

Cost Management FORWARD

that carries you



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The focus of this issue is cost management, and as the title suggests, it is critical to achieving solid bottom line performance. The included articles and commentary look at cost management from a few different perspectives. The key, as I believe you will see from the articles, is you simply cannot take your eye off the ball.

As a result, many organizations have specialists that manage one specific aspect of the business, such as revenue managers, customer service experts, quality assurance staff, labor managers, and food and beverage cost managers, to name a few. However, the departmentalization of revenue and cost management has precipitated distinct approaches, systems, and information that can be too singularly focused and can, in many cases, hinder optimization opportunities.

What I propose is a more integrated approach that leverages information from the different areas. This integrated approach would intertwine system data to enable better decision-making, regardless of the primary purpose of that data. If the data was viewed from more of a multi-dimensional perspective, results could be improved.



One way to do this is by using forecasts that are primarily generated for labor planning and scheduling in other areas. There is no doubt that a more accurate forecast can improve labor schedules and achieve lower operating costs through better efficiencies, but if taken a step further, a forecast by time segment of the day, such as 5, 15 or 30-minute increments, can be even more useful than just in labor scheduling and cost management. Now, let's take a look at how an accurate forecast can impact the overall business:

1. Improved service quality can be achieved by having staff available based on when a customer wants to be serviced (think seated) instead of when the staff is available due to non-pattern related staffing. This improves quality and can reduce queuing, which can lead to higher revenue and higher intent to recommend. Customer satisfaction data can then be viewed by time period to assess service conditions and staffing levels to better understand what is driving perceptions.
2. The use of a forecast coupled with menu distributions can improve the food ordering process by more accurately determining what items are needed and in what quantities. This can reduce dependence on par level ordering, especially for fresh product, thereby improving product quality, reducing waste, and enhancing the customer experience.
3. Waste in fast food operations, where product can only sit for a certain period of time before it is discarded, can be reduced. A better forecast, coupled with item mix, can improve the timeliness of item production, leading to reduced waste and lowered food costs.

These are just a few examples related to a forecast whose primary purpose is better scheduling. Another quick example is the use of menu mix. This is primarily focused on food cost and the generation of what the optimal (standard) cost should be compared to the actual cost. Interestingly, one can use menu mix during different time periods of the day to impact kitchen and front of the house labor needs. If a restaurant defines dinner as 5pm to 12am (closing), staffing for the kitchen will primarily focus on full dinner meals and, therefore, create a specific need for labor. However, if the operation looked at its menu mix from 5pm to 9pm and 9pm to closing, a different picture often arises. More main

courses are ordered until 9pm (higher percent of dinners), and more of the lighter appetizers and desserts are ordered from 9pm to closing. This change in mix and the required work creates a different staffing need, which can result in lower operating costs during the period before closing.

I have only noted a few examples of integrating and cross-utilizing data from disparate systems. There are many other data sets that can be used across multiple departments, such as employee engagement, customer satisfaction based on the meal period, items purchased (think POS data) and many others. In summary, a more holistic view of data and fuller integration can, and will, improve cost management and lead to improved bottom line results.

Hope you all enjoy this edition of FocusED.

Best regards,



Mark

