

S5E37-Mark Kelnhofer

SPEAKERS

Mark Kelnhofer, Peter Margaritis

Peter Margaritis

Welcome back, everybody. Actually, today is my first podcast interview, hosted in Stillwater, Oklahoma. And my guest today is, as you heard, is Mark Kelnhofer. And Mark, first and foremost, thanks for taking time out of your busy schedule to be on this podcast with me.

Mark Kelnhofer

Yeah, no problem. Glad to be here. I know you and I go back for quite, a quite a few years, but we finally got to make the connection.

Peter Margaritis

Oh, yeah, we had, we had to reschedule this a couple of times due to my move and some other things, but we probably will figure it out. And we go all the way back, I don't remember the year, but back to Ohio Dominican University.

Mark Kelnhofer

Yeah, we both actually taught accounting there. And yeah, I can't even tell you how far back that was.

Peter Margaritis

So, that had to be, let's just pick a year. Let's say 2004. Something like that. A lot of times, we live in the same, basically the same city, Westerville. Ohio. Our paths over the years kind of just kind of crossed periodically. And we kind of fell off the radar. But you had asked me to speak at one of your conferences that you host we're gonna talk more about that because it really got me thinking, you used to work for Bravo Brio restaurant organization. And back in 2009, you laugh, we started this company called Return on Ingredients. So, that entrepreneurial spirit lives in you completely, because we'll talk about other things to do, but tell you that that thought process when they decided it's time to leave the Bravo restaurant and start your own business.

Mark Kelnhofer

Yes, I, so let me tell you a little bit more about that. So, my background, as you know, is it started in manufacturing accounting. I was the cost accountant in industry for 10 years. And, you know, as you know, those it's a very analytical position. And I loved everything about what I was doing in industry. And it was a wide variety of different types of things I got exposed to in manufacturing. But then I got a call one day with Bravo Brio Restaurant Group in 2002, to come join them. And what I found out quite quickly, was that they really had no clue what their cost structure was. Not at all. I mean, they had a partial idea on ingredients, but not, not, not too very analytical. Not what I was used to in manufacturing. And so, when I got there, I really started thinking about applying managerial cost

concepts to the restaurant industry. And so, if you think about that, you know, we talk all the time about, you know, raw materials and direct labor and overhead. Well, you know, what, you know, restaurant technically, is a manufacturer. The ingredients are the raw materials. You're modifying those ingredients. There's definite processes that happen. It's a very scientific calculation when we talk about densities, weights and measures, yields. And, you know, direct labor is that chef or bartender that's producing the product for you. And they have overhead just like anybody else. So, when we talk about manual engineering and the ability to plan for profitability, it becomes such a great tool, because now we do know our total cost. And really, one of the reasons why I got into an entrepreneurial role is that I looked at the industry as a whole and I saw that the restaurant failure rate was huge. So, right there, there's a piece of something where I was like, there might be something to this, you know. And at Bravo Brio Restaurant Group when I actually applied those concepts. it was a definite paradigm shift, right? We looked at cost differently. We treated it differently. We're able to benchmark performance in every component of cost. And we made sure that we're driving profitability and cash to the bank, right? And as part of that, I was able to reduce their cost line five consecutive years in a row and it is big dollars in savings. So, I knew not only did I know conceptually that everything could work. I actually had a case study now where I had big dollar results from that. And before I left Bravo, I went ahead and I interviewed other restaurant operators that are in town here, and there's a lot of restaurants that, you know, in Columbus. We are the test market for many, many different chains. And, you know, I saw that there was the similar lack of controls, in some cases, even lack of recipe documentation. So, I knew that the need was great, right? I knew that the operators are out there. They weren't too methodical. And, you know, in addition to that what I found out from speaking at a lot of different hospitality management schools, culinary schools, is I really saw that the on the academic side, there was a lack of instruction on cost controls, or how to develop a cost, or even hospitality accounting courses. The basics of how to read a financial, or even more importantly, an entrepreneurship course. So, I saw all these things come together. I really felt that this was a niche. There's not too many people. I bet if you look and try to search, you probably would not find maybe anybody that does managerial cost accounting for a recipe, right? And that's really how Return on Ingredients started in 2009 is from that. I did do some research. And I wanted to be methodical myself before I made that jump.

