Top Tips:
Increasing Restaurant Performance and Profit
Introduction

2013 was a year filled with stories about big data and how it was going to be the solution to every business problem. The issue with big data is that it turned out to be, well…. too big. It was big in hype, complex and so intimidating that few businesses leveraged it.

However, savvy cloud computing companies anticipated this and focused on gathering data from many sources and then delivered it to individuals in a way that was convenient and information rich. Adding context, purpose and actionability to what was formerly 1’s and 0’s.

Looking back at 2013, two themes arise. The first was why and how restaurants can better gather data about themselves and the second was how the latest technology can be used to leverage data to increase the profitability and success of their locations.

What follows is our top blog posts from 2013, the ones that attracted the most social media shares, the best feedback and rang true with our clients. We hope you enjoy them.
Increasing Restaurant Performance and Profit

Where, Why and What Kind of Data does a Restaurant Need?

**Does your restaurant lack business intelligence?**

Each week, restaurant owners, operators and/or managers do many repetitive and highly manual tasks. For example: creating schedules, ordering inventory, receiving and reconciling orders. They also spend hours reviewing sales data, food costs, labor reports and vacation requests. In many cases, each is on a separate spreadsheet and saved on an office computer. Most managers we speak with admit to having 5-10 different spreadsheets to track and access the information they need to do their job.

**Why?**

We usually hear, “*because that’s the way we’ve always done it*” or “*it’s my system*”.

**There is a better way.**

In other industries, the concept of inputting and calculating key business data on separate spreadsheets would seem absurd. Other multi-million dollar businesses use Customer Relationship Management (CRM) platforms as the hub for all information and activity. In some cases, larger organizations also use Enterprise Resource Planning (ERP) systems to manage: scheduling, goal setting, review performance, order and track inventory and monitor sales and billing. And, an increasing majority of these systems are cloud based – ensuring scalability, mobility and security.

Companies operating restaurants or multiple restaurants, franchises and brands are multi-million dollar businesses. It’s time to start leveraging technology to increase access and share data in real-time; to improve business processes and create a “single source of truth” for the organization.

**What is your “single source of truth”?**

For example, at LIVELENZ we pay monthly subscription fees to manage our customer information, support platform, email, marketing and even hosting our website. All of these services are cloud-based and all are integrated. Reporting is done in one platform; it’s accessible from anywhere, and our
leadership team all see the same, up-to-the-minute, data for sales, customer support, marketing activity, sales pipeline, website traffic and employee information.

As a restaurant or multi-unit owner/operator (or manager), do you have that same ability? From a single source, can you see real-time information on food costs, inventory, staff schedules and year over year sales comparisons? Can you tell if your individual restaurants are meeting or exceeding their sales goals or over budget on something?

In many cases, multi-unit restaurant owners simply cannot. Quite often, they are running legacy or different Point of Sale (POS) systems at their locations. For example: we have worked with an owner that has three restaurants running two different versions of Aloha, another two running Squirrel and three other locations running a franchisor-mandated POS system. There are now products that can solve the mismatched data and reporting problems of multiple POS systems. Even better – you don’t have to be physically at the restaurant to access the data.

Throw out your spreadsheets! It’s time to start working smarter and harness the power of Business Intelligence.

*Full disclosure: Several LIVELENZ employees are former Salesforce.com CRM employees

Does Real-Time Data Really Matter?

Data is everywhere. There are countless sources of data and information we can pull together to better understand trends, gaps, opportunities for improvement and risk. The challenge we face with this onslaught of available data is what to do with it and how?

These questions are getting much more important with the introduction of business analytics solutions, such as LiveAnalytics and other competitive products in the marketplace. The debate has moved from whether I can get enough data about my business to when do I really need access to the data that is available.

Now savvy business owners want to know:

- Do I need to have business results and data that are in real-time?
- Is end of day, or end of week data and reporting sufficient?
- How could I effectively use data that was available real-time?
Industry and operational best practices have proven that yes, real-time data DOES matter! While end of day, weekly and monthly data can be extremely relevant and effective in identifying business and operational trends, highlighting gaps and providing the basis for predictive modeling, there are various scenarios where real-time data makes all the difference. In considering best practices for the use and access of real-time data, the litmus test is to consider where you can affect real-time changes within the business. Two tangible examples would be sales and labor costs.

