

Monitor Your Patient: Part 3

By Tom Hennessy, Colorado Boy Brewing

Note: You can subscribe to Tom's blog, The Affordable Brewery, [here](#).

So far we have covered how to track your sales and your sales pace every day. Next, we went over inventories and your cost of goods sold - your biggest expense usually. Now I'd like to add the third and extremely important third post on your scoreboard - Labor.

I know this is a difficult time (understatement) and that if you are one of the lucky ones to get the Payroll Protection Program money, you are most likely piling on the labor. This is something you normally wouldn't do, but a good thing in these times. But eventually these times are going to be over and if your business is to survive you need to be able to manage your expenses very carefully. Labor is your second - and in some cases your first - major expense.

Every dollar you can save on labor goes right to the bottom line. In fact, every dollar you save on labor probably saves you another .15 to .18 cents in labor taxes as well. So pay attention to this.

Your goal is to come up with a daily labor budget. Now I know you will spend more on a Saturday than a Tuesday, but here is a much simpler way to do this. First, I like to make up a schedule for the whole month. I simply have a spread sheet that lists all the positions across the top. Down the side I list all the days in the month. Then I start with the first day of the month, let's say a Monday for simplicity, and I fill in how many hours for each position. This is based on your experience. So you know what time someone normally comes in to host and what time they should leave. Write this number in the box under host for Monday.

Next fill it out for every position on Monday. Now do the same for every other day of the week. Once I have a full week I simply copy and paste this on all the rest of the corresponding days of the week. If I am open lunch and dinner, I do those separately.

At the bottom of each column, you enter what you pay for that position. If there are different rates based on the person in one position, just average it. For example if I have one oven guy who makes \$13 hr, and another \$15, then I just put in \$14 to average the oven position out.

Your spreadsheet will total all this up for you. Next take this total and plug it into a budget spreadsheet. This is another spreadsheet that looks like a profit and loss statement, Once you know your labor, and you have already figured out your sales goal (part one) and your cost of sales (part two), you are close to seeing what your month will look like. You will, of course, plug in your other knowns, like rent, loan payment, utilities, supplies, etc.

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This will now show you your projected net profit. If you don't see one, you are going to have to go back to this labor sheet and see where you can trim.

Once you have your total labor for the month, divide it by how many days you will be open. This figure is now your Daily labor budget.

So on your score board you might write it out like this - LABOR (823.50)_____ This means that every day you can spend \$823.50 on labor. I call it a labor bank because I can wrap my head around it better. Every day \$823.50 gets deposited in this account - not really, just as an example - and every day you write a check out of it to cover labor. So on Monday you spend \$611.37. That gets subtracted from your \$823.50 and you write the balance down as LABOR (823.50)___212.13__. That means you have a surplus. But the next day you spend \$978.22. So now take the \$823.50 and subtract \$978.22 meaning you spent \$154.72 too much. That gets balanced against your surplus of \$212.13, so now you write down LABOR__(823.50)___57.41__. You still have a surplus but not much. You better be careful.

If this is done on a daily basis, every day you know if you if you can meet your budget. So let's say you have been gone camping for a couple days, you come back, take a look at your scoreboard and see you are in the hole by \$23.48 in your labor bank. As you work your shift you try to get people off the clock by 15 minutes here or 30 minutes there and make up the difference. You can do this because you know in real time what you need to do.

If you are following the scoreboard every day, and are hitting your sales numbers, the cost of sales are in line and you aren't negative in your labor bank, then you should be pretty confident you will make money that month. You see, unless you manage it on a daily basis, time slips by, you are older, and the year is gone and you have nothing to show for it. This process takes about 2 minutes every day and will really save your bacon.

Don't worry about the spreadsheet. Shoot me an email and I'm happy to send them to you or answer any questions. Good luck!



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Tom Hennessy has opened seven breweries of his own and helped open over 100 more with his Colorado Boy Brewery Immersion Course. His video Frankenbrew, from 1995 has become a cult classic in the brewing world. His three brewing books include The Brewery Operations Manual, Colorado Boy SOP, and The Affordable Brewery. Tom lives, brews and writes in his mountain town of Ridgway, Colorado.