

COFFEE
PROFIT LAB
with John Richardson

THE 10 BIG MISTAKES

coffee shop owners make
that **reduce profits** &
increase stress



Big Mistake Number 1

Not "getting" the concept that you are running a business.

So often within the cafe or restaurant business we find people who don't really understand that they are running a business. They don't seem to be able to grasp the fact that it is a business in exactly the same way as IBM is a business.

They seem to feel that there is something slightly sordid about trying to make "real money" out of their enterprise. That it is a bad thing to do to the customer.

Make sure you fully "get" this concept. You are running a business. Not a drop in zone for employees or a soup kitchen to feed the locals.

Big Mistake Number 2

Diluting the passion.

This is one of the saddest. We all start our businesses with a dream. It might be perfect coffee or the world's best sandwich. It might be the most delicious scone or apple pie or maybe even a desire to produce the perfect chocolate brownie.

Regardless of what it is we start up with a ruthless "it has to be this way" type of attitude.

And then we meet our employees and the environmental health officer. Then we meet suppliers who sell us easier options and promise "the customer will never know". We discuss things with our friends and other business people. They advise to take the easy way out.

So we do. Make sure you don't lose the passion and dilute what it was that you "knew" would make your business great when you

started.

Big Mistake number 3

No systems for the integration of passion.

What do I mean by that?

The belief that the passionate idea you originally had cannot be truly taught to your employees. It's the belief that what you have created is something that falls into the category of "you can't teach that..."

If Gordon Ramsay can teach his chefs to create food to a multi-Michelin star standard then you can teach the passion that you have for your business and service.

So once more - don't give up on that dream and that passion. It mattered when you first thought up your concept and it still matters now.

Big Mistake Number 4

No regular and strict grasp of the numbers.

My first food business, ultimately Ireland's largest sandwich business, relied on financial information that was more than a year out of date. We grew and grew and pretty much guessed, by the state of the bank account, how much money we were making. When the business collapsed with cashflow problems I learnt a difficult lesson.

You must, must, must have some form of weekly profit and loss - I shut a profitable business down and laid off 60 staff purely because we couldn't prove to the bank how profitable we were.

It's boring and tedious but you have to have some form of weekly profit and loss to run these types of business.

It doesn't matter how good your muffins are or how well you train your staff - if you're not making money then you'll go bust. And that isn't a nice thing.

Big Mistake Number 5

Not having a plan.

We all have a plan when we first set up our businesses but very often this was for the bank manager as much as anything else. It is extremely rare that I meet coaching or consulting clients who have a clear plan for the next year, two years or five years in their business. They may vaguely mention wishing to make more money or take more time off but almost without exception this "wish" isn't translated into a clear plan with a deadline.

The classic analogy is climbing Everest. Can you imagine a reporter asking Sir Edmund Hilary how he climbed Everest and getting a response like...

"Oh we were just kinda wandering around and all of a sudden we discovered we were at the top!"

Without a plan you'll continue to find yourself trapped by the business and not extracting the real money and freedom of lifestyle that these businesses can so easily produce.

Big Mistake Number 6

Not grasping the true value of a customer.

Most cafe owners and restaurateurs see each transaction as a separate entity. They see their regulars coming in and feel grateful for the few pounds that they give them on that day. This is very foolish and financially dangerous way to treat your regulars.

A regular customer could be worth thousands of pounds to you over the lifetime of your business. I only fully grasped this concept

properly when I lost a valuable regular customer simply by not listening to her complaint properly.

Stop looking at individual transactions and view your customers as potential long term loyal clients who could provide you with thousands and thousands of pounds of profit. Viewed this way it totally transforms your attitude towards customer service and dealing with seemingly trivial complaints.

Big Mistake 7

Not properly using marketing.

So often when I speak to operators they tell me that they don't "do" marketing because they've tried advertising and that "didn't work".

This is a mistake on two levels.

1. Advertising does work but it needs to be cleverly thought out to achieve a result. It does not involve responding to a "last minute great deal" from your local paper and simply throwing up an advert which says how great you are. That will NEVER work.

2. Marketing is NOT just advertising. It encompasses "word of mouth", public relations, direct mail, leaflet campaigns, competitions, point of sale material, sales training and more...

You may not be Coca Cola but you still need to have a marketing campaign and a plan. A campaign that uses some or all of the above and fits your budget. It doesn't even need expensively paid professionals to create it just needs a little creativity on your part.

Big Mistake 8

Thinking "you have to be there".

This is the biggest fallacy in small business ownership. We are fed this line by so many wise old sages who have never run a business in their lives. Or bitter old businessmen who are too stuck in their ways to accept that you can actually trust other people and with decent systems can create an excellent business.

If you accept that notion you are effectively simply "buying a job". A job with no security and no real value since it can't easily be sold on without you.

The solution is systems, training and trust. But none of that is even worth considering unless you have changed the mindset.

Big Mistake Number 9

Not charging enough.

This one pains me most since it is so inherent within our industry. So many of us slog away so hard and simply aren't brave enough for fear of offending customers. The fear of a customer leaving because you have charged them too much weighs heavily in so many operator's minds and it is just, once again, nonsense.

I have had many clients over the years who simply reached a breaking point and finally accepted that they aren't a charity which provides a "service to the community". In one extreme case this took 17 years to sink in. 17 years of producing wonderful food and delicious coffee to create a wage at a similar level to a McDonald's employee.

It took one menu change when we finally started working together to create a business that instantly quadrupled her profits. And only a tiny, tiny minority of customers commented.

You must be brave about this. The risk of running a business is huge and the costs increasingly large. You should never be simply trying to replicate a salary. It has to be about creating a wage

and a decent profit for your risk. This never means over-charging but it does mean charging a fair rate for what you do and being proud of it.

So what's the final Big Mistake?

It's working "In" not "On" your business.

It's about operators who every day are simply content to do a job in the business. Who spend most of their day cooking or serving or even using the till. Who get to the end of the day and have worked hard but in a position that they could have paid somebody £6.00 or £7.00 an hour to do.

They never get to stand back and really think about where to take the business. They never really look at how to change it so that it will cope with the new fancy chain that is opening four doors up. Or how to create a system that will help the business cope when they are away on holiday. Or how to create a business that can be sold as an easily working model to a new owner when they retire.

You need to be devoting at least half your working day to moving the business forward. You simply cannot be trapped in the "you have to be there" mentality or if something, heaven forbid, was to happen to you then you have no business to sell or to support you while you lie in hospital.

This isn't an idealistic dream. It's harsh reality. You must stand back and create a model that works. That creates money and life for you.

So what now?

Will you act on any of these mistakes? Did any of them resonate with you? Or is your business so well structured that you don't need make any of these?

Over the years I have personally made every mistake on that list. It has cost me hundreds of thousands of pounds and I'd hate to think you are making the same expensive mistakes.

At The Coffee Profit Lab, we work with hundreds of clients to ensure they don't make the same mistakes with our on-line training programmes, events and 1:1 consultancy. Don't just "struggle on" and expect things to get better on your own.

John.

Visit www.coffeeprofitlab.com

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