

## Rising Fuel Costs: Reducing the Impact - By Ken Burgin

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Waiting for fuel costs to fall? Dream on.

There's a fundamental shift underway in the cost of doing business: this could be the greatest challenge of the decade. Attention has to be focused on three areas: direct supply costs, customer experience and the impact on staff.

### **Costs go under the microscope**

Last time there was high inflation (in the 80's), much of it could be passed on to customers - raising prices was a sport. But when fuel prices multiply by four, this is not a game. Even cheap consumer goods and machinery will take a hit. As an example\*, it now costs \$8,000 to send a container from Shanghai to the US East Coast, compared to \$3,000 in 2000, and similar rises have hit Australian and European importers. Goodbye cheap tableware, furniture and linen.

Delivery charges are now a cost centre. Free, fast delivery used to be the norm. Now there are minimum orders, fuel surcharges and other add-ons. Have another look at minimum quantities and par levels. Do methods that relied on 'a little and often' still make sense? Does everything have to be delivered within 24 hours?

Kitchen and bar profit margins have to change. Still using old-fashioned benchmarks? The cost of goods needs to fall by at least 3% to make space for the rise in fuel and energy costs. This is where chefs can earn real bonuses - finding new ways with presentation and less expensive ingredients. Recipe Management Software is more important than ever.

'Normal wastage' is out of date. Overpoured liquor, badly trimmed food, slow work and laborious prep. Cutting 60 tasks by a minute each is saving an hour of time. Once we accepted it, now we don't.

Kitchens are energy guzzlers. Does the kitchen exhaust suck up your expensively cooled air? It's important to have the exhaust system supplied with the right quantity of 'make up air' so it doesn't drag it from the front of house. This is one of dozens of costly inefficiencies that don't matter so much when energy is cheap, but hurt right now. Fridge seals, dirty motors and leaky taps - use one of the Staff Cost Control Surveys to gather suggestions. Professional energy audits usually pay for themselves in weeks.

Make life a little warmer (or cooler). Does the airconditioning or heating need to be quite so efficient? A rise or fall of 1 or 2 degrees won't hurt anyone. Make a story about it, and bring your customers onboard.

### **Reduce customer anxiety**

We make our money by giving people a happy, stress-free experience, so it's time to dial up the smiles.

Read the Tour Diary from the 2008 Trends Tour to Chicago & Las Vegas - click the purple button on the left. Now with a huge new Photo Gallery.

Keep the atmosphere cheerful. A visit last week to Phoenix's wonderful Le Grande Orange had me grinning with pleasure from the colourful products and vibrant, happy music. All it takes is iTunes and a little time...it really makes a difference. More than ever, we need strong 'magnets' to attract people.

Talk and buy local. Do it sincerely, and share with customers. They know you can't feed them 365 days a year from local farms, but love to see an honest effort. Are Perrier and San Pellegrino really so magical that you should bring them around the globe? Consumers are asking about 'food miles' - how do you answer?

Can you still deliver for free? Can you afford to offer free delivery for pizza and take-away meals? Chances are if you institute a small delivery fee, it will be eagerly copied by your competitors. The cut-throat pizza industry pioneered this -- now it's time to explain and retrain our customers.

Don't make people drive if they can do it online. Buying giftcards and t-shirts, checking function menus and seeing room layouts -- it should all be possible online. In fact, many customers would rather not talk to you -- they prefer to do it at the keyboard. Is that possible? Have another look at the recent Google Services article for fast, free methods. Here's the new brief for web designers: make it easy for customers to spend without getting in their cars.

Refund the price of a litre or gallon of fuel. It's a clever promotion being used by some operators - acknowledging the issue and slipping in a discount that's not over the top.

Explain and educate. Customers don't really want to hear your war stories, but there are ways to gently remind them why prices have increased, or 'free' now has a 'fee'. Brief your staff so they can defend price changes, and add an occasional short note to the menu.

### **Staff are hurting**

We're not famous for high wages: rising costs will soon flow through to pay increases. Your empathy will help minimise excessive demands and help people come up with solutions -- make this a 'we' project. Can car pooling be encouraged or organised? Are rosters worked around the availability of public transport? Is the boss's big SUV the right look for the times?

Work with staff on fuel saving tips. Here's one: if you travel at 80km per hour instead of 100km per hour, you will reduce your fuel consumption by 50%. This is one of many tips you can find on Google - ask someone to do a search for 'fuel saving tips' and gather a 'top 10' list for your location. Projects like this are always motivating.

Create a new staff hero. Put the sales bonus on hold and create a new category of winner - the Energy Warrior. 50 staff all coming up with one idea for improvement creates a powerful force for change.

[\*Read the report on freight costs [here](#)]

*Profitable Hospitality offers management and cost-control systems (Manuals & CD-ROMs) for restaurants, cafes, hotels, bars and clubs. The systems are based on the extensive consulting and operating experience of CEO Ken Burgin, and enable busy owners and managers to set up complete operating and cost-control systems in minutes, not months. Profitable Hospitality also runs regular management training workshops in the areas of kitchen profit & efficiency, restaurant marketing and functions management. A free monthly e-newsletter keeps you up to date on the latest industry management issues. [www.profitablehospitality.com](http://www.profitablehospitality.com).*

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