

## Food & Beverage - Changing Your Break Even Point - By Joe Dunbar

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After receiving an above average response to my 'Do You Know Your Break Even Point?' post, I'd like to answer those who seek ways to lower their number. Since the formula relies on sales and costs, the quickest way to lower your break even point figure is to lower fixed costs.

Governor Jimmy Carter balanced the Georgia budget using zero-based budget techniques. He made department heads justify every cent in their budgets. This is a huge departure from the typical budget process which simply takes the previous year's actual costs and adjusts for inflation and projected revenue increases. Many operators won't see last year's sales volume.

Pressure on sales may require increases in advertising and promotion expenses. If your food and beverage percentage is heading up, now may be a great time to trim your overhead. Motivate top executives with a smaller base pay and a larger bonus potential. Let your key people work hard to find a way to greater profitability and reward them for their effort.

With restaurant operators opening fewer new units across the country, you may find 2008 a great year to renegotiate your lease agreements. Take a look at both real estate leases and business property leases. The Federal Reserve is stimulating the economy with lower rates which may help you when you're talking to leasing firms.

Close all losing units which are nowhere near break even point sales volume. Leaving a money drain open hurts the other viable units.

Once you're through slashing waste and unproductive assets, you can look at increasing sales. Rather than throwing a price increase at customers awash in meal coupons, you could book more banquets. Use banquet sales to cover overhead expenses.

Finally, you may want to schedule major repairs and maintenance activities this year. If you are projecting poor sales during a normally slow month or off season, give your employees an extended vacation and get the repairs done.

Joe Dunbar

Dunbar Associates

P.O. Box 579

Fairfax, VA 22038-0579

800-949-3295

<http://www.joedunbar.com>

[jdunbar401@aol.com](mailto:jdunbar401@aol.com)

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