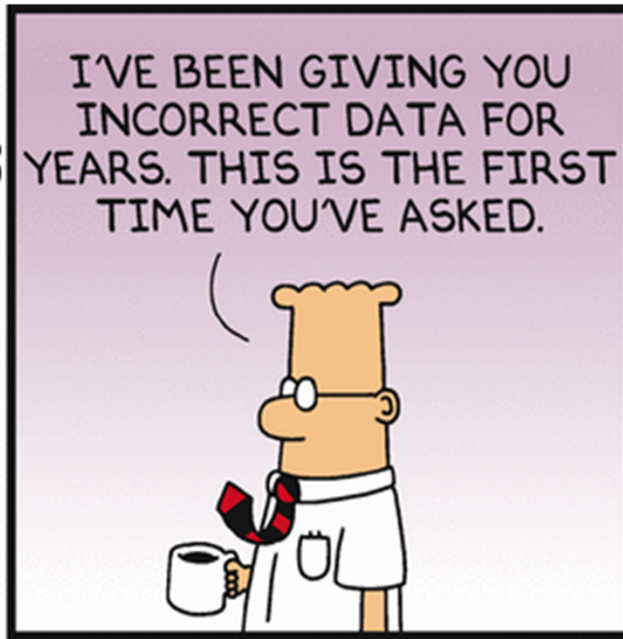


Other

- Action logs!
- Other payment methods
- House accounts
- Number of no sales (cash drawer opened)
- Shift summaries
- Comp & void reasons



Dilbert.com DilbertCartoonist@gmail.com



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CONSIDERATIONS

Old Tech adage: Garbage In = Garbage Out

Common data errors

- Uncategorized Sales!!
- Missed or duplicate credit cards in batches
- Lost sales from unsynced data – tablet to main/main to backoffice
- Non-taxable sales
- Excessive comps & voids
- Tip overrides & entry errors – disputed credit card charges

ACTION:

What information do you truly need to make important decisions over the taproom and operations?

TECHNOLOGY MAGNIFIES EFFICIENCY OR INEFFICIENCY

Linking for automatic entry:

- Pros
 - Time savings
 - Faster Reporting
- Cons
 - Dating of transactions
 - Harder to find errors
 - Glitches – loss of data
 - Less accurate

Manual entry:

- Pros
 - Higher accuracy
 - Ability to find & correct errors
- Cons
 - Time
 - Reports take slightly longer

What's your ROI on your accounting software?

$$\text{ROI} = \frac{(\text{Total Savings} - \text{Total Costs})}{\text{Total Costs}} \times 100\%$$

Think of it this way...

“Craft beer is like a chef-prepared meal made with high quality ingredients and complex, unique flavors...it’s carefully crafted and often more expensive due to labor-intensive process and premium ingredients”

(Oracle-Micros, Lightspeed, Upserve, Revel, Toast, Artyved)

(Restaurant365, Sage50, QB Enterprise, Netsuite, Intaact)

VS

“Non-craft beer is like a classic, reliable fast food meal or comfort food...designed to be accessible, affordable and consistently familiar to appeal to a broad audience”

(Square, Shopify, Shopkeep)

(QBO, Wave, Freshbooks, Zoho)

Is your POS & Accounting System giving you high quality information that is complex and unique to your business needs and goals or are you getting classic, accessible and affordable that keeps everyone comfortable?



It's not always a numbers game...



- What should you spend your time on?
 - Financial Data
 - Human Behavior
 - ***Mindset and reasoning***
 - ***Generational Differences***
 - ***Recent trends in Fraud***

Now let's talk about behavior...



- We all bring ideas and beliefs into the workplace:
- How we were raised
 - How we interact with siblings and family often translates to how we interact with coworkers and leaders
 - Personal finance strategies

CURIOSITY
is a
SHIT-STARTER.
BUT THAT'S OKAY.
Sometimes we have to
RUMBLE
WITH A STORY
to find the truth.

-Brené Brown
#RISING STRONG

(Ir)rational Reason—Why Do Things REALLY Happen In Business?

Falling sales

Because of competition?

OR

Because we lost customers due to service or limited offerings?

Falling sales per customer

Because of the recession/spending patterns?

OR

Because we've made too many mistakes or are inconsistent, driving our good customers away to spend elsewhere?

Not meeting delivery times or short-supply

Because a supplier has not provided a critical material?

OR

Because we failed to plan for what we need and when?

(Ir)rational Reason—Why Do Things REALLY Happen In Business?

Errors

Because someone else didn't do their job?

OR

Because we didn't allow enough time and/or resources for training and set expectations?

Quiet quitting

Because hospitality and customers are hard, esp during/after COVID?

OR

Because we didn't have conversations to discuss concerns, performance expectations and/or results?

Communication

Because someone didn't tell me?

OR

Because we failed to ask questions, gain perspective or set reasonable expectations?

Customers, Employees, Suppliers

*Was there expectation without
agreement?*

SAY WHAT NEEDS TO BE SAID,

CHANGE THE **CONVERSATION.**

YOUR INSIGHTS ARE **IMPORTANT.**

A culture that trains people to avoid conflict and difficulty steals the individual's ability to develop character and imagination.

