



Automating Restaurant Inventory Management for Increased Manager Productivity

Give restaurant managers the tools they need to succeed

An eBook by



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Automation isn't Just a Buzzword

The industry is buzzing about automation these days. With labor costs expected to double and the consumer demand for a seamless checkout experience, the focus is on how to automate the front of house with kiosks and mobile payments. But before you go out and buy a hamburger-flipping robot or a drone for food delivery, let's talk about the basic processes that we have yet to fully automate in the back of house.

This ebook will explore the need for modern, mobile inventory management software that helps automate some of the basic tasks that take up the valuable time of your most valued employees. While auto-counting may be a thing someday, it's not here yet. If you can't fully automate the inventory process, you can at least use tools that automate its more cumbersome aspects. Maximum labor output, higher levels of accuracy, and better accountability are possible with a system that automates certain tasks to enable manager productivity and on-the-job success.





Managers Don't Have the Time for Outdated Inventory Management

Restaurant managers are busy people and every minute counts. Fifty-plus hour weeks are not unheard of and burnout is a big contributor to high turnover. While turnover is an accepted reality in the industry, manager retention is proven to be key to repeat customers and happy employees. It's also critical for cost management if you consider that the average turnover cost of a restaurant manager at \$15,271, according to research firm TDn2K.

Manager turnover is a concern when you consider how tedious inventory can be. Quite frankly, it's not a manager's favorite thing to do. It's time-consuming and chains them to the back office desktop. Yet those day-to-day decisions around inventory can define a manager's success or failure as they have a big impact on the bottom line. High operating and food costs are considered the second-largest concern for operators. In fact, 60% of operators say that food costs are a significant challenge, continuously eating away at their profits. Food costs are expected to rise another 3% in 2019, so that concern is not going away anytime soon.

Inventory is a Major Concern for Operators – and Therefore Managers

#2

Major Concern for Operators is High Food Cost

60%

Operators Who Say Food Costs are a Significant Challenge

3%

Rise in Food Cost in 2019

As operators become increasingly concerned about food cost, inventory becomes a key KPI for managers. But too many managers lack modern tools to be truly successful in that area.



The Problem(s) with Spreadsheets

It is hard to believe that with all the technology available to us today that spreadsheet-based inventory processes are still overwhelmingly common. Even when restaurant chains make inventory management technology available to their managers, those systems tend to be antiquated and configured for the corporate office and accounting needs — not the operations team that depends on the tool daily.

When inventory is tracked manually, patterns of waste, theft, and inefficiency fly under the radar. There are lots of reasons to avoid spreadsheets or paper but the most obvious one is those errors can go uncorrected for long periods of time resulting in a string of bad decisions like over or under ordering, increased waste and theft. In fact, a Carnegie Mellon study found that the overall error rate on spreadsheets was an incredible 947%. Yet the biggest reason to not use a spreadsheet for inventory is that unless you are an Excel master, you can't draw a conclusion on your cost of goods sold.

947%
Overall Error Rate
In Spreadsheets

Spreadsheet inventory
errors can lead to:



Over- or under- ordering



Increased food waste



Undetected theft



Spot Counting Increases Manager Efficiency, Accuracy & Accountability

What if you could reduce the number of errors in your inventory process *and* cut the time it takes to count inventory by more than half? Inventory management software solutions with spot count configuration (also known as cycle counting) allow leaders to select items that usually have a high variance or high cost and configure blind counts of those items on a more frequent basis.

A manager may take a full inventory on Monday, then check steaks on Tuesday and champagne on Friday. By spot counting inventory or only counting certain portions of it at a time, managers can avoid spending hours doing numerous full inventory counts that can drag late into the night.

According to Hospitality Technology's 2018 Restaurant Technology Study, increasing productivity was a key driver for new IT purchases. By automating the spot count selection, and therefore reducing count time, operators can:



Reduce labor and food cost



Prevent errors common in manual processes



Give managers time back in their day to focus on the customer





Alerts Help Find Mistakes and Fix them on the Spot

Alerts are nothing new and every system sends them. The problem is when alerts and notifications become noise — if they are too frequent or don't provide actionable information. Modern inventory management should offer the ability to configure alerts to focus on the exceptions, not the everyday occurrence. Operators need the ability to set thresholds on an acceptable variance or level of on-hand product.

For instance, if a manager is receiving product from a vendor and the order is short, the system should alert the manager on the spot that they will not have enough product based on expected sales volume for the week. The ability to take corrective action at that moment within the same application is key. This type of automation helps to drive favorable behavior and decisions at the store level.



Automate Forecast Generation for Operational Consistency

It's really hard to predict an outcome. If it wasn't, most of us would be in Vegas right now instead of "in the weeds." What we know to be true at HotSchedules is that forecasting is a non-negotiable part of restaurant management. So why don't all managers do it? That's a complicated question that HotSchedules is uniquely positioned to dive into since we support close to 40,000 restaurant locations with their labor-management efforts today. We find that roughly 30% of managers don't consistently run a forecast to make staffing decisions even though they have the tools to do so.

More often than not, restaurant managers rely on the "gut algorithm" to make decisions. Rather than trust a computer-generated or corporate-driven forecast, they make predictions based on their tenure and experience.

So what if the forecast was served up to your managers based on pre-configured corporate goals and objectives? Automation of the forecast ensures that best practices are followed consistently throughout the organization and saves the manager significant time by replacing manual work.