Peter Margaritis

So, I do tell the story, I remember that I actually came out to one of the Brio Bravo restaurants, and you show me around. And you're, you were showing me the cost control pieces that you have put in place, from, you know, measuring out waste, that whole aspect of it. And having spent enough years in the restaurant business, I don't went that this is really cool, what you've done. And it really is because you help, just like I'm looking at your side and behind you, Controlling food and beverage costs to improve efficiency, and profit.

Mark Kelhofer

Yeah, and the other thing around that is that you're now able to control every aspect of cost. And the reason why that's more important than ever today than pre-COVID. You know, I always was talking pre-COVID, that this is an important thing to do. We need to do it. I wanted to shift. You know, it's a paradigm shift for the industry to actually think about costs like this. But today, post-COVID, it's more important than ever, because they're getting hit on every aspect of costs. Commodity costs are changing at such a rapid rate that we have to respond to them. Labor costs are way up, including

benefits. And then there's some overhead costs are getting pressured on too. So, you know, the electricity and natural gas and some of the supplies are buying, they're all going up in cost. So, I used to say before COVID that the restaurant industry is probably one of the most difficult businesses to be in. And today I say it's definitely the most difficult business to be in because they have so many things they have to respond to.

Peter Margaritis

And, you know, labor is the big one. And that labor costs, but then finding people to work in this post-COVID. I mean, a lot of restaurants have had to either limit hours. I wanted sushi one day, and I went to this restaurant. And that was part of the order was later in the afternoon and they said we're out of rolls. We can't find enough sushi chefs to basically staff is 24/7. But so, on Tuesdays they come in and just make enough rolls and they leave, and when we sell out, we sell out.

Mark Kelnhofer

Right. And the other thing you'll see sometimes I've seen this is that I've ever walked into a restaurant, or part of the restaurants closed because they don't have enough waiters or waitresses?

Peter Margaritis

Yeah, yeah. Yeah.

Mark Kelnhofer

So, labor, the labor, it's definitely a big issue there. I don't want to say they're fighting, but they're definitely competing against each other for that quality labor pool. But there is a limitation on the skill sets that they can get. You know, I have a restaurant here in town that told me, you know, hey, we get our staffing. But I can tell you that the skill sets are not what we expected, and we're actually paying a premium for them.

Peter Margaritis

Yeah, it's almost like, here, we put this mirror underneath your nose. You can fog it up. You're hired. Yeah.

Mark Kelnhofer

Yeah, yeah. The day. Yeah. You know, the real issue, when I teach this, when I speak at trade shows or teaching, one of the things I say it's that this data that we're gathering is to help us respond. And today, they have to respond quickly.

Peter Margaritis

Right.

Mark Kelnhofer

So, if there's an increase in a commodity, a food commodity, they have to now respond quicker than ever because if they don't, you know, they take a hit on cost, and it's not acceptable anymore to just let that cost increase go, right? So, they have to have the mechanisms in place, but they also have to understand how to make those decisions, proper decisions, on how to make sure the company

continues to be profitable and successful. Because you can make a bad decision very easily. I mean, it's incredibly easy. So, if you don't have the proper data in front of you, I've seen some restaurants make decisions off of, you know, sometimes quantity own, right? We have this, this thing that we're taught in accounting class, you know, cost, volume, profit, right? And, you know, I tell my students, you know, is quantity always the most important thing? And it's really not. What's the most important, it's the profitability, every one of those menu items drives. So, I've seen people that they'll pull something off and might have a lower quantity and sales, but technically, it had a higher profitability and then just hurt themselves in the foot, shot themselves. And the bottom line all of a sudden has taken a hit because they didn't look at all the components.

Peter Margaritis

Right. Right. So, help me here. So, 2009, you started Returning on Ingredients, but then, basically, almost four years later, you started this Restaurant Institute? What was the thought process into that?