Consider the following scenario:

If labor and productivity performance are being calculated as an end of day or end of week report or trend, there are two problems that cannot be easily overcome. One, the results are historical, nothing can be done (the moment has passed). Two, and more importantly, the results don’t show how labor is unfolding through day parts. Where do the peaks and valleys occur in relation to sales and labor through each hour of the day? Access to real-time data, means options and opportunities to affect real-time changes in labor costs.

- Send someone home if sales do not support the current labor mix
- Re-assign labor to non-customer facing tasks
- Move labor to respond to real-time sales activity, such as couponing on the street
- Positively affect labor and/or productivity results by responding to the situation as it is being measured.

In another example, providing real-time data to employees can affect behavior changes. Assume there is a new, Limited Time Offer (LTO) you have high expectations for. You set a target and ask the staff to up sell and cross sell the new LTO. But how do they know how the LTO is performing and if they are above or below the sales target?

By giving them access to real-time data on how the LTO is performing, relative to daily targets, staff have visibility and a baseline from which to work. If the Store Manager sees the metric for LTO performance is below target, they can rally the team and bring focus to the up sell efforts on the fly. Taking it a step further, what if employees could see how other stores in the same territory are doing relative to the LTO sales? A little friendly competition? This focus on how performance is unfolding relative to the “other guy” drives human behavior change and the result is a store working hard to outperform others and exceed sales goals. The net result, higher sales, by using real-time data instead of waiting for the weekly report from your POS system to tell you what a bust that new LTO turned out to be.

Real-time data forces us to think about the business and how we respond to the ebb and flows that occur. And above all else, real-time data gives us a barometer or benchmark to understand exactly where the ebb and flows are occurring and what immediate actions can be taken to respond. Don’t underestimate the power of real-time data nor the financial returns it can be contribute to.
Brand Specific POS’s: Perfectly Tailored for the Franchisee or the Corporate office?

Brand specific POS systems* are becoming more and more common. In some cases, they are a custom flavor of an existing POS, like PAR’s Subway product. In others, like Little Caesar’s CaesarVision they are a more custom, in-house solution.

At the same time, the relationship between franchisors and franchisees has become more complex. So when brands roll-out their own POS solutions, some restaurant owners may be hesitant to adopt them.

**Common (real and perceived) concerns include:**

- Corporate is using this as another way to extract fees from franchisees
- The system isn’t as well supported or robust as a brand-neutral POS like Micros, NCR or IBM
- Corporate will use the data against franchisees in future negotiations
- Training staff (and management) on a new POS will be time consuming and expensive
- New capital costs for hardware purchases and expensive service contracts will be required
- For franchisees who own restaurants under multiple brands, data will no longer be accessible under a single POS vendor’s cloud dashboard
- No benefit for an existing franchise owner, as their current POS already performs the same tasks

**So why would anyone want a corporate POS?**

- The customization is already done. You sell “Bob's Ribstickers” good news, those are already programmed into the system in all three sizes
- Reporting to head office is easy. Owners don’t have to create special reports, they are likely pre-loaded. In some cases, the regular report required by head office might even submit itself overnight on a weekly basis – saving time and stress.
- In some cases brands charge a fee for their branded POS. However, in others the cost may be “free”, financed for new franchises or built into existing franchise fees
- Gift card processing may be pre-configured
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- Franchisees (and head office) can more easily compare their performance against other locations within the chain

Not every brand provides a single POS option to their franchisees. For many brands, there are multiple options that are approved, sometimes by the corporate office itself or sometimes by a franchise buyer group like Subway’s Independent Purchasing Cooperative (IPC). In these cases, there may be two or more approved options already customized for a brand. This allows flexibility on the part of the franchisee to choose the system that best fits their budget, store size and on-premises service/support needs. Often though, having more than one customized POS option to choose from is a luxury afforded only to franchisees of larger brands.

*Disclosure: LiveLenz software is POS agnostic. However, we are a Franchise Technologies Inc (FTI) reseller.

Why Staff Hate Using Your POS

I began working in restaurants in the early 90s, a time when you had to memorize a three-digit PLU code for every item on the menu, the barlist and for commands (like pick-ups). At the same time, you didn’t punch a code to log-in, you used a tiny, easy to lose and bizarrely expensive to replace, black plastic key that you inserted into a terminal to enter an order.

