

ECKSTUT CONSULTING

SMALL BUSINESS AND RESTAURANT CONSULTANTS

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Nowadays I often hear, “...business is slow, so we’re cutting our marketing budget!” This is the penultimate business “cut off your nose to spite your face” mindset. When business is slow, what does the business need most? It needs to “un-slow” it – i.e. grow the revenues!

Yes, you should cut costs of operations! Actually one should do this all the time, but only during crisis periods does this become a priority.

You should cut your labor costs! You should cut your product costs! You should review your utilities expenses and change operations to save dollars. You should try to try to renegotiate your lease or get rent relief from the landlord. Even go to your “friendly” banker to ask for a loan modification.

However, the one cost of operations that you can’t afford to cut - is the one aspect that grows the revenues: **MARKETING!** In fact, if need be, this cost should be increased!

In a “slow” period, a business’s #1 priority should be to grow the sales – and grow them fast. You will have to rethink and adapt and look at new and better venues to get your brand name out there. A restaurant or other retail business cannot roll up in a cocoon and wait for better times. If you do, those “better times” will never come.

A smart business needs to take advantage of the changing times, the new avenues to get your name out to potential customers, the reducing competition, and discover how to pay more attention to growing sales inside and out.

If you don’t market, you can’t get business. Does Macy’s stop marketing because there’s a recession? Actually, they increase the marketing budget.

On a business’s P&L, the marketing line item (in retail) is every bit as important and relevant as any other major expense of operation, right up there with the above mentioned: labor, product, utilities, rent, debt service.

This marketing line item includes all aspects of attracting customers’ sales from in-house promotions, to websites, public relations events, advertising, merchandising, etc.

In my forensics restaurant work for banks, I often review this line item to examine the operational problems. I tell the bankers, landlords, and my clients that the marketing costs of operations are every bit an integral part of costs of operations as the other more obvious unavoidable expenses. Marketing is the cost of business that if ignored and/or not properly functioning will put the business under.

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Unless the operation has a high rent because of a AAA location that in itself is “marketing” the business, the line item for marketing HAS to be 4-5%; anything above that is too high, anything below that is “unacceptable” – unless the business is so busy it can’t handle another customer. (In my 40 years of business, I have never run into or discovered a business that had that “problem”.)

In other words it’s worse to be under budget, than over it!

When this occurs, if the restaurateur is asking for some kind of rent or debt service relief, I will recommend that this relief be given only after a marketing strategy with dollars attached to it is presented and reviewed. I often tell the bankers/landlords that rather than having their money go to pay old debts , it should be an expense to grow the business sales so that the restaurant becomes a stable, bill paying business.