Mark Kelnhofer

Well, first of all, it's kind of a funny story. So, you'll enjoy this. I was speaking at some trade shows. So, one of the things I did to help promote what I was doing for Return on Ingredients was that I was going to different trade shows and speaking. I wanted to become the the authority on cost management. And so, the first year I did it may be I did three shows. Right? And, and over time, as I did it, I got really good at it. And prior to COVID happening, I probably did close to 35 shows that year. And but what happened was that I was at these trade shows, and some of the attendees were saying, Yeah, you should write a book. And I'm thinking, Oh, my God, you know, I don't know if I can do that. But I ended up writing a book, right? Self-published. I literally did all the desktop layouts. I did the cover design. I did everything, right? But I didn't want the book to have Kelnhofer Publishing on the back. Right? So, I went out in 2012. And I couldn't believe it Restaurant Institute was available. But I went to GoDaddy, and it was there. So, I grabbed it. RestaurantInstitute.com. And I put a lot of, I created a website, but I put the logo on the back of the book, right? And when I went to these trade shows, you wouldn't believe the response. You know, a lot of attendees are flipping the book over and they would see the Restaurant Institute logo. And they were like, well, he's nationally published. And I didn't want to tell him, it was just me cranking out this book, right? But that's how I really got started because I wanted a brand on the book. Right? And that's a funny way to start a company. But you had a purpose right here. The whole idea was to sell the book and to promote what I was doing on Return on Ingredients. So, then after that Restaurant Institute, I actually grew up right. So instead of just books, you know, we got into, we have our own periodical now that comes out every quarter called Food, Beverage and Labor Cost Control Quarterly. And it's a digital publication. It's been in place for five years. And we also created our own conferences. So, what I did is, I was speaking and I was traveling all over the nation and sometimes outside nations. And I said, I should just create a conference in Columbus, right? Have them come to me, why am I doing all this traveling right? So, I created this cost, very specific cost control conference, and it's called the Food Beverage Labor Cost Management Summit. And I started here in Columbus, believe it or not seven years ago, and it's been in place that many years. And now we've grown our conference to Washington, DC, Louisville, Kentucky. We're going into Charlotte, North Carolina next year. So, the conference component or the educational components has been growing. And we're now getting into management and training and training modules on it, and that's a work in progress. But it's soon going to be announced that we are are going to be able to provide online training specifically for

hospitality arena. And we're getting into the training piece. So it's a company that started really kind of oddly, but now it's got its own legs and it really has grown into something quite different than when it first started.

Peter Margaritis

Such a great story. It is such a great story, Mark. That impressive what you the idea that come up the head of the publisher Restaurant Institute? And how that is taken off? And so, what how did you pick? I know you've probably picked DC because you're an adjunct lecturer at Georgetown University. So, okay, Louisville, and Charlotte, what were, what was the idea throw out those two, other than you might like Bourbon a lot.

Mark Kelhofer

When I create a new setting or want to go into new city, I always want a partner. Now, as you know, I got 1000s of connections. But I want a partner to help support what the events about. Help promote it. And so, I don't go into a new city unless I have some sort of partnership with it. Okay, so when I looked at Louisville, we have a partner there with the Kentucky Restaurant Association. They want the conference to be in Louisville, Kentucky, and they are willing to help promote that conference as well as us, right? Maybe even provide speakers, things like that. So, in Charlotte, it's Johnson and Wales University, right? So, we're working with them directly for the same purpose. They want to have the event on their campus. So, when I have these partnerships, the start out a conference in a brand-new city, the first year goes off a lot better than not having a partnership. And so, we make sure we have those types of connections or relationships built before we ever launched something. And I think that component is so critical. You know, you know, when I started the one in Columbus, I had a lot of contacts in Columbus, but I didn't really have a partner in Columbus. You know, and it's so difficult to get people to come to meetings. And so, you really got to have dynamic speakers. You got promoted properly. You got to have the right content. And so, having a partner to promote what that's all about, just assist in being able to get into these different settings.

Peter Margaritis

So, the school in Charlotte, do they have, is it a food and beverage school? Is it is it university, but they have a food and beverage and hospitality major.

Mark Kelhofer

So, Johnson and Wales, that's a well-known hospitality school. You know, it's probably one of the top hospitality schools in the nation. So, I obviously wanted to partner with them. So, I mean, I've been talking with them, and they are very interested in launching this conference next year. But that's how, you know, I got, you'll laugh this too, I went to Half Price Books one day, and I picked up believe it or not a directory, a national directory of all the hospitality management schools in the nation.

Peter Margaritis

Really?

Mark Kelnhofer

It's out of print, by its I will never loan this book out anybody, but I have it, right? But I use that as a resource to know where all the programs are. And I know over time from speaking where all the prestigious programs are, and we try to build relationships with those universities and schools. But I now have all the national programs at the, at my fingertips where I can reach out if I want to go to any city for that matter, I can reach out and actually tap on to the program chair, the director of the program and be able to create those relationships.

