

Dining Dilemma - The Art and Arithmetic of Expansion



In the heart of Chennai, a charming rustic restaurant, dishing out homegrown delights, captured hearts and taste buds alike. Packed to the brim, the owners and consultants, including us, saw not just a thriving eatery but a potential goldmine in expansion. The plan: add more seats, serve more patrons, and watch profits soar. Seemed foolproof, but we crunched the numbers in our digital 'pros & cons' list.

The Excel saga began, tallying up every incremental cost of the expansion – rent, furniture, staff, and more. Then came the juicy part: the incremental revenue from the overflow of customers. Surprise struck like a gastronomic delight – the math didn't align with the anticipated financial feast. Profits didn't rise; they dipped.

The culprit? Predominantly fixed costs ballooned with the expansion, while the overflow of patrons only graced the restaurant on the weekends. The financial sense crumbled when Monday to Thursday incurred extra costs with no compensatory margins. What looked like a no-brainer at first glance became a lesson in the art of strategic arithmetic.

This tale resonates beyond the culinary realm – a reminder that creative ideas sparkle with promise, but validation through hard numbers is the true path to success. Hand in hand, creativity and validation dance, creating a match made in business heaven.

As for our 2015 restaurant cohort, they did expand and multiply revenue, but the secret sauce wasn't in more seats.

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