In the late 90s, I remember the revelation when I was introduced to my first touch screen POS and was able to press on a “table” to open it up and begin entering an order. It was much more intuitive and made moving to a new restaurant and learning the ropes far easier. It was also an eye-opener, because it was the first touch-screen device I had seen. The fact that information could be inputted to a computer without a keyboard or mouse was a new concept.

Fast forward to now. Most staff at Quick Service and Casual/Fine Dining restaurants have owned a computer their entire lives and have a mobile device they carry with them at all times. They use Gmail, Facebook, Twitter and a large number of apps – all in the cloud, all free. Every day. In many cases they are upgrading to a new device every year and the software is updating itself every month.
The problem?

The issue is that the products they interact with every day, on their laptops, tablets and phones, are more intuitive than almost anything they will find at work. It isn’t a slight on the POS, hardware or software. The fact of the matter is that Google, Apple and others have entire teams ensuring this is the case. Even when something flashier is launched (Square Register for example), odds are the cost of replacing hardware will ensure that after a year or two, young staff find whatever system you have in place now a pain to use. Quite simply, the consumerization of technology and the expectations set by consumer device manufacturers like Apple, are so high, you as a business owner cannot compete.

What to do?

First off, manage expectations and show some understanding when staff find the technology you have on-hand frustrating. Unless your POS has been revamped in the past year or so, they may be able to quickly learn how to use it, but find it to be a painful experience. Imagine forcing someone used to an iPhone to spend their days with an old Palm Pilot.

If you are in the market for a new POS, investigate cloud-based solutions. Most cloud solutions (NCR Silver, Square Register and Intuit POS for example) are less costly to roll-out than traditional ones. In many cases, you purchase the hardware separately (or possibly use hardware you already have on hand) and then pay a monthly fee for each terminal you have online. The benefit of a cloud-based solution is that you can access information easily from remote locations AND the software (check with the vendor) will likely be updated seamlessly. As technology progresses, your POS automatically gets better. No waiting to install new versions or requiring the purchase of an entire new package to get “Version 2013”.

How to Convert Data into Dollars?

How menu engineering helps control food costs and drives sales

One of the largest costs in the restaurant industry is food cost. Unfortunately, food cost also happens to be one of the most difficult operational categories to manage well. Why? It is subject to many external and internal variables – everything from inflation, over-portioning, poor inventory controls, high prep and labor cost, wastage, even employee theft.
What is menu engineering?

Menu engineering is a combination of psychology (such as removing dollar signs, item placement and item description on the menu) and managerial accounting – methodically selecting, costing, pricing and evaluating your menu items to figure out which items have the highest profitability and popularity. One starts by taking the selling price of any item and subtracting the costs to determine the contribution margin. Accurately costing items is a critical, but often overlooked exercise and while the data needed to do so is basic, it can often be difficult to extract from disconnected inventory, accounting and POS systems.

How does menu engineering work?

On the Accounting end, you need to break menu items and recipes down to the penny for portions. That includes delivery costs, carrying costs, food costs (even garnishes and sauces), as well as preparation costs to get the true cost of goods sold. Once this is done, there are further nuances to consider. In this example let’s look at two common menu items.

Take the margin of these two items:

1. A steak sells for $20 that costs $8 = $12 contribution margin, 40% food cost.
2. A soup and salad combo sells for $10 and costs $3 = $7 contribution margin, 30% food cost

Before jumping to the conclusion that you want to sell more steaks (higher contribution margin) or soup and salads (lower food cost), one needs to compare the contribution margin against the popularity of each item and check what associated items are sold with it. While it is desirable that steaks contribute $12 per unit sold, is it possible that soup and salad combos sell five times more units, have a higher table turn-over rate and result in more desserts ordered? Understanding both the profit margin, associated costs and revenue of and top selling items allows owners and managers to slot each menu item into one of four categories:

- **Stars**: High profit and high popularity. Give these items preferential treatment on your menu, run promotions and incent staff to recommend them.

- **Dogs**: Costly items to produce, and they don’t sell well. De-emphasize or get these off the menu completely and replace with better performing and more profitable dishes. Unfortunately there are often other considerations in carrying these items; for example dietary or faith-based concerns.

- **Workhorses**: Consistent sellers, but low profit per unit. These items are where opportunity lies. Dive deeper into production and food costs to find a way to produce a cheaper product without sacrificing what makes it popular. Conversely, it may be that sales will be relatively unaffected by a price change and an increase is in order.
Challenges: High profits, but poor sales. In some cases, these deserve a better spot on the menu, a renaming or a merging with other items. In many cases though it may be tough to move the needle. Only a certain type of customer will ever order steak, a fish special or a triple patty burger. Would a lower price make a difference? Is it something that your staff isn’t promoting because it is difficult or slow to serve? Do customers that order it even like it?

