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SECOND LOCATION

Maximizing Store No. 1

Don't bother thinking about No. 2 until No. 1 is running as smoothly as possible, says Ed Randall, vice president of operations at Charley's Grilled Subs.

Q: I've heard I need to maximize profits at my first store before moving forward with plans to open another one. Any tips on how I should go about that?

It's a five-pronged piece.

The first step is to have the right people with skin in the game in your first store: choosing the right people, training them with your mindset, and making sure they have reason to perform when you're gone as well as when you're there. The best way to do that is through some kind of performance incentive or potentially even a partnership in the location.

The second thing is when you're in a franchise system and you're considering opening a second location you have to utilize the business consultant who is available to you, who you are paying for by being part of the franchise family. Allow that counsel to guide you, not only to the benefit of that first location, but also in preparing to open the second one.

Point No. 3 is take the time, especially if you don't have a lot of experience in the industry, to understand seasonality. Seasonality has a lot to do with many different things: sales, the way people react in different climates at different times of the year, when you might have turnover based on how your population of employees is built—whether it be students, working mothers, or the elderly. It is important that you track and understand sales and how they react seasonally.

By the second location, not only should you understand the seasonality of the first location, but you should also understand what to look for in the second one. You'll ask the right questions.

The next piece … We talk about it all the time here: If you can't measure, you can't manage. In one location, you can work your way through it by spending a lot of time and effort on your own part. But when you get to location No. 2, you have to have systems in place that allow you numbers so that you can manage by exception versus looking at every single number every single day.

Lastly, you need to experience the accounting process at a year end and see what happens with some of the items such as CAM [common area maintenance] and other variable expenses that you might not have anticipated. They have a way of coming along and accumulating over time. I've seen franchises be surprised at the end of the year when there is reconciliation on a mall foodcourt or a strip center of charges that have been accruing over the year with the landlord. Now all of the sudden you get a large bill for those variable expenses.

> "When you start opening store No. 2, store No. 1 better be on autopilot."

More than anything an individual operator should pay attention to detail. Pre-portioning items in the restaurant, for example, is one of the first things I would be thinking about if I were an operator. One of the places you experience the most loss in restaurants is portioning. I would take advantage of everything I could do to have my product pre-portioned. It gives the customer more consistency in their product. It also gives you better control of your inventory.

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On top of that: managing hourly labor on a half-hour basis; looking at your sales continually; smoothing labor in-and-outs by bringing people in on 15-minute increments; teaching your people to perform multiple functions.

You need to be tuned in on trends. If I look at labor on the hour, I might get fooled into thinking, "This was a great hour I went through; my labor was right on," when it turns out I did 70 percent of my business during the first half hour. If this is at the end of my revenue period, I've just missed an opportunity to potentially cut a half hour of labor. Over the course of 52 weeks, that will add up.

When you start opening store No. 2, store No. 1 better be on autopilot or you're going to experience a decline in the business that got you to the point where you wanted to open store No. 2.

It's natural for people to feel that growth means numbers. And in the restaurant business these days, margins are not always what you want them to be. If every concept had a 25 percent margin, you could make more individual money on one store.

At $500,000 average volume, if you made 10 percent off of that, certainly you've made a reasonable amount of money. But if you're making a living off that concept, you might need multiple locations to live as comfortable as you'd like.

But the devil is in the details. It really is a matter of being willing to look at the details and have people working for you that care about the details as much as you do. Constantly talk about your goals and share your goals with your people.

There is not a lot of rocket science to this. It's very simple if you'll follow the systems that you're given. The difference between the first and second location is the first you run; from that point you then lead an organization versus running a store.

People have a tendency to sometimes think short term. They get anxious to get into that second location and don't spend enough time learning the fundamentals in the first one. Sometimes it takes a little longer but you get a better result when you do things right the first time.

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