Peter Margaritis

Well, I have this question now. Oklahoma State. Are they in your directory?

Mark Kelnhofer

Is what?

Peter Margaritis

Oklahoma State do they, I'm gonna look at the hospitality major or whatever. Just curious.

Mark Kelnhofer

At my disposal. Right? I, you know, sorted by state and I took the time to put it into a spreadsheet.

Peter Margaritis

Of course, you did.

Mark Kelnhofer

Of course, I did. Because I wanted to make sure that it was an electronic file.

Peter Margaritis

Right.

Mark Kelnhofer

I got the book here too. So, we can look at the book. Now, this book is out of print. So, we'll see how current it is by like, but that would be another OSU.

Peter Margaritis

It would be another OSU. There's three of them in the US. And you might as well try to get all three of them in your in your stable.

Mark Kelnhofer

Yeah, exactly. So, but we'll see here. See what we've got Oklahoma. Okay. So, they do have on this directory, we have one that's actually in Oklahoma City, which is a technical school. It's not OSU. Then it says Oklahoma State is Oklahoma Ag. It must be a branch where they have a hospitality management program.

Peter Margaritis

Okay. Interesting.

Mark Kelnhofer

It might not be on the main campus, but it looks like it's out of branch.

Peter Margaritis

I will look that up for you. Maybe back then it was on a branch. Maybe it's now it's on the main campus. I will get, I will find that information out and send it to you.

Mark Kelnhofer

So, there you go.

Peter Margaritis

There you go. It's all about connections. So, that's been going on. And that's how we got reconnected. You called me one day and said, "Hey, I got a speaker that bailed on me. Can you come and speak at this restaurant conference?" I said, "Absolutely. Let's do it." I did it. I enjoyed it. Clearly, I was not speaking. I was doing more of the management, training and leadership aspects of it. But I did meet the one of the partners of FIDO. And we've had a couple conversations over the past, since April. And we were just about ready to get together and have another side conversation, but I moved. But I told him when I come back when I have time. We'll get together and talk. Nice guy. I'm interesting story. Yeah, Scott Neff. He wrote, I've got his book, and I've read it. I forget what it's titled now.

Mark Kelnhofer

Yeah. By he's a partner. Yeah, I'm in contact with him quite a bit. Yeah.

Peter Margaritis

Well, so you've done that. And I've mentioned that you're an adjunct lecturer at Georgetown University. You started at 2018. But you are a lecturer at The OSU, not OSU, THE OSU. Now, because and how did that happen? I mean.

Mark Kelnhofer

Well, that's a kind of a funny story, too. So, I ended up, but I was at a trade show, I think out of state, and somebody from Ohio State was in the crowd, right? And I said, "Well, you know, I live right down the road. Yeah. And he didn't have to come all the way out here to come see me." And so, but they ended up, they ended up inviting me to come speak as a guest speaker to the Hospitality Management Program at Ohio State. And I said, Sure, I'd be glad to do it, it's right down the road. So, I came in, and I spoke for an hour to the students there, as well as the faculty, all the faculty were there, and their board was there and all that. And I ended up getting the offer, maybe six months later, to come teach the cost control course there. And so, it really came out of a speaking engagement. And so, I'm a firm believer that this whole educational marketing aspect really works well, right? So, you know, I go to a trade show, and I'm in front of a bunch of professionals, you know, if they're in front of me, at my session, they're almost like pre-qualified leads, because they need some help on cost or manual engineering or profitability. And so, you know, every time I would do a trade show, I'd walk out the door with a bunch of

business cards, you know, as leads, you know, but it also led to things like Ohio State, you know, where, you know, if I, if I didn't do all that speaking, I would never have that opportunity.

Peter Margaritis

Absolutely. I want to so, when you, you don't have to ask this question if you don't want to, but the speaking engagements that you got at these trade shows, were they pro bono, or were you collecting at least travel expenses to cover or where you actually had a fee to go along with it?

Mark Kelnhofer

That's really a great question. And so, the answer to the question, if anybody actually wants to do the same approach is that it's incredibly negotiable. Right? And I've been paid as much as \$6,000 to do a session, but I've also been paid zero. You know, where I said, you know, you know, I understand the circumstance, if it's a, let's say, it's a local chapter of an association, a lot of times, they don't have a lot of money. You know, I'll do a pro bono, but I'll still get in front of enough people to make it worth my while where I can collect the leads and all that. So, it's, it's negotiable. And, you know, on the pro bono side, you have to be careful about taking on maybe some speaking engagements and may not have a crowd size big enough, where you definitely want to make sure you want to get some good quality leads out of it, but you don't want to talk to a small group where you may not get any leads. Right?