Brendon Burchard

**TOO MUCH FOCUS ON HAPPINESS
FOSTERS COMPLACENCY**

What this means

- Ask AND Tolerate tough questions
- Constructive questions and criticism
- **Adapt a perspective that everything is said with an intent to help and/or understand**
 - *We judge others by actions instead of intentions, yet we want to be judged by our intentions and not our actions*
- Be careful with ASSUMING
- Choices = Consequences = Choices

Recent trends in Fraud & Generations Affecting Cash

- What is Fraud?
 - “Fraud” is any activity that relies on deception in order to achieve a gain.
- Fraud in hospitality
 - Theft of cash on hand
 - Unrecorded or understated sales
 - Sales mixed into tips
 - False voids or refunds
 - Inaccurate clock-ins and/or personal time on the clock
 - Personal charges on company credit card





Recent trends in Fraud & Generations Affecting Cash

- COVID-19 Change in Overall level of Fraud – TRIPLED from 8% to 24% within a one year period
- Primary weaknesses
 - Lack of controls (29%)
 - Override of controls (16%)
 - Lack of management review (16%)
 - Poor tone at the top (10%)
 - Lack of training, independent checks, education & clear lines of authority (18%)

8 KEY WARNING SIGNS

85%

OF ALL FRAUDSTERS
displayed at least one
**BEHAVIORAL
RED FLAG**

These are the 8 most common behavioral clues
of occupational fraud. **At least one of these
red flags** was observed in 76% of all cases.



39%

Living beyond
means



25%

Financial
difficulties



20%

Unusually close
association with
vendor/customer



13%

Control issues,
unwillingness
to share duties



12%

Irritability,
suspiciousness,
or defensiveness



12%

Bullying or
intimidation



11%

Divorce/family
problems



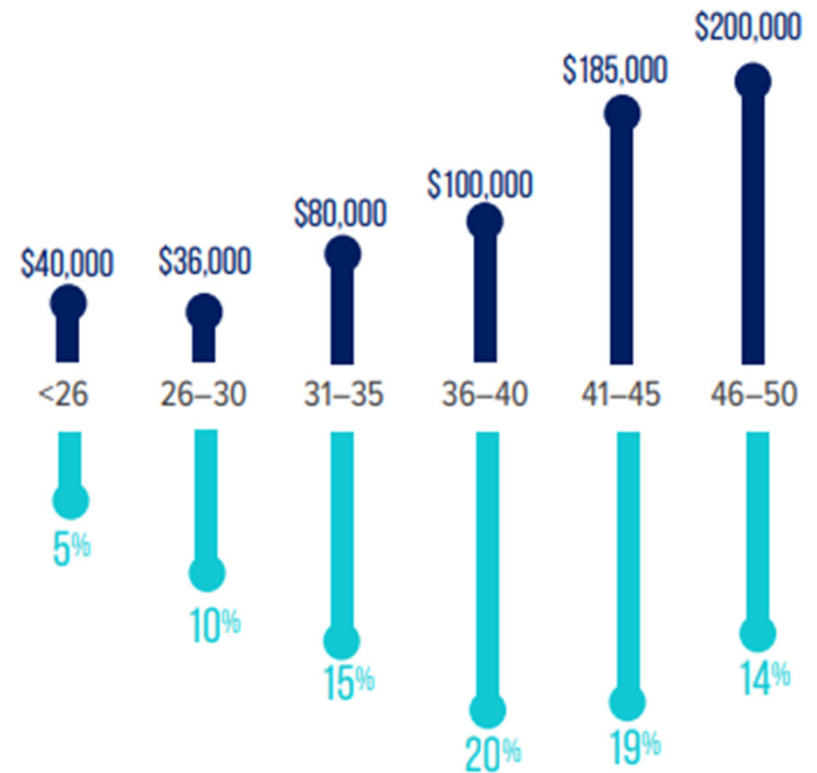
10%

"Wheeler-dealer"
attitude

BEHAVIOR & GENERATIONAL DIFFERENCES

Generation impact on Business

- Ethics Resource Center Study
 - Paradox – millennials do not place a high value on ethics in terms of own behavior but expect the organizations they work for to be ethically sound and socially responsible.
- Studies show:
 - Millennials are twice as likely to use company cards for personal purchases
 - 2.5 times likely to remove company property



Occupational Fraud 2022 – A Report to the Nation

Association of Certified Fraud Examiners

How To Manage More Effectively...



Understand the numbers



Understand the situation

- Investigate likely causes
- Read between the lines



Never assume anything—

A good management information system is worth its weight in gold and can prevent mistakes from costly guesswork!



Be accountable and hold others accountable

Cutting Costs vs Increasing Turnover

No business ever shrank its way to greatness

Real definition of expenses:

- ***The cost of resources used to generate your revenue, gross profit and cash flow***
 - Mindset shift – most expenses are an investment, not a cost
 - *Labor – investment in people who want to help you*
 - *Vendors – investment in companies who add value to what you do thru their products/services*
 - *Compliance = cost but it can have a value added*
 - *Re-think merchant fees*

Focus On The Right Things

- If you are managing a business, you must manage the *activities* that make up the business
- In order to manage these activities, you must first be able to *measure* them, because...

What gets measured, gets managed

- *Tip: Manage the work and the behavior, not the people*

Reading Recommendations/Favorites

- ***Grit – Angela Duckworth***
- Blue Ocean Strategy/ Blue Ocean Shift – W. Chan Kim & Renee Mauborgne
- The Motivation Manifesto – Brendon Burchard
- **The E-myth Revisited – Michael Gerber**
- **The Heart of Change: Real-Life Stories of How People Change Their Organizations – John Kotter**
- **The Hard Thing About Hard Things: Building a Business When There Are No Easy Answers – Ben Horowitz**
- Crucial Accountability (2nd Edition) – Patterson, Grenny, Maxfield, McMillan, Switzler
- Entre-leadership – Dave Ramsey



Thank you for your time!

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