Menu engineering allows restaurant owners and managers to proactively manage food costs by tinkering with pricing, incenting staff and working with suppliers.

Do Your Customers Feel They Are Waiting Too Long?

Can changing the line improve perceived wait times?

Improving speed of service and reducing wait times are common goals for restaurants. They are of particular importance for QSR's, especially those with a drive-through.

However, it’s not just the actual wait time length that matters. Research shows, most people perceive their wait time to be longer than the actual time spent – meaning there’s room to “correct” that gap and, in doing so, improve customer satisfaction.

There are several things that impact how long a person perceives the amount of time they have spent waiting in a retail setting to be.

1. **Culture:** Some cultures are just better at waiting. The British and Canadians, for example, are very “queue friendly”. Experiments have shown they prefer situations where lining up (rather than people just gathering and then pushing to the front) is encouraged or facilitated. In some conditions, the British, when faced with a crowd waiting for something, will line themselves up – even if there is no indication of where or how.

2. **Distraction and occupation:** People who are distracted don’t perceive the length of time they have been waiting to be as long. Digital menu boards, with entertaining or informative video content can provide a distraction. Providing taste samples can be an effective way to promote menu items and increase impulse purchases. It is easy to understand why a person who is occupied will not feel they are waiting in line as long as someone with nothing to do.
3. **Fairness**: People generally find not knowing which line up to be in stressful. Situations where it is clear where a person should enter the line, which line to enter and what order they will be processed in, reduce uncertainty and people perceive the wait to be shorter. That is why “banker’s” lines (one long line instead of many short ones) can reduce perceived wait time. The person in the line quickly has a good gauge how fast it is moving, the entire line moves quickly (instead of one person clogging the small line you are in) and you know your exact place in the queue.

4. **Signals on length of wait**: People perceive their wait to be less if they have clear signals as to how fast things are going. Digital counters showing what number is being served are helpful. As mentioned above, so are “banker’s” lines.

5. **Size of group waiting**: People who are waiting in ones and twos can perceive the amount of time they have been waiting to be longer than if they are in a crowd. In this case, the “banker’s” line is effective, because you create one long line instead of many short “grocery” style ones that only have one or two people at each.

6. **Where in the process they are**: People who are “in-process” don’t perceive waits to be as long. In general, a person that waited 4 minutes to order and then immediately received a hamburger would find their wait longer than if they ordered after two minutes and waited another two minutes for the same burger.

It’s worth noting that many of these signals are about reducing uncertainty. When people experience uncertainty or unfairness in waiting situations they feel some stress. That stress, even if it’s only a small amount, makes the wait seem longer. Restaurants owners can reduce that uncertainty and perception of unfairness by creating an atmosphere where it is clear whose turn it is next, how long it is taking to be served and ensuring everyone is treated equally.

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### Would You Like to Add Bacon?

**The QSR Up Sell**

Would you like to add bacon? Is this a question your employees are asking your customers? The exact phrasing of the interaction between your frontline staff and your guests is critical in the subtle art of the up sell.

**There are time honored (and still effective) methods of upselling at QSR’s:**

- Asking what combo instead of what item a guest would like. Or responding to the order of a single item with an invitation to add another: “What type of drink will you be having with your burger?” or “would you like fries with that?”
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- Always asking if someone wants to upsize their combo
- Always asking if they would like bacon and/or cheese on their burger, sub or sandwich
- Adding one final item at the end of the line “would like a cookie with that?”

Every franchise owner/operator and manager should be reinforcing this routine and the perfect phrasing with their staff.

At the other end of the interaction is the consumer; caught in the hustle and bustle of the work week, evening errands or weekend to-do lists and on autopilot. They aren’t focusing on in-store marketing promoting the latest “deal”; they are probably playing with their phone or thinking about the thing they have to do next. In fact, when they come to order, they still may not know what they want. The busy, distracted customer is the one who is most open to a suggestion. That is why it is more important than ever to focus on promoting suggestive selling to staff. A customer may want large fries, but it isn’t top of mind until staff suggests it. Those first words staff utter are the “moment of truth” and providing a script for them to practice is part of that success.