Peter Margaritis

Right.

Mark Kelnhofer

So, you kind of have to evaluate the opportunity. And sometimes you have to create the opportunity and what I mean by that, you're gonna, again, you know, this is maybe a lesson in life and things I've done, but I got really methodical about speaking at trade shows, meaning that a lot of trade shows have call for speakers and proposals. And sometimes in some cases, it might be six to nine months out when that process happens. So, I created an Excel spreadsheet, surprise, surprise, on, I had a total 130 different trade shows that were related to food and beverage where I knew exactly the dates of the event, when the call for proposals were coming due, so that I could chip away at sending their proposal way in advance. So, I had a head start on the competition and all the other speakers that you're going to be against. And so, I ended up having that process in place so that I would have, you know, it's not too unusual that I'd put in, you know, 60 different proposals during the year and land, half of those, you know, so, but it took some work on my part, to know when those deadlines are coming up, how to write their proposal, all that. And so, you can't just sit back and wait for them to come to you, you really have to be proactive to go after certain events, if you want to speak at.

Peter Margaritis

For my audience, that is a great lesson he just shared because I've been doing that, and, and speaking at trade shows, speaking at associations, speak at anybody that has the audience that you want to do business with, you have to be proactive, and you have to separate yourself from the competition. And with you, Mark, you've got such a niche market. But that niche market is so important to the bottom line of your audience, of your customer that, like you said, people start having business cards. Now out of that you get, so you walk away with 50 cards. All you need this one.

Mark Kelnhofer

Yes, but you know what I'll do so really evaluate the 50 cards, and I'll be proactive, you know, the whatever it might be the five or six that I really want to go after, you know. Yeah, you don't close all of them. But if you close that one, it's a big deal. You know, and you mentioned the word customer. So, let me just tell you about this tip. So, my customer, when I started it was obviously the restaurant industry. So, I really target as much as possible emerging chain where they have a couple locations, they're growing, but they don't have the cost controls in place. And we've done chains too, because you might be surprised how many chains grow to be 40-50-60 stores and still not at the proper cost controls in place. Doesn't mean we're not going to do a sole location because we've done him. But I'm selective about taking those on. You know, but the whole point of where I'm getting on this is that the customer has changed. And what I mean by that is that so if you sit back, I want you to think about this as this is my thought process too. So, I'll tell you one of my thought processes, and you'll see where I'm going with this. So, the restaurant industry is not the only industry that has food and beverage restaurants, right. So, we've done things like casinos, hotels, sports arenas. You can go on and on, right, cruise ships. There're all kinds of applications where we can manage food and beverage. It's not a restaurant. And so, we started really getting into microbreweries, because in Ohio here we have 304 microbreweries. Now we're doing recipe costing for beer production. Right? And the restaurants that they have. Right. So, now we're doing, you know, you know, microbrewery concepts where they have a little bit more complex that they do actually do have a manufacturing process of, of a canned or keg product versus the restaurant side too, you know. So, what we're finding is that brew masters are no different than culinarians. They have a lot of passion and a lot of emotion. They love their product, love what they do, but they don't always have numbers attached to them. And so, the application, you probably would drive yourself up the wall if you thought about all the different places where food and beverage are being produced. But again, we want to create a niche, how they manage their own cost accountants are in craft brewing.

Peter Margaritis

Right. None.

Mark Kelnhofer

So, the customer is changing. We're going into different areas. But yeah, it's all the same folks.

Peter Margaritis

Wow. That you mentioned about the breweries and stuff and I used to make my own beer. When I started this business, I quit. You may just inspire me to go back and start doing that again. People, I mean, people said, why don't you start brewing your own, a friend of mine said, you got the greatest barbecue have tasted and make the best beer and you're terrible CPA. Why aren't you doing this?

Mark Kelnhofer

One thing I learned I did do a small microbrewery wines. And I actually went through the process of making a batch of beer with them and all that, but very labor intense. So, when I got in it is a passion for them. But when I get done with that batch of beer, I kind of said, you know, I'm never gonna make my beer again. I'm gonna buy it, because it's so incredibly labor intensive. Right?

