The Bar & Grill Case Study - 2025

Summary

This is a fictional story of a multi-unit restaurant business. However, the problems and challenges this business faces are typical and shared among all growing restaurant organizations. You will be asked to analyze and assess the challenges and opportunities they face and make recommendations as to how they should proceed. There are financial, operational, technological, and legal considerations that should be evaluated. Your objective is to research ways to help them and propose a plan that is feasible and could realistically be implemented by the company over the near, mid, and long-terms.

The Origin Story

The Bar & Grill opened its first location several years ago in Las Vegas in the suburb of Henderson. Its owner was a classically trained chef who had worked in one of the large hotels on the strip. After many years of working crazy hours under extreme pressure, he decided to work even more hours as an entrepreneur. But at least those hours were going towards building something he could call his own and eventually sell or have others operate it for him.

So, he jumped online and formed an LLC via LegalZoom, opened up a bank account at Wells Fargo and deposited his entire life savings into it as startup money and went on the search for a good location. He found a spot in a strip mall of sorts on Eastern that previously had been used by a restaurant that had gone out of business. So, his initial tenant improvements (TI's) were somewhat small because many of the basics were left by the previous operation. He was able to complete his buildout for just under $300,000. He signed a 5-year lease so that he could get a favorable rate and the landlord required 1% of sales as part of the rent structure. He signed up for QuickBooks online for $50/month, and at night would sit down and enter his expenses and pay vendors. He found QuickBooks to be easy to use and as a person with zero accounting training, its basic features enabled him to save the cost of hiring a bookkeeper.

He developed his reciepes, shopped for and selected a 'Prime Vendor' in US Foods where he would get most of his ingredients and then found a handful of local vendors for the bread and some of the specialty fruits and vegetables. He put out a "Now Hiring" sign in the location window and began taking applications. He had enough people apply for him to select folks for each of the key positions. As he only had one location, he would serve as head chef, manager, owner, bookkeeper, marketer, and policeman.

Once the restaurant opened he finally started to see money deposited into his bank accounts from the merchant processors that were connected to his Point of Sale system called Toast. And for the cash that he received from sales, he gathered that up nightly and drove to the closest Wells Fargo branch and made a physical deposit. It was a ton of hard work, but he did it. He had 'hung a shingle' and was paying his bills with a little left over for himself.

After a slow start, traffic in his restaurant began to pick up when his location was mentioned by a famous YouTuber. From that point on, his sales grew by 40% annually until he maxed out what that location could produce. He began finding ways to expand his reach. The first move was to partner with 3rd party delivery companies like DoorDash and Uber Eats. They were an avenue for additional revenue for him but came at a high cost. They required 30% of the total sale price of each ticket and were coming back constantly with various chargebacks when customers claimed they didn't receive the right order or rejected it because of the quality. In order to keep this in check, He had to spend hours each month going through and reconciling what he recorded as having been sold through them (a receivable) and what these 3PD's were paying him (net of the chargebacks).

The Real Growth

The restaurant was exceeding all expectations. It was doing great but the owner could see that much more of this would cause him to burnout. Also, he was clearly on a wave and he wanted to ride it to its fullest. There was only one option – open up another location. He proceeded to sign another lease in a different part of town with a similar demographic. This time, his sister wanted to invest in this new location so he setup a new LLC with her as a 20% owner. In exchange for which, she contributed $300,000 cash that was used for the TI's in the new store. He signed up for a second instance of Quickbooks because it was its own LLC and he wanted to keep the finances separate. He copied the same chart of accounts as was being used in the first store. He copied the same vendors and added some new ones that were located on that side of town. He signed up for a second install of the POS and a similar lease structure.

The second location enjoyed the momentum from the first and before he knew it the owner had 5 locations, 5 instances of Quickbooks, 5 chart of accounts, 5 bank accounts, 5 legal entities, 5 vendor lists, 5 different ownership structures, and 5 people working as bookkeepers (part-time/full time) trying to stay on top of it all.

The concept was proven in Las Vegas with 5 locations and market research in southern California, Arizona, and Utah revealed that similar results would be achieved in those markets.

Preparing for Growth

The owner was ready to expand but he didn't want to use his own personal money to do so. It was time to take on investors. In doing so, it became apparent that he was going to have more detailed information about his business and to show potential investors that the business was sophisticated from an analytics perspective. In other words, he was going to need to show how he was making money in a more detailed way than simply showing bank statements that showed that there was more money in the bank at the end of the month than there was at the start of the month. What's more is that he was going to need to prove that the business could scale. Meaning, that more locations could be added without proportionately having to add additional administrative expenses. At some point, adding another location would cost less than the first locations.