This moment of truth is a huge area of opportunity for franchisees and restaurant owners. Small add-on and incremental sales add up to significant revenue increases (and profitability) for restaurants. It can mean the difference between food inventory getting stale and thrown out or bought and enjoyed by your happy and satisfied customer, who, with encouragement, may become a frequent extra cheese buyer.

**How do you get employees to change their behavior?**

A script that all staff are trained on is important. But that is only half the battle; staff still need to be motivated after training. Here are some tips that can be applied to quick service, casual or family dining restaurants settings.

**Restaurant performance improvement tips: Employee behavior**

- **Create friendly competition:** Start a competition between employees on a single shift, at a single location or across multiple stores. Bragging rights can be a great motivation for employees to consistently ask if your customers would like bacon with their sandwich or burger. If you cannot link upselling to a single till or staff member, have shifts compete with each other against themselves (in day-over-day sales competitions).

- **Give incentives:** Put a bonus or prize on the line to generate excitement and get everyone involved dedicated to winning. Employees get the chance to win a prize and you get to increase your sales. Neighboring businesses like movie theaters and big box electronic stores are often open to gift card trades, giving both businesses low-cost staff rewards.
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- **Make it visual:** Keep a score board where all employees can see it and keep it up to date. If multiple stores are involved make store progress visible to all locations.

- **Keep it achievable:** Staff will lose interest quickly if they perceive it’s not possible to reach a goal. Make the goals S.M.A.R.T. – Specific, Measurable, Achievable, Realistic and Timely. Realistic targets and structure rewards ensure that no one is left out of the running, during the early stages, of a contest and there is an achievable outcome for their increased efforts.

Why Do People Choose Your Restaurant Over Somewhere Else?

Is it the location, your menu, a special offer… or is it some thing more than that? Consumers have so many choices today and most food is OK – at least edible. What is your restaurant doing to stand out from the crowd?

We all have a family recipe or favorite dish we love. Just thinking about it brings back memories. (Take a minute, yeah that’s it). We crave it. We have an unreasonable desire for it. We remember not only the taste, but also the person or a memory associated with the dish. My grandmother’s spaghetti always tasted sweeter than other places - she told me her secret ingredient was love - I later found out it was cinnamon, but I still think love made a small difference. Other times, it’s an experience or the environment that creates our craving, not the taste; for example, **Dodger Dogs** or **Fenway Franks**. Out of context, just a hot dog; but in your mind, it’s a taste of your youth, of summer or the family road trip.

I call these special connections secret ingredients. I don’t necessarily mean 11 herbs & spices, a special marinade or an elixir passed down for generations; although, they all can be. I’m talking about a “thing” that makes you stand out from the crowd. Secret ingredients are memorable, they are unexpected, they are remarkable and they become part of your brand or location. They are the reason people choose you over hundreds of other options.

Secret ingredients aren’t gimmicky. They are not advertising campaigns or Limited Time Offers (LTOs). They are created and embraced by staff and customers. Over time, they become part of DNA of the brand – your restaurant wouldn’t be the same without it. There are many great examples of secret ingredients: a signature sauce, secret dish that isn’t on the menu, singing waiters or a boisterous greeting.
Some secret ingredients are entirely different, but have a charm (and remarkability) of their own. Things that are negatives to some are secret ingredients to others. It may be that the décor hasn’t changed since the 1950s, it could be an unusual side dish, it may be a policy of no substitutions. Salvatore’s, a favorite of Livelenz employees, doesn’t allow changes to its pizza toppings. The chef wants the pizza to have a specific taste. If you don’t like an ingredient, order a different pizza. It may seem counter intuitive, but all these secret ingredients make the restaurants remarkable and people go out of their way to choose that restaurant. Having a secret ingredient is the difference of being one of many or one of a kind.

Conclusion

There is no question about the value of data in the food service industry. Restaurants are run on extremely tight margins and solid data can be the edge in reducing food, labor and other costs. The value of data only becomes real when it is presented as information that can be acted upon, with context.

2014 is shaping up to be a year of breakthroughs for restaurants and the use of actionable data. Cloud-based solutions are making that possible, by analyzing data, comparing it against other restaurants world-wide and providing insight to business owners on how to improve profits.

*Are you ready to better leverage the data your business provides everyday to increase profits?*

Speak with one of our Restaurant Performance Improvement experts today or check us out online.

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