Peter Margaritis

Labor and time. It takes about a month.

Mark Kelnhofer

Exactly.

Peter Margaritis

Absolutely. You know, there's so many stories that we'll have to have you back on, because there's so many other stories that I know that you have that entrepreneurial perspective that I'd love to tap into. And, and dig a little bit deeper, you borrowed the word, the phrase of the day, or the two words, my new two words moving forward that I've never heard before. Menu engineering.

Mark Kelnhofer

Yeah, so you've never heard of that term before?

Peter Margaritis

I've never, I've never heard of that term. But I understand the term. But I've never heard this term before.

Mark Kelnhofer

Think of it as another way to look at cost, volume, profit, right? It's a different way of doing it. But it's a little different in that when we engineer a menu, you know, it's called menu engineering. But it's, it's greater than that. It's actually category engineering. So, if you look at a menu, and you see an appetizer section, we're looking at those six appetizers, and we're analyzing performance. And we are looking at profitability, while make sure that we have the highest profitability items on each category. So, every category and when we're doing menu change, we're really making methodical decisions about what is coming off and what's going on. And so, one of the things that we do as an example, is that if something is making the smallest amount of profit, that's, that's really one we're going to target to take off. Now, sometimes, it's not always about the numbers, right? And we're in a field that has passion, emotion, creativity. And so, you do have to go to these owners sometimes and say, Look, we really think this is the item to take off. And they might say, this has happened before a funny story is, that's my mother's recipe from decades, from her grandmother, right, Or her mother, you know, and it goes back for generations. And they're like, there's no way I'm gonna take that off. I go, Well, this is a business, right? If you're gonna do it for a hobby, you're in the wrong business, right? And so, it's all about it is partially about the numbers. But sometimes there's that emotion that drives some of the decision that you have to have to address.

Peter Margaritis

Yeah.

Mark Kelnhofer

And so, every category needs to be engineered. And the thing that we want to make sure of is that we increase our chances for profitability. And what I mean by that is, and when we develop a new product,

let's just pretend that we brought, took an item off, and the profit on that item was \$3. Per plate. When we put a new item on, the one thing that we don't want to do is decrease our chances for profitability. So, if we put an item on that has a greater per profit item per plate, it increases our chances. But if we put an item on then only makes \$2 per plate in place of the one we just took off, what do you have to do? You have to sell more, right and make a difference. And so, it's incredibly methodical in terms of the numbers they use, but even the placement. So, when you go to a restaurant, and I know a lot of restaurants don't do this, and if I had a menu in front of me, I could show you, but how we lay out the menu, where we put the menu items really matters. There's actually what's called an eye gaze study that, that, scientifically, states how a person reads a menu first, second, third, fourth, fifth, right? So, where we placed the menu items really has an impact and profitability. So, the way I do it is that every category, I put the most profitable item up on top in descending order, right? And the waiter or waitress has that suggestive selling capability. You don't need to know the numbers, but they are and they do have a high impact and profitability. So, they knew that the best selling product in each category was on top going down in descending order. They're actually the people that are going to help drive the profitability of the company. So, it's, it's a lot of different things, a lot of different points. And you can talk about we can talk all day about menu design and readability and all that. But where are we putting on the menu in which items to put on or take off? Those are critical decisions for the company that need to be made. And they got to be done methodically.

Peter Margaritis

Man, that's fascinating. Now, I will never look at a menu in the same way. Never again.

Mark Kelnhofer

I'll give you another piece of that when we talked about it. When I go on to a new client, but this is not, I'll ask you this question, because you've eaten out enough, right? Have you ever gone to a restaurant and had trouble making a decision on what to get? Because of the sheer quantity of menu items they have?

Peter Margaritis

I won't mention the restaurants but yes.