In addition to these challenges, there were operational nuances that were holding the business back from reaching its full potential. One example of this was the financial reporting the accounting team was producing. The managers at each store (who were compensated partially based on the profitability of each store's performance) were receiving their store P/L's 2 weeks after then end of each month. This delay in reporting timeliness made their store P/L's utterly useless to the managers as anything they learned from them was in the past month and also half way through the next month. Another nuance was the accuracy of the P/L's. Inevitably, invoices received at the store were often lost from the hustle and bustle of running a busy restaurant where the guest comes first and food quality way ahead of whatever was next. Mailing an invoice from a vendor to HQ was way down the list of priorities. However, it ultimately became a crisis when a vendor who had not received payment threatened to cut off shipments of ingredients. Invoices were hunted down, sent to HQ, entered, paid, and P/L's would need to be adjusted. Thereby eroding the confidence any manager placed in the very report that indicated how they were making money (or losing it.) And finally, the P/L's were issued at the end of each month covering the reporting period of that month. Managers were given year over year versions of the reports which typically is a very good indication of growth. However, traffic in the restaurants was much heavier on the weekends than at the first of the week (i.e. Monday and Tuesdays.). Therefore, if the current month had one more Friday night in it than last year's same month, it made comparisons of year over year irrelevant unless the manager took the P/L and made adjustments manually in Excel.

Another operational challenge the company faced was cash management. Each restaurant receives approximately $1,000 in cash each day from customers for their orders. At the end of each day, these funds are taken from the till (the cash drawer in the point of sale system) and counted and put in an envelope in the safe in the office of each location. These funds are taken each day to the bank and deposited by the night manager of each store. There are times when the manager needs to purchase odds and ends for the restaurant and he uses these funds. For example, he may swing by Home Depot and purchase cleaning materials or light bulbs. The net amount is then deposited in the bank. The receipts for these purchases are then mailed into corporate where the accounting team manually accounts for them and nets them against what was originally reported as the nightly deposit amount. A further complication is when funds are needed during the day to run to the grocery store to purchase additional ingredients that have run out (such as milk, eggs, or cheese) due to spoilage or under ordering. Managers pull money from the tills to pay for these expenses and then send an email to corporate letting them know how much and what it was for. It is common that these expenses are not accounted for properly and the restaurant's food cost is under reported.

A further cash management issue stems from the way credit cards are accounted for and reconciled. Each day, each bank account receives three deposits: the cash deposit the manager makes, the American Express deposit, and the Global Pay deposit (which is the amount from all Visa, Mastercard, and Discover Card payments received.) The American Express hits daily but is the gross amount. Amex fees are then auto-deducted from the location's bank account separately. The Global Pay hits 5 days a week, with Monday's deposit including the sales from Saturday and Sunday combined. The accounting for the fees and bank reconciliation efforts for these nuances has become so tedious that it requires about 4-5 hours per month per bank account to reconcile. This is one of the reasons financials are not completed until the 15th of the following month. A delay which makes the information utterly useless from an operations perspective.

A final wrinkle that causes massive administrative headache from a cash reconciliation perspective is third party deliveries. The company uses DoorDash and about 30% of sales run through this sales channel. The margins are not great because DoorDash charges so much but at the volume they do it was determined to be worth it. The company goes to great length to properly prepare the orders coming through DoorDash. However, consumers are prickly and there are a number of credits requested that are reported only to DoorDash. So, the company records what it sells through DoorDash and is expecting a certain amount (less the fees) but then DoorDash deposits less than this because of the credits reported by the consumers (for things like cold food, incorrect order, or late delivery.). The reconciliation of what is expected with what is received takes about 10 hours per month per store. This effort contributes the requirement to add an additional accountant for every new store that opens.

You, the Consultant

You and your team have been hired to evaluate The Bar & Grill and help them make their business more scalable so that each new store opening adds to the overall gross margin % of the business instead of maintaining it. The company needs to be more sophisticated in reporting and the accounting department needs to become more of an operational support center than a compliance cost center (which is what it is today.).

You need to learn about the industry, research available technology on the market, prioritize the issues they face based on their impact, and put a plan in place to systematize your solutions so that they become part of the business for years to come. All this while maintain financial and operational stability.