The impact of an inaccurate forecast is far-reaching and can have a domino effect on the business. From product ordering to waste management — automated forecast generation results in the following benefits:



Reduced Cost of Goods Sold (COGS): When managers order based on forecasted demand instead of intuition, the result is less waste and higher levels of accuracy.



Accurate Ordering: Inventory solutions should consider anticipated demand, on-hand inventory, historical sales, and pre-configured PAR levels into consideration to automatically generate a suggested order.



On-Target Production: Automatically create a production schedule to meet demand with pre-defined time frames eliminating extra work that results in waste.



Transparency is Key to Data-Driven Decision Making

For clarity and fast response, managers need to easily access and understand the critical metrics that impact profitability. While dashboards are fairly common in back-office systems, the ability to drill into the details without combing through dozens of data points to draw conclusions is not.

Managers make daily decisions such as how much product to order or how to adapt the schedule to meet the demands of a last-minute catering order. Wouldn't it be great if they could rely on a single application to not only view the data to support those decisions but also reflect on the shift and communicate plans for improvement?

Consolidated planning tools and dashboards provide context for managers when making decisions. A major change in the forecast could be explained by a store log entry. An adjustment to a standard order could be based on a promotion that was recently added to your store calendar. Imagine if restaurant managers could spend more time REVIEWING your data, taking action on insights, and optimizing business performance rather than searching for clues and running hard-to-comprehend reports from yet another system. Ideally, a modern inventory solution should empower managers to:



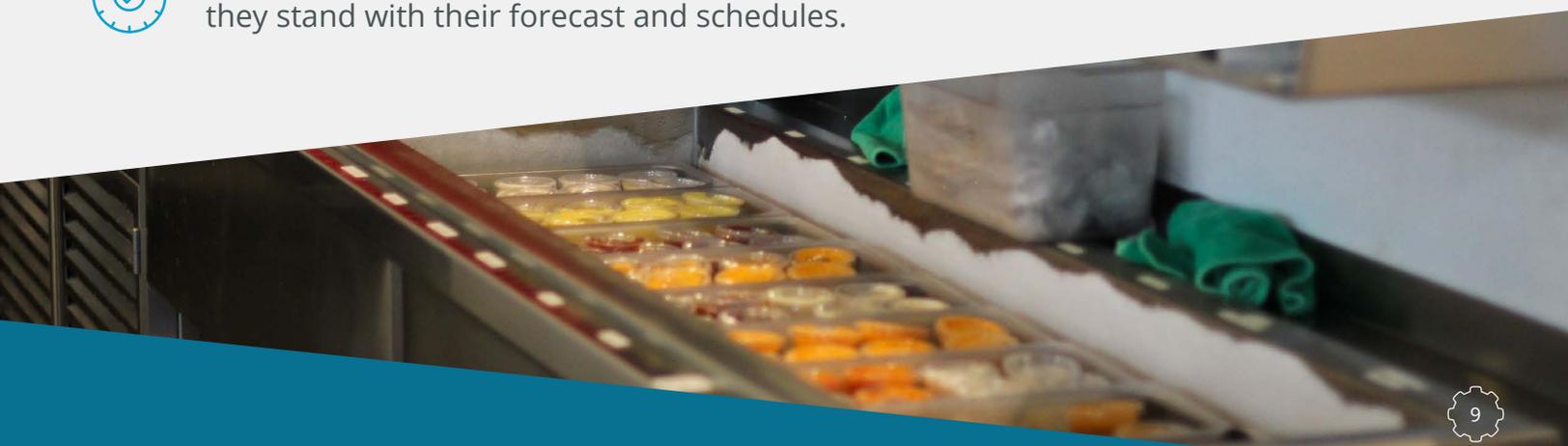
Easily review forecast adjustments and the associated impact creating a continuous feedback loop and opportunities for coaching.



Drill into specific detail on critical items — e.g. “what are my top 10 waste areas?” — and communicate corrective action plans immediately.



View KPIs at-a-glance that present hourly data updates to know where they stand with their forecast and schedules.



Summary

There's a definite need for more agile restaurant technology. Some of the first innovations in restaurant tech set out to mediate the challenges created by food cost, waste and inventory management — but there's been a lag in development over the years. Restaurant leaders are looking for more nimble ways to drive inventory best practices across management teams. There's also a need to understand where issues are happening on a global scale — intuitive reporting and heightened visibility to get better controls over food costs and waste continues to be a problem that modern technology can solve.

According to Donald Burns, The Restaurant Coach, one of the primary reasons that managers quit is that they were not properly prepared for the position. Lack of managerial training can easily turn into the problem that keeps on giving. Without the tools necessary to handle time management and be successful at their jobs, managers fall into a trap of working too many hours, which leads to a poor work-life balance.

A modern inventory management system should reduce the time drain and simplify these processes resulting in improved manager performance and job satisfaction:



Streamline the counting process for reduced errors and better use of the manager's time.



Alert managers to exceptions without overloading them with a lot of unnecessary noise.



Improve operational consistency and decision-making processes with automated forecast generation and consolidated planning tools.



Automatically generate orders and view reporting that provides key insight into how their business can operate more effectively all from an integrated, easy-to-use interface.

To learn more about how HotSchedules can help you control your food costs and optimize revenue, [contact us today!](#)



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