Mark Kelnhofer

Right. So, I tell my students what, you know, I want them to bring menus into my class, right. I want you to count the number of menu items. So, student will bring one in. And let's say they have 80 menu items. And I'll ask them, "Do you think that location can really produce consistently with the same quality those menu items?" And the answer every time is, "No, I don't think they can. It's too complex." So, the idea is that we shrink the menu. It's called menu rationalization. That's the technical term for it. But we shrink it because we want to have higher quality, consistency and efficiency. Right? You know, one of the best menus I've seen in town, and there's quite a few of them here. One on One Beer Kitchen, if have you ever gone there? And you look and you count those that menu. Maybe 25, maybe less my items listed. Right? Well, they have high consistency, high quality. It's very executable, you know. So, when I see a menu that has 25-30 items, that's really where we need to be. And the other thing that's translates to is that if he ever read descriptions on a menu, I can I'm very good at telling him when things are House-made, just from the descriptions on the menu. And so, when I see a lot of menu

items on the menu, you know, I have a new client now that has like 80. And I read the descriptions, and I can tell that out of those 80 menu items, they have a lot of prep to do to support it. That's sometimes through relates to a lot of prep recipes, sometimes over 100. If you think about all the ingredients you need to support those prep recipes and the menu items, now you're well over 100 in purchase products that you have to get to support it. So, all of a sudden, this really goes all the way back to inventory management too because now instead of having the success of inventories, if I reduce the size of the menu, I'm reducing the size of the inventories they have. And by the way, the inventories are turning. They're making money for us. They're not products sitting on the shelf that one day may actually go bad because we do have shelf life. They don't last forever. So, this whole idea of get the recipe costing and manual engineering, it has such an impact on the overall business. It's what they're all about, but they don't have a good idea of what that cost structure is. Yeah, it's a tough business.

Peter Margaritis

It is a tough business. So, thank you for taking time. This has been fascinating. Like I said, I'll never look at a menu the same way. And actually, I'm gonna bring some of this into my classroom, actually, I think I want to have my students listen to this episode. Just because a lot of business majors and they don't understand why, you know, that intro those intro classes into the accounting world are so important.

Mark Kelnhofer

Yeah. So, you know, when I did teach financial accounting back in those years, or managerial accounting, you know, at Ohio Dominican with you way, way, way back. You know, I was actually using food and beverage examples because they can relate to it.

Peter Margaritis

Right.

Mark Kelnhofer

And, you know, manager accounting, if you think about it, it's, a difficult course. It's complex. But if you talk in terms of food, they understand it a lot more, or they accept it a lot more. But even better if you brought the food in, then it's even better, right? Because then we can talk about, hey, look what happens when we process this product. And what happens to cost, you know. So, I know sounds ridiculous. But if I bring up banana in front of you now, and I peel the banana, that's a process. And what I have left is the peel banana and the peel will throw out right? Well, a couple of things have happened. We just had a loss on processing the product because technically paid for the peel. It's by weight, right? So, now what I have leftover. There's a yield on it. Automatically the cost goes up, right, because I do have some ways that I can account for. Oh by the way, it took somebody's hands to process it. It just didn't happen on its own did it? That's direct labor, and then we can apply over it to it. So, you can use a simple example of peeling a banana and apply all the concepts of managerial accounting.

Peter Margaritis

Absolutely. And that's why he's so successful in the classroom as well. So, we have to wrap up. Thank you very much.

Mark Kelnhofer

Oh, by the way, you said the name of your podcast has Changed Your Mind?

Peter Margaritis

Change Your Mindset.

Mark Kelnhofer

Changed your mindset. That's what this is all about. Yeah, when we talked about changing an industry. That's what I'm trying to do and change. You know, creating a paradigm shift and completely change how people think about costs.

Peter Margaritis

And you're doing a hell of a job of doing that. And like I said, I'm gonna bring these examples. I'll have my students listen to this episode, because I think they'll get a lot out of it and have a better understanding of why it's important to understand these types of accounting issues. And it's, and it's more about it's, it's, it goes to profitability, and that's what everybody in businesses are trying to be profitable for. Friend, be careful, be safe out there. Keep doing what you're doing. Don't stop. Keep driving forward. And if you ever get to Oklahoma, you gotta look the me up.

Mark Kelnhofer

I was gonna say, you can invite me out there. Maybe we can coordinate something.

Peter Margaritis

Okay. Absolutely.

Mark Kelnhofer

Awesome.

Peter Margaritis

Alright, buddy.

Mark Kelnhofer

Take care.

Peter Margaritis

And I want to thank Mark for his entrepreneurial stories, and I hope his stories have sparked ideas for your entrepreneurial journey. Remember, there are people who prefer to say yes, there are people who prefer to say no, those who say yes are rewarded by their adventures and those who say no, are rewarded by the safety they obtained. Be a Yes person, and